STAFFORD COUNTY, VIRGINIA

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

FISCAL YEAR 2015
(July 1, 2014 - June 30, 2015)

Prepared by Stafford County, Virginia Finance Department

Anthony J. Romanello, County Administrator
Maria J. Perrotte, Chief Financial Officer
Mickey A. Kwiatkowski, Controller
Alan R. (Randy) Helwig, Accounting Manager
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Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

COUNTY OF STAFFORD, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

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Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

STAFFORD Virginia

December 21, 2015

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of Stafford, Virginia (County) for Fiscal Year (FY) 2015 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 and Budget 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.

McGladrey 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, 2015, 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 unmodified opinion that the County's financial statements for the year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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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 serves a population of 142,299 residents and provides a full range of local government services. These include general administration, judicial administration, public safety, public works, health and welfare, parks, recreation, and community facilities, 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 a board consisting of seven members elected by district. The School Board appoints a superintendent to administer its policies. The County's audit firm, McGladrey LLP, also performs an audit for the School Board. The School Board issues a separate annual financial report.

Higher Education

Multiple opportunities for higher education exist in the County. The University of Mary Washington's graduate school 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 2014-2015. Germanna Community College operates its Stafford County Center for Workforce and Community Education in the northern section of the County. The center was opened as a partnership with the County's Economic Development Authority. It offers a full range of credit courses in addition to workforce training classes. The Germanna Community College system serves approximately 1,000 local students. Other nearby educational institutions include the Marine Corp University and George Mason University.

In addition there are two regional partnerships that address continuing education needs for area employers. Stafford Workforce and Education Partnership (SWEP) is a partnership between Stafford County Economic Development, Stafford County Public Schools, Germanna Community College, The University of Mary Washington and the local business community. This group identified four key industry sectors (Federal contractors, healthcare, skilled trades and tourism/hospitality) in the community and monitors the continuing education needs to support local businesses. The resulting enhanced workforce capabilities will contribute to long-term economic growth for the community.

A partnership between the Stafford County Board of Supervisors, Stafford County Economic Development, The University of Mary Washington, Germanna Community College and George Mason University created and developed Stafford Technology and Research Center. There are numerous government agencies (defense, Federal and local) and high-tech contractors located in the area. This center is the precursor to an eventual full service tech park that will provide local employees working in the professional and scientific sectors with specialized high-tech training and research opportunities.

Budgetary Control

The annual budget serves as the foundation for the County's financial planning and control. County departments and agencies begin their budget preparation each year in October. Appropriation requests are submitted in December for the fiscal year beginning the following July 1st. The County Administrator submits a proposed operating and capital budget to the Board of Supervisors in March of each year. The budget includes proposed expenditures and the revenue to support them. Work sessions are scheduled to refine the proposal and align it with goals and objectives. Public hearings are conducted to obtain citizen comments on the proposed budget and tax rates. Property tax rates are set by passage of a resolution. Prior to June 30th, the budget is legally enacted through passage of an appropriations resolution.. 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 budget to the County Board of Supervisors. When the School Board adopts its budget it is forwarded 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 is the foundation required to support the "central accounting" function and represents a cooperative effort by both County and School Board financial staffs. 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.

Relevant Financial Policies

The Board's financial policy, *Principles of High Performance Financial Management*, was adopted in FY 2005 and updated in FY 2013 per policy guidelines. The policy defines the fund balance levels for the General Fund and sets debt capacity parameters in order to provide for overall stability and flexibility for financial planning purposes. It is reviewed and updated every two years, at a minimum. One of the Board's goals for FY 2014 was to continue strengthening its financial position through a commitment to fiscal discipline and accountability. The revised policy sets the minimum unrestricted, unassigned fund balance for the General Fund at twelve percent (12%) of General Fund revenues. Use of unassigned fund balance is restricted to significant unexpected declines in revenues or unanticipated emergencies. This policy was met; at June 30, 2015 unassigned fund balance in the General Fund was $32.9 million or 12% of revenues. The Board also reaffirmed previously established 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 – a minimum of $1.5M for capital needs to reduce reliance on debt.
- Stafford Opportunity Fund – $0.5M to enhance and promote economic development opportunities.
- Reserve for healthcare costs - equal to the estimated Incurred But Not Reported (IBNR) plus 10% of annual claims.

All commitments were fully funded according to policy guidelines for FY 2015. See the Notes to Financial Statements, Summary of Significant Accounting Policies, Note 1, Section N – Net Position and Fund Balance Classification – for a detailed discussion of this policy.

