

**STAFFORD COUNTY, VIRGINIA**  
**COMPREHENSIVE**  
**ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR 2011**



**(July 1, 2010 - June 30, 2011)**

**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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# **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 19, 2011

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) 2011 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, 2011, 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, 2011, 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. Robinson Farmer Cox Associates performs an audit for the School Board. In addition, the County's auditor reviews the School Board audited financial statements. The School Board 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. More than 1,000 students were enrolled in these programs during 2010-2011. In August 2009, Germanna Community College opened a technology center, designed for workforce development, 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 1<sup>st</sup>. 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 30<sup>th</sup>, the budget is legally enacted through passage of an appropriations resolution. This resolution places legal restrictions on expenditures at the department level. Budget-to-actual comparisons are provided in this document in the 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.

#### **Internal Control**

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.

#### **Accounting System**

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 restrictions, commitments or assignments 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. Restricted fund balances are legally restricted for specific purposes and are not available expendable resources. Committed fund balances represent amounts set aside by Board of Supervisor action for specific purposes. Board action is required to change the purpose of the set aside. Assigned fund balance represents management's tentative plans for future use of financial resources. Unassigned fund balance represents amounts that may be appropriated for government activities.

During FY 2010 the Board created three new fund balance commitments:

- 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 commitments are in addition to maintenance of unassigned fund balance at policy levels. Use of these funds requires Board appropriation and must be for one-time, non-recurring expenditures. All three commitments were fully funded according to policy guidelines for FY 2011.

The Board's financial policy, *Principles of High Performance Financial Management*, was adopted in FY 2005 and updated in FY 2011. 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 2011 was to strengthen its financial position. The revised policy sets the minimum unrestricted, unassigned fund balance for the General Fund at twelve percent (12%) of General Fund revenues by FY 2015. The goal was met; at June 30, 2011 unassigned fund balance in the General Fund was \$29.1 million or 12% of 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 July 1, 2015. General obligation debt as a percentage of taxable real property assessed value for FY 2011 was 2.44%. 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 10.42% of budgeted expenditures for FY 2011.

Other highlights of the updated policy include a charter for the Finance, Audit and Budget 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 April 19, 2011, the Board adopted the 2012-2017 CIP. It totals \$501.4 million and is comprised of County projects of \$227.4 million, school projects of \$159.4 million and Utilities Fund projects of \$114.6 million. A variety of funding sources including general obligation bonds, revenue bonds, capital leases, grants and General Fund revenues will fund the projects. The non-debt portion of the projects totals \$189.8 million - \$121.2 million for County projects, \$15.0 million for school projects and \$53.6 million for Utilities Fund projects.

The County's five-year financial plan represents the County's attempt to quantify the impacts of future needs matched with a projection of available resources. The plan is presented with detailed assumptions and multi-year operating impacts in a separate section of the budget document. The plan seeks to maintain or enhance budgetary objectives of the Board of Supervisors. Conservative revenue forecasting has enabled the County to meet future targets.

### **ECONOMIC CONDITION AND OUTLOOK**

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

According to the Virginia Employment Commission, Stafford's unemployment rate at June 30, 2011 (through the second quarter of 2011) was 5.2%, while the State of Virginia and national rates were 6.3% and 9.3% 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 300,000 square feet of commercial space is under construction in 2011. There are numerous commercial projects in various stages of development. These key economic indicators have made Stafford a leader in the Commonwealth:

- 2nd highest job growth for localities in Virginia
- 4th highest business growth for localities with more than 2000 establishments
- 7<sup>th</sup> highest median family income among U.S. counties

Stafford County's Department of Economic Development and Tourism, 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:

- Continuation of work on the Board's Ten-Point Economic Development Plan – the Board's strategic plan to grow business in the County
- Re-allocation of resources to a full-time Business Ombudsman/Permitting Process Analyst position
- Adoption of a new Comprehensive Plan
- Adoption of the Master Redevelopment Plan
- Formation of the 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
- Establishment of a partnership (via MOU) with Germanna Community College, the University of Mary Washington, George Mason University and ManTech International to create a research and technology park in Stafford County
- Dedication of Government Island as a National Scenic Heritage Park and Trail

Recognizing that most new jobs and investment in the community come from existing businesses, Stafford continues to focus considerable energy and staff resources on business retention and expansion. A full time Business Retention and Expansion Manager visits over 100 County businesses a year to seek feedback on the local business climate. A formal survey is also conducted every other year to gauge outreach opportunities and identify business concerns.

Due to the 2005 Base Realignment and Closure (BRAC) recommendations, Marine Corps Base Quantico (MCBQ) continues to undergo a large expansion. Military investigative agencies began relocation of approximately 2,700 jobs to a new facility in Stafford County in the spring of 2011, and a second office building is under construction to accommodate the anticipated ripple effect.

The County is also focusing on redevelopment activities in several of Stafford's key gateways. These areas include commercial and industrial properties in the northern, central and southern sectors of the County. The northern area, located near the MCBQ at Boswell's Corner, has been planned to attract defense related contractors. Two Class-A office buildings have been built and are fully leased, and two more are under construction in the Quantico Corporate Center. A federal grant has been secured and design work to address traffic concerns in the areas outside of the Base is underway.

The central Courthouse sector includes a variety of retail, government and health care facilities. The Town Center at Aquia, located just north of the central Courthouse area, will undergo complete redevelopment from an older strip retail center into a mixed-use retail, office, entertainment and residential center. The first office building is complete with a nationally recognized defense contractor as the major tenant and planning continues for the residential, office and retail components of this project. The historic Courthouse area, where government services are currently provided, is envisioned as a pedestrian-friendly community center with both retail and cultural facilities. As a first step in advancing redevelopment activities in this area, the County has been awarded four grants, totaling approximately \$2.2 million, for streetscape. Stafford Hospital Center, a full service, 100-bed acute care facility, is also located in the Courthouse area although the impact of the facility goes beyond the hospital itself. With an adjacent medical office building constructed and awaiting tenants, along with longer-term expansion plans for the hospital campus, future development is expected to generate supporting businesses for the area.

The Falmouth area in south Stafford provides an opportunity to preserve and enhance an historic riverfront community. Access to Falmouth is currently via a congested portion of US Route 1; however, transportation improvements and an updated intersection are underway, thanks to funding from the Virginia Department of Transportation for this estimated \$20 million project. Bike and pedestrian trails are proposed for the Falmouth district as a means of linking the area to other area historic sites.

The southern business corridor, "Southern Gateway" 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, light industrial and retail space, helping to provide for employment opportunities in this section of the County. Adjacent retail centers are anchored by nationally recognized businesses, serving both business and residential populations located in the area. The concept for future development and redevelopment of the Southern Gateway is for a town center-style project.

Transportation issues continue to be addressed in all areas of the County. In North Stafford, design to widen a major transportation corridor (Rt. 610) is underway. The reconfiguration of the I-95 interchange at Exit 140 in central Stafford is in the design phase. In south Stafford, preliminary engineering for the widening of Route 17 to accommodate future development is underway. Planning continues for the leveraging of local, state, federal and private resources to facilitate needed improvements.

Efforts continue to enhance and expand the tourism sector of our economy. Marketing tools include the Stafford Visitor Center, a tourism website, a comprehensive brochure highlighting the many historical and recreational venues, and participation in both State and regional tourism activities and organizations. During 2011 the County completed work at Government Island, a national scenic heritage park and trail area. That area is now open for public use. In addition, grants have been sought to begin educational programming and development of other 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 2011 budget was adopted in April 2010, 7% of the operating budget for schools and county departments was withheld from appropriation. Only necessary appropriations were made after a comprehensive mid-year review. This practice was used for FY 2012 as well, with a 5% appropriation hold. Appropriation of the withheld budget will be considered after a mid-year review of financial position and if revenue is projected to support it.

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

In November 2008, Stafford voters approved a local bond referendum for the issuance of a maximum of \$70 million general obligation debt to finance road improvement and transportation enhancement projects. Project implementation is underway.

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. Project implementation is underway.

Significant progress has been made on several projects financed by the 2008 lease revenue bonds. Construction of a regional library branch to serve residents in the southern area of the county was completed on time and under budget in October 2010. Site remediation and design of a courthouse annex building for court services functions (Commonwealth's Attorney offices and district court offices) were completed. Construction began in Fall 2011.

The County's Water and Sewer Utility Fund was awarded \$8 million in State grants to upgrade its Aquia and Little Falls Run wastewater treatment facilities. Work has been completed at both facilities. Construction of the earthen dam for the new Rocky Pen Run Reservoir began during FY 2011. Solicitations for reservoir construction will be during FY 2012.

## **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, 2010. This was the County's twenty-ninth 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-three years, including the 2011 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 FY2011, please refer to the Management's Discussion and Analysis, located in the Financial Section of this document.

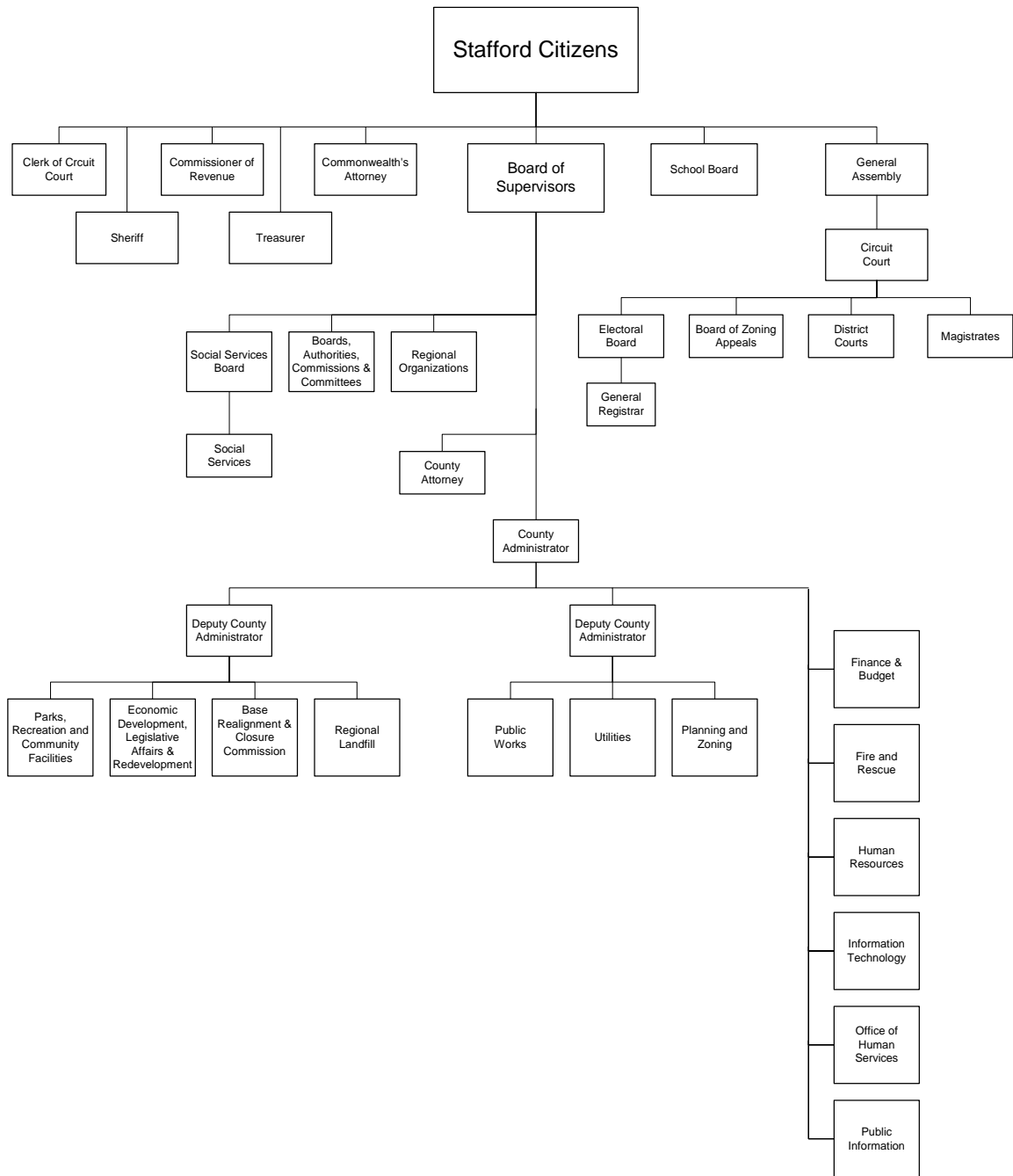
## **ACKNOWLEDGEMENTS**

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 Department, the School Board Financial Services staff, the Commissioner of the Revenue and the Treasurer. All of these individuals have our sincere thanks and appreciation for the timeliness and high quality of work reflected in this report.

  
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Anthony J. Romanello  
County Administrator  
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Maria J. Perrotte  
Chief Financial Officer

# COUNTY OF STAFFORD, VIRGINIA



COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS

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**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)

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**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
Charles L. Shumate	County Attorney
J. Robert Brown	Fire Chief
Nancy A. Collins	Budget Division Director
Harry L. Critzer	Director of Public Utilities
Keith C. Dayton	Director of Public Works
Joseph K. Gilkerson	Human Resources Administrator
Jeffrey A. Harvey	Director of Planning and Community Development
Christopher J. Hoppe	Director of Parks, Recreation and Community Facilities
Michael J. Muse	Director of Social Services
David W. Noel	Director of Information Technology
Maria J. Perrotte	Chief Financial Officer

# 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, 2010

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



A stylized, handwritten signature in black ink, appearing to read 'Jeffrey R. Emer'.

President

A stylized, handwritten signature in black ink, appearing to read 'Jeffrey R. Emer'.

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, 2011, 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, 2011, 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.

As discussed in Note 1.M, to the basic financial statements, the County adopted the provisions of *Governmental Accounting Standards Board* ('GASB') Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions during the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011, 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 and schedules, 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, Bohart & Holland, L.L.P.*

Richmond, Virginia  
December 19, 2011

## 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, 2011. 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 \$172.3 million (*net assets*).
- The County's total net assets increased by \$37.5 million, with governmental activities increasing by \$28.7 million and business-type activities increasing by \$8.8 million.
- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$76.9 million. Of the \$76.9 million, \$29.1 million is available for spending at the County's discretion (*unassigned fund balance*).
- The County's net general government debt decreased by \$4.4 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 \$9.2 million of VPSA debt for school renovation projects and \$8.7 million in capital leases to complete financing of the radio communication system project. The County's Water and Sewer Fund (business-type activity) refunded its 1996 revenue bonds with \$2.2 million refunding bonds.

### 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 eleven 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 eight County funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major 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 non-major 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 \$172.4 million at the close of fiscal year 2011. By far, the largest portion of the County's net assets (\$317.1 million) reflects its investment in capital assets net of depreciation (e.g., land, buildings, vehicles, distribution and collections systems, and equipment); less any related 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 (\$15.6 million) represents resources that are subject to external restrictions on how they may be used. These restrictions include debt service, construction and maintenance, grants 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 \$117.8 million net asset deficit, \$248.8 is related to debt for school property and equipment.

The net \$8.8 increase in business-type activities net assets includes \$5.5 million increase in donated capital assets accepted into the water and sewer utility system and a \$1.5 million decrease in net operating losses.

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, 2011 and 2010  
(\$ in millions)

	Governmental Activities		Primary Government Business-Type Activities		Total Primary		Component Unit	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Assets:</b>								
Current and other assets	\$ 151.8	\$ 132.8	\$ 59.8	\$ 78.0	\$ 211.6	\$ 210.8	\$ 91.3	\$ 82.9
Capital assets (net)	<u>185.2</u>	<u>172.5</u>	<u>281.9</u>	<u>256.4</u>	<u>467.1</u>	<u>428.9</u>	<u>368.1</u>	<u>373.9</u>
Total assets	<u>\$ 337.0</u>	<u>\$ 305.3</u>	<u>\$ 341.7</u>	<u>\$ 334.4</u>	<u>\$ 678.7</u>	<u>\$ 639.7</u>	<u>\$ 459.4</u>	<u>\$ 456.8</u>
<b>Liabilities:</b>								
Other liabilities	\$ 94.1	\$ 89.5	\$ 17.4	\$ 14.2	\$ 111.5	\$ 103.7	\$ 48.6	\$ 50.0
Long-term liabilities	<u>360.7</u>	<u>362.3</u>	<u>34.1</u>	<u>38.9</u>	<u>394.8</u>	<u>401.2</u>	<u>28.5</u>	<u>19.6</u>
Total liabilities	<u>\$ 454.8</u>	<u>\$ 451.8</u>	<u>\$ 51.5</u>	<u>\$ 53.1</u>	<u>\$ 506.3</u>	<u>\$ 504.9</u>	<u>\$ 77.1</u>	<u>\$ 69.6</u>
<b>Net assets:</b>								
Invested in capital assets,								
Net of related debt	\$ 73.3	\$ 63.3	\$ 243.8	\$ 214.3	\$ 317.1	\$ 277.6	\$ 366.0	\$ 371.6
Restricted	1.3	.7	14.3	12.1	15.6	12.8	11.5	-
Unrestricted	<u>(192.4)</u>	<u>(210.5)</u>	<u>32.1</u>	<u>54.9</u>	<u>(160.3)</u>	<u>(155.6)</u>	<u>4.8</u>	<u>15.6</u>
Total net assets	<u>\$ (117.8)</u>	<u>\$ (146.5)</u>	<u>\$ 290.2</u>	<u>\$ 281.3</u>	<u>\$ 172.4</u>	<u>\$ 134.8</u>	<u>\$ 382.3</u>	<u>\$ 387.2</u>

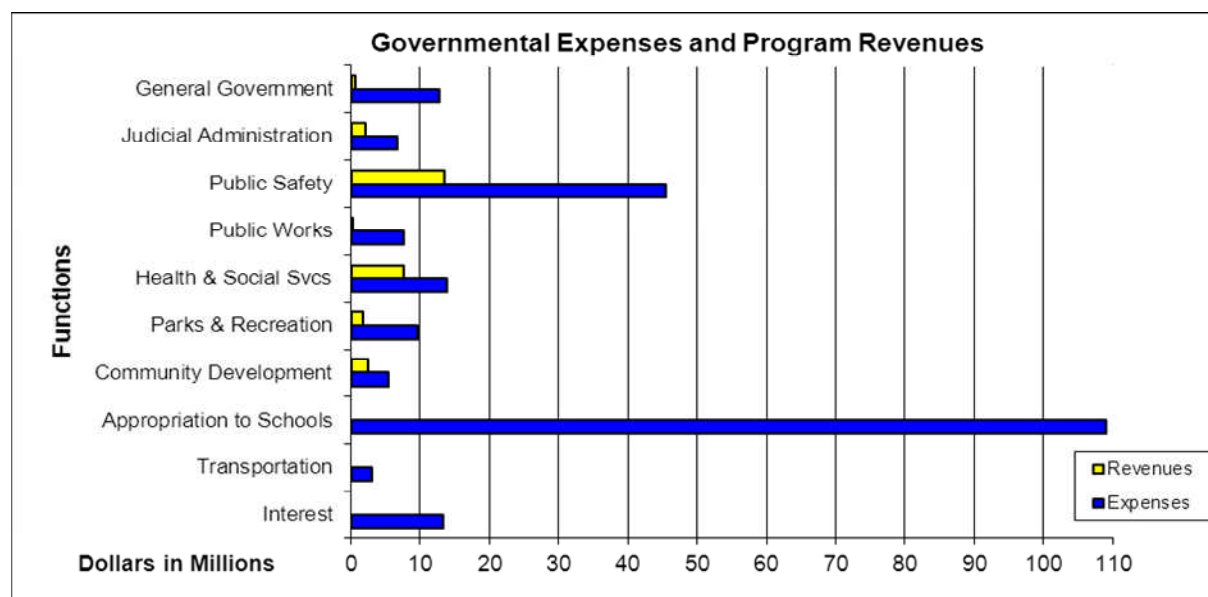
**Statement of Activities**  
**Governmental Activities**

The increase in net assets attributable to the County's governmental activities totaled \$28.7 million for fiscal year 2011. Generally, the change in net assets is the difference between revenues and expenses. For fiscal year 2011 governmental revenues were \$255.7 million and expenses were \$227.1 million. A summary of key elements follows:

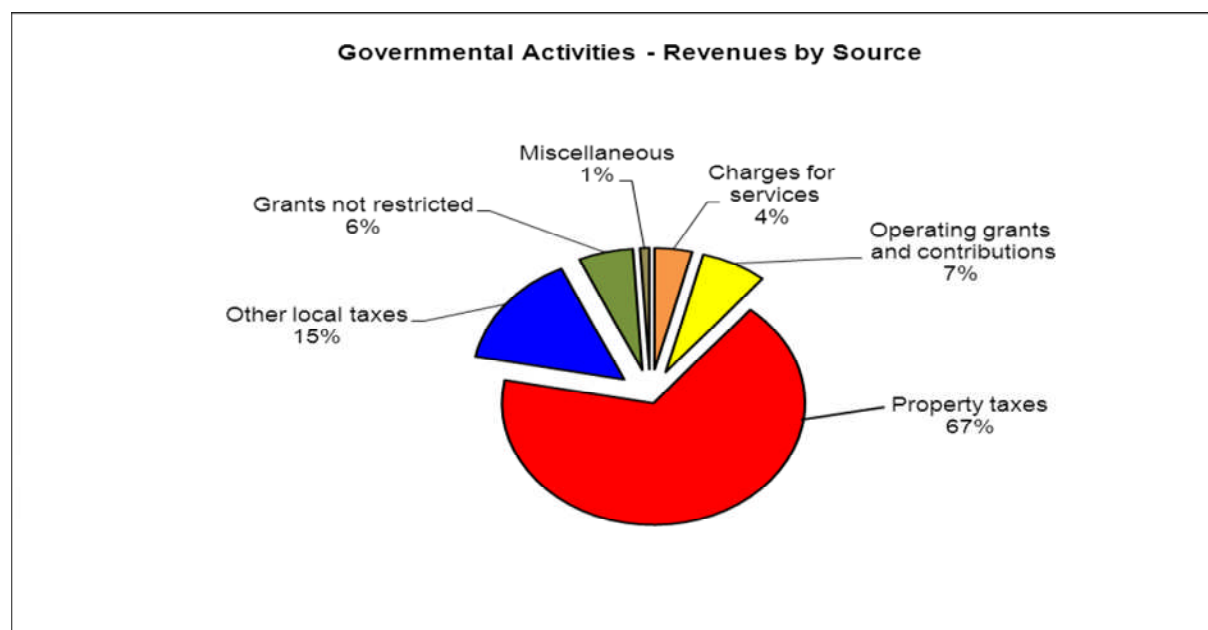
- Revenues decreased \$9.3 million dollars due to the \$17 million decrease in capital grants and contributions. In the prior year there was a one-time donation of land, buildings and equipment from a dissolved park authority.
- Operating grants and contributions increased \$1.7 million. \$1.2 million of this increase was for public safety grants received.
- General property taxes collected were \$172.4 million, an increase of \$4.3 million. The increase was due to higher personal property (vehicle) assessments from citizen purchases of new vehicles.
- Other local taxes increased by \$2.1 million. Fuels taxes recorded an increase of \$1.2 million due to increased gas prices, and sales taxes increased \$519 thousand over the prior year due to consumer confidence.
- Investment earnings continued to decline, reflecting the decline in interest rates.
- Grants and contributions not restricted to specific programs decreased \$500 thousand, reflecting budget cuts from State agencies.