The Board's financial policy limits general obligation debt to no more than 3.5% of the assessed value of taxable real property, with a goal to reach 3% by July 1, 2015. General obligation debt as a percentage of taxable real property assessed value for FY 2015 was 2.73%. General Fund debt service expenditures for the County and its Component Unit School Board are not to exceed 11% of general government and schools operating budgeted expenditures, with a goal to reach 10% by July 1, 2015. Debt service expenditures were 9.34% of budgeted expenditures for FY 2015. The financial policy also states that each year's maximum available debt service will be established by increasing the prior year's actual debt service by the percentage of general fund revenue changes averaged over the last 5 years. The policy reduces reliance on debt to meet capital needs by limiting the percentage of capital lease debt service to 1% of the general government budget. Additional criteria for capital lease funded purchases include that (1) capital lease purchase is eligible under state law for such financing, (2) the useful life of the purchase equals or exceeds the term of the debt, (3) the purchase exceeds $100,000, and (4) sufficient funds are available for the resulting debt service.

The policy also dedicates rollback tax revenue in excess of $80,000 to the County's Purchase of Development Rights program.

At June 30, 2015 all reserves and financial ratios meet the policy guidelines.

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. The Board adopts the plan during the budget process. The adopted FY 2015-2024 CIP totaled $849.4 million with $453.8 million for County projects, $240.6 million for school projects and $155.0 million for Utilities Fund projects. A variety of funding sources including general obligation bonds, revenue bonds, capital leases, grants and General Fund revenues will fund the projects. The bond portion of the projects totaled $433.0 million - $169.7 million for County projects, $179.2 million for school projects and $84.1 million for Utilities Fund projects.

The County's five-year financial model 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.

<u>ECONOMIC CONDITION AND OUTLOOK</u>

Stafford County saw modest growth in FY 2015. Stafford County's location offering superior suburban conveniences, a strong educational system and exceptional quality of life continue to make it an attractive, vital community. Initiatives undertaken in the areas of economic development, business retention and redevelopment continue to enhance the County's position as economic conditions improve.

According to the Bureau of Labor Statistics, Stafford's unemployment rate through September 2015 was 4.1%, while the State of Virginia and national rates were 4.1% and 5.1% 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 2,400 businesses located in Stafford, employing more than 40,000 people. The professional and business services and health care industries have contributed significantly to that growth. Nearly 500,000 square feet of commercial space is under construction. There are numerous commercial projects in various stages of development. These key economic indicators have made Stafford a leader in the Commonwealth:

- Highest job growth rate for localities in Virginia, 2008 - 2014
- 3rd highest business growth rate for localities with more than 2000 establishments, 2013-3rd quarter 2014
- 6th highest ranked County in Virginia for median family income, 2013
- 2nd fastest rate of growth in wages in Virginia for Stafford businesses, 2009 - 2014

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:

- Activities associated with attracting quality retail opportunities to the County.
- Activities to attract data center facilities to the County
- Advancing capital projects consistent with the County's Master Redevelopement Plan element of the Comprehensive Plan to provide opportunities for business development and expansion
- Supporting multiple regional workshop offerings for the business community focusing on business development and planning for the impact of Federal sequestration.

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. Economic Development staff visit many County businesses 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. The community has also identified expanded retail and data center attractions as a priority. Staff participated in several retail marketing and data center attraction events that promoted the County as a target expansion area.

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 is located near the Marine Corps Base Quantico (MCBQ) at Boswell's Corner. BRAC redeployments have attracted additional defense and high-tech related contractors. Additional office space has been constructed and is fully occupied. Support service enterprises (hotel, retail and food service) have located or have plans to locate in the area.

The central Courthouse area includes a variety of retail, government and health care facilities. The historic Courthouse area has been masterplanned as a pedestrian-friendly community center with both retail and cultural facilities. Significant new infrastructure is in engineering and design, including the multimillion dollar streetscape improvement project. Stafford Hospital Center, a full service, 100-bed acute care facility, is also located in the Courthouse area. Future development, enhanced by transportation improvements, 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. A redesign of the Route 1 – Route 17 intersection has been completed and construction began in 2014. Bike and pedestrian trails have been constructed as a means of linking the area to historic and recreation sites. A grant to implement a Master Interpretive Plan has been secured. Several legacy businesses have renovated facilities and purchased land to expand their operations.

The southern business corridor, "Southern Gateway" is located near the I-95 and Route 17 interchange. Adjacent retail centers are anchored by nationally recognized businesses, serving both business and residential populations located in the area. Construction of traffic flow improvements began at two major intersections – Route 1 and Route 17, and Route 17 at I-95. In all, some $500 million is programmed for Stafford County infrastructure improvements to include roads, utilities, schools and parks.

Transportation issues continue to be addressed in all areas of the County. In North Stafford, Federal Highways has completed preliminary design of Route 1 widening improvements at Boswell's Corner – at Quantico's back gate. A defense access road improvement project has also been fully funded and is underway at the intersection of Telegraph Road and Route 1. Construction that will widen a major transportation corridor (Rt. 610) is underway. Safety improvements to Brooke, Poplar and Mountain View Roads are in the design and land acquisition phases. These projects are part of VDOT's revenue sharing road improvement program. Additionally land was purchased at Quantico Corporate Center for economic development.

Efforts continue to enhance and expand the tourism sector of our economy. Marketing tools include the Stafford Visitor Center, a new tourism website, a wayfinding signage program and cooperative regional programs. The 150th Anniversary of the Battle of Fredericksburg brought thousands of visitors to the area. It heightened awareness of Stafford's role in the event and area attractions such as the White Oak Museum that provide educational opportunities.

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 initiatives. 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 work session during which financial results are reviewed and projections are presented as well as plans to deal with them.

When the FY 2015 budget was adopted in April 2014, 5% of the operating budget for the local transfer to schools operations and County departments was withheld from appropriation. Only necessary appropriations were made after a comprehensive mid-year review, including revenue projections to support the additional appropriations. This practice is in place for FY 2016 as well.

2014 marked the 350th Anniversary of Stafford County. A blue-ribbon committee of distinguished citizens and staff was appointed to plan and organize year-long activities. Events were held throughout the year to commemorate this special milestone. The festivities began with a celebration in January 2014, a Founder's Day parade in May, the grand opening of Celebration Stage in June, events continued into fiscal year 2015. Celebration Stage is an amphitheater that will provide Stafford County with a lasting legacy honoring its 350th Anniversary.

The County's Water and Sewer Utility Fund completed the construction of the Lake Mooney (previously Rocky Penn) Water treatment facility and reservoir in FY2015. The Water Treatment Facility began operations on December 16, 2014. The 5.3 billion gallon reservoir is 80% full and is expected to be completely full by the end of February 2016. Work is now proceeding on a 16,000 feet of 30 inch water line which will be used to transmit the water from the treatment facility to the southeastern portions of the county.

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. Several of these projects are in process; some are jointly funded through the County's participation in the State Revenue Sharing Program.

The Belmont-Ferry Farm Trail is part of a larger trail system that is envisioned to connect Stafford's parks and historical resources along the Rappahannock River. This is a multi-phase project; work is currently proceeding on the design phase of Section 4 which runs from Pratt Park along the Rappahannock River toward Ferry Farm.

Sections 1, 2, 3 and 5 of this new walking, biking, and running trail have been completed. Future phases will extend the trail to George Washington's Boyhood Home at Ferry Farm. Grants from the Federal Highways Administration and Va. Department of Transportation – Transportation Enhancement Program partially fund the project.

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. Debt to include the construction of Chichester Park in South Stafford, a rectangular fields complex in Central Stafford, and renovations to the pool at Curtis Park. Chichester Park opened in September of 2014. Its amenities include a total of five fields, a large picnic shelter and a concession stand. The park also provides hiking and jogging trails as well as a 260-space parking lot.

Embrey Mill Park will be home to a multi-field, rectangular athletic field complex. In Spring of 2014 construction of four synthetic turf fields, two grass athletic fields, athletic field lights, restroom and concession buildings, and parking began. The fields will open for use in Spring 2016. Funded primarily by proffers and cash reserves the Jeff Rouse Swim and Sport Center, a new indoor recreation facility also at Embrey Mill Park. Construction of this 76,000 SF indoor recreation facility, which will have 3 pools, one of which is 50 meters x 25 yards, that will accommodate high level championship swim meets, space for fitness equipment, aerobics, spinning, 2 basketball courts, and classrooms began in Fall 2014. The center will open in Spring 2016.

Successful pursuit of Office of Economic Adjustment grant opportunities Stafford undertook a Joint Land Use Study with Prince William, Fauquier and Marine Base Quantico. The document resulting from the study serves as an on-going framework for those local governments and military actions necessary to encourage compatible community growth around Marine Corp Base Quantico and improve the quality of life in the surrounding communities.

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, 2014. This was the County's thirty-third 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-seven years, including the 2015 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 FY2015, please refer to the Management's Discussion and Analysis, located in the Financial Section of this document.