- Expenses for governmental activities recorded a net decrease of \$3.2 million compared to the prior year. \$3.2 million of the decrease was in interest expense, reflecting the pay-off of several debt issues and a credit passed through from the State on a refunding issue. The local appropriation to schools recorded a net decrease of \$400 thousand. This appropriation is in two parts, operations support and proceeds from borrowings for capital improvements. Operations support decreased \$3.8 million, while capital improvements increased \$3.4 million, reflecting efforts to reduce operations costs and address capital needs. The Community Development function includes a tourism component. During FY 2011 significant work was completed on Government Island, (a natural resource/park area) making it accessible to the public.

The following graph compares the County's fiscal year 2011 expenses by function to associated program revenues for governmental activities.



The following graph illustrates the County's fiscal year 2011 governmental revenues by source.



## **Business-type Activities**

The increase in net assets attributable to the County's business-type activities totaled \$8.8 million for fiscal year 2011. 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 2011, resulting in a net loss of \$6.8 million, primarily due to user fees failing to keep pace with operating costs. The net asset increase was primarily due to non-operating 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 2011:

- The Water and Sewer Fund implemented a rate increase of 3% in fiscal 2011 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 \$23.3 million, which were \$672 thousand more than the prior fiscal year. This increase was primarily due to the user rate increase mentioned above, but also includes additional service to new customers.
- Availability and pro-rata fees totaled \$4.6 million which is a \$2.2 million decrease 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 \$2.9 million.
- Donated capital assets (infrastructure completed by developers and accepted by the County) totaled \$7.3 million, a \$5.5 million increase compared to the prior year. This represents infrastructure completed by developers and dedicated to the County.
- Expenses totaled \$30.2 million which were \$819 thousand lower 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, 2011 and 2010  
(\$ in millions)

	Primary Government						Component Unit School Board	
	Governmental Activities		Business-Type Activities		Total Primary			
	2011	2010	2011	2010	2011	2010		
Revenues:								
Program revenues:								
Charges for services	\$ 10.3	\$ 10.2	\$ 23.3	\$ 22.7	\$ 33.6	\$ 32.9	\$ 15.9	\$ 22.0
Operating grants and contributions	18.1	16.4	2.9	3.5	21.0	19.9	160.5	140.1
Capital grants and contributions	-	17.0	12.0	8.6	12.0	25.6	-	-
General revenues:								
General property taxes	172.4	168.1	-	-	172.4	168.1	-	-
Other local taxes	39.0	36.9	-	-	39.0	36.9	-	-
Grants not restricted	15.0	15.6	-	-	15.0	15.6	99.3	103.2
Investment earnings	.1	.2	.5	.9	.6	1.1	-	-
Miscellaneous	.8	.6	.3	-	1.1	.6	1.8	1.8
Total revenues	\$ 255.7	\$ 265.0	\$ 39.0	\$ 35.7	\$ 294.7	\$ 300.7	\$ 277.5	\$ 267.1
Expenses:								
General government	\$ 12.7	\$ 12.3	\$ -	\$ -	\$ 12.7	\$ 12.3	\$ -	\$ -
Judicial administration	6.7	6.7	-	-	6.7	6.7	-	-
Public safety	45.5	45.9	-	-	45.5	45.9	-	-
Public works	7.7	7.3	-	-	7.7	7.3	-	-
Health and social services	13.8	13.7	-	-	13.8	13.7	-	-
Parks, recreation and cultural	9.6	10.1	-	-	9.6	10.1	-	-
Community development	5.5	4.6	-	-	5.5	4.6	-	-
Appropriation to schools	109.0	109.3	-	-	109.0	109.3	281.8	275.3
Transportation	3.1	3.8	-	-	3.1	3.8	-	-
Interest	13.4	16.6	-	-	13.4	16.6	-	-
Water and sewer	-	-	30.2	31.0	30.2	31.0	-	-
Total expenses	\$ 227.0	\$ 230.3	\$ 30.2	\$ 31.0	\$ 257.2	\$ 261.3	\$ 281.8	\$ 275.3
Change in net assets	\$ 28.7	\$ 34.7	\$ 8.8	\$ 4.7	\$ 37.5	\$ 39.4	\$ (4.3)	\$ (8.2)
Net assets (deficit) beginning	(146.5)	(181.2)	281.3	276.6	134.8	95.4	386.6	394.8
Net assets (deficit) ending	\$ (117.8)	\$ (146.5)	\$ 290.1	\$ 281.3	\$ 172.3	\$ 134.8	\$ 382.3	\$ 386.6

## 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 unrestricted, unassigned 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 \$76.9 million, an increase of \$13.5 million in comparison with the prior year. Of the \$76.9 million, \$1.3 million is restricted for grant programs, drug enforcement activities and debt service requirements. Committed and assigned portions of its fund balances are established to indicate plans for use of financial resources. The County reserves portions of its unrestricted fund balances as commitments for specific purposes, such as capital needs, economic development and risk management (\$27.4 million). Commitments include policies and contractual obligations of the governing body (the Board of Supervisors). Assignments represent management's plans for future expenditures and the intent to liquidate purchase orders (encumbrances) of the prior fiscal year. The unassigned portion of fund balance, (\$29.1 million) is available for spending at the County's discretion. The Fund Balance section of Note 1, Summary of Significant Accounting Policies, presents details of the County's governmental fund balance classifications.

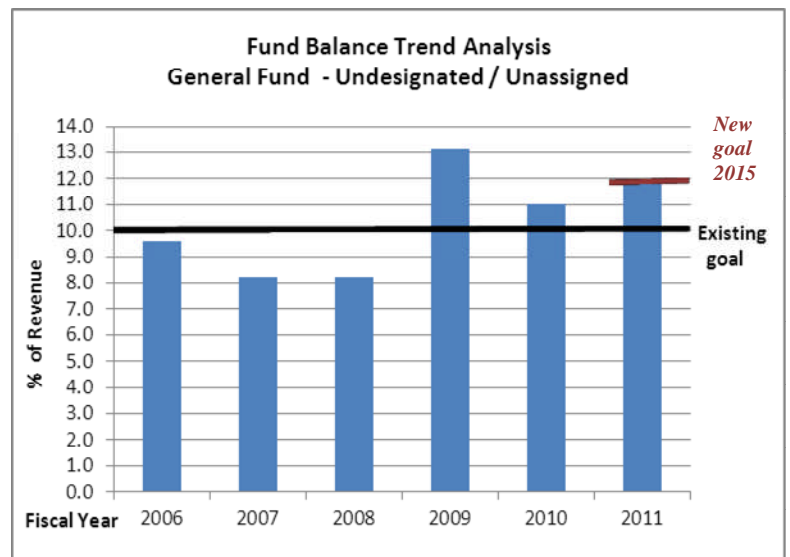
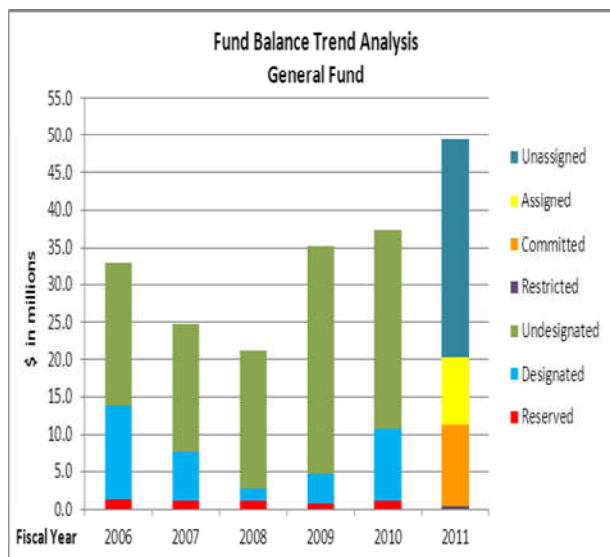
The General Fund is the primary operating fund of the County. The total fund balance of the County's General Fund increased \$12.5 million during fiscal year 2011. This was due primarily to management's commitment to maintain unassigned fund balance at or above stated policy levels frequent, in-depth analysis of revenue collection and expenditure patterns, and conservative budgeting. Of the \$49.5 million, \$569 thousand is restricted for grants programs, \$10.8 million is committed, \$9.0 million is assigned and \$ 29.1 million is unassigned.

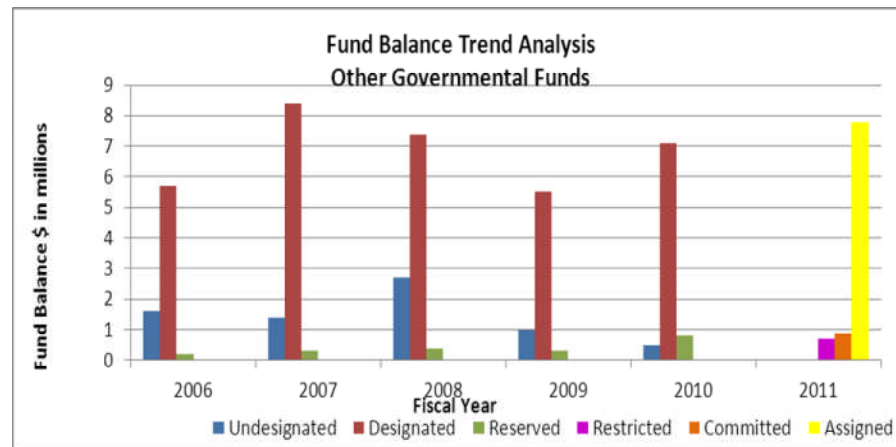
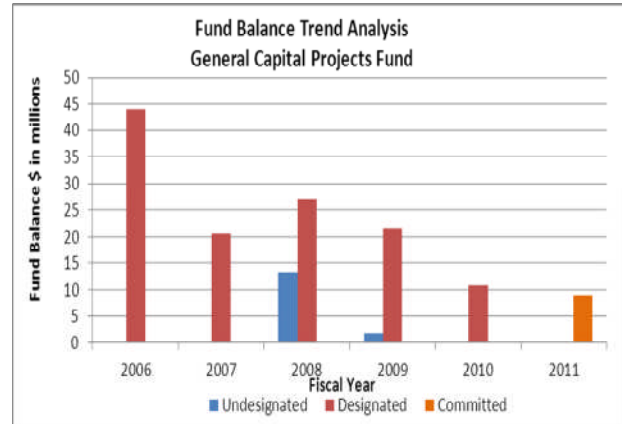
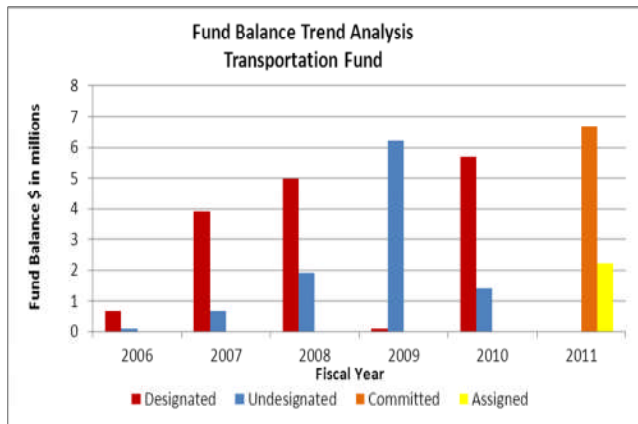
In addition to the General Fund the County has two major governmental funds, the Transportation Fund and the General Capital Projects Fund. Total fund balance for the Transportation Fund at year end was \$8.9 million, an increase of \$ 1.8 million compared to the prior year. Of the \$8.9 million, \$ 6.7 million is committed and \$2.2 million is assigned for specific road improvement projects. The increase in fund balance is attributed to an increase in revenue (fuels taxes and recordation fees dedicated to road improvements) and a decrease in operating expenditures.

Total fund balance for the General Capital Projects Fund at year end was \$8.9 million, a \$1.9 million decrease compared to prior year. The County completed construction of a library building early in the fiscal year. The entire fund balance is committed to projects funded with lease revenue bond proceeds.

The County also has eight non-major governmental funds. In total, fund balance is \$9.4 million, a \$1.1 million increase compared to prior year. Of the \$9.4 million, \$740 thousand is restricted for debt service and drug enforcement activities, \$896 thousand is committed for contractual obligations related to each fund's purpose, and \$7.8 million is assigned for the various fund purposes.

The following graphs illustrate fund balance trends for the County's governmental funds for fiscal years 2006 through 2011.





**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 \$8.8 million during fiscal year 2011. Capital assets, net of depreciation and related debt increased \$29.5 million. Restricted net assets increased by \$ 2.1 million and unrestricted net assets decreased by \$22.8 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 \$(4.3) million. This was due to decreases in net capital assets and increases in liabilities. 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 \$9.7 million between the original budget and the final budget. Significant budget amendments included:

- \$3.0 million in re-appropriated encumbrances and incomplete commitments to allow completion of ongoing projects.
- \$1.0 million from capital reserves for purchase of a fire station site.
- \$5.7 million for various state and federal grants.

General Fund revenues, excluding transfers, increased \$8.3 million over the prior year amount. General property taxes increased \$3.5 million due to personal property (vehicles) citizen purchase of new vehicles. Other local taxes had a net increase of \$ 4.4 million due mostly to the merging of a special revenue fund (\$2.3 million) into the General Fund based on the implementation of GASB Statement No.54, an increase in sales taxes (\$519 thousand) and an increase in of meals tax receipts (\$348 thousand). The licenses and permits continue to reflect the overall economy. Use of money and property receipts were nearly the same as the prior year. The "other" category includes several miscellaneous items. The largest among them are recovered costs (\$3.2 million) and fines and forfeitures (\$904 thousand). While there were some decreases in revenues from the State, the net increase in Intergovernmental revenues is the result of grants sought mostly from federal sources.

General Fund expenditures, excluding transfers, recorded a net increase of \$676 thousand compared to the prior year amount. The \$3.4 million increase resulted from the merging of the E-911 department into the General Fund (\$2.6 million) and maintenance of staffing levels. Vacancies in other General Fund departments were either not filled or deferred until late in the fiscal year. Public Works and Parks, Recreation and Cultural expenditures increased due to operations and support of the new library branch building. The Appropriation to School Board decreased \$1.9 million. In the prior year the school division was given an additional \$1 million for employee stipends. The remaining \$941 thousand is school expenditure savings which the Board of Supervisors committed to returning to the school division in FY 2012 to off-set construction of a replacement high school. The decrease in debt service (\$387 thousand) resulted from pay-off of several debt issues.

The following tables compare General Fund revenues and expenditures for fiscal year 2011 with the previous fiscal year.

General Fund Comparison Revenues and Expenditures FY 2010 – FY 2011 (\$ in millions)			
	FY 2011	FY 2010	Increase (Decrease)
<u>Revenues:</u>			
General property taxes	\$ 171.1	\$ 167.6	\$ 3.5
Other local taxes	31.4	27.0	4.4
Licenses and permits	3.4	4.0	( .6)
Use of money and property	.4	.4	-
Charges for services	5.2	5.0	.2
Other	4.4	5.5	(1.1)
Intergovernmental	30.6	28.7	1.9
Total revenues	<u>\$ 246.5</u>	<u>\$ 238.2</u>	<u>\$ 8.3</u>
<u>Expenditures:</u>			
General government	\$ 11.4	\$ 11.8	\$ ( .4)
Judicial administration	6.5	6.5	-
Public safety	45.5	42.1	3.4
Public works	5.0	4.4	.6
Health and social services	13.6	13.6	-
Parks, recreation and cultural	10.5	9.3	1.2
Community development	4.6	4.5	.1
Education	99.4	103.2	(3.8)
Capital outlay	-	.1	( .1)
Debt service	39.9	40.2	( .3)
Total expenditures	<u>\$ 236.4</u>	<u>\$ 235.7</u>	<u>\$ .7</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, 2011, totals \$467million, net of accumulated depreciation. This represents an increase of \$38.2 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 parks land and land for a future fire station.
- Governmental activities construction in progress for a radio communications system upgrade.
- Governmental activities land improvements included various park upgrades, Government Island improvements and road improvements.
- Business-type activities construction in progress included upgrades to two wastewater treatment plants.
- 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 2011. Additional information on the County's capital assets can be found in Note 4.

Change in Capital Assets (\$ in millions)			
	Balance June 30, 2010	Net Additions And Deletions	Balance June 30, 2011
<u>Governmental Activities:</u>			
Land	\$ 45.5	\$ 3.0	\$ 48.5
Other intangible	.6	-	.6
Construction in progress	30.5	11.7	42.2
Capital assets not being depreciated	76.6	14.7	91.3
Land improvements	23.8	2.6	26.4
Buildings and building improvements	85.4	.1	85.5
Furniture, fixtures and equipment	12.3	(.5)	11.8
Vehicles	15.1	.4	15.5
Capital assets being depreciated	136.6	2.6	139.2
Less accumulated depreciation	( 40.7)	( 4.7)	( 45.4)
Net capital assets being depreciated	95.9	( 2.1)	93.8
Governmental activities capital assets	\$ 172.5	\$ 12.6	\$ 185.1

Change in Capital Assets (\$ in millions)			
	Balance June 30, 2010	Net Additions And Deletions	Balance June 30, 2011
<b><u>Business-Type Activities:</u></b>			
Land	\$ 18.7	\$ .1	\$ 18.8
Other intangible	3.9	.1	4.0
Construction in progress	<u>56.1</u>	<u>10.3</u>	<u>66.4</u>
Capital assets not being depreciated	<u>78.7</u>	<u>10.5</u>	<u>89.2</u>
Land improvements	.4	-	.4
Buildings and building improvements	3.8	.4	4.2
Distribution and collection systems	272.2	24.4	296.6
Furniture, fixtures and equipment	14.4	.4	14.8
Vehicles	<u>2.7</u>	<u>-</u>	<u>2.7</u>
Capital assets being depreciated	<u>293.5</u>	<u>25.2</u>	<u>318.7</u>
Less accumulated depreciation	<u>( 115.9)</u>	<u>( 10.1)</u>	<u>( 126.0)</u>
Net capital assets being depreciated	<u>177.6</u>	<u>15.1</u>	<u>192.7</u>
Business-type activities capital assets	<u>\$ 256.3</u>	<u>\$ 25.6</u>	<u>\$ 281.9</u>

**Long-term debt:** At the end of the current fiscal year, County governmental activities reported total bonded debt outstanding of \$370.3 million. Of this amount, \$259.1 million is debt backed by the full faith and credit of the County. The remainder of the County's debt is secured by specific revenue sources (i.e. revenue bonds). County governmental activities had a net decrease in total debt of \$4.3 million during the fiscal year. Issuances for FY 2011 included \$9.2 million general obligation bonds for school renovation projects and an \$8.7 million capital lease for completion of a radio communications system.

The County's strong wealth and income levels, diverse local economy and moderate debt burden earned an upgrade (AA- to AA) from Standards and Poor. Fitch Ratings and Moody's bond rating remained stable at AA and Aa2, respectively.

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 \$38.1 million at the end of the current fiscal year. These bonds are secured by water and sewer revenues.

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, 2010</u>	<u>Net Increase (Decrease)</u>	<u>June 30, 2011</u>
<u>Governmental Activities:</u>			
General obligation bonds, net	\$ 264.9	\$ ( 5.8)	\$ 259.1
Lease revenue bonds	88.2	( 3.7)	84.5
Capital leases	8.0	6.1	14.1
Other	13.6	( 1.0)	12.6
Compensated absences	<u>6.1</u>	<u>.1</u>	<u>6.2</u>
Total long-term debt	<u>\$ 380.8</u>	<u>\$ ( 4.3)</u>	<u>\$ 376.5</u>
<u>Business-Type Activities:</u>			
Revenue bonds, net	\$ 8.7	\$ (3.9)	\$ 4.8
VRA loans	33.3	-	33.3
Compensated absences	<u>1.1</u>	<u>-</u>	<u>1.1</u>
Total long-term debt	<u>\$ 43.1</u>	<u>\$ (3.9)</u>	<u>\$ 39.2</u>

## Factors Influencing Future Budgets

Key factors that are expected to impact future budgets include:

- Uncertainty of State and Federal revenue sources.
- Board of Supervisor's priorities
- Implementation of the referendum capital projects.
- Citizen demands for maintaining service levels.
- Funding for capital improvements.
- Health care and pension costs.
- Funding the annual required contribution for post-employment benefits other than pensions (OPEB).
- Funding schools operations.
- Human services.