ACKNOWLEDGEMENTS

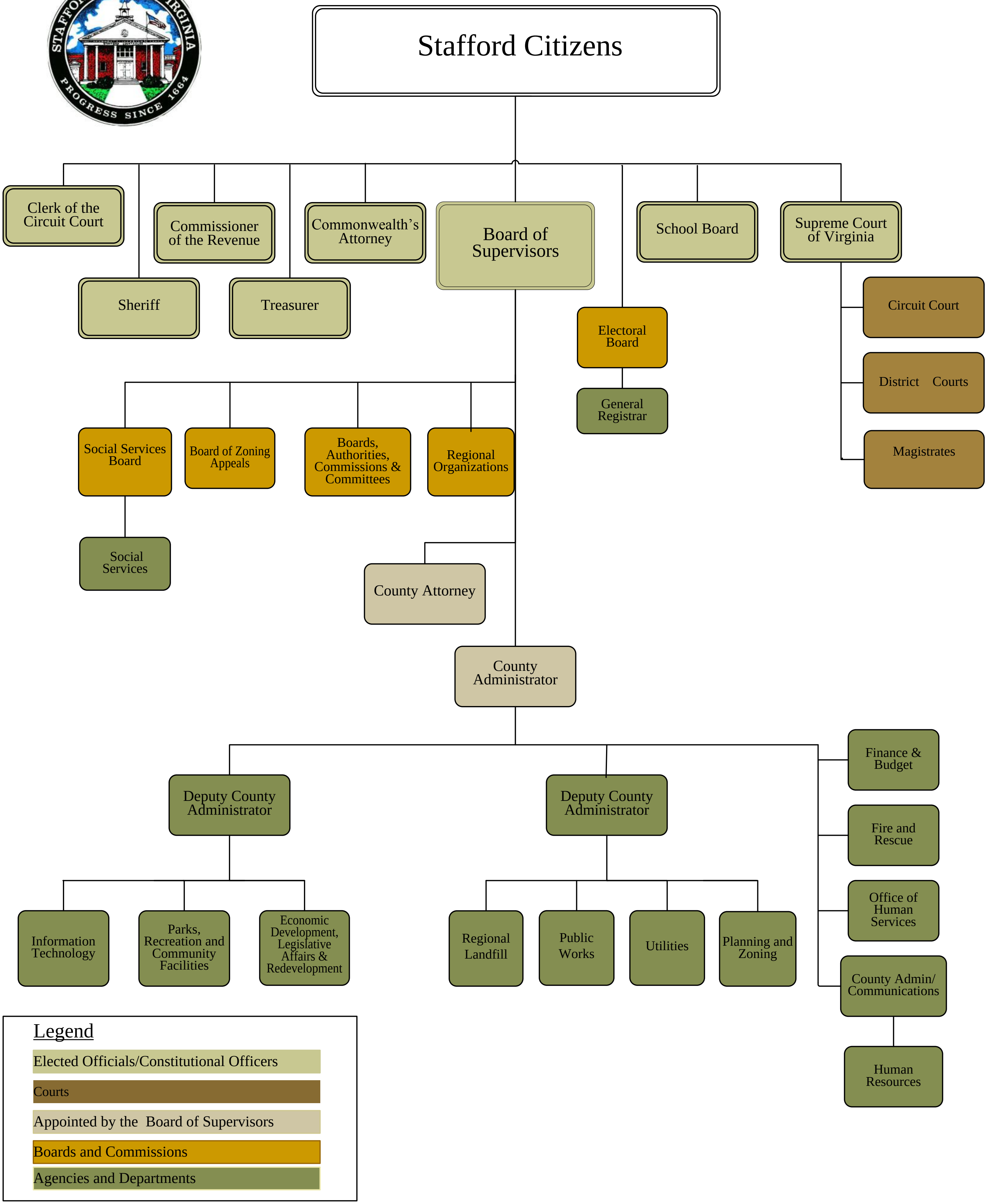
Stafford County has a sound record in financial management and continues to maintain a strong and stable financial reporting system. Appreciation is expressed to the members of the Stafford County Board of Supervisors, the School Board, the Treasurer, and the Commissioner of the Revenue for their interest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

Anthony J. Romanello
County Administrator

Maria J. Perrotte
Chief Financial Officer

COUNTY OF STAFFORD, VIRGINIA



COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS

BOARD OF SUPERVISORS

Gary F. Snellings, Chairman	Hartwood District
Laura Sellers, Vice Chairman	Garrisonville District
Jack R. Cavalier	Griffis-Widewater District
Robert "Bob" Thomas	George Washington District
Paul V. Milde, III	Aquia District
Cord A. Sterling	Rock Hill District
Meg Bohmke	Falmouth District

CONSTITUTIONAL OFFICERS

Barbara G. Decatur	Clerk of Circuit Court
Scott A. Mayausky	Commissioner of the Revenue
Eric L. Olsen	Commonwealth's Attorney
Charles E. Jett	Sheriff
Laura M. Rudy	Treasurer