## 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, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	School Board
<b>ASSETS</b>				
Current assets:				
Cash, cash equivalents and temporary cash investments	\$ 105,614,004	\$ 40,369,795	\$ 145,983,799	\$ 33,148,018
Receivables, net of allowance for uncollectibles	25,419,545	4,078,896	29,498,441	9,487,489
Due from primary government	-	-	-	39,913,414
Internal balances	(418,536)	418,536	-	-
Inventory	1,578	575,720	577,298	589,412
Prepays	37,398	-	37,398	-
Total current assets	<u>130,653,989</u>	<u>45,442,947</u>	<u>176,096,936</u>	<u>83,138,333</u>
Noncurrent assets:				
Restricted cash and cash equivalents	14,196,863	14,293,655	28,490,518	8,168,063
Note receivable - Component Unit	1,155,000	-	1,155,000	-
Investment in joint venture	5,427,737	-	5,427,737	-
Financing costs, net of accumulated amortization	1,651,745	127,100	1,778,845	-
Capital assets:				
Land	48,467,060	18,767,295	67,234,355	27,122,597
Construction in progress	42,198,492	66,386,205	108,584,697	4,567,282
Other intangible assets	626,523	3,998,290	4,624,813	-
Subtotal non-depreciable capital assets	<u>91,292,075</u>	<u>89,151,790</u>	<u>180,443,865</u>	<u>31,689,879</u>
Land improvements	26,427,585	423,143	26,850,728	38,036,915
Buildings and building improvements	85,484,556	4,175,025	89,659,581	409,716,574
Distribution and collection systems	-	296,633,077	296,633,077	635,154
Furniture, fixtures and equipment	7,444,933	14,565,650	22,010,583	8,680,933
Technology infrastructure	199,028	43,422	242,450	834,063
Software	4,142,885	195,574	4,338,459	475,255
Vehicles	15,526,944	2,663,420	18,190,364	19,669,894
Less accumulated depreciation	<u>(45,370,969)</u>	<u>(125,992,720)</u>	<u>(171,363,689)</u>	<u>(141,668,706)</u>
Subtotal depreciable capital assets	<u>93,854,962</u>	<u>192,706,591</u>	<u>286,561,553</u>	<u>336,380,082</u>
Total noncurrent assets	<u>207,578,382</u>	<u>296,279,136</u>	<u>503,857,518</u>	<u>376,238,024</u>
Total assets	<u>\$ 338,232,371</u>	<u>\$ 341,722,083</u>	<u>\$ 679,954,454</u>	<u>\$ 459,376,357</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 4,656,109	\$ 2,871,043	\$ 7,527,152	\$ 5,898,668
Retainage payable	221,544	1,652,115	1,873,659	47,873
Accrued salaries and benefits	2,521,768	414,399	2,936,167	37,427,861
Accrued insurance claims	895,700	49,328	945,028	4,396,648
Accrued interest	7,136,160	429,617	7,565,777	-
Arbitrage liability	158,968	266,698	425,666	-
Other accrued liabilities	620,762	9,926	630,688	-
Unearned revenue	2,679,068	-	2,679,068	5,750
Due to component unit	39,913,414	-	39,913,414	-
Deposits	10,669,284	7,477,227	18,146,511	-
Current portion of long-term debt	<u>24,686,693</u>	<u>4,253,179</u>	<u>28,939,872</u>	<u>781,377</u>
Total current liabilities	<u>94,159,470</u>	<u>17,423,532</u>	<u>111,583,002</u>	<u>48,558,177</u>
Noncurrent liabilities:				
Noncurrent portion of long-term debt	351,856,001	34,910,384	386,766,385	8,133,331
Other post-employment benefits	8,796,402	(798,381)	7,998,021	20,402,575
Total noncurrent liabilities	<u>360,652,403</u>	<u>34,112,003</u>	<u>394,764,406</u>	<u>28,535,906</u>
Total liabilities	<u>454,811,873</u>	<u>51,535,535</u>	<u>506,347,408</u>	<u>77,094,083</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	73,303,969	243,840,540	317,144,509	366,030,043
Restricted:				
Debt service	1,290,167	6,792,728	8,082,895	-
Drug enforcement	680,319	-	680,319	-
Construction and maintenance	-	7,500,927	7,500,927	11,479,446
Grants	569,745	-	569,745	-
Unrestricted	<u>(192,423,702)</u>	<u>32,052,353</u>	<u>(160,371,349)</u>	<u>4,772,785</u>
Total net assets (deficit)	<u>(116,579,502)</u>	<u>290,186,548</u>	<u>173,607,046</u>	<u>382,282,274</u>
Total liabilities and net assets	<u>\$ 338,232,371</u>	<u>\$ 341,722,083</u>	<u>\$ 679,954,454</u>	<u>\$ 459,376,357</u>

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

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 12,719,415	\$ 25,964	\$ 563,978	\$ -
Judicial administration	6,735,964	335,598	1,890,125	-
Public safety	45,474,144	6,549,245	6,940,239	-
Public works	7,674,038	71,817	-	49,327
Health and social services	13,783,282	175,902	7,472,568	-
Parks, recreation and cultural	9,659,082	1,806,643	-	-
Community development	5,472,934	1,343,065	1,111,018	-
Appropriation to School Board:				
School operating	99,323,620	-	-	-
School capital projects	8,406,461	-	-	-
Transportation	3,124,991	37,455	139,175	-
Interest	13,427,364	-	-	-
Total governmental activities	<u>225,801,295</u>	<u>10,345,689</u>	<u>18,117,103</u>	<u>49,327</u>
Business-type activities:				
Water and Sewer	<u>30,216,044</u>	<u>23,348,476</u>	<u>2,914,691</u>	<u>11,958,913</u>
Total primary government	<u>\$ 256,017,339</u>	<u>\$ 33,694,165</u>	<u>\$ 21,031,794</u>	<u>\$ 12,008,240</u>
<b>Component unit:</b>				
Stafford County School Board	<u>\$ 281,858,250</u>	<u>\$ 17,282,725</u>	<u>\$ 55,909,788</u>	<u>\$ 8,411,858</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

Basic aid

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
\$ (12,129,473)	\$ -	\$ (12,129,473)	\$ -
(4,510,241)	-	(4,510,241)	-
(31,984,660)	-	(31,984,660)	-
(7,552,894)	-	(7,552,894)	-
(6,134,812)	-	(6,134,812)	-
(7,852,439)	-	(7,852,439)	-
(3,018,851)	-	(3,018,851)	-
(99,323,620)	-	(99,323,620)	-
(8,406,461)	-	(8,406,461)	-
(2,948,361)	-	(2,948,361)	-
(13,427,364)	-	(13,427,364)	-
(197,289,176)	-	(197,289,176)	-
-	8,006,036	8,006,036	-
(197,289,176)	8,006,036	(189,283,140)	-
			\$ (200,253,879)
172,389,860	-	172,389,860	-
10,318,717	-	10,318,717	22,459,885
5,181,825	-	5,181,825	-
8,983,693	-	8,983,693	-
2,450,070	-	2,450,070	-
354,079	-	354,079	-
2,956,522	-	2,956,522	-
1,274,760	-	1,274,760	-
5,949,285	-	5,949,285	-
42,000	-	42,000	-
1,103,218	-	1,103,218	-
319,308	-	319,308	-
-	-	-	73,735,359
15,019,020	-	15,019,020	99,323,620
116,813	514,145	630,958	22,090
722,730	317,207	1,039,937	413,020
227,181,900	831,352	228,013,252	195,953,974
29,892,724	8,837,388	38,730,112	(4,299,905)
(146,472,226)	281,349,160	134,876,934	386,582,179
\$ (116,579,502)	\$ 290,186,548	\$ 173,607,046	\$ 382,282,274



COUNTY OF STAFFORD, VIRGINIA

Exhibit III

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Equity in pooled cash and investments	\$ 93,284,837	\$ 3,056,232	\$ -	\$ 8,575,314	\$ 104,916,383
Restricted assets:					
Cash	5,809	-	-	757,785	763,594
Cash with fiscal agents	-	4,299,040	9,831,850	-	14,130,890
Receivables, net of allowance for uncollectibles:					
Property taxes	14,955,642	-	-	82,138	15,037,780
Accounts	3,095,185	223,574	780	134,562	3,454,101
Note - Component Unit	-	-	1,230,000	-	1,230,000
Intergovernmental	5,347,100	1,471,008	-	34,556	6,852,664
Due from other funds	-	-	-	1,558	1,558
Inventory	1,578	-	-	-	1,578
Prepaid expenditures	37,398	-	-	-	37,398
Total assets	<u>\$ 116,727,549</u>	<u>\$ 9,049,854</u>	<u>\$ 11,062,630</u>	<u>\$ 9,585,913</u>	<u>\$ 146,425,946</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 3,776,196	\$ 80,581	\$ 736,366	\$ 62,966	\$ 4,656,109
Retainage payable	78,265	5,293	137,986	-	221,544
Deposits	10,669,284	-	-	-	10,669,284
Accrued salaries and benefits	2,503,492	-	12,265	6,011	2,521,768
Other accrued liabilities	620,762	-	-	-	620,762
Due to other funds	420,094	-	-	-	420,094
Due to component unit	39,913,414	-	-	-	39,913,414
Deferred revenue	9,199,085	-	-	64,245	9,263,330
Total liabilities	<u>67,180,592</u>	<u>85,874</u>	<u>886,617</u>	<u>133,222</u>	<u>68,286,305</u>
Fund Balances:					
Nonspendable	38,977	-	-	-	38,977
Restricted	569,745	-	1,230,000	740,486	2,540,231
Committed	9,588,558	6,752,449	8,946,013	896,427	26,183,447
Assigned	10,219,883	2,211,531	-	7,815,778	20,247,192
Unassigned	29,129,794	-	-	-	29,129,794
Total fund balances	<u>49,546,957</u>	<u>8,963,980</u>	<u>10,176,013</u>	<u>9,452,691</u>	<u>78,139,641</u>
Total liabilities and fund balances	<u>\$ 116,727,549</u>	<u>\$ 9,049,854</u>	<u>\$ 11,062,630</u>	<u>\$ 9,585,913</u>	<u>\$ 146,425,946</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, 2011**

**Total fund balances- total governmental funds** **\$ 78,139,641**

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	\$ 230,518,007	
Less accumulated depreciation	(45,370,969)	
Net capital assets		185,147,038

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

6,584,261

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

Investment in joint venture	5,427,737	
Financing costs	2,034,632	
Less accumulated amortization	(382,887)	
		7,079,482

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	(84,470,000)	
General obligation bonds	(259,869,105)	
Literary loans	(4,172,633)	
Capital leases	(14,138,137)	
Compensated absences	(6,237,027)	
Deferred amounts for bond premiums	(7,686,767)	
Deferred loss on refunding	30,976	
Arbitrage liability	(158,968)	
Accrued insurance claims	(895,700)	
Interest payable	(7,136,161)	
Net other post-employment benefits obligation	(8,796,402)	
		(393,529,924)

**Net Assets (Deficit) of Governmental Activities** **\$ (116,579,502)**

*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, 2011**

	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
General property taxes	\$ 171,086,214	\$ -	\$ -	\$ 1,303,646	\$ 172,389,860
Other local taxes	31,443,078	5,181,825	-	1,594,068	38,218,971
Permits, privilege fees and regulatory licenses	3,368,355	-	-	-	3,368,355
Fines and forfeitures	904,319	-	-	-	904,319
Use of money and property	384,030	5,587	23,263	16,506	429,386
Charges for services	5,215,357	-	-	3,076	5,218,433
Miscellaneous	3,451,733	-	1,493	3,305	3,456,531
Intergovernmental	30,628,470	853,681	-	301,010	31,783,161
Total revenues	<u>246,481,556</u>	<u>6,041,093</u>	<u>24,756</u>	<u>3,221,611</u>	<u>255,769,016</u>
<b>EXPENDITURES</b>					
Current operating:					
General government	11,447,798	3,671,123	-	-	15,118,921
Judicial administration	6,468,722	-	-	20,984	6,489,706
Public safety	45,502,427	-	-	339,286	45,841,713
Public works	5,009,199	-	212,500	-	5,221,699
Health and social services	13,597,282	-	-	-	13,597,282
Parks, recreation and cultural	10,454,181	-	421,528	-	10,875,709
Community development	4,650,555	-	-	621,902	5,272,457
Appropriation to School Board:					
School operating	99,323,620	-	-	-	99,323,620
School capital projects	112,831	-	8,293,630	-	8,406,461
Capital outlay	10,915	548,826	11,052,292	693,782	12,305,815
Debt service:					
Principal	22,270,756	-	-	25,000	22,295,756
Interest and fiscal charges	17,578,409	-	(10,067)	36,294	17,604,636
Total expenditures	<u>236,426,695</u>	<u>4,219,949</u>	<u>19,969,883</u>	<u>1,737,248</u>	<u>262,353,775</u>
Excess (deficiency) of revenues under expenditures	<u>10,054,861</u>	<u>1,821,144</u>	<u>(19,945,127)</u>	<u>1,484,363</u>	<u>(6,584,759)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	546,767	107,302	1,050,000	6,800	1,710,869
Transfers out	(1,164,102)	(66,767)	-	(480,000)	(1,710,869)
Other miscellaneous non-operating revenue	3,089,662	-	-	-	3,089,662
Issuance of debt:					
Bonds	-	-	9,235,000	-	9,235,000
Bond premiums	-	-	350,984	-	350,984
Capital leases	-	-	8,707,998	-	8,707,998
Loan to Component Unit	-	-	(1,305,000)	-	(1,305,000)
Total other financing sources (uses), net	<u>2,472,327</u>	<u>40,535</u>	<u>18,038,982</u>	<u>(473,200)</u>	<u>20,078,644</u>
Net change in fund balances	12,527,188	1,861,679	(1,906,145)	1,011,163	13,493,885
Fund balance, beginning	<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>
Fund balance, ending	<u>\$ 49,546,957</u>	<u>\$ 8,963,980</u>	<u>\$ 8,946,013</u>	<u>\$ 9,452,691</u>	<u>\$ 76,909,641</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, 2011**

**Net change in fund balances - total governmental funds** **\$ 13,493,885**

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	\$ 19,148,190	
Less depreciation expense	<u>(6,321,295)</u>	
Excess of capital outlay over depreciation		12,826,895

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.

(46,467)

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

Change in joint venture investment	<u>(534,434)</u>	(534,434)
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A loan to the Component Unit School Board is an expenditure in the governmental funds, but the resulting Note increases non-current assets in the Statement of Net Assets

1,230,000

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal 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	(9,235,000)	
Bond premium	(350,984)	
Capital lease financing	(8,707,998)	
Debt issuance costs	30,380	
Arbitrage	551,920	
Principal repayments:		
General obligation debt	19,747,842	
Capital leases	<u>2,547,914</u>	
		4,584,074

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	193,202	
Compensated absences	10,600	
Accrued insurance claims	318,688	
Amortization of premium, financing costs and deferred loss on refunding, net	312,110	
Change in net other post-employment benefits obligation	<u>(2,495,829)</u>	
		(1,661,229)

**Change in net assets of governmental activities** **\$ 29,892,724**

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

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2011**

	Business Type Activity - Enterprise Fund Water and Sewer Fund
<b>ASSETS</b>	
Current assets:	
Equity in pooled cash and investments	\$ 40,369,795
Receivables, net of allowance for uncollectibles	4,078,896
Due from other funds	418,536
Inventory	575,720
Total current assets	<u>45,442,947</u>
Noncurrent assets:	
Restricted cash and cash equivalents	14,293,655
Financing costs, net of accumulated amortization	127,100
Capital assets:	
Land	18,767,295
Construction in progress	66,386,205
Other intangible assets	3,998,290
Land improvements	423,143
Buildings and building improvements	4,175,025
Distribution and collection systems	296,633,077
Furniture, fixtures and equipment	14,565,650
Vehicles	2,663,420
Software	195,574
Technology infrastructure	43,422
Less accumulated depreciation	<u>(125,992,720)</u>
Total capital assets (net of accumulated depreciation)	<u>281,858,381</u>
Other post-employment benefits	798,381
Total noncurrent assets	<u>297,077,517</u>
Total assets	<u><u>\$ 342,520,464</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 2,871,043
Retainage payable	1,652,115
Accrued salaries and benefits	414,399
Accrued interest	429,617
Other liabilities	325,952
Deposits	7,477,227
Current portion of long-term debt	4,253,179
Total current liabilities	<u>17,423,532</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>34,910,384</u>
Total liabilities	<u>52,333,916</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	243,840,540
Restricted:	
Debt service	6,792,728
Construction and maintenance	7,500,927
Unrestricted	<u>32,052,353</u>
Total net assets	<u>290,186,548</u>
Total liabilities and net assets	<u><u>\$ 342,520,464</u></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, 2011**

	Business-Type Activity - Enterprise Fund
	<u>Water and Sewer Fund</u>
Operating revenues:	
Charges for services	\$ 23,348,476
Miscellaneous	317,207
Total operating revenues	<u>23,665,683</u>
Operating expenses:	
Personnel services	10,598,443
Contractual services	2,028,242
Materials and supplies	3,230,837
Heat, light and power	1,458,573
Telecommunication and internal services	1,698,892
Miscellaneous	439,539
Depreciation	10,563,325
Total operating expenses	<u>30,017,851</u>
Operating loss	<u>(6,352,168)</u>
Nonoperating revenues (expenses):	
Interest and investment revenue	514,145
Interest expense	(168,231)
Loss on disposal of capital assets	(29,962)
Total nonoperating revenues, net	<u>315,952</u>
Loss before contributions	<u>(6,036,216)</u>
Capital contributions:	
Donated capital assets	7,333,190
State reimbursement for capital projects	2,914,691
Availability fees	3,473,300
Prorata fees	1,152,423
Total capital contributions	<u>14,873,604</u>
Change in net assets	8,837,388
Total net assets, beginning	<u>281,349,160</u>
Total net assets, ending	<u>\$ 290,186,548</u>

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

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2011**

	Business-Type Activity - Enterprise Fund
	Water and Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 24,008,309
Other revenues	317,207
Other expenses	(527,926)
Payments to suppliers	(5,438,392)
Payments to employees	(10,547,406)
Net cash provided by operating activities	<u>7,811,792</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(28,605,181)
Principal paid on revenue bond maturities	(3,792,730)
Debt retirement	(3,350,000)
Interest paid on revenue bonds	142,554
OPEB trust fund contributions	(300,000)
Proceeds from indebtedness	2,195,000
State reimbursement	2,914,691
Proceeds from sale of capital assets	17,285
Availability fees and prorata fees	<u>4,625,723</u>
Net cash used in capital and related financing activities	<u>(26,152,658)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends on investments	<u>514,145</u>
Net decrease in cash and cash equivalents	(17,826,721)
Cash and cash equivalents, beginning	<u>72,490,171</u>
Cash and cash equivalents, ending	<u>\$ 54,663,450</u>
Equity in pooled cash and investments	\$ 40,369,795
Restricted cash and cash equivalents	<u>14,293,655</u>
Total cash and cash equivalents	<u>\$ 54,663,450</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (6,352,168)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	10,474,938
Increase in OPEB liability	355,774
Change in assets and liabilities:	
Decrease in accounts receivable	416,276
Increase in accrued liabilities	1,008,072
Increase in inventory	(18,730)
Increase in accounts payable	1,664,653
Increase in deposits	243,557
Increase in compensated absences	<u>19,420</u>
Total adjustments	<u>14,163,960</u>
Net cash provided by operating activities	<u>\$ 7,811,792</u>

Supplemental disclosure of noncash capital and related financing activities:  
The Water and Sewer Fund received donated assets in 2011 valued at \$7,333,190.

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

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2011**

	<u>Agency Funds</u>	<u>Post-employment Trust Fund</u>
<b>ASSETS</b>		
Current assets:		
Cash and short-term investments	\$ 3,257,540	\$ 3,550,387
Receivables:		
Property taxes	1,625,288	-
Accounts	370,984	-
Total assets	<u>\$ 5,253,812</u>	<u>\$ 3,550,387</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 275,093	\$ -
Accrued salaries and benefits	53,070	-
Other liabilities	45,331	-
Reserve for future expenses	1,781,950	-
Reserve for bondholders	3,098,368	-
Total liabilities	<u>\$ 5,253,812</u>	<u>-</u>
<b>NET ASSETS</b>		
Held in trust for other post-employment benefits		<u>\$ 3,550,387</u>

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



**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**POST-EMPLOYMENT TRUST FUND**  
**YEAR ENDED JUNE 30, 2011**

	Retired Employees Health Insurance Plan Trust Fund
ADDITIONS	
Employer contributions	\$ 300,000
Investments:	
Interest	-
Net increase (decrease) in fair market value of investments	-
Total investment earnings	-
Investment activity	559,913
Net investment earnings	559,913
Total additions	859,913
DEDUCTIONS	
Administration	500
Change in Net Assets	859,413
Net Assets held in trust for Post-Employment Benefits	
Beginning of year	2,690,974
End of year	\$ 3,550,387

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, 2011

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

##### Narrative Profile

The County of Stafford is located in northeastern Virginia, approximately 40 miles south of Washington, DC, and 55 miles north of Richmond, Virginia. It was founded in 1664 and was named for Staffordshire, England. It encompasses 277 square miles and has a population of 128,961.

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 2011.

### **(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. Grants and revenue sharing arrangements are also used to fund project expenditures. 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. Asset Forfeiture Fund** – accounts for the receipts and disbursements associated with the County's drug enforcement activities.
  - 7. 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.
  - 8. Wetlands Fund** – accounts for wetlands mitigation fees and associated disbursements.
  - 9. 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).

**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) 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.
- 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.

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

- 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 capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

### **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  
Garrisonville Road Service District  
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, 2011. 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 2011.
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.

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.



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

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

Restricted cash in the General Fund represents a reserve account held by the County's health insurance administrator.

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 Asset Forfeiture Fund is used for drug enforcement activities.

Restricted cash in the Hidden Lake Dam Fund is reserved for debt service requirements.

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	15 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	8 – 14 years
Software	3 – 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 General Government \$117.8 million net asset deficit, \$248.8 million is attributed to debt for school property and equipment.

### **M. NET ASSETS and FUND BALANCE CLASSIFICATION**

#### **Net Assets:**

The government-wide financial statements utilize a net assets presentation. Net assets are presented in three components – invested in capital assets (net of related debt), restricted, and unrestricted.

Invested in Capital Assets (net of related debt) – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings attributable to the acquisition, construction, or improvement of those assets.

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

**Restricted** – This component consists of net assets that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation.

**Unrestricted** – This component consists of net assets that do not meet the definition of “invested in capital assets, net of related debt” and “restricted”.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

### **Fund Balance:**

In the fund financial statements, fund balance for governmental funds is reported in classifications based primarily the extent to which the County is bound to honor constraints on the specific purpose for which amounts in the funds may be spent. Fund balance is reported in five components – Nonspendable, Restricted, Committed, Assigned and Unassigned.

- **Nonspendable** – This component includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted** – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation may authorize the County to assess, levy, or otherwise mandate payment of resources (from external sources) and include a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- **Committed** – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County’s highest level of decision making authority (the Board of Supervisors) through ordinances and resolutions. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts.
- **Assigned** – This component consists of amounts that are constrained by the County Management’s intent to be used for specific purposes. The authority for assigning fund balance is assigned to the County Administrator and the Chief Financial Officer or their designee(s) as established in the County’s Fund Balance Policy.
- **Unassigned** – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the County’s policy to use committed resources first, then assigned, and then unassigned as they are needed.

During a review of its financial policies in fiscal year 2010, the Board created three new General Fund reserves (R09- (R09-260 and R09-356). These reserves allow the flexibility for financial planning and addressing unanticipated expenditures and provide overall stability. Use of these reserves requires Board appropriation and must be for one-time, non-recurring expenditures. Replenishment is required within five years. The reserves are in addition to minimum unassigned fund balance limits and are classified as committed fund balance.

- **Revenue Stabilization Reserve** – after the minimum unassigned fund balance threshold is met, one half of one percent of general fund revenue is added to the reserve for use during times of economic downturn when reduced revenues create fiscal stress.
- **Stafford Opportunity Reserve** – \$500,000 to enhance and promote economic development opportunities.
- **Capital Projects Reserve** - \$1.5M for capital needs plus all amounts over the minimum unassigned threshold.

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

During its review of financial policies in fiscal year 2010 the Board established a goal to reach a minimum unassigned fund balance of twelve percent of General Fund operating revenues by the end of fiscal year 2015. This threshold must be met before other reserves are funded. The goal was reached in fiscal year 2011.

The County operates a Water and Sewer Utilities Fund (business-type enterprise fund). The fund maintains a repair, renewal and rehabilitation reserve based on 150 days of operating and maintenance expenses. Unrestricted net assets are in addition to all other required restrictions.

**Fund Balance Classification for Governmental Funds:**

	General Fund	Transportation Fund	Capital Projects Fund	Other Governmental Funds	Total
<b>Nonspendable</b>					
Prepays	\$ 37,399	\$ -	\$ -	\$ -	\$ 37,399
Inventory	1,578	-	-	-	1,578
<b>Restricted</b>					
Grants	495,427	-	-	-	495,427
Encumbrances	74,318	-	-	6,415	80,733
Debt service	-	-	1,230,000	60,167	1,290,167
Drug enforcement	-	-	-	673,904	673,904
<b>Committed</b>					
Encumbrances	-	1,065,294	2,391,516	21,427	3,478,237
Stafford Opportunity Fund	500,000	-	-	-	500,000
Capital Projects Reserve	8,080,677	-	-	-	8,080,677
High School Replacement	941,788	-	-	-	941,788
Purchase of Development Rights	66,093	-	-	-	66,093
Other purposes	-	5,687,155	6,554,497	875,000	13,116,652
<b>Assigned</b>					
Encumbrances	1,061,662	45,022	-	77,980	1,184,664
CSA Reserve	200,000	-	-	-	200,000
Health Claims Fluctuation Reserve	2,063,059	-	-	-	2,063,059
Development Service Center	400,000	-	-	-	400,000
Revenue Stabilization Reserve	1,213,967	-	-	-	1,213,967
Risk Management Reserve	100,000	-	-	-	100,000
Schools One-time Expenditures	1,046,937	-	-	-	1,046,937
Other purposes	4,134,258	2,166,509	-	7,737,798	14,038,565
<b>Unassigned</b>	<u>29,129,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,129,794</u>
<b>Total</b>	<u>\$ 49,546,957</u>	<u>\$ 8,963,980</u>	<u>\$ 10,176,013</u>	<u>\$ 9,452,691</u>	<u>\$ 78,139,641</u>

**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.

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

### **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:** Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**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, 2011 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, 2011 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	\$ 48,681,963	\$ -	\$ -	\$ -	\$ -
Municipal Bonds	-	1,458,711	392,350	-	-
Corporate Notes and Bonds	4,948,139	6,799,959	-	2,048,213	136,316
Money Market	-	2,678,941	1,074,229	-	-
LGIP	19,488,805	-	-	-	-
SNAP	6,066,800	-	-	-	-
VACo/VML Pooled OPEB Trust	3,550,386	-	-	-	-

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, 2011, 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	Fair Value	Investment Maturities (in Years)				Call Option
		Less Than 1 Year	1 – 5 Years	6 – 10 Years	Over 10 Years	
US Government Securities	\$ 20,105,853	\$ 5,900,713	\$ 14,205,140	\$ -	\$ -	
US Government Agencies	28,562,206	8,382,504	19,486,501	-	693,201	
Corporate Debt	13,946,530	8,010,984	5,935,546	-	-	
Municipal Bonds	1,851,061	1,143,662	707,399	-	-	
Money Market Mutual Funds	3,753,170	3,753,170	-	-	-	
LGIP	19,488,805	19,488,805	-	-	-	
SNAP	6,066,800	2,770,364	3,296,436	-	-	
VACO/VML OPEB Trust	3,550,386	3,550,386	-	-	-	
Total	\$ 97,324,811	\$ 53,000,588	\$ 43,631,022	\$ -	\$ 693,201	

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	AAAm
VACO/VML Pooled OPEB Trust	\$ 2,700,962
LGIP	4,713,003
SNAP	8,168,063



### Note 3. RECEIVABLES

Receivables at June 30, 2011 consist of the following:

#### Primary Government

	General Fund	Transportation Fund	General Capital Projects Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Totals
Property taxes	\$ 20,437,616	\$ -	\$ -	\$ 83,609	\$ -	\$ 20,521,225
Accounts	3,095,185	223,574	780	134,562	4,419,872	7,873,973
Intergovernmental	<u>5,347,100</u>	<u>1,471,008</u>	<u>-</u>	<u>-</u>	<u>260,651</u>	<u>7,078,759</u>
Gross Receivables	28,879,901	1,694,582	780	218,171	4,680,523	35,473,957
Less:						
Allowance for uncollectible accounts	<u>(5,371,974)</u>	<u>-</u>	<u>-</u>	<u>(1,471)</u>	<u>(601,627)</u>	<u>(5,975,072)</u>
Net Receivables	<u>\$ 23,507,927</u>	<u>\$ 1,694,582</u>	<u>\$ 780</u>	<u>\$ 216,700</u>	<u>\$ 4,078,896</u>	<u>\$ 29,498,885</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	\$ 6,814,384	\$ -
Advance collection of 2011-2012 taxes	-	327,954
Ground lease	-	1,645,715
Other	<u>-</u>	<u>411,032</u>
	<u>\$ 6,814,384</u>	<u>\$ 2,384,701</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	\$ 553,783	\$ 1,778	\$ 17,292	\$ -	\$ 42,850	\$ 45,215	\$ 31,949	\$ 692,867
Intergovernmental	4,003,359	229,689	1,708,529	2,853,045	-	-	-	8,794,622
Due from Primary Government	<u>39,913,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,913,414</u>
Net Receivables	<u>\$ 44,470,556</u>	<u>\$ 231,467</u>	<u>\$ 1,725,821</u>	<u>\$ 2,853,045</u>	<u>\$ 42,850</u>	<u>\$ 45,215</u>	<u>\$ 31,949</u>	<u>\$49,400,903</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, 2011:

##### PRIMARY GOVERNMENT Governmental Activities

	Balance June 30, 2010	Increases	Decreases	Reclassifications	Balance June 30, 2011
Capital assets not being depreciated:					
Land	\$ 45,453,542	\$ 2,843,645	\$ -	\$ 169,873	\$ 48,467,060
Intangible Asset - Other	622,552	3,971	-	-	626,523
Construction in progress	<u>30,457,026</u>	<u>13,108,062</u>	<u>(5,487)</u>	<u>(1,361,109)</u>	<u>42,198,492</u>
Total capital assets not being depreciated	<u>76,533,120</u>	<u>15,955,678</u>	<u>(5,487)</u>	<u>(1,191,236)</u>	<u>91,292,075</u>
Capital assets being depreciated:					
Land improvements	23,792,396	1,496,993	-	1,138,196	26,427,585
Buildings and building improvements	85,391,143	93,413	-	-	85,484,556
Furniture, fixtures and equipment	8,370,222	429,435	(1,102,913)	(251,811)	7,444,933
Intangible Asset - Software	3,894,057	174,577	(178,603)	252,854	4,142,885
Technology Infrastructure	61,665	85,366	-	51,997	199,028
Vehicles	<u>15,069,785</u>	<u>912,727</u>	<u>(455,568)</u>	<u>-</u>	<u>15,526,944</u>
Total capital assets being depreciated	<u>136,579,268</u>	<u>3,192,511</u>	<u>(1,737,084)</u>	<u>1,191,236</u>	<u>139,225,931</u>
Less accumulated depreciation for:					
Land improvements	(7,283,229)	(1,110,810)	-	-	(8,394,039)
Buildings and building improvements	(15,253,782)	(2,831,807)	-	-	(18,085,589)
Furniture, fixtures and equipment	(5,188,417)	(639,986)	1,028,186	222,924	(4,577,293)
Intangible Asset - Software	(3,596,339)	(173,807)	178,603	(215,124)	(3,806,667)
Technology Infrastructure	(6,166)	(26,069)	-	(7,800)	(40,035)
Vehicles	<u>(9,356,415)</u>	<u>(1,538,816)</u>	<u>427,885</u>	<u>-</u>	<u>(10,467,346)</u>
Total accumulated depreciation	<u>(40,684,348)</u>	<u>(6,321,295)</u>	<u>1,634,674</u>	<u>-</u>	<u>(45,370,969)</u>
Total capital assets being depreciated, net	<u>95,894,920</u>	<u>(3,128,784)</u>	<u>(102,410)</u>	<u>1,191,236</u>	<u>93,854,962</u>
Total capital assets, governmental activities	<u>\$ 172,428,040</u>	<u>\$ 12,826,894</u>	<u>\$ (107,897)</u>	<u>\$ -</u>	<u>\$ 185,147,037</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 402,115
Judicial administration	113,403
Public safety	1,781,371
Public works	2,733,874
Health and social services	5,055
Parks, recreation and cultural	1,071,813
Community development	59,493
Transportation	<u>154,171</u>
Total	<u>\$ 6,321,295</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, 2011:

##### PRIMARY GOVERNMENT

##### Business-type Activities

##### Water and Sewer Fund

	Balance June 30, 2010	Increases	Decreases	Reclassifications	Balance June 30, 2011
Capital assets not being depreciated:					
Land	\$ 18,702,604	\$ 64,691	\$ -	\$ -	\$ 18,767,295
Intangible Asset - Other	3,907,395	90,515	-	380	3,998,290
Construction in progress	<u>56,138,285</u>	<u>25,871,224</u>	-	<u>(15,623,304)</u>	<u>66,386,205</u>
Total capital assets not being depreciated	<u>78,748,284</u>	<u>26,026,430</u>	-	<u>(15,622,924)</u>	<u>89,151,790</u>
Capital assets being depreciated:					
Land improvements	409,598	13,545	-	-	423,143
Buildings and building improvements	3,851,897	67,714	-	255,414	4,175,025
Distribution and collection systems	272,218,082	9,344,309	-	15,070,686	296,633,077
Furniture, fixtures and equipment	14,217,772	409,629	(341,207)	279,456	14,565,650
Intangible Asset – Software	187,574	8,000	-	-	195,574
Technology Infrastructure	-	26,053	-	17,369	43,422
Vehicles	<u>2,672,665</u>	<u>42,691</u>	<u>(51,935)</u>	-	<u>2,663,420</u>
Total capital assets being depreciated	<u>293,557,588</u>	<u>9,911,941</u>	<u>(393,142)</u>	<u>15,622,924</u>	<u>318,699,311</u>
Less accumulated depreciation for:					
Land improvements	(252,761)	(9,901)	-	-	(262,662)
Buildings and building improvements	(1,556,438)	(116,421)	-	-	(1,672,859)
Distribution and collection systems	(102,667,861)	(8,804,195)	-	-	(111,472,056)
Furniture, fixtures and equipment	(9,184,962)	(1,290,446)	293,960	-	(10,181,448)
Intangible Asset – Software	(168,774)	(14,900)	-	-	(183,674)
Technology Infrastructure	-	(4,342)	-	-	(4,342)
Vehicles	<u>(2,091,235)</u>	<u>(176,379)</u>	<u>51,935</u>	-	<u>(2,215,679)</u>
Total accumulated depreciation	<u>(115,922,031)</u>	<u>(10,416,584)</u>	<u>345,895</u>	-	<u>(125,992,720)</u>
Total capital assets being depreciated, net	<u>177,635,557</u>	<u>(504,643)</u>	<u>\$ (47,247)</u>	<u>15,622,924</u>	<u>192,706,591</u>
Total capital assets, business-type activities	<u>\$ 256,383,841</u>	<u>\$ 25,521,787</u>	<u>\$ (47,247)</u>	<u>\$ -</u>	<u>\$ 281,858,381</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, 2011:

##### COMPONENT UNIT – Stafford County Public Schools Governmental Activities

	Balance June 30, 2010	Increases	Decreases	Reclassifications	Balance June 30, 2011
Capital assets not being depreciated:					
Land	\$ 26,839,959	\$ 276,983	\$ (31,702)	\$ -	\$ 27,085,240
Assets not placed in service	119,260	135,993	-	(101,371)	153,882
Construction in progress	<u>4,868,002</u>	<u>3,639,203</u>	<u>(2,017,986)</u>	<u>(2,075,819)</u>	<u>4,413,400</u>
Total capital assets not being depreciated	<u>31,827,221</u>	<u>4,052,179</u>	<u>(2,049,688)</u>	<u>(2,177,190)</u>	<u>31,652,522</u>
Capital assets being depreciated:					
Land improvements	34,823,628	1,181,661	(26,772)	1,115,428	37,093,945
Buildings and building improvements	403,985,744	3,628,101	(25,152)	960,391	408,549,084
Furniture, fixtures and equipment	8,109,107	503,568	(163,485)	101,371	8,550,561
Vehicles	20,271,853	673,591	(1,308,827)	-	19,636,617
Software	353,668	42,862	-	-	396,530
Technology infrastructure	777,696	56,367	-	-	834,063
Distribution and collection systems	<u>635,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>635,154</u>
Total capital assets being depreciated	<u>468,956,850</u>	<u>6,086,150</u>	<u>(1,524,236)</u>	<u>2,177,190</u>	<u>475,695,954</u>
Less accumulated depreciation for:					
Land improvements	(7,087,493)	(1,883,877)	18,741	-	(8,952,629)
Buildings and building improvements	(104,413,738)	(10,145,448)	22,433	-	(114,536,753)
Furniture, fixtures and equipment	(4,707,867)	(643,249)	161,977	-	(5,189,139)
Vehicles	(11,592,943)	(986,987)	1,268,730	-	(11,311,200)
Software	(140,630)	(75,020)	-	-	(215,650)
Technology infrastructure	(24,875)	(40,294)	-	-	(65,169)
Distribution and collection systems	<u>(335,977)</u>	<u>(37,235)</u>	<u>-</u>	<u>-</u>	<u>(373,212)</u>
Total accumulated depreciation	<u>(128,303,523)</u>	<u>(13,812,110)</u>	<u>1,471,881</u>	<u>-</u>	<u>(140,643,752)</u>
Total capital assets being depreciated, net	<u>340,653,327</u>	<u>(7,725,960)</u>	<u>(52,355)</u>	<u>-</u>	<u>335,052,202</u>
Total capital assets, governmental activities	<u>\$ 372,480,548</u>	<u>\$ (3,673,781)</u>	<u>\$ (2,102,043)</u>	<u>\$ -</u>	<u>\$ 366,704,724</u>

Depreciation expense was charged to governmental functions as follows:

School Operating Fund	\$ 1,959,200
Nutrition Services Fund	31,238
Grants Fund	86,943
Construction Fund	<u>11,734,729</u>
Total	<u>\$ 13,812,110</u>

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

The following is a summary of changes in capital assets for Stafford County Public Schools' proprietary fund for the fiscal year ended June 30, 2011:

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

<b>Proprietary Fund - Fleet Services</b>	<b>Balance June 30, 2010</b>	<b>Increases</b>	<b>Decreases</b>	<b>Reclassifications</b>	<b>Balance June 30, 2011</b>
Capital assets not being depreciated:					
Land	\$ 37,357	\$ -	\$ -	\$ -	\$ 37,357
Capital assets being depreciated:					
Land improvements	942,970	-	-	-	942,970
Buildings and building improvements	1,167,490	-	-	-	1,167,490
Furniture, fixtures and equipment	121,845	8,527	-	-	130,372
Vehicles	33,277	-	-	-	33,277
Software	78,725	-	-	-	78,725
Total capital assets being depreciated	<u>2,344,307</u>	<u>8,527</u>	<u>-</u>	<u>-</u>	<u>2,352,834</u>
Less accumulated depreciation for:					
Land improvements	(178,727)	(47,515)	-	-	(226,242)
Buildings and building improvements	(664,528)	(34,664)	-	-	(699,192)
Furniture, fixtures and equipment	(49,952)	(8,904)	-	-	(58,856)
Vehicles	(12,888)	(4,159)	-	-	(17,047)
Software	(7,872)	(15,745)	-	-	(23,617)
Total accumulated depreciation	<u>(913,967)</u>	<u>(110,987)</u>	<u>-</u>	<u>-</u>	<u>(1,024,954)</u>
Total capital assets being depreciated, net	<u>1,430,340</u>	<u>(102,460)</u>	<u>-</u>	<u>-</u>	<u>1,327,880</u>
Total capital assets, business-type activities	<u>\$ 1,467,697</u>	<u>\$ (102,460)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,365,237</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, 2011:

	Amounts Payable at June 30, 2010	Increases	Decreases	Amounts Payable at June 30, 2011	Amounts Due within One Year
Bonds Payable:					
General obligation bonds	\$ 257,206,940	\$ 9,235,000	\$ (14,982,306)	\$ 251,459,634	\$ 14,844,536
Lease revenue Bonds	88,205,000	-	(3,735,000)	84,470,000	3,785,000
Plus deferred amounts for bond premiums	<u>7,735,698</u>	<u>350,984</u>	<u>(399,914)</u>	<u>7,686,768</u>	<u>-</u>
Bonds payable including deferred amounts for bond premiums	353,147,638	9,585,984	(19,117,220)	343,616,402	18,629,536
Less deferred loss on refunding	<u>(39,236)</u>	<u>8,260</u>	<u>-</u>	<u>(30,976)</u>	<u>-</u>
Total bonds payable	<u>353,108,402</u>	<u>9,594,244</u>	<u>(19,117,220)</u>	<u>343,585,426</u>	<u>18,629,536</u>
Literary loans	4,828,782	-	(656,149)	4,172,633	511,149
VRA loan	8,783,857	-	(374,386)	8,409,471	385,702
Capital leases	7,978,053	8,707,998	(2,547,914)	14,138,137	2,526,907
**Compensated absences	<u>6,100,586</u>	<u>4,367,580</u>	<u>(4,231,139)</u>	<u>6,237,027</u>	<u>2,633,399</u>
Governmental activities long-term liabilities	<u>\$ 380,799,680</u>	<u>\$ 22,669,822</u>	<u>\$ (26,926,808)</u>	<u>\$ 376,542,694</u>	<u>\$ 24,686,693</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, Tourism Fund, Capital Projects Fund.

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
2012	\$ 14,844,536	\$ 11,996,262	\$ 3,785,000	\$ 4,008,810
2013	14,584,830	11,308,434	3,490,000	3,856,805
2014	14,414,735	10,573,161	3,530,000	3,716,550
2015	14,309,044	9,840,588	3,570,000	3,574,689
2016	14,056,219	9,110,313	3,615,000	3,405,831
2017-2021	65,988,239	35,049,646	18,775,000	14,665,740
2022-2026	53,627,031	20,624,491	15,630,000	10,239,821
2027-2031	50,330,000	7,617,187	14,525,000	6,615,957
2032-2036	9,305,000	411,023	14,565,000	2,663,869
2037	-	-	2,985,000	78,356
Total	<u>\$ 251,459,634</u>	<u>\$ 116,531,105</u>	<u>\$ 84,470,000</u>	<u>\$ 52,826,428</u>

Year Ending June 30,	Literary Loans	
	Principal	Interest
2012	\$ 511,149	\$ 126,529
2013	466,149	109,845
2014	466,149	95,860
2015	466,149	81,876
2016	466,149	67,891
2017-2021	1,580,745	152,188
2022	<u>216,143</u>	<u>6,484</u>
Total	<u>\$ 4,172,633</u>	<u>\$ 640,673</u>

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

Year Ending June 30,	<u>Capital Leases</u>		<u>VRA Loan</u>	
	Principal	Interest	Principal	Interest
2012	\$ 2,526,907	\$ 500,200	\$ 385,702	\$ 249,413
2013	2,262,380	393,023	397,360	237,755
2014	1,679,993	308,977	409,370	225,745
2015	1,382,877	246,597	421,743	213,372
2016	1,329,369	196,245	434,491	200,624
2017-2021	4,956,610	362,800	2,377,560	798,014
2022-2026	-	-	2,759,256	416,319
2027-2028	-	-	1,223,989	46,241
Total	<u>\$ 14,138,136</u>	<u>\$ 2,007,842</u>	<u>\$ 8,409,471</u>	<u>\$ 2,387,483</u>

	<b>Outstanding Balance <u>June 30, 2011</u></b>
<b>General Obligation Bonds</b>	
\$11,000,000 Parks and Recreation bonds issued April 1, 2002, maturing annually in installments of \$550,000 through January 1, 2022; interest at 3.00% to 5.00%, payable semi-annually, including net premium of \$20,238 .....	\$ 6,070,238
\$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 (\$27,321) .....	<u>722,679</u>
<b>Total General Obligation Bonds</b>	<b><u>6,792,917</u></b>

**Virginia Public School Authority General Obligation Bonds**

\$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 .....	245,547
\$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 .....	121,784
\$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 .....	570,000
\$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 .....	380,000
\$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 .....	145,000
\$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 .....	350,000
\$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.....	1,215,000

**Note 5. LONG-TERM DEBT (Continued)****Outstanding  
Balance  
June 30, 2011**

\$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 .....	\$ 920,000
\$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 .....	677,294
\$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 .....	150,000
\$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 .....	700,000
\$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 .....	594,850
\$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 .....	1,920,000
\$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 .....	1,965,000
\$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 .....	1,640,000
\$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 .....	2,940,000
\$11,560,000 issued April 30, 1998, maturing annually in varying installments of \$575,000 - \$580,000 through July 15, 2018; interest varying from 4.35% to 5.30%, payable semiannually.....	4,600,000
\$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.....	1,857,590
\$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 .....	3,920,000
\$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 .....	8,100,000
\$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.....	4,684,552
\$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 .....	4,600,000



**Note 5. LONG-TERM DEBT (Continued)****Outstanding  
Balance  
June 30, 2011**

\$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 .....	\$ 2,110,000
\$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 .....	5,555,000
\$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 \$92,720.....	5,360,814
\$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 \$61,221 .....	1,666,221
\$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 \$41,152 .....	1,121,152
\$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 \$301,621 .....	4,786,621
\$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 \$1,341,423 .....	46,416,423
\$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 \$217,394 .....	3,977,317
\$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 \$239,771 .....	7,534,771
\$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 \$287,316 .....	8,632,316
\$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 \$516,493 .....	16,336,493
\$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 \$223,959 .....	8,903,959
\$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 \$531,497 .....	37,886,497

**Note 5. LONG-TERM DEBT (Continued)****Outstanding  
Balance  
June 30, 2011**

\$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 \$55,235 .....	\$ 5,785,235
\$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 \$301,680 .....	13,036,680
\$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 \$299,074 .....	10,219,074
\$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 \$360,530.....	11,375,530
\$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 \$4,358 .....	1,634,358
\$5,740,000 issued May 13, 2010, maturing annually in varying installments of \$280,000 to \$510,000 through July 15, 2025, interest varying from 3.05% to 5.05%, payable semi-annually, including net premium of \$415,894.....	6,155,894
\$1,305,000 Qualified School Construction Bonds issued July 8, 2010, maturing annually in varying installments of \$75,000 to \$80,000 through June 1, 2027, including net premium of (\$11,918) .....	1,218,082
\$2,305,000 issued November 10, 2010, maturing annually in varying installments of \$70,000 to \$155,500 through July 15, 2030, interest varying from 2.05% to 3.55% payable semi-annually, including net premium of \$36,548.....	2,341,548
\$5,625,000 issued May 5, 2011, maturing annually in varying installments of \$180,000 to \$415,000 through July 15, 2031, interest varying from 2.05% to 4.30% payable semi-annually, including net premium of \$323,381.....	<u>5,948,381</u>
<b>Total Virginia Public School Authority General Obligation Bonds</b>	<b><u>250,298,983</u></b>

During FY 2011 the State Treasury refinanced several Virginia Public School Authority (VPSA) general obligation bonds. The impact to participant localities was a credit against debt service expenditures for the affected issues. This effects financial statement presentation of debt service expenditures. Exhibit V, Statement of Revenues, Expenditures and Changes in Fund Balances, presents the expenditures as scheduled by the annual requirements amortization with the off-setting credit reported as an Other Financing Source – Miscellaneous non-operating revenue. Exhibit XII, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, presents the expenditures net of the credit.