COUNTY ADMINISTRATIVE OFFICERS

Anthony J. Romanello	County Administrator
Timothy J. Baroody	Deputy County Administrator Director, Economic Development and Legislative Affairs
Keith C. Dayton	Deputy County Administrator
Charles L. Shumate	County Attorney
Nancy A. Collins	Budget Division Director
Michael T. Smith	Director of Public Utilities
Jeffrey A. Harvey	Director of Planning and Community Development
J. Mark Lockhart	Fire Chief
Michael J. Muse	Director of Social Services
David W. Noel	Director of Information Technology
Maria J. Perrotte	Chief Financial Officer
Jamie B. Porter	Director of Parks, Recreation and Community Facilities
Chris K. Rapp	Director of Public Works
Catherine L. Vollbrecht	Director of Communications
Shannon L. Wagner	Human Resources Manager

Government Finance Officers Association

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, 2014

Executive Director/CEO

Independent Auditor's Report

RSM US LLP

Board of Supervisors
County of Stafford, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Stafford, Virginia (the County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and the *Specifications* require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, in the year ending June 30, 2015, the County adopted new accounting guidance Government Accounting Standards Board Statement Number 68, *Accounting and Financial Reporting of Pensions – An Amendment to GASB Statement No. 27*., and Governmental Accounting Standards Board Statement Number 71, *Pension Transition Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison information for the County's major funds, Other Post-Employment Benefits information, and the Virginia Retirement Systems' Pension information on pages 22–34 and 87–92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining statements and individual fund budgetary schedules, the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and individual fund budgetary schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and individual fund budgetary schedules, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

McGladrey LLP

New Bern, North Carolina
December 18, 2015

RSM US LLP, an Iowa limited liability partnership, is doing business as McGladrey LLP in the state of North Carolina and is a CPA firm registered with the North Carolina State Board of Certified Public Accountants under the name McGladrey LLP. Rules permitting the use of RSM US LLP have been published in the North Carolina Register and are pending final approval.

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, 2015. 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 and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $186.8 million (*net position*).

- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $100.2 million. Of the $100.2 million, $32.9 million is available for spending in accordance with the County's financial policies (*unassigned fund balance*).

- The County's net general government long term liabilities which includes OPEB and Pension increased by $36.3 million during the current fiscal year. The majority of the increase was the result of implementing GASB Statements No. 68 and No. 71 which resulted in the County its portion of the net pension liability in the amount of $18.7 million coupled with new debt less principal payments made during the year. New debt consisted of $22.1 million of VPSA debt for school renovation and construction projects and $64.3 million in VRA loans which included $56.3 million to refinance lease revenue bonds and $8 million for construction projects.

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 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 position presents information on all of the County's assets, deferred outflows, liabilities and deferred inflows with the difference between them reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of how the financial position of the County may be changing. Increases in net position may indicate an improved financial position; decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position 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 twelve 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 nine 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, Transportation Fund and Capital Projects 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 six fiduciary funds – Widewater Fund, Celebrate Virginia North Fund, Lake Arrowhead Sanitary District Fund, George Washington Regional Commission Fund, Embrey Mill and the Retired Employees Health Insurance Plan Trust Fund. Separate statements of fiduciary net position 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 position and changes in net position, 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 Position

As noted earlier, over time, changes in net position may serve as an indicator of the County's financial position. The County's assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by $186.8 million at the close of fiscal year 2015. By far, the largest portion of the County's net position ($407.0 million) reflects its net 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 position ($12.3 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. The $160.9 million governmental net position deficit is primarily due to $305.0 million for school property and equipment.

The net $8.9 million increase in business-type activities net position is largely due to capital contributions donated infrastructure and developer contributions.

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

Summary of Net Position
As of June 30, 2015 and 2014
($ in millions)

	Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total Primary			
	2015	2014	2015	2014	2015	2014	2015	2014
Assets:								
Current and other assets	$ 178.7	$ 179.8	$ 56.3	$ 64.0	$ 235.0	$ 243.8	$ 103.6	$ 113.3
Capital assets (net)	224.3	207.2	408.7	395.0	633.0	602.2	437.7	403.7
Total assets	403.0	387.0	465.0	459.0	868.0	846.0	541.3	517.0
Total deferred outflows of resources	8.4	.1	.7	-	9.1	.1	24.3	-
Liabilities:								
Other liabilities	102.7	98.2	11.2	15.1	113.9	113.3	58.7	59.0
Long-term liabilities	460.1	423.8	105.6	105.1	565.7	528.9	273.2	28.3
Total liabilities	562.8	522.0	116.8	120.2	679.6	642.2	331.9	87.3
Total deferred inflows of resources	9.5	4.5	1.2	-	10.7	4.5	36.7	-
Net position:								
Net Investment in capital assets	98.3	94.2	308.7	314.3	407.0	408.5	433.6	402.4
Restricted	2.7	3.1	9.6	-	12.3	3.1	38.8	49.2
Unrestricted	(261.9)	(236.7)	29.4	24.5	(232.5)	(212.2)	(275.4)	(21.9)
Total net position	$(160.9)	$(139.4)	$ 347.7	$ 338.8	$ 186.8	$ 199.4	$ 197.0	$ 429.7