**Note 5. LONG-TERM DEBT (Continued)****Outstanding  
Balance  
June 30, 2011****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 \$1,661,653.....	\$ 46,141,653
\$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 \$331,833.....	39,571,833
\$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 \$30,038.....	<u>780,038</u>
<b>Total Lease Revenue Bonds</b>	<b><u>86,493,524</u></b>
<b>Total Bonds Payable</b>	<b><u>\$ 343,585,424</u></b>

**State Literary Fund Loans**

These loans bear interest at 3.00%, payable semiannually, the proceeds of which were used for school construction.

\$900,000 issued May 15, 1992, due in annual installments of \$45,000 through May 15, 2012 .....	\$ 45,000
\$5,000,000 issued November 1, 1997 due in annual installments of \$250,000 through November 1, 2017 .....	1,750,000
\$4,322,974 issued August 15, 2001, due in annual installments of \$216,149 through August 15, 2021 .....	<u>2,377,633</u>
<b>Total State Literary Fund Loans</b>	<b><u>\$ 4,172,633</u></b>

**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	<b><u>\$ 8,409,471</u></b>
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**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	\$ 128,010
\$530,000 issued January 1, 2001, maturing annually in installments of \$53,000 through December 1, 2011; interest at 4.45%, payable semi-annually .....	53,000
\$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 .....	25,351

**NOTE 5. LONG-TERM DEBT (continued)**  
**Capital Leases (continued)**

**Outstanding  
Balance  
June 30, 2011**

\$89,960 issued July 30, 2004, maturing semi-annually in varying installments of \$5,763 to \$7,134; through July 30, 2011, interest at 3.31%, payable semi-annually .....	\$ 7,134
\$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 .....	298,752
\$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 .....	470,053
\$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 .....	661,824
\$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 .....	259,173
\$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 .....	291,569
\$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 .....	284,789
\$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 .....	161,252
\$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 .....	25,677
\$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 .....	178,587
\$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 .....	92,772
\$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 .....	173,586
\$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 .....	821,760
\$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 .....	59,513
\$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 .....	268,380
\$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 .....	480,365
\$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 .....	539,610
\$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 .....	66,273

**NOTE 5. LONG-TERM DEBT (continued)**  
**Capital Leases (continued)**

**Outstanding  
Balance  
June 30, 2011**

\$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 .....	\$ 82,709
\$8,707,998 issued March 29, 2011, maturing quarterly in varying installments of \$186,337 to \$260,100, through April 10, 2021; interest at 3.11%, payable quarterly.....	<u>8,707,998</u>
<b>Total Capital Leases</b>	<b><u>\$ 14,138,137</u></b>

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

	<b><u>Governmental Activities</u></b>
Asset:	
Land	\$ 59,386
Building	478,000
Equipment	8,707,998
Software systems	98,171
Vehicles	11,956,702
Less: Accumulated depreciation	<u>(5,818,924)</u>
Total	<b><u>\$ 15,481,333</u></b>

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, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2011</u>	<u>Amounts Due within One Year</u>
Bonds Payable:					
Revenue bonds	\$ 8,805,000	\$ 2,195,000	\$(6,270,000)	\$ 4,730,000	\$ 3,100,000
VRA Loans	33,287,841	-	-	33,287,841	692,730
Plus deferred amounts for bond premiums	<u>176,377</u>	<u>206,633</u>	<u>(162,362)</u>	<u>220,648</u>	<u>-</u>
Bonds payable including deferred amounts for bond premiums/ (discounts)	42,269,218	2,401,633	(6,432,362)	38,238,489	3,792,730
Less deferred loss on refunding	<u>(253,233)</u>	<u>168,902</u>	<u>(84,814)</u>	<u>(169,145)</u>	<u>-</u>
Total bonds payable	42,015,985	2,570,535	(6,517,176)	38,069,344	3,792,730
Compensated absences	<u>1,074,797</u>	<u>876,169</u>	<u>(856,747)</u>	<u>1,094,219</u>	<u>460,449</u>
Business-type activities long- term liabilities	<u>\$ 43,090,782</u>	<u>\$ 3,446,704</u>	<u>\$(7,373,923)</u>	<u>\$ 39,163,563</u>	<u>\$ 4,253,179</u>

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

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>		<u>VRA Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 3,100,000	\$ 207,838	\$ 692,730	\$ 1,139,018
2013	550,000	61,810	1,407,230	698,161
2014	545,000	35,815	1,436,850	668,541
2015	535,000	11,235	1,467,196	638,196
2016	-	-	1,498,288	607,101
2017-2021	-	-	7,985,559	2,541,397
2022-2026	-	-	8,888,156	1,638,801
2027-2031	<u>-</u>	<u>-</u>	<u>9,911,832</u>	<u>615,122</u>
Total	<u>\$ 4,730,000</u>	<u>\$ 316,698</u>	<u>\$ 33,287,841</u>	<u>\$ 8,546,337</u>

**Revenue Bonds**

**Outstanding  
Balance  
June 30, 2011**

\$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 (\$15,534) .....	\$ 2,519,466
\$2,195,000 Revenue Refunding Bond, issued November 23, 2010 maturing in annual installments of \$535,000 - \$565,000 through October 1, 2014; interest at 2.34% to 4.20%, payable semi-annually, net of premium and deferred loss on refunding of \$67,040 .....	<u>2,262,037</u>
<b>Total Revenue Bonds</b>	<b><u>\$ 4,781,503</u></b>

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

Primary Government – Business-Type Activities (continued)

**Outstanding  
Balance  
June 30, 2011****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

\$9,606,478 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** **\$ 38,069,344**

**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, 2011:

	<b><u>Amounts Payable at June 30, 2010</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Amounts Payable at June 30, 2011</u></b>	<b><u>Amounts Due within One Year</u></b>
<b>Governmental Activities</b>					
Capital lease	\$ 2,332,435	\$ -	\$ (292,517)	\$ 2,039,918	\$ 305,132
Compensated absences **	5,315,478	112,265	(2,908)	5,424,835	391,958
Note payable	-	1,305,000	(75,000)	1,230,000	75,000
SCPS long-term liabilities	<u>\$ 7,647,913</u>	<u>\$ 1,414,357</u>	<u>\$ (367,517)</u>	<u>\$ 8,694,753</u>	<u>\$ 772,090</u>

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

	<b><u>Amounts Payable at June 30, 2010</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Amounts Payable at June 30, 2011</u></b>	<b><u>Amounts Due within One Year</u></b>
<b>Business-Type Activities</b>					
Compensated absences	<u>\$ 127,921</u>	<u>\$ 13,511</u>	<u>\$ (1,315)</u>	<u>\$ 140,117</u>	<u>\$ 9,287</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 (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. 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 the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.



## NOTE 6. BENEFIT PENSION PLAN (Continued)

### B. FUNDING POLICY

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. 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 2011 was 13.86% of annual covered payroll.

Stafford County Public Schools' contribution rate for professional and non-professional employees for the fiscal year ended 2011 was 13.81% and 13.68% respectively, of annual covered payroll.

Total contributions to the VRS State Teachers Pool for the years ended June 30, 2009, June 30, 2010 and June 30, 2011 were \$18.9 million, \$15.7 million and \$12.5 million respectively, representing 13.8%, 11.2% and 8.9% respectively, of the covered payroll for the three years then ended.

### C. ANNUAL PENSION COST

For fiscal year 2011, the County's annual pension cost of \$5,913,343 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 <u>Ended</u>	Annual Pension <u>Cost (APC)</u>	Percentage of Required <u>Contribution</u>	Net Pension <u>Obligation</u>
June 30, 2009	\$ 6,081,160	100.00%	-
June 30, 2010	5,711,457	100.00%	-
June 30, 2011	5,913,343	100.00%	-

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

Fiscal Year <u>Ended</u>	Annual Pension <u>Cost (APC)</u>	Percentage of Required <u>Contribution</u>	Net Pension <u>Obligation</u>
June 30, 2009	\$ 1,348,849	100.00%	\$ -
June 30, 2010	1,323,860	100.00%	-
June 30, 2011	1,196,986	100.00%	-

**NOTE 6. BENEFIT PENSION PLAN (Continued)****D. FUNDED STATUS AND FUNDING PROGRESS**

As of June 30, 2010, the most recent actuarial valuation date, the County plan was 76.08% funded. For the County the actuarial accrued liability for benefits was \$127,832,328, and the actuarial value of the assets was \$97,256,875, resulting in an unfunded actuarial accrued liability (UAAL) of \$30,575,453. The covered payroll (annual payroll for active employees covered by the plan) was \$41,834,084, and the ratio of the UAAL to the covered payroll was 73.09%.

As of June 30, 2010, the most recent actuarial valuation date, the School plan was 76.94% funded. For the Schools the actuarial accrued liability for benefits was \$22,318,924, and the actuarial value of the assets was \$17,171,281, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,147,643. The covered payroll (annual payroll for active employees covered by the plan) was \$9,204,760, and the ratio of the UAAL to the covered payroll was 55.92%.

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.

**Schedule of Funding Progress for Stafford County**

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, 2008	\$ 87,205,369	\$ 103,643,257	\$ 16,437,888	84.14%	\$ 43,535,035	37.76%
June 30, 2009	93,029,919	111,913,308	18,883,389	83.13%	43,332,376	43.58%
June 30, 2010	97,256,875	127,832,328	30,575,453	76.08%	41,834,084	73.09%

**Schedule of Funding Progress for Component Unit Stafford County Public Schools**

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, 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%
June 30, 2010	17,171,281	22,318,924	5,147,643	76.94%	9,204,760	55.92%

## 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).

### C. Membership

At June 30, 2011 membership consisted of:

Retirees and beneficiaries currently receiving benefits	89
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>801</u>
Total	<u>890</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.

**Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)****Annual OPEB Costs and Net OPEB Obligation**

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

Annual required contribution (ARC)	\$ 3,479,000
Amortization of NOO	(207,000)
Interest on NOO	<u>236,000</u>
Annual OPEB Cost (AOC)	<u>\$ 3,508,000</u>
NOO, beginning of year	\$ 5,446,418
Current year AOC	3,508,000
Contribution made	<u>(956,397)</u>
NOO, end of year	<u>\$ 7,998,021</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u>	<u>Funded</u> <u>Ratio</u>
June 30, 2011	\$ 3,508,000	27.26%	\$ 7,998,021	\$ 32,530,000	6.89%
June 30, 2010	2,305,998	80.15%	5,446,418	19,400,000	10.82%
June 30, 2009	2,765,000	63.01%	4,988,844	19,400,000	5.41%

**E. Funded Status and Funding Progress**

As of July 1, 2011, the plan was partially funded by a \$2,400,000 contribution by the Water and Sewer Fund. The actuarially accrued liability (AAL) was \$32.5 million. The unfunded actuarial accrued liability (UAAL) for benefits was \$30.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$42.4 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.

## **Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)**

In the July 1, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 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 6.54 percent initially, reduced by decrements to an ultimate rate of 4.1 percent, achieved in 2090. 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, 2011 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.

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.

#### **C. Annual OPEB Costs and Net OPEB Obligation**

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

**Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

Annual required contribution (ARC)	\$ 9,071,000
Amortization of NOO	(461,892)
Interest on NOO	<u>497,365</u>
Annual OPEB Cost (AOC)	<u>\$ 9,106,473</u>
NOO, beginning of year	\$ 12,434,140
Current year AOC	9,106,473
Contribution made	<u>(1,138,038)</u>
NOO, end of year	<u>\$ 20,402,575</u>

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 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, 2011	\$ 9,106,473	12.50%	\$ 20,402,575	\$ 89,408,000	2.5%
June 30, 2010	5,552,873	49.30%	12,434,140	50,636,479	2.1%
June 30, 2009	5,517,873	54.76%	9,618,871	50,636,479	2.1%

**Note 8. INTERFUND AND COMPONENT UNIT RECEIVABLE / PAYABLE**

Individual fund receivable and payable balances at June 30, 2011 are summarized as follows:

	General Fund	General Capital Projects Fund	Receivable Fund: Nonmajor Governmental Funds	Water and Sewer Fund	Component Unit Stafford County Public Schools	Total Payable
<u>Primary Government</u>						
General Fund	\$ -	\$ -	\$ 1,558	\$ 418,536	\$ 39,913,414	\$ 40,333,508
<u>Component Unit</u>						
Stafford County Public Schools	-	1,230,000	-	-	-	1,230,000

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 2011.

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 payable from the Component Unit – School Board, Construction Fund represents a loan for school renovation projects.

## Note 9. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the County totaled \$186,700,089 for fiscal year 2011. Sources of these revenues were as follows:

	<u>Commonwealth</u>	<u>Federal</u>
<b>Primary Government</b>		
Governmental Funds:		
General Fund	\$ 23,484,133	\$ 7,144,337
Transportation Fund	714,506	139,175
Asset Forfeiture Fund	254,993	-
Tourism Fund	<u>5,983</u>	<u>40,034</u>
Total Governmental Funds	<u>24,459,615</u>	<u>7,323,546</u>
Proprietary Fund:		
Water and Sewer Fund	<u>2,914,691</u>	<u>-</u>
Total Primary Government	<u>27,374,306</u>	<u>7,323,546</u>
<b>Component Unit – Stafford County Public Schools</b>		
Governmental Funds:		
State Fiscal Stabilization Fund	\$ -	\$ 14,240,967
School Operating Fund	118,558,351	2,503,520
School Nutrition Fund	179,780	4,388,489
School Grants Fund	<u>10,204</u>	<u>12,120,926</u>
Total Component Unit	<u>118,748,335</u>	<u>33,253,902</u>
Total	<u>\$ 146,122,641</u>	<u>\$ 40,577,448</u>

## Note 10. INTERFUND TRANSFERS

A summary of interfund transfer activity is presented as follows:

### Primary Government

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Tourism Fund</u>	<u>Total Transferred In</u>
<b>Transfer To Fund:</b>				
Primary Government				
General Fund	\$ -	\$ 66,767	\$ 480,000	\$ 546,767
Transportation Fund	107,302	-	-	107,302
Asset Forfeiture Fund	6,800	-	-	6,800
General Capital Projects Fund	<u>1,050,000</u>	<u>-</u>	<u>-</u>	<u>1,050,000</u>
Total Transferred Out	<u>\$ 1,164,102</u>	<u>\$ 66,767</u>	<u>\$ 480,000</u>	<u>\$ 1,710,869</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 Asset Forfeiture Fund was a prior year receipt.

The transfer from the General Fund to the General Capital Projects Fund was proffers collected for the library construction project and capital reserve funds for the purchase of property.

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.

## **Note 11. COMMITMENTS, CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS**

At June 30, 2011 the County had contractual commitments of \$127.2 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, 2011 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, 2011, 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, 2011, no bonds had been issued. Staff is seeking estimates for several proposed projects in preparation for seeking bonded funding.

On September 20, 2011, the Stafford County Board of supervisors authorized participation in the Fall 2011 and Spring 2012 Virginia Public School Authority issuance and sale of General Obligation School Bonds, in a principal amount of \$24.5 million. Proceeds of these issues will be used to finance construction of a replacement high school and building renovations for several schools.

At June 30, 2011, the Component Unit – Stafford County Public Schools had contractual commitments of \$2.3 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

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, 2011 was \$5,427,737.



## **Note 12. JOINT VENTURES (Continued)**

State and federal laws and regulations require the Board to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting the waste, the Board reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$6.2 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2011 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 post-closure care in 2011. 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, 2011 totaled \$5,607,880.

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

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

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

## **Note 12. JOINT VENTURES (Continued)**

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

The Regional Library Board is empowered to budget and expend funds and to execute contracts. Eighty percent of the Library's operating revenues are derived from annual appropriations by the participating jurisdictions. The remaining twenty percent is derived from fines, fees, donations and State grants. For the year ended June 30, 2011, Stafford County's appropriation to the Regional Library was \$4,652,116.

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, 2011, the account had a balance of \$2,063,059.

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

	<u>2011</u>	<u>2010</u>
Unpaid claims, beginning	\$ 1,328,222	\$ 1,209,297
Incurred claims (including IBNR)	9,106,231	9,545,035
Claim payments	<u>(9,489,425)</u>	<u>(9,426,110)</u>
Unpaid claims, ending	<u>\$ 945,028</u>	<u>\$ 1,328,222</u>

### Note 13. RISK MANAGEMENT (Continued)

#### COMPONENT UNIT – Stafford County Public Schools

Stafford County Public Schools carries commercial insurance for all risks of loss, except for workers' compensation. Like the County, it participates in the VML public entity risk pool. Settled claims have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year. The total estimated workers' compensation insurance claims payable as of June 30, 2011 was \$215,778, of which \$135,940 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>2011</u>	<u>2010</u>
Unpaid claims, beginning	\$ 4,006,316	\$ 3,434,279
Incurred claims (including IBNR)	22,250,561	22,083,764
Claim payments	<u>(21,996,169)</u>	<u>(21,511,727)</u>
Unpaid claims, ending	<u>\$ 4,260,708</u>	<u>\$ 4,006,316</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 \$1,172,229 for the year ended June 30, 2011. 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>
2012	\$ 1,087,576	\$ 252,307
2013	1,034,713	261,655
2014	980,265	271,355
2015	1,009,673	281,420
2016	1,039,963	83,746
2017-2021	<u>5,686,945</u>	<u>457,956</u>
	<u>\$ 10,839,135</u>	<u>\$ 1,608,439</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 for FY 2011 was \$15,525.

## **Note 15. PENDING GASB STATEMENTS**

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The Statement addresses accounting and financial reporting issues related to public-private and public-public owner/operator facility partnerships and the required financial statement disclosures. The Statement is effective for fiscal periods beginning after December 15, 2011. The County has not implemented this statement.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to amend and clarify existing standards to address reporting entity issues related to component units. The Statement is effective for fiscal periods beginning after June 15, 2012. The County has not implemented this statement.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates into GASB's authoritative literature various accounting and financial reporting guidance issued prior to November 30, 1989, which does not conflict with GASB pronouncements, thereby eliminating the need for disclosure of such election for enterprise funds and business-type activities. This Statement is effective for financial statements for periods beginning after December 15, 2011. The County has not implemented this statement.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides new guidance for reporting on an entity's deferred outflows and inflows of resources. The Statement is effective for reporting periods beginning after December 15, 2011. The County has not implemented this statement.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. This Statement clarifies the status of a hedging relationship after the replacement of a swap counterparty or the counterparty's credit support provider. This Statement is effective for reporting periods beginning after June 15, 2011. 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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
General property taxes	\$ 164,527,100	\$ 164,542,600	\$ 171,086,214	\$ 6,543,614
Other local taxes	28,771,268	29,971,268	31,443,078	1,471,810
Permits, privilege fees and regulatory licenses	4,097,641	2,897,641	3,368,355	470,714
Fines and forfeitures	737,000	737,000	904,319	167,319
Use of money and property	614,675	614,675	384,030	(230,645)
Charges for services	5,064,159	5,064,159	5,215,357	151,198
Miscellaneous	2,733,398	3,140,406	3,451,733	311,327
Intergovernmental	27,070,656	33,619,068	30,628,470	(2,990,598)
Total revenues	<u>233,615,897</u>	<u>240,586,817</u>	<u>246,481,556</u>	<u>5,894,739</u>
<b>Expenditures</b>				
Current operating:				
General government:				
Board of Supervisors	536,599	597,449	543,398	(54,051)
Clerk of the Board	141,602	144,080	141,476	(2,604)
County Administrator	500,164	504,553	498,250	(6,303)
Public Information	476,353	456,586	446,060	(10,526)
County Attorney	1,016,906	1,006,716	902,569	(104,147)
Human Resources	564,731	611,462	580,965	(30,497)
Commissioner of the Revenue	2,541,020	2,515,211	2,434,087	(81,124)
Treasurer	1,878,329	1,988,523	1,735,673	(252,850)
Finance	1,121,307	1,056,009	1,025,278	(30,731)
Budget	372,812	372,393	367,379	(5,014)
Computer Services	1,467,108	1,950,735	1,811,093	(139,642)
Geographic Information Systems	583,246	635,389	629,130	(6,259)
Electoral Board and Registrar	<u>384,823</u>	<u>365,716</u>	<u>332,440</u>	<u>(33,276)</u>
	<u>11,585,000</u>	<u>12,204,822</u>	<u>11,447,798</u>	<u>(757,024)</u>
Judicial administration:				
Circuit Court	163,729	163,411	159,330	(4,081)
General District Court	106,431	106,431	83,578	(22,853)
Juvenile and Domestic Relations District Court	67,396	67,396	54,547	(12,849)
Clerk of the Circuit Court	1,596,738	1,866,388	1,604,593	(261,795)
Magistrate	10,390	10,390	5,563	(4,827)
Commonwealth Attorney	2,789,759	2,804,466	2,746,842	(57,624)
Court Deputies	<u>2,012,366</u>	<u>1,880,310</u>	<u>1,814,269</u>	<u>(66,041)</u>
	<u>6,746,809</u>	<u>6,898,792</u>	<u>6,468,722</u>	<u>(430,070)</u>
Public safety:				
Policing and investigating	17,678,110	22,504,675	19,945,311	(2,559,364)
Emergency management	12,492,553	14,561,128	12,769,130	(1,791,998)
Volunteer rescue squads	131,041	132,868	111,018	(21,850)
Volunteer fire departments	686,445	707,879	674,286	(33,593)
Care and confinement of prisoners	5,738,398	5,607,880	5,607,880	-
15th District Court Unit	363,175	365,250	349,282	(15,968)
Rappahannock Juvenile Detention	1,531,226	1,531,226	1,463,433	(67,793)
Code compliance	3,506,627	4,013,712	3,715,396	(298,316)
Animal control	<u>915,530</u>	<u>929,630</u>	<u>866,691</u>	<u>(62,939)</u>
	<u>43,043,105</u>	<u>50,354,248</u>	<u>45,502,427</u>	<u>(4,851,821)</u>
Public works:				
Engineering	381,054	365,733	316,793	(48,940)
Maintenance of general buildings and grounds and general properties	<u>4,288,230</u>	<u>5,008,385</u>	<u>4,692,406</u>	<u>(315,979)</u>
	<u>4,669,284</u>	<u>5,374,118</u>	<u>5,009,199</u>	<u>(364,919)</u>