Statement of Activities
Governmental Activities

The increase in net position attributable to the County's governmental activities totaled $1.7 million for fiscal year 2015. Generally, the change in net position is the difference between revenues and expenses. For fiscal year 2015 governmental revenues were $276.9 million and expenses were $275.2 million. A summary of key elements follows:

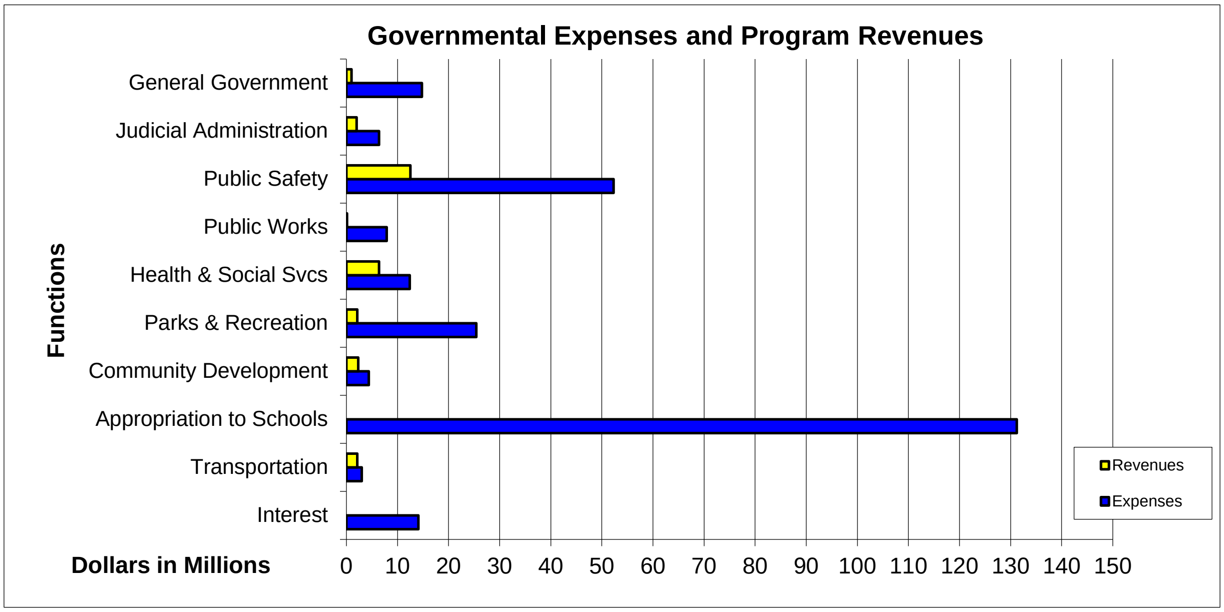
- Revenues increased $5.5 million due to increased real estate tax collections and development fees.

- Operating grants and contributions decreased $.6 million.

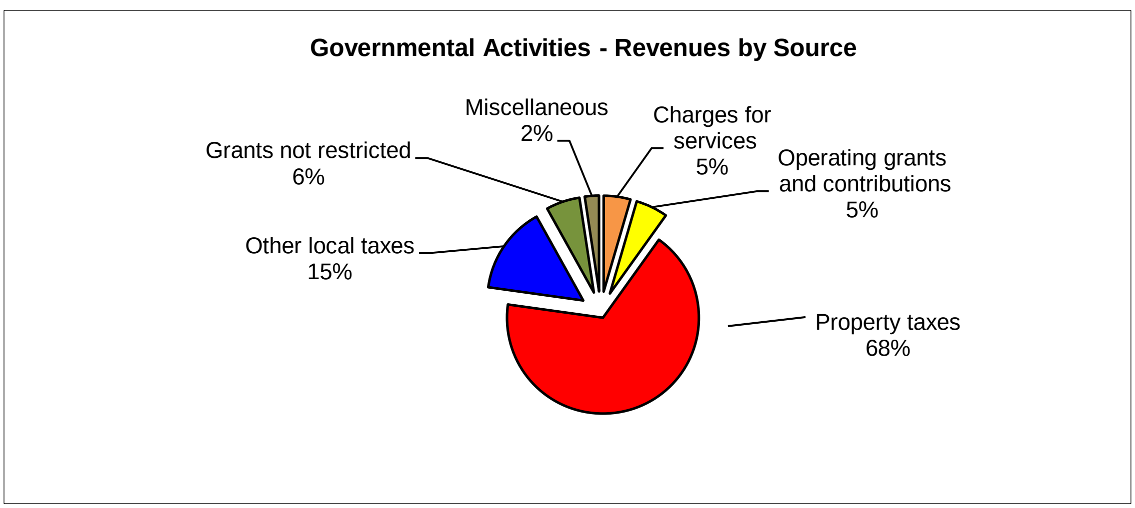
- Capital grants and contributions decreased $ .4 million reflects a revenue sharing agreement for local road improvement projects.

- Expenses for governmental activities recorded a net decrease of $7.0 million compared to the prior year. Because the school system underspent its operating budget operations support decreased $4.7 million, while capital improvements decreased $5.7 million.

The following graph compares the County's fiscal year 2015 expenses by function to associated program revenues for governmental activities.



The following graph illustrates the County's fiscal year 2015 governmental revenues by source.



Business-type Activities

The increase in net position attributable to the County's business-type activities totaled $12.9 million for fiscal year 2015 before the adjustment related to the adoption of GASB Statements No. 68 and No 71. Similar to the changes in net position attributable to government activities, changes in business-type activity net position 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 much of the operating expenses it incurs through user charges. Nevertheless, operating revenues were less than operating expenses for fiscal year 2015, resulting in a net loss before contributions of $3.9 million, primarily due to user fees failing to keep pace with operating cost. The net asset increase was primarily due to non-operating contributions (availability fees and pro-rata fees) and donated capital assets. The following is a summary of relevant financial results for fiscal year 2015:

- The Water and Sewer Fund implemented a rate increase of 8% in fiscal 2015 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 $30.6 million, which were $3.2 million more than the prior fiscal year. This increase was primarily due to the user rate increase mentioned above, but also includes additional service to new customers.

- Availability and pro-rata fees totaled $8.6 million which is a $3.8 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.

- Donated capital assets (infrastructure completed by developers and dedicated to the County) totaled $8.3 million, a $3.7 million decrease compared to the prior year.

- Expenses totaled $34.8 million, a net $2.9 million increase over the prior year. Personnel services increased $0.4 million, contractual service increased $0.3 million, materials and supplies increased $1.4 million, other expenses such as heat, light, telecommunications increased $0.6 million and depreciation expense increased by $0.2 million.

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 Position For the Fiscal Years Ended June 30, 2015 and 2014 ($ in millions)	Primary Government: Governmental Activities 2015	Governmental Activities 2014	Business-Type Activities 2015	Business-Type Activities 2014	Total Primary 2015	Total Primary 2014	Component Unit School Board 2015	Component Unit School Board 2014
Revenues:								
Program revenues:								
Charges for services	$ 12.8	$ 12.3	$ 30.6	$ 27.4	$ 43.4	$ 39.7	$ 18.9	$ 18.2
Operating grants and contributions	14.8	15.4	-	-	14.8	15.4	130.0	126.3
Capital grants and contributions	1.2	1.6	16.9	24.4	18.1	26.0	27.5	33.1
General revenues:								
General property taxes	185.3	183.5	-	-	185.3	183.5	-	-
Other local taxes	40.5	39.2	-	-	40.5	39.2	26.9	25.8
Grants not restricted	15.6	14.6	-	-	15.6	14.6	103.7	108.4
Investment earnings	.1	.2	.2	.2	.3	.4	.1	.1
Miscellaneous	6.6	4.6	-	.1	6.6	4.7	.1	.4
Transfers	-	-	-	-	-	-	-	-
Total revenues	276.9	271.4	47.7	52.1	324.6	323.5	307.2	323.5
Expenses:								
General Government	14.8	13.5	-	-	14.8	13.5	-	-
Judicial administration	6.4	7.6	-	-	6.4	7.6	-	-
Public safety	52.3	57.7	-	-	52.3	57.7	-	-
Public works	8.3	8.7	-	-	8.3	8.7	-	-
Health and social services	12.4	13.5	-	-	12.4	13.5	-	-
Parks, recreation and cultural	25.4	14.3	-	-	25.4	14.3	-	-
Community development	4.4	5.2	-	-	4.4	5.2	-	-
Appropriation to schools	131.2	141.6	-	-	131.2	141.6	285.2	293.9
Transportation	3.0	3.3	-	-	3.0	3.3	-	-
Interest	17.0	13.8	-	-	17.0	13.8	-	-
Water and sewer	-	-	34.8	31.9	34.8	31.9	-	-
Total expenses	275.2	279.2	34.8	31.9	310.0	311.1	285.2	293.9
Change in net position	1.7	(7.8)	12.9	20.3	14.6	12.5	22.0	21.8
Net position (deficit) beginning, as previously reported	(139.4)	(131.6)	338.8	318.5	199.4	186.9	429.7	389.5
Effect of GASB 68	(23.2)	-	(4.0)	-	(27.2)	-	(254.7)	-
Net position (deficit), July 1, as restated	(162.6)	(131.6)	334.8	318.5	172.2	186.9	(175.0	389.5
Net position (deficit) ending	$ (160.9)	$ (139.4)	$ 347.7	$ 338.8	$ 186.8	$ 199.4	$ 197.0	$ 411.3