## COUNTY OF STAFFORD, VIRGINIA

Exhibit XII

Page 2 of 2

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Health and social services:				
Local health department	\$ 535,937	\$ 535,937	\$ 535,937	\$ -
Public assistance	12,234,667	11,824,113	11,298,549	(525,564)
Other	2,851,101	2,230,995	1,762,796	(468,199)
	<u>15,621,705</u>	<u>14,591,045</u>	<u>13,597,282</u>	<u>(993,763)</u>
Parks, recreation and cultural:				
Administration	3,288,168	3,679,955	3,331,452	(348,503)
Community programs	205,532	483,956	463,936	(20,020)
Sports programs	224,771	526,931	461,704	(65,227)
Gymnastics program	695,789	674,795	655,058	(19,737)
Pool program	625,730	836,791	769,076	(67,715)
Senior citizens	103,235	106,793	103,763	(3,030)
Seasonal	328,598	6,547	-	(6,547)
Cultural programs	17,076	17,076	17,076	-
Regional library	4,585,717	4,652,116	4,652,116	-
	<u>10,074,616</u>	<u>10,984,960</u>	<u>10,454,181</u>	<u>(530,779)</u>
Community development:				
Planning and community development	1,784,913	1,791,914	1,713,020	(78,894)
Planning commission	112,700	112,368	83,119	(29,249)
Zoning board	511,116	545,596	498,373	(47,223)
Economic development	701,206	1,870,725	1,776,609	(94,116)
Other	416,140	447,345	427,598	(19,747)
Cooperative extension program	183,633	183,633	151,836	(31,797)
	<u>3,709,708</u>	<u>4,951,581</u>	<u>4,650,555</u>	<u>(301,026)</u>
Appropriation to School Board:				
School operating	100,693,774	100,693,774	99,323,620	(1,370,154)
School capital projects	-	112,831	112,831	-
	<u>100,693,774</u>	<u>100,806,605</u>	<u>99,436,451</u>	<u>(1,370,154)</u>
Capital outlay	<u>1,033,585</u>	<u>434,918</u>	<u>10,915</u>	<u>(424,003)</u>
Debt service:				
Principal	22,203,685	20,862,630	20,929,700	67,070
Interest and fiscal charges	14,302,196	15,942,786	15,829,803	(112,983)
	<u>36,505,881</u>	<u>36,805,416</u>	<u>36,759,503</u>	<u>(45,913)</u>
Total expenditures	<u>233,683,467</u>	<u>243,406,505</u>	<u>233,337,033</u>	<u>(10,069,472)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(67,570)</u>	<u>(2,819,688)</u>	<u>13,144,523</u>	<u>(15,964,211)</u>
Other Financing Sources (Uses)				
Transfers in	533,756	585,006	546,767	(38,239)
Transfers out	-	(1,164,102)	(1,164,102)	-
Total other financing sources (uses), net	<u>533,756</u>	<u>(579,096)</u>	<u>(617,335)</u>	<u>(38,239)</u>
Net change in fund balance	466,186	(3,398,784)	12,527,188	15,925,972
Fund balance, beginning	-	3,981,612	37,019,769	33,038,157
Fund balance, ending	<u>\$ 466,186</u>	<u>\$ 582,828</u>	<u>\$ 49,546,957</u>	<u>\$ 48,964,129</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
TRANSPORTATION FUND  
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Other local taxes - fuel sales tax	\$ 3,972,948	\$ 3,972,948	\$ 5,181,825	\$ 1,208,877
Use of money	35,000	35,000	5,587	(29,413)
Miscellaneous	-	-	-	-
Intergovernmental	668,000	2,470,336	853,681	(1,616,655)
Total revenues	<u>4,675,948</u>	<u>6,478,284</u>	<u>6,041,093</u>	<u>(437,191)</u>
Expenditures				
Current operating:				
General government	3,342,944	5,479,203	3,671,123	(1,808,080)
Capital outlay	<u>1,293,004</u>	<u>2,737,465</u>	<u>548,826</u>	<u>(2,188,639)</u>
Total expenditures	<u>4,635,948</u>	<u>8,216,668</u>	<u>4,219,949</u>	<u>(3,996,719)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>40,000</u>	<u>(1,738,384)</u>	<u>1,821,144</u>	<u>3,559,528</u>
Other Financing Sources (Uses)				
Transfers in	-	107,302	107,302	-
Transfers out	<u>(40,000)</u>	<u>(85,000)</u>	<u>(66,767)</u>	<u>18,233</u>
Total other financing sources (uses)	<u>(40,000)</u>	<u>22,302</u>	<u>40,535</u>	<u>18,233</u>
Net change in fund balance	-	(1,716,082)	1,861,679	3,577,761
Fund balance, beginning	<u>-</u>	<u>1,716,082</u>	<u>7,102,301</u>	<u>5,386,219</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,963,980</u>	<u>\$ 8,963,980</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, 2008	\$ 87,205,369	\$ 103,643,257	\$ 16,437,888	84.14%	\$ 43,535,035	37.76%
June 30, 2009	93,029,919	111,913,308	18,883,389	83.13%	43,332,376	43.58%
June 30, 2010	97,256,875	127,832,328	30,575,453	76.08%	41,834,084	73.09%

\*\* Stafford County is the fiscal agent for the Rappahannock Regional Solid Waster Management Board (R-Board). Payroll data submitted to the Virginia Retirement System is for the entity Stafford County, which includes R-Board employees. The actuarial valuation is for the entity Stafford County. Actuarial data for the R-Board is not available.

## For the Component Unit School Board:

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%
June 30, 2010	17,171,281	22,318,924	5,147,643	76.94%	9,204,760	55.92%

**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%
July 1, 2010	2,241,000	32,530,000	30,289,000	6.89%	42,387,750	71.46%

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	2.09%	106,020,819	46.76%
July 1, 2010	2,236,000	89,408,000	87,172,000	2.50%	102,349,123	85.17%

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, 2011**

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

The Board of Supervisors annually adopts budgets for the General Fund, and Special Revenue Funds of the primary government. All appropriations are legally controlled at the department level for the General Fund and Special Revenue Funds. On April 20, 2010, 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, 2011.

## **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.

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.

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**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	Special Revenue				
	Road Impact Fee - West Fund	Road Impact Fee - SE Fund	Garrisonville Rd Service District Fund	Warrenton Rd Service District Fund	Asset Forfeiture Fund
<b>ASSETS</b>					
Equity in pooled cash and investments	\$ 2,551,299	\$ 888,670	\$ 2,070,921	\$ 2,440,119	\$ -
Restricted assets:					
Cash	-	-	-	-	697,618
Receivables, net of allowance for uncollectibles:					
Property taxes	-	-	28,477	44,789	-
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	-	-	1,558
Intergovernmental receivables	-	-	-	-	220
Total assets	<u>\$ 2,551,299</u>	<u>\$ 888,670</u>	<u>\$ 2,099,398</u>	<u>\$ 2,484,908</u>	<u>\$ 699,396</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 5,058	\$ -	\$ -	\$ -	\$ 19,077
Accrued salaries and benefits	-	-	-	-	-
Retainage	-	-	-	-	-
Deferred revenue	-	-	18,384	39,561	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>5,058</u>	<u>-</u>	<u>18,384</u>	<u>39,561</u>	<u>19,077</u>
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	680,319
Committed	21,427	-	875,000	-	-
Assigned	<u>2,524,814</u>	<u>888,670</u>	<u>1,206,014</u>	<u>2,445,347</u>	<u>-</u>
Total fund balances	<u>2,546,241</u>	<u>888,670</u>	<u>2,081,014</u>	<u>2,445,347</u>	<u>680,319</u>
Total liabilities and fund balances	<u>\$ 2,551,299</u>	<u>\$ 888,670</u>	<u>\$ 2,099,398</u>	<u>\$ 2,484,908</u>	<u>\$ 699,396</u>

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	Special Revenue			Total Nonmajor Governmental Funds
	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	
<b>ASSETS</b>				
Equity in pooled cash and investments	601,339	6,799	16,167	\$ 8,575,314
Restricted assets:				
Cash	-	-	60,167	757,785
Receivables, net of allowance for uncollectibles:				
Property taxes	-	-	8,872	82,138
Accounts receivable	134,562	-	-	134,562
Due from other funds	-	-	-	1,558
Intergovernmental receivables	34,336	-	-	34,556
Total assets	<u>\$ 770,237</u>	<u>\$ 6,799</u>	<u>\$ 85,206</u>	<u>\$ 9,585,913</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 38,831	\$ -	\$ -	\$ 62,966
Accrued salaries and benefits	5,716	-	295	6,011
Retainage	-	-	-	-
Deferred revenue	-	-	6,300	64,245
Due to other funds	-	-	-	-
Total liabilities	<u>44,547</u>	<u>-</u>	<u>6,595</u>	<u>133,222</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	60,167	740,486
Committed	-	-	-	896,427
Assigned	725,690	6,799	18,444	7,815,778
Total fund balances	<u>725,690</u>	<u>6,799</u>	<u>78,611</u>	<u>9,452,691</u>
Total liabilities and fund balances	<u>\$ 770,237</u>	<u>\$ 6,799</u>	<u>\$ 85,206</u>	<u>\$ 9,585,913</u>

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

YEAR ENDED JUNE 30, 2011

	Special Revenue				
	Road Impact Fee - West Fund	Road Impact Fee - SE Fund	Garrisonville Rd Service District Fund	Warrenton Rd Service District Fund	Asset Forfeiture Fund
<b>REVENUES</b>					
Property taxes	\$ -	\$ -	\$ 534,239	\$ 676,404	\$ -
Other local taxes	200,375	118,933	-	-	-
Use of money and property	5,407	1,793	3,553	4,120	1,557
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Intergovernmental	-	-	-	-	254,993
Total revenues	<u>205,782</u>	<u>120,726</u>	<u>537,792</u>	<u>680,524</u>	<u>256,550</u>
<b>EXPENDITURES</b>					
Current operating:					
Judicial administration	-	-	-	-	20,984
Public safety	-	-	-	-	339,286
Community development	-	-	-	-	-
Debt service	-	-	-	-	-
Capital outlay	240,822	-	-	-	-
Total expenditures	<u>240,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,270</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,040)</u>	<u>120,726</u>	<u>537,792</u>	<u>680,524</u>	<u>(103,720)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	6,800
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,800</u>
Net change in fund balances	(35,040)	120,726	537,792	680,524	(96,920)
Fund balance, beginning	<u>2,581,281</u>	<u>767,944</u>	<u>1,543,222</u>	<u>1,764,823</u>	<u>777,239</u>
Fund balance ending	<u>\$ 2,546,241</u>	<u>\$ 888,670</u>	<u>\$ 2,081,014</u>	<u>\$ 2,445,347</u>	<u>\$ 680,319</u>



COUNTY OF STAFFORD, VIRGINIA

Schedule II

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

YEAR ENDED JUNE 30, 2011

	Special Revenue			Total Nonmajor Governmental Funds
	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 93,003	\$ 1,303,646
Other local taxes	1,274,760	-	-	1,594,068
Use of money and property	-	-	76	16,506
Charges for services	100	2,976	-	3,076
Miscellaneous	3,305	-	-	3,305
Intergovernmental	46,017	-	-	301,010
Total revenues	<u>1,324,182</u>	<u>2,976</u>	<u>93,079</u>	<u>3,221,611</u>
<b>EXPENDITURES</b>				
Current operating:				
Judicial administration	-	-	-	20,984
Public safety	-	-	-	339,286
Community development	614,174	-	7,728	621,902
Debt service	-	-	61,294	61,294
Capital outlay	452,960	-	-	693,782
Total expenditures	<u>1,067,134</u>	<u>-</u>	<u>69,022</u>	<u>1,737,248</u>
Excess (deficiency) of revenues over (under) expenditures	<u>257,048</u>	<u>2,976</u>	<u>24,057</u>	<u>1,484,363</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	6,800
Transfers out	(480,000)	-	-	(480,000)
Total other financing sources (uses)	<u>(480,000)</u>	<u>-</u>	<u>-</u>	<u>(473,200)</u>
Net change in fund balances	(222,952)	2,976	24,057	1,011,163
Fund balance, beginning	<u>948,642</u>	<u>3,823</u>	<u>54,554</u>	<u>8,441,528</u>
Fund balance ending	<u>\$ 725,690</u>	<u>\$ 6,799</u>	<u>\$ 78,611</u>	<u>\$ 9,452,691</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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>PRIMARY GOVERNMENT</b>				
Special Revenue Funds:				
Road Impact Fee - West				
Revenues:				
Other local taxes	\$ -	\$ -	\$ 200,375	\$ 200,375
Use of money	-	-	5,407	5,407
Total revenues	-	-	205,782	205,782
Expenditures				
Current operating:				
Capital outlay	-	1,705,424	240,822	(1,464,602)
Excess (deficiency) of revenues over (under) expenditures	-	(1,705,424)	(35,040)	1,670,384
Net change in fund balance	-	(1,705,424)	(35,040)	1,670,384
Fund balance, beginning	-	1,705,424	2,581,281	875,857
Fund balance, ending	\$ -	\$ -	\$ 2,546,241	\$ 2,546,241
 Garrisonville Road Service District Fund:				
Revenues:				
Property taxes	\$ 518,025	\$ 518,025	\$ 534,239	16,214
Use of money	-	-	3,553	3,553
Miscellaneous	-	-	-	-
Total revenues	518,025	518,025	537,792	19,767
Expenditures				
Current operating:				
Capital Outlay	870,000	870,000	-	(870,000)
Excess (deficiency) of revenues over (under) expenditures	(351,975)	(351,975)	537,792	889,767
Net change in fund balance	(351,975)	(351,975)	537,792	889,767
Fund balance, beginning	351,975	351,975	1,543,222	1,191,247
Fund balance, ending	\$ -	\$ -	\$ 2,081,014	\$ 2,081,014

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, 2011**

PRIMARY GOVERNMENT	Budgeted Amounts		Actual Amounts	Final Budget Over (Under)
	Original	Final		
Special Revenue Funds:				
Asset Forfeiture Fund:				
Revenues				
Use of money and property	\$ -	\$ -	\$ 1,557	\$ 1,557
Intergovernmental	-	-	254,993	254,993
Total revenues	-	-	256,550	256,550
Expenditures				
Current operating:				
Judicial administration	5,000	25,000	20,984	(4,016)
Public safety	100,000	421,262	339,286	(81,976)
Total expenditures	105,000	446,262	360,270	(85,992)
Excess (deficiency) of revenues over (under) expenditures	(105,000)	(446,262)	(103,720)	342,542
Other Financing Sources (Uses)				
Transfers in	-	-	6,800	6,800
Net change in fund balance	(105,000)	(446,262)	(96,920)	349,342
Fund balance, beginning	105,000	446,262	777,239	330,977
Fund balance, ending	\$ -	\$ -	\$ 680,319	\$ 680,319
Tourism Fund:				
Revenues				
Other local taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,274,760	\$ 74,760
Charges for services	-	-	100	101
Miscellaneous	-	-	3,305	3,305
Intergovernmental	5,000	82,700	46,017	(36,683)
Total revenues	1,205,000	1,282,700	1,324,182	41,483
Expenditures				
Current operating:				
Community development	725,000	932,912	614,174	(318,738)
Capital outlay	-	582,385	452,960	(129,425)
	725,000	1,515,297	1,067,134	(448,163)
Excess (deficiency) of revenues over (under) expenditures	480,000	(232,597)	257,048	489,645
Other financing sources (uses)				
Transfers out	(480,000)	(480,000)	(480,000)	-
Net change in fund balance	-	(712,597)	(222,952)	489,645
Fund balance, beginning	-	712,597	948,642	236,045
Fund balance, ending	\$ -	\$ -	\$ 725,690	\$ 725,690

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT  
YEAR ENDED JUNE 30, 2011**

PRIMARY GOVERNMENT	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Special Revenue Funds:				
Hidden Lake Fund:				
Revenues:				
Property taxes	\$ 72,601	\$ 72,601	\$ 93,003	\$ 20,402
Use of money	100	200	76	(124)
Total revenues	<u>72,701</u>	<u>72,801</u>	<u>93,079</u>	<u>20,278</u>
Expenditures:				
Current operating:				
Community development	12,031	21,199	7,728	(13,471)
Capital outlay	-	26,539	-	(26,539)
Debt service:				
Principal	25,000	25,000	25,000	-
Interest and fiscal charges	<u>35,670</u>	<u>36,295</u>	<u>36,294</u>	<u>(1)</u>
Total expenditures	<u>72,701</u>	<u>109,033</u>	<u>69,022</u>	<u>(40,011)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(36,232)</u>	<u>24,057</u>	<u>60,289</u>
Net change in fund balance	-	(36,232)	24,057	60,289
Fund balance, beginning	-	<u>36,232</u>	<u>54,554</u>	<u>18,322</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,611</u>	<u>\$ 78,611</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>PRIMARY GOVERNMENT</b>				
Capital Projects Funds:				
General Capital Projects Fund:				
Revenues				
Use of money	-	-	\$ 23,263	\$ 23,263
Miscellaneous	-	-	1,493	1,493
Total revenues	-	-	24,756	24,756
Expenditures				
Current operating:				
Public works	-	-	212,500	212,500
Parks, recreation and cultural	-	1,131,508	421,528	(709,980)
Capital Outlay	-	32,174,263	11,052,292	(21,121,971)
Debt service:				
Cost of debt issuance	-	-	(10,067)	(10,067)
Appropriation to School Board:				
School capital projects	-	8,255,000	8,293,630	38,630
Total expenditures	-	41,560,771	19,969,883	(21,590,888)
Deficiency of revenues under expenditures	-	(41,560,771)	(19,945,127)	21,615,644
Other financing sources (uses)				
Transfers in	-	1,050,000	1,050,000	-
Issuance of debt:				
Bonds	-	8,255,000	9,235,000	980,000
Bond premiums	-	-	350,984	350,984
Capital leases	-	-	8,707,998	8,707,998
Loan to Component Unit	-	-	(1,305,000)	(1,305,000)
Total other financing sources (uses)	-	9,305,000	18,038,982	8,733,982
Net change in fund balance	-	(32,255,771)	(1,906,145)	30,349,626
Fund balance, beginning	-	32,255,771	10,852,158	(21,403,613)
Fund balance, ending	\$ -	\$ -	\$ 8,946,013	\$ 8,946,013



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

## 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, 2011**

	Agency Funds				
	Widewater	Celebrate Virginia North	Lake Arrowhead Sanitary District	George Washington Regional Commission	Totals
<b>ASSETS</b>					
Current assets:					
Cash and short-term investments	\$ 1,260,267	\$ 1,585,358	\$ 411,915	\$ -	\$ 3,257,540
Receivables:					
Property taxes	-	1,515,520	109,768	-	1,625,288
Accounts	-	-	-	370,984	370,984
Total assets	<u>\$ 1,260,267</u>	<u>\$ 3,100,878</u>	<u>\$ 521,683</u>	<u>\$ 370,984</u>	<u>\$ 5,253,812</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 275,093	\$ 275,093
Accrued salaries and benefits	-	-	-	53,070	53,070
Other liabilities	-	2,510	-	42,821	45,331
Reserve for future expenditures	1,260,267	-	521,683	-	1,781,950
Reserve for bondholders	-	3,098,368	-	-	3,098,368
Total liabilities	<u>\$ 1,260,267</u>	<u>\$ 3,100,878</u>	<u>\$ 521,683</u>	<u>\$ 370,984</u>	<u>\$ 5,253,812</u>



**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**YEAR ENDED JUNE 30, 2011**

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<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	\$ 707,168	\$ 2,326,562	\$ (1,448,372)	\$ 1,585,358
Property taxes receivable	1,068,406	1,663,679	(1,216,565)	1,515,520
Total assets	<u>\$ 1,775,574</u>	<u>\$ 3,990,241</u>	<u>\$ (2,664,937)</u>	<u>\$ 3,100,878</u>
LIABILITIES				
Other liabilities	\$ -	\$ 2,510	\$ -	\$ 2,510
Reserve for bondholders	1,775,574	3,987,731	(2,664,937)	3,098,368
Total liabilities	<u>\$ 1,775,574</u>	<u>\$ 3,990,241</u>	<u>\$ (2,664,937)</u>	<u>\$ 3,100,878</u>
<u>Lake Arrowhead Sanitary District Fund</u>				
ASSETS				
Cash and short-term investments	\$ 391,577	\$ 20,338	\$ -	\$ 411,915
Property taxes receivable	131,346	-	(21,578)	109,768
Total assets	<u>\$ 522,923</u>	<u>\$ 20,338</u>	<u>\$ (21,578)</u>	<u>\$ 521,683</u>
LIABILITIES				
Reserve for future expenditures	\$ 522,923	\$ 21,878	\$ (23,118)	\$ 521,683
<u>George Washington Regional Commission</u>				
ASSETS				
Accounts receivable	\$ 281,926	\$ 370,984	\$ (281,926)	\$ 370,984
LIABILITIES				
Accounts payable	\$ 164,109	\$ 275,093	\$ (164,109)	\$ 275,093
Accrued salaries and benefits	55,755	53,070	(55,755)	53,070
Other liabilities	62,062	-	(19,241)	42,821
	<u>\$ 281,926</u>	<u>\$ 328,163</u>	<u>\$ (239,105)</u>	<u>\$ 370,984</u>
<u>Totals - All Fiduciary Agency Funds</u>				
ASSETS				
Cash and short-term investments	\$ 2,359,012	\$ 2,346,900	\$ (1,448,372)	\$ 3,257,540
Property taxes receivable	1,199,752	1,663,679	(1,238,143)	1,625,288
Accounts receivable	281,926	370,984	(281,926)	370,984
Total assets	<u>\$ 3,840,690</u>	<u>\$ 4,381,563</u>	<u>\$ (2,968,441)</u>	<u>\$ 5,253,812</u>
LIABILITIES				
Accounts payable	\$ 164,109	\$ 275,093	\$ (164,109)	\$ 275,093
Accrued salaries and benefits	55,755	53,070	(55,755)	53,070
Other liabilities	62,062	2,510	(19,241)	45,331
Reserve for future expenditures	1,783,190	21,878	(23,118)	1,781,950
Reserve for bondholders	1,775,574	3,987,731	(2,664,937)	3,098,368
Total liabilities	<u>\$ 3,840,690</u>	<u>\$ 4,340,282</u>	<u>\$ (2,927,160)</u>	<u>\$ 5,253,812</u>



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

## **STATISTICAL SECTION**

## **STATISTICAL SECTION**

### **(unaudited)**

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

### **Contents**

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

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

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

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

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

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

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

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

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

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

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



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

COUNTY OF STAFFORD, VIRGINIA

Table S-1

NET ASSETS BY COMPONENT

Fiscal Years 2002 - 2011

(accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 73,303,969
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	2,540,231
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)	(192,423,702)
Total governmental activities net assets	\$ (107,648,126)	\$ (99,168,197)	\$ (143,571,365)	\$ (140,827,493)	\$ (186,291,701)	\$ (192,116,203)	\$ (204,732,776)	\$ (181,172,761)	\$ (146,472,226)	\$ (116,579,502)
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	\$ 243,840,540
Restricted	979,716	2,011,415	-	11,065,752	11,396,183	11,695,567	11,912,732	12,002,547	12,165,547	14,293,655
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	32,052,353
Total business-type activities net assets	\$ 172,382,430	\$ 186,333,792	\$ 199,339,832	\$ 218,590,304	\$ 241,920,397	\$ 259,957,926	\$ 272,656,094	\$ 276,560,865	\$ 281,349,160	\$ 290,186,548
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	\$ 317,144,509
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	16,833,886
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)	(160,371,349)
Total primary government net assets	\$ 64,734,304	\$ 87,165,595	\$ 55,768,467	\$ 77,762,811	\$ 55,628,696	\$ 67,841,723	\$ 67,923,318	\$ 95,388,104	\$ 134,876,934	\$ 173,607,046

(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-2  
Page 1 of 3

CHANGES IN NET ASSETS  
Fiscal Years 2002 - 2011  
(accrual basis of accounting)  
(unaudited) (1)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 12,719,415
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	6,735,964
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	45,474,144
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	7,674,038
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	13,783,282
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	9,659,082
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	5,472,934
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	107,730,081
Transportation	1,408,410	1,043,080	3,444,264	1,998,682	7,333,030	2,293,299	3,438,628	4,405,170	3,770,803	3,124,981
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	13,427,364
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	225,801,295
Total business-type activities expenses	18,513,910	20,790,301	20,237,165	21,402,285	23,528,349	25,694,334	28,186,943	30,617,305	31,035,605	30,216,044
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	\$ 256,017,339
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ -	\$ 176,550	\$ 160,199	\$ 405,787	\$ 214,435	\$ 184,244	\$ 3,619	\$ 965	\$ 1,108	\$ 25,964
Judicial administration	479,048	771,383	905,839	1,077,149	1,218,732	728,369	482,221	388,935	277,479	335,598
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	6,549,245
Public works	-	-	-	-	-	-	-	67,927	70,097	71,817
Health and social services	76,875	72,345	80,625	72,088	72,325	50,120	34,375	310,308	292,027	175,902
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	1,806,643
Community development	683,579	170,993	380,965	684,653	915,784	919,603	2,207,172	1,550,465	1,077,860	1,343,065
Transportation	-	-	-	-	-	-	-	500	28,890	37,455
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
General government	536,879	489,410	514,665	529,116	549,804	604,780	681,802	659,751	591,090	563,378
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	1,890,125
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	6,940,239
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	7,472,568
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	1,111,018
Transportation	-	22,400	-	1,117,466	-	716,564	452,413	41,940	10,729	139,175
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
General government	-	407,800	-	1,312,406	-	-	-	-	-	-
Public works	-	800,000	-	-	-	-	-	-	601,983	49,327
Parks, recreation and cultural	-	-	-	-	-	-	-	-	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	28,512,119

## CHANGES IN NET ASSETS

Fiscal Years 2002 - 2011

(accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Business-type activities:</b>										
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	\$ 23,348,476
Operating grants and contributions	-	-	87,713	-	15,000	65,702	1,857,407	-	3,496,906	2,914,691
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	11,958,913
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	38,222,080
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	\$ 66,734,199
<b>Net (expense)/revenue (2)</b>										
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)	\$ (197,289,176)
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	8,006,036
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)	\$ (189,283,140)
<b>General revenues and other changes in net assets</b>										
<b>Governmental activities:</b>										
<b>Taxes</b>										
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	\$ 172,389,860
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	38,933,477
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	15,019,020
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	116,813
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	722,730
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	227,181,900
<b>Business-type activities</b>										
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	514,145
Miscellaneous	-	147,917	159,771	200,982	200,344	697,882	79,940	80,250	41,841	317,207
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	831,352
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	\$ 228,013,252
<b>Change in net assets</b>										
<b>Primary government:</b>										
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	\$ 29,892,724
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	8,837,388
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	\$ 38,730,112
<b>Total primary government</b>										
Net assets, beginning (3), (4)	\$ 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	\$ 134,876,934
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	\$ 173,607,046



COUNTY OF STAFFORD, VIRGINIA

Table S-2  
Page 3 of 3

CHANGES IN NET ASSETS  
Fiscal Years 2002 - 2011  
(accrual basis of accounting)  
(unaudited) (1)

- (1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.  
 (2) 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.  
 (3) 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.  
 (4) In 2009, the beginning net assets balance for the General Government was restated to reflect an adjusted prior year transfer from the Component Unit-School Board.

COUNTY OF STAFFORD, VIRGINIA

Table S-3

FUNDS BALANCES, GOVERNMENTAL FUNDS

Fiscal Years 2002-2011

(modified accrual basis of accounting)

(unaudited) (1)

	Pre-GASB 54 (2)									
	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	
General Fund										
Reserved	\$ 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	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	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	24,569,661	23,431,514	29,936,230	41,565,519	32,850,426	24,701,103	21,649,144	35,278,481	37,019,769	
All Other Governmental Funds										
Reserved	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	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	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	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	16,745,254	17,348,155	13,889,270	8,216,370	52,591,340	35,279,001	57,606,901	36,323,516	26,395,987	
Total fund balances	\$41,314,915	\$40,779,669	\$43,825,500	\$49,781,889	\$85,441,766	\$59,980,104	\$79,256,045	\$71,601,997	\$63,415,756	
Post-GASB 54 (3)										
	Fiscal Year									
	2010	2011								
General Fund										
Nonspendable	\$ 937,328	\$ 38,977								
Restricted	-	569,745								
Committed	4,806,242	9,588,558								
Assigned	5,007,982	10,219,883								
Unassigned	26,268,217	29,129,794								
Total General Fund	37,019,769	49,546,957								
All Other Governmental Funds										
Nonspendable	-	-								
Restricted										
Special Revenue	831,793	740,486								
Capital Projects	-	1,230,000								
Committed										
Special Revenue	4,842,360	7,648,876								
Capital Projects	10,852,158	8,946,013								
Assigned										
Special Revenue	9,869,676	10,027,309								
Total all other government funds	26,395,987	28,592,684								
Total fund balances	\$63,415,756	\$78,139,641								

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

(2) Fiscal years 2002 through 2010 were in compliance with GASB 34.

(3) GASB 54 was adopted in 2011 and 2010 data was restated for GASB 54 comparable presentation.

COUNTY OF STAFFORD, VIRGINIA

Table S-4  
Page 1 of 2

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 2002-2011

(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
General property taxes	\$ 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	\$ 172,389,860
Other local taxes	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	38,218,971
Permits, privilege fees and regulatory licenses	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	3,368,355
Fines and forfeitures	482,193	657,077	833,105	772,566	867,114	905,693	729,448	691,102	729,490	904,319
Use of money and property	703,383	953,799	442,784	1,151,048	1,849,825	5,014,147	3,159,009	1,668,970	465,207	429,386
Charges for services	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	5,218,433
Miscellaneous	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	3,456,531
Intergovernmental	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	31,783,161
Total revenues	137,254,487	150,724,276	167,577,388	187,997,114	209,414,510	223,072,453	235,935,948	243,707,808	249,062,524	255,769,016
<b>Expenditures</b>										
Current operating:										
General government	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	15,118,921
Judicial administration	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	6,489,706
Public safety	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	45,841,713
Public works	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	5,221,699
Health and social services	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	13,597,282
Parks, recreation and cultural	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	10,875,709
Community development	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	5,272,457
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	99,323,620
School capital projects	8,127,383	8,143,992	64,229,951	29,373,954	64,172,028	21,239,268	23,190,898	17,19,370	6,189,827	8,406,461
Capital outlay	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	12,305,815
Debt service										
Principal	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	22,295,756
Interest and fiscal charges	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	17,604,636
Total expenditures	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	262,353,775
Excess of revenues over (under) expenditures	3,152,644	(10,114,947)	(68,944,674)	(23,769,155)	(76,556,628)	(49,272,718)	(62,110,151)	(16,545,661)	(14,726,117)	(6,584,759)
<b>Other Financing Sources (Uses)</b>										
Issuance of debt	-	-	-	27,595,000	100,590,000	20,359,366	78,744,286	1,704,853	6,189,827	9,585,984
Issuance of capital leases	-	-	-	1,102,700	8,434,211	3,451,690	2,655,519	649,080	350,054	8,707,998
Bond premium	50,324	580,512	2,620,702	1,075,564	2,949,267	-	-	-	-	-
Payments to fiscal agent	(4,077,382)	-	-	-	-	-	-	-	-	-
Transfers in	421,988	212,712	348,385	390,109	927,731	8,529,884	11,133,536	-	-	-
Transfers out	(33,227)	(136,140)	(201,957)	(437,829)	(927,731)	(8,529,884)	(11,147,249)	4,854,932	2,060,019	1,710,869
Other miscellaneous non-operating	-	-	-	-	-	-	-	(4,572,484)	(2,060,019)	(1,710,869)
Proceeds from indebtedness	15,122,053	8,720,000	68,034,768	-	-	-	-	-	-	3,089,662
Proceeds from capital leases	1,619,499	202,617	1,188,607	-	-	-	-	-	-	-
Loan to Component Unit	-	-	-	-	-	-	-	-	-	-
Total other financing sources(uses)	13,103,255	9,579,701	71,990,505	29,725,544	111,973,478	23,811,056	81,386,092	2,636,361	6,539,881	(1,305,000)
<b>Net change in fund balances</b>	<b>16,255,899</b>	<b>(535,246)</b>	<b>3,045,831</b>	<b>5,956,389</b>	<b>35,416,850</b>	<b>(25,461,662)</b>	<b>19,275,941</b>	<b>(13,909,300)</b>	<b>(8,186,236)</b>	<b>13,493,885</b>
Fund balance, beginning (3)	25,059,016	41,314,915	40,779,669	43,825,500	50,024,916	85,441,766	59,880,104	85,511,292	71,601,992	63,415,756
Fund balance, ending (3)	\$ 41,314,915	\$ 40,779,669	\$ 43,825,500	\$ 49,781,889	\$ 85,441,766	\$ 59,980,104	\$ 79,256,045	\$ 71,601,992	\$ 63,415,756	\$ 76,909,641

COUNTY OF STAFFORD, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 2002-2011

(modified accrual basis of accounting)

(unaudited) (1)

Table S-4  
Page 2 of 2

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total debt service	\$ 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	\$ 39,900,392
Total expenditures	\$ 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	\$ 262,353,775
Less: Capital outlay	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	19,148,190
Non-capital expenditures	\$ 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	\$ 243,205,585
Debt service as a percentage of noncapital expenditures	1.70%	14.62%	12.63%	13.67%	10.94%	14.50%	14.08%	17.32%	16.39%	16.41%

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

(2) 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. 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.

Table S-5

## COUNTY OF STAFFORD, VIRGINIA

## ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE REAL PROPERTY

Calendar Years 2002 - 2011

(unaudited) (1)

Calendar Year	Residential Real Property	Commercial and Industrial Real Property	Agricultural Real Property	Percentage Growth		Total Direct Real Estate Tax Rate (3)
				Total Taxable Assessed Real Property (4)	Total Taxable Assessed Real Property	
2002 (2)	5,143,139,800	914,306,300	386,353,100	6,184,376,500	16.7%	1,071,966,600
2003	5,558,075,479	974,267,800	377,963,600	6,663,645,179	7.7%	1,101,844,400
2004 (2)	7,530,691,700	1,233,804,100	446,627,300	8,920,052,900	33.9%	1,190,906,100
2005	8,008,477,670	1,311,858,550	451,249,400	9,499,678,248	6.5%	1,197,340,200
2006 (2)	13,787,026,663	1,998,640,060	1,136,810,550	16,293,674,473	71.5%	1,414,690,900
2007	14,334,990,827	2,123,204,227	1,019,445,450	16,913,237,529	3.8%	1,444,115,400
2008 (2)	12,992,885,100	2,785,332,869	1,183,223,200	16,226,491,762	-4.1%	1,630,949,000
2009	13,207,302,880	2,806,328,239	1,101,805,900	16,313,534,929	0.5%	1,709,946,500
2010 (2)	9,850,345,400	2,514,103,100	634,355,800	12,555,580,113	-23.0%	1,563,254,000
2011	10,021,541,300	2,540,176,800	611,053,100	14,302,458,616	13.9%	1,583,366,900

(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 2002 - 2011  
(unaudited) (2)

Calendar Year	Real Estate	Personal Property (4)	Merchants Capital	Machinery and Tools	Mobile Homes (5)	Aircraft (7)	Recreational Vehicles/ Trailers; Watercraft & Business Property (6)	Total Direct Tax Rate For each Fiscal Year (8)
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	1.25
2004 (3)	0.97	5.49	0.50	0.75	0.97	3.00	5.49	1.08
2005	0.97	5.49	0.50	0.75	0.97	3.00	5.49	1.08
2006 (3)	0.63	5.49	0.50	0.75	0.63	3.00	5.49	0.72
2007	0.70	5.49	0.50	0.75	0.70	3.00	5.49	0.78
2008 (3)	0.84	5.49	0.50	0.75	0.84	3.00	5.49	0.92
2009	0.84	6.89	0.50	0.75	0.84	-	5.49	0.93
2010 (3)	1.10	6.89	0.50	0.75	1.10	-	5.49	1.21
2011	1.08	6.89	0.50	0.75	1.08	-	5.49	1.19

(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 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.

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

(8) The Total Direct Tax Rates are calculated per \$100 of assessed value, calculated on a weighted average basis and are not available prior to fiscal year 2003.  
Source: Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL PROPERTY TAX PAYERS

Calendar Years 2011 vs 2002

(unaudited) (1)

Table S-7

Tax Payer	Type of Business	Calendar Year 2011			Calendar Year 2002		
		Assessed Valuation	Rank	% Total Assessed Valuation	Assessed Valuation	Rank	% Total Assessed Valuation
Virginia Electric & Power Co	Utility	\$ 185,518,758	1	1.3%	74,330,906	1	1.2%
Silver Companies, Inc	Commercial	103,942,200	2	0.7%			
Government Employees Insurance Co	Commercial	81,148,300	3	0.6%	57,117,500	2	0.9%
Stafford Marketplace LLC	Commercial	72,947,700	4	0.5%			
United Dominion Realty Trust	Commercial	61,780,900	5	0.4%	41,289,080	4	0.7%
Verizon	Utility	58,035,742	6	0.4%			
Wal-Mart	Commercial	57,353,840	7	0.4%	26,510,760	6	0.4%
ACPRE ACS Realty LLC	Commercial	54,270,700	8	0.4%			
Washington Real Estate Investment Trust	Commercial	54,105,000	9	0.4%			
Pulte Home Corp	Commercial	51,495,600	10	0.4%			
Northern Stafford Associates LC	Commercial						
McLane/Mid-Atlantic Inc, McLane Foods	Commercial				54,404,730	3	0.9%
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							
Verizon South Inc	Commercial				31,826,500	5	0.5%
Verizon Virginia Inc	Utility				24,542,398	7	0.4%
RAMCO VA Properties LLC	Utility				22,514,643	9	0.4%
Lakewood Associates	Commercial				22,860,000	8	0.4%
	Commercial				11,655,000	10	0.2%
Totals		\$ 780,598,740		5.5%	\$ 367,051,517		5.9%
Total taxable assessed real property		\$ 14,302,458,616			\$ 6,184,376,500		

(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.

COUNTY OF STAFFORD, VIRGINIA

Table S-8

REAL PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Years 2002 - 2011  
(unaudited) (1)

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	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 (3)
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%
2011	139,719,915	451,617	139,268,298	134,537,353	96.29%	5,253,389	139,790,742	100.38%

(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.

(3) Total property tax collections to date as a percentage of the annual levy exceeds 100% in some years as the the collections in subsequent years column includes collections for prior years.

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 2002 - 2011

(unaudited) (1)

Fiscal Year	Governmental Activities					Business-Type Activities			Total Direct Debt		Total Direct Debt	
	General Obligation Bonds (2)	Lease Revenue Bonds (2)	Literary Loans	Certificates of Participation	Capital Leases	VRA Loan	General Obligation Bonds (2)	Revenue Bonds (7)	Total Primary Government	Percentage of Assessed Real Property Value (3)	Percentage of Personal Income (4)	Outstanding Debt Per Capita (5)
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 (6)	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%	8.56%	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%	8.06%	3,225
2010	257,206,940	88,205,000	4,828,782	-	7,978,053	8,783,857	-	42,092,841	409,095,473	3.26%	7.77%	3,172
2011	251,459,634	84,470,000	4,172,633	-	14,138,137	8,409,471	-	38,017,841	400,667,716	2.80%	7.46%	3,107

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

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

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

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

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

(6) 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.

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

COUNTY OF STAFFORD, VIRGINIA

Table S-10

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Direct & Overlapping Debt Ratios

Fiscal Years 2002 - 2011

(unaudited) (1)

Fiscal Year	Total Direct Debt		Stafford County Portion of Overlapping Debt			Total Direct & Overlapping Debt	
	General Bonded Direct Debt Outstanding		Joint Activity Rappahannock Regional Jail (2)	Joint Activity Juvenile Detention Center (3)	Overlapping Debt Direct & Overlapping Debt Outstanding	Percentage of Assessed Real Property Value (4)	Percentage of Personal Income (5) Per Capita (6)
2002	189,357,273		18,642,540	2,523,298	210,523,111	3.27%	6.74%
2003	184,125,835		18,333,140	2,440,947	204,899,922	2.97%	6.17%
2004	233,265,489		18,009,460	2,358,596	253,633,545	2.75%	6.88%
2005	246,519,255		17,673,880	2,276,247	266,469,382	2.73%	6.63%
2006	336,564,405		17,334,939	2,160,080	356,059,424	2.10%	8.30%
2007	343,386,254		16,968,188	2,084,045	362,438,487	2.07%	8.06%
2008	403,784,495		16,584,766	2,008,010	422,377,271	2.49%	8.62%
2009	383,697,725		16,184,674	1,931,975	401,814,374	2.35%	8.17%
2010	369,335,067		16,031,067	1,855,940	387,222,074	3.08%	7.35%
2011	364,689,793		15,885,797	1,779,905	382,355,495	2.67%	7.12%

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

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

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

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

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

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

COUNTY OF STAFFORD, VIRGINIA

Table S-11

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2011

(unaudited) (1)

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Direct debt:			
General Government			
General obligation bonds (2)	\$ 251,459,634	100.0%	\$ 251,459,634
Lease revenue bonds (2)	84,470,000	100.0%	84,470,000
Literary loans	4,172,633	100.0%	4,172,633
Capital leases	14,138,137	100.0%	14,138,137
VRA	8,409,471	100.0%	8,409,471
School Leases	2,039,918	100.0%	2,039,918
Total general government direct debt	<u>364,689,793</u>		<u>364,689,793</u>
Overlapping Debt:			
Regional Joint Activities			
Rappahannock Regional Jail	33,352,503	47.6%	15,885,797
Juvenile Detention Center	5,297,335	33.6%	1,779,905
Total regional joint ventures	<u>38,649,838</u>		<u>17,665,702</u>
Total overlapping debt	<u>38,649,838</u>		<u>17,665,702</u>
Total direct and overlapping debt	<u>\$ 403,339,631</u>		<u>\$ 382,355,495</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.

COUNTY OF STAFFORD, VIRGINIA

Table S-12  
Page 1 of 3

DEBT MARGIN INFORMATION

Fiscal Years 2002 - 2011

(unaudited) (1)

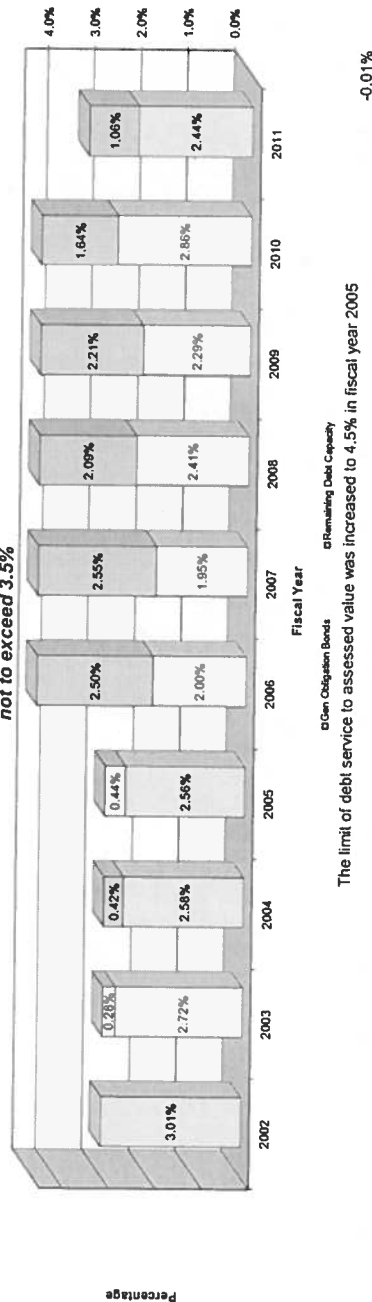
On June 21, 2005, the Board of Supervisors adopted new "Principles of High Performance Financial Management" as a means to strategically plan and account for the County's financial resources, ensure a balanced tax burden from residential and commercial resources and to maintain or upgrade the County's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

Debt Limitation 1:

The (tax-supported) general obligation debt shall not exceed 3.5% of the assessed valuation of taxable real property. (4)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed value of taxable real property	\$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	\$14,302,458,616
Debt limit, 3.5% of assessed value (4)	\$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	\$500,586,052
Tax-supported general obligation debt (2)	\$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	\$348,511,738
% of assessed real property	3.01%	2.72%	2.58%	2.58%	2.00%	1.95%	2.41%	2.29%	2.86%	2.44%
Debt margin (3)	\$ (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	\$ 152,074,314

Total Debt to Assessed Value of Property  
not to exceed 3.5%



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

(2) The tax-supported general obligation debt includes general obligation bonds (including VPSA), lease-revenue bonds (issued for the construction of public safety projects), literary loans, certificates of participation 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.

(4) Debt limit was 3% of assessed value prior to June 21, 2005; It changed to 4.5% of assessed value until July 6, 2010; At that time it was set at 3.5% of assessed value with a goal to reach 3% by July 1, 2015

COUNTY OF STAFFORD, VIRGINIA

DEBT MARGIN INFORMATION

Fiscal Years 2002 - 2011

(unaudited) (1)

Table S-12  
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Debt Limitation 2:

General fund debt service expenditures (County and Schools) shall not exceed 11% of the general government budget. (5)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government budget (4)	\$ 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	\$ 383,015,888
Debt limit, 11% of general government budget	\$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	\$42,131,748
Debt service expenditure (2)	\$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	\$39,900,392
Percentage of the general government budget	7.38%	7.91%	7.34%	8.36%	7.79%	11.19%	9.07%	10.81%	10.63%	10.42%
Debt service margin (3)	\$ 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	\$ 2,231,356

Debt Service to General Expenditures  
not to exceed 11%



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.