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 $100.2 million, a decrease of $2.5 million in comparison with the prior year. Of the $100.2 million, $3.9 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 fund balances as commitments for specific purposes such as capital needs, economic development and risk management. Commitments include fund balance reservations required by the Board's financial policies as well as contractual obligations of the County. Assignments represent management's plans for future expenditures and the intent to liquidate purchase orders (encumbrances) of the prior fiscal year. By policy, the unassigned portion of fund balance is equal to 12% of annual general fund revenues, not including transfers, reserves and grants. Unassigned fund balance for fiscal year 2015 was $32.9 million. The Fund Balance section of Note 1, Summary of Significant Accounting Policies, presents details of the County's governmental fund balance classification.

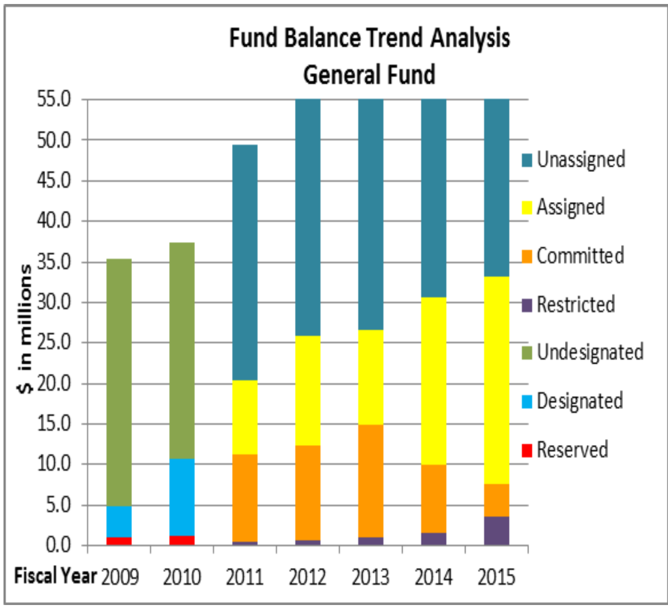
The General Fund is the primary operating fund of the County. The total fund balance of the County's General Fund increased $4.5 million during fiscal year 2015. This was due to management's conservative budgeting, commitment to maintain unassigned fund balance at or above stated policy levels, frequent analysis of revenue collection and expenditure patterns, and underspending by Schools. Of the $66.1 million General Fund balance, $1.1 million is restricted for grant-funded programs, $2.2 million is restricted for health insurance expenditures, $5.1 million is committed by policy or for contractual obligations, $24.5 million is assigned for future expenditures and $32.9 million is unassigned.

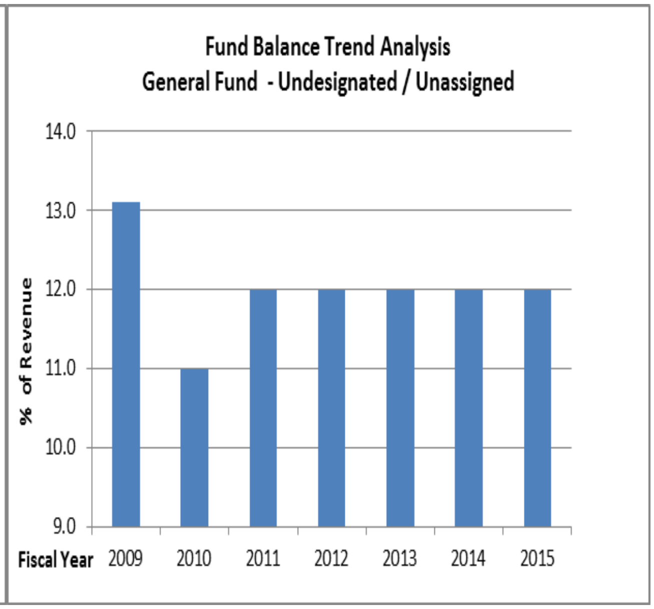
In addition to the General Fund the County has two major governmental funds, the Transportation Fund and the General Capital Projects