(5) Debt service limit was 10% of general expenditures prior to June 21, 2005; it changed to 12% of general expenditures until July 6, 2010. At that time it was set at 11% of general expenditures with a goal to reach 10% by July 1, 2015

COUNTY OF STAFFORD, VIRGINIA

DEBT MARGIN INFORMATION

Fiscal Years 2002 - 2011

(unaudited) (1)

Table S-12

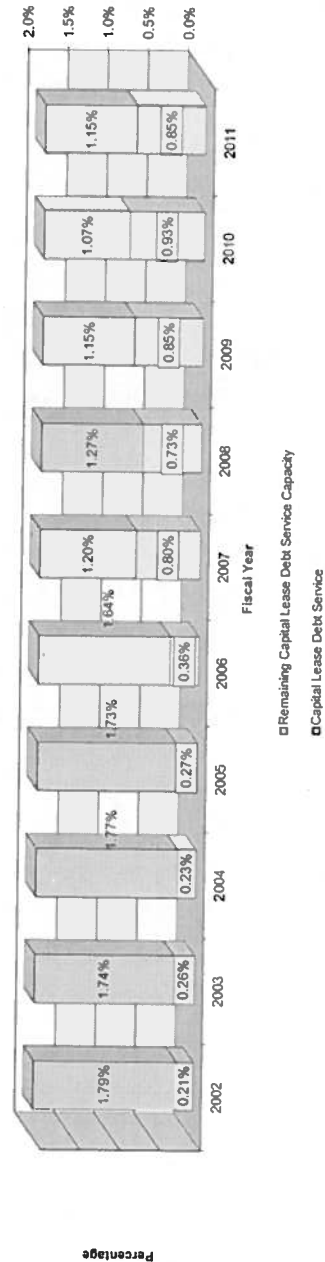
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Debt Limitation 3:

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government budget	\$ 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	\$ 383,015,888
Capital lease debt service limit, 2% of general government budget										
County limit	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	2,553,439
School Board limit	3,283,969	3,489,123	3,717,557	4,050,968	4,854,772	4,195,521	5,239,611	5,121,205	5,090,124	5,106,879
Total debt service limitation	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	7,660,318
Amount of debt service applicable to limit										
County	523,313	678,408	650,134	665,675	774,517	877,602	694,586	1,077,855	1,079,087	1,131,079
School Board	-	-	-	149,652	519,333	1,635,858	2,186,443	2,186,443	2,466,865	2,133,312
Total debt service applicable to limit	523,313	678,408	650,134	815,327	1,293,850	2,513,460	2,881,029	3,264,298	3,545,952	3,264,391
Capital lease debt service as a percentage of general government budget	0.21%	0.26%	0.23%	0.27%	0.36%	0.80%	0.73%	0.85%	0.93%	0.85%
Debt service margin (2)	\$ 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	\$ 4,395,927

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 2002 - 2011  
(unaudited) (1)

Water and Sewer Fund							
Fiscal Year	Gross Revenue (2)	Less: Expenses (3)	Net			Coverage (Times) (4)	
			Available Revenue	Debt Service			
				Principal	Interest		Total
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
2011 (5)	28,805,551	19,454,526	9,351,025	6,270,000	759,468	7,029,468	1.33

(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.

(5) 2011 Principal payments for Debt Service includes a payout of refunding bonds of 3,350,000.

COUNTY OF STAFFORD, VIRGINIA

Table S-14

DEMOGRAPHIC AND ECONOMIC STATISTICS

Fiscal Years 2002 - 2011

(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)
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%	4,897,196	40,228	16,226,491,762
2009	122,800	66,487	34,878	5.4%	4,915,316	40,027	16,313,534,929
2010	128,961	67,677	35,064	5.7%	5,265,160	40,828	12,555,580,113
2011	128,961	68,039	35,484	5.2%	5,370,464	41,644	14,302,458,616

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

(2) Population figures (2002 - 2010) provided by the U.S. Census Count. 2011 figure is from the 2010 Census as no formal estimates have been released for 2011.

(3) The Civilian Labor Force represents the number of people that live in Stafford County. Source: Virginia Employment Commission.

(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. 2011 figure is as of 4th QTR 2010.  
Source: Stafford Economic Development Authority 2011 Annual Report.

(5) Unemployment Rate is as of June 2011. Source: Virginia Employment Commission.

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

(7) Per capita Personal income figures (2002-2009) provided by the U.S. Bureau of Economic Analysis (BEA).  
Per capita personal income figures (2010-2011): 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 2000 & 2010

(unaudited) (1)

	2000 Census		2010 Census	
	Stafford County		Stafford County	United States
<b>Population:</b>				
Median age	33.0		34.2 (2)	37.2 (2)
Persons under 18 years old	28.6%		29.2%	24.3%
Persons 19 to 64 years old	65.8%		64.3%	62.8%
Persons 65 years old and over	5.6%		6.5%	12.9%
Persons per square mile	341.9		477.0 (2)	87.3 (2)
<b>Education:</b>				
High school or higher	88.6%		91.3%	84.6%
Bachelor's degree or higher	29.6%		35.5%	27.5%
<b>Income:</b>				
Median household income	\$75,456		\$88,179	\$50,221
<b>Housing:</b>				
Number persons/household	3.0		3.0	2.6
Percent owner occupied	80.6%		79.5%	66.9%
Owner occupied median value	\$156,400		\$364,900	\$185,400

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

(2) Census numbers for Median Age and Persons per Square Mile are for year 2010 all other numbers reflect data for year 2009.  
(Source: <http://quickfacts.census.gov>)

Source: US Census, 2000 & 2010.

COUNTY OF STAFFORD, VIRGINIA

Table S-16

PRINCIPAL EMPLOYERS

Fiscal Years 2011 vs 2002

(unaudited) (1)

Employer	Industry	Fiscal Year 2011			Fiscal Year 2002		
		Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
Stafford County School System	Education	3,789	1	9.9%	2,992	2	11.6%
GEICO, Government Employees Insurance	Insurance	3,500	2	9.9%	1000+	1	3.9%
FBI Academy (Stafford Facilities)	Government Services	2,000	3	5.6%			
Stafford County Government	County Government	760	4	2.1%	659	4	2.5%
McLane Mid Atlantic	Retail Distribution	500	6	1.4%	500-999	5	2.9%
Stafford Hospital Center	Medical	400	5	1.1%			
Manheim Fredericksburg Auto Auction	Auto Auction	300	7	0.8%			
Intuit	Computer Services	200	8	0.6%	250-499	6	1.4%
ManTech International	Information Technology	200	9	0.6%			
QinetiQ	Engineering Consultants	200	10	0.6%			
Capital One Bank	Financial				1000+	3	3.9%
Hilldrup Transfer and Storage, Inc	Van Line Services				100-249	7	0.7%
Brake Parts	Electronic Auto Parts				100-249	8	0.7%
Market Fare Foods	Manufacturing				100-249	9	0.7%
Dendrite International Inc	Software Development				100-249	10	0.7%
Total 10 Largest Employers		11,849		33.4%	6,801-8,145+		28.9%
Total County Employment		35,484			25,874		

(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: 2011 Data is from Stafford County Economic Development & Legislation Department. 2002 Data is from the Virginia Employment Commission.

COUNTY OF STAFFORD, VIRGINIA

Table S-17

**FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION**  
Fiscal Years 2002 - 2011  
(unaudited) (1)

Function/Program Employees:	Full-time Equivalent Employees as of June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Primary Government:</b>										
Governmental activities:										
General government	115	117	117	123	131	134	122	116	105	98
Judicial administration	30	35	35	39	46	50	48	48	47	44
Public safety (2)	187	216	219	243	265	302	302	302	314	319
Public services (4)	10	14	14	20	24	19	23	24	-	-
Health and welfare	50	50	52	55	60	60	53	53	51	49
Parks, recreation and community facilities (3)	24	25	25	29	32	32	34	34	56	53
Community development	51	59	59	66	75	83	71	68	67	63
Transportation (5)	-	-	-	1	1	2	5	5	-	-
<b>Total governmental activities employees</b>	<b>467</b>	<b>516</b>	<b>521</b>	<b>576</b>	<b>634</b>	<b>682</b>	<b>658</b>	<b>650</b>	<b>640</b>	<b>626</b>
Business-type activities:										
Utilities	117	120	120	133	134	139	126	141	135	134
<b>Total business-type activities employees</b>										
<b>Total primary government employees</b>	<b>584</b>	<b>636</b>	<b>641</b>	<b>709</b>	<b>768</b>	<b>821</b>	<b>784</b>	<b>791</b>	<b>775</b>	<b>760</b>
<b>Volunteers:</b>										
Public safety	300	300	300	300	250	250	546	634	461	600

(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.

COUNTY OF STAFFORD, VIRGINIA

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OPERATING INDICATORS BY FUNCTION

Fiscal Years 2002 - 2011

(unaudited) (1)

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental Activities:</b>										
<b>General government</b>										
Commissioner of Revenue										
Taxpayers assisted at real estate and personal property counters	21,000	23,000	17,983	23,000	24,000	15,258	12,022	14,890	12,765	12,645
Building permits reviewed	3,500	4,168	3,500	4,000	3,300	2,756	2,177	1,465	1,604	1,609
State income tax returns processed	23,000	21,530	16,082	20,000	18,000	13,295	10,125	12,984	11,160	5,096
Personal property records processed	51,500	53,000	55,000	65,000	65,000	61,528	58,658	61,539	71,453	83,746
<b>Finance</b>										
Landfill bills processed	248	242	250	300	252	297	351	348	293	310
Accounts payable transactions processed (8)	50,000	27,416	64,881	61,501	55,094	42,036	42,215	34,794	42,105	43,980
<b>Department of Human Resources</b>										
Number of new hires	290	263	264	249	332	373	342	187	206	225
Number of positions recruited	95	91	137	294	264	481	291	192	93	86
<b>Public Services</b>										
Total facilities maintained (sq ft) (9)	220,335	220,335	220,335	222,696	225,046	231,999	421,134	427,381	433,427	495,567
<b>Registrar</b>										
Voters served at polling places	21,779	23,480	14,112	45,970	26,497	34,000	25,000	58,493	50,000	35,162
Registered Voters Served (12)										77,053
<b>Treasurer</b>										
Real estate and personal property bills processed	174,585	215,219	221,758	237,971	241,148	245,845	249,203	255,801	265,003	267,955
Auto decals processed	79,000	83,570	85,000	115,725	133,249	-	-	-	-	-
Water and sewer bills processed	261,000	241,000	320,000	331,703	339,528	361,142	366,941	372,158	377,978	385,619
<b>Judicial administration</b>										
Victims' services, both direct & indirect (11)	1,000	915	1,000	805	849	1,076	1,332	1,182	1,345	785
<b>Public safety</b>										
Requests for law enforcement service (responded)	66,904	72,531	73,759	70,611	73,390	73,112	72,096	71,464	70,941	68,817
Number of arrests	6,232	6,381	6,764	7,170	6,144	7,451	7,486	7,530	7,216	6,764
Number of fire and EMS calls (3)	18,218	17,945	20,698	21,799	21,806	22,984	23,707	21,734	20,648	22,674

COUNTY OF STAFFORD, VIRGINIA

OPERATING INDICATORS BY FUNCTION

Fiscal Years 2002 - 2011

(unaudited) (1)

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Social Services</b>										
Benefit applications received	4,000	4,080	4,275	4,369	4,597	4,877	5,857	7,329	7,907	7,910
CPS complaints investigated (4)	400	338	395	395	400	469	501	515	521	542
Food stamp households served	900	1,025	1,200	1,341	1,413	1,615	1,797	2,203	2,942	3,363
Foster care children served	158	158	157	140	138	127	143	116	88	79
<b>Parks, recreational and cultural</b>										
Programs offered: gymnastics	420	1,280	915	1,250	1,210	1,355	1,550	1,630	2,000	2,042
Programs offered: senior citizens	82	87	90	95	102	103	165	308	376	412
Programs offered: sports/recreation	150	165	325	335	340	494	390	505	1,051	811
Programs offered: aquatics	325	452	531	556	572	696	625	598	550	549
Acres maintained	775	872	906	906	1,000	1,000	1,162	1,162	1,432	1,432
<b>Community development</b>										
<b>Public Works</b>										
Permits issues (10)	19,230	20,093	22,676	21,817	21,396	15,335	11,931	3,405	3,157	3,381
Chesapeake bay building permits reviewed (6)	1,350	2,000	2,560	2,400	3,650	2,402	1,765	1,308	1,558	1,422
Building inspections performed	39,626	42,659	43,306	43,503	53,709	42,302	35,024	24,499	25,740	25,188
E&S control inspections performed (5)	23,634	20,898	14,247	22,709	11,336	16,393	13,004	9,926	7,256	6,276
<b>Economic Development/Legislative Affairs</b>										
At-place employment	25,874	26,164	28,837	30,398	32,260	34,542	35,037	34,878	35,064	35,484
Unemployment rate	3.0%	3.1%	2.8%	2.7%	2.4%	2.6%	3.4%	5.4%	5.7%	5.5%
Businesses in the County	1,561	1,640	1,793	1,948	2,061	2,155	2,248	2,231	2,217	2,234
Legislative bills reviewed for action/response	2,907	2,827	3,108	2,950	3,287	3,069	3,323	2,577	2,964	2,693
<b>Planning and Zoning</b>										
Addresses issued (7)	2,600	1,943	2,558	2,667	2,161	1,748	1,013	1,369	486	308
Subdivision applications processed	250	391	416	801	834	726	582	415	205	343
Site plans processed	80	145	153	384	381	367	373	235	145	140
Zoning site development inspections	439	257	377	477	205	571	281	835	152	169
Zoning enforcement inspections performed	392	807	811	965	1,075	958	1,037	887	1,130	987

COUNTY OF STAFFORD, VIRGINIA

OPERATING INDICATORS BY FUNCTION

Fiscal Years 2002 - 2011  
(unaudited) (1)

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Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Business-Type Activities:</b>										
<b>Water &amp; Sewer Utilities</b>										
Billions of gallons of water treated per year	2,986	3,310	3,361	3,280	3,768	4,080	4,081	3,825	3,504	3,418
Water storage (mg)	15,295	15,800	15,800	15,800	15,800	16,645	16,645	16,645	16,645	16,645
Billions of gallons of wastewater treated per year	2,138	2,229	2,784	2,983	2,973	3,234	3,106	3,079	3,418	2,951
Number of customer accounts served	24,762	26,472	27,745	29,116	30,553	31,314	31,849	32,296	32,803	32,289

(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 2010, which is reflective of an overall slow down in new home starts.

(8) Beginning with FY08 the number of accounts payable transactions includes checks and purchasing cards.

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

(10) 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 unusually steep decline in the number of permits issued in FY09.

(11) The number of victims' services decreased in 2010 due to an increase in Domestic Violence cases which require more time per case than other services.

(12) The number of registered voters served was added to the schedule beginning with FY11.

COUNTY OF STAFFORD, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Years 2002 - 2011

(unaudited) (1)

Table S-19  
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Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Public services</b>										
Total facilities maintained (sq ft) (4)	220,335	220,335	220,335	222,696	225,046	231,999	421,134	427,381	433,427	495,567
<b>Public safety (2)</b>										
Number of Fire & Rescue Stations	5	5	5	5	5	5	6	7	7	7
Number of Fire Stations	4	4	4	4	4	4	4	4	4	4
Number of Rescue Squads	5	5	5	5	5	5	5	5	5	5
<b>Utilities</b>										
Water Plant Capacity (mgd)	19	19	19	19	19	19	19	19	19	19
Water Lines (miles)	400	475	475	484	491	558	571	579	579	584
Wastewater Plant Capacity (mgd)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	14.5
Sewer Lines (miles)	340	382	387	400	433	452	462	470	480	481
Pumping Stations	80	82	83	83	82	86	87	88	88	89
<b>Parks, recreation and cultural</b>										
Number of County parks	7	9	11	12	12	12	10	10	13	13
Acreage of County parks	872	900	925	1002	1002	1002	1025	1025	1432	1432
Number of Regional parks (5)	2	2	2	2	2	2	3	3	0	0
Acreage of Regional parks (5)	215	215	215	215	215	215	157	157	0	0
State and National parks (1,184 acres)	1	1	1	1	1	1	1	1	2	2
Playgrounds	19	22	24	24	24	24	24	25	25	25
Athletic fields	50	55	72	75	75	80	82	82	82	82
Tennis courts (county & schools)	20	20	19	19	19	19	19	19	19	19
Campgrounds (48 acres)	1	1	1	1	1	1	1	1	1	1
Private golf courses (9 holes)	1	1	1	1	1	1	1	1	1	1
Public golf courses (18 holes)	2	3	3	3	3	3	3	3	3	3
National historic attractions	10	10	10	10	10	10	10	10	10	10
Public beaches/waterfront parks (43 acre)	2	2	2	2	2	2	2	2	2	2
Public swimming pools	2	2	2	2	2	2	2	2	2	2
Public fishing lakes	3	3	3	3	3	3	2	2	2	2
Public boat ramps	2	2	2	2	2	2	3	3	3	3

COUNTY OF STAFFORD, VIRGINIA

Table S-19  
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CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Years 2002 - 2011

(unaudited) (1)

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Parks, recreation and cultural (cont.)</b>										
Public marinas	4	4	4	4	4	4	4	4	4	4
Skateboard parks	2	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	3	3	3	3	3	3	3	3	3	2
<b>Community development</b>										
Libraries (3)	1	1	1	1	1	1	1	1	1	2

(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 (CRRLL) 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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**Balance Empowerment Service Teamwork**

## **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, 2011, and have issued our report thereon dated December 19, 2011. 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 19, 2011.

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, Bokaert & Holland, L.L.P.*

Richmond, Virginia  
December 19, 2011



**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, 2011. 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, 2011.

**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 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, Behaert & Holland, L.L.P.*

Richmond, Virginia  
December 19, 2011

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2011**

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	\$ 565,209	
ARRA - Supplemental Nutrition Assistance	10.561	34,083	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 599,292
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass Through Payments:			
Department of Social Services			
Social Services Block Grant	93.667	\$ 287,792	
Child Care Assistance			
Child Care and Development Block Grant	93.575	600,695	
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596	410,270	
ARRA - Child Care and Development Block Grant	93.713	39,937	
Administration for Children and Families			
Chafee Education and Training Vouchers Program	93.599	1,878	
Child Welfare Services - State Grants	93.645	2,160	
Voting Access for Individuals with Disabilities - Grants to States	93.617	10,758	
Temporary Assistance for Needy Families	93.558	440,766	
Refugee and Entrant Assistance -			
State Administered Programs	93.566	2,398	
Low-Income Home Energy Assistance	93.568	16,744	
Foster Care Title IV-E	93.658	350,759	
ARRA - Foster Care Title IV-E	93.658	10,393	
Adoption Assistance	93.659	305,230	
ARRA - Adoption Assistance	93.659	18,691	
Chafee Foster Care Independence Program	93.674	10,806	
State Children's Insurance Program	93.767	15,009	
Medical Assistance Program (Medicaid; Title XIX)	93.778	351,144	
Centers for Medicare and Medicaid Services			
Nearly Retiree Reinsurance Program	93.546	73,405	
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			2,948,835
DEPARTMENT OF DEFENSE			
Direct Payments:			
Office of Economic Adjustment			
Community Economic Adjustment Assistance for Advance Planning for			
Establishment, Expansion, Realignment or Closure of a Military Installation	12.607	800,000	
Community Economic Adjustment Assistance Diversification Planning	12.614	218,252	
Department of the Army			
Payments to States in Lieu of Real Estate Taxes	12.112	5,473	
TOTAL DEPARTMENT OF DEFENSE			1,023,725
U.S. ELECTION ASSISTANCE COMMISSION			
Pass Through Payments:			
Help America Vote Act	90.401		7,464.00

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2011**

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Expenditures	
DEPARTMENT OF ENERGY			
Direct payments:			
ARRA - Energy, Efficiency and Conservation Block Grant Program	81.128	\$	<u>49,327</u>
DEPARTMENT OF THE INTERIOR			
Direct payments:			
National Park Service			
ARRA - American Battlefield Protection (GA-2255-10-021)			<u>40,034</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Payments:			
Bulletproof Vest partnership Program	16.607	\$	4,686
Edward Byrne Memorial Justice Assistance Grant Program	16.738		17,949
Juvenile Justice and Delinquency Prevention -			
Cal Ripken Sr. Foundation	16.541		12,315
Pass Through Payments:			
Office of Juvenile Justice and Delinquency Prevention			
Juvenile Accountability Block Grants (11-A2275JB09)	16.523		2,298
Office of Justice Programs			
ARRA - Violence Against Women Formula Grant (10-A6109VS09)	16.588		65,619
Office of Victims of Crime			
Crime Victim Assistance (11-N9564VW10)	16.575		56,354
Edward Byrne Justice Assistance Grant Program-Localities			
School Resource Officer (11-B5761AD09)	16.592		37,500
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>196,721</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Payments:			
Federal Highway Administration			
Highway Planning and construction	20.205		139,175
Pass Through Payments:			
Department of Motor Vehicles			
State and Community Highway Safety (Section 402) (TR-2010-50228-3848)	20.600		<u>73,399</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>212,574</u>
DEPARTMENT OF HOMELAND SECURITY			
Direct Payments:			
Staffing for Adequate Fire and Rescue Response	97.083		52,689
State Homeland Security Grant (2010CKWX031)	97.073		1,788,737
Interoperable Emergency Communications	16.71		36,005
Pass Through Payments:			
Department of Emergency Management			
Emergency Management Performance Grant (2010-EP-EO-0039)	97.042		48,132
Disaster Grants - Public Assistance	97.036		204,011
National Preparedness Directorate			
2008 Interoperable Emergency Communicaitons Grant Program	97.001		<u>116,000</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>2,245,574</u>
<b>GRAND TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b>\$</b>	<b><u>7,323,546</u></b>



## COUNTY OF STAFFORD, VIRGINIA

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2011

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#### Note 1. Significant Accounting Policies

##### A. BASIS OF PRESENTATION

The accompanying "Schedule of Expenditures of Federal Awards" includes the federal grant activity of the County of Stafford, Virginia, and 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, 2011

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**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>
93.575	Child Care Assistance Cluster
93.596	
93.713	ARRA Child Care and Development Block Grant
93.667	Social Services Block Grant
93.658	Foster Care
93.778	Medical Assistance Program
12.607	Community Economic Adjustment Assistance
12.614	
97.067	State Homeland Security Grant
97.073	
97.036	Disaster Grants – Public Assistance

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, 2011**

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**B. Findings – Financial Statement Audit**  
NONE

**C. Findings and Questioned Costs-Major Federal Awards**  
NONE

**D. Resolution of Prior Year's Findings**  
NONE



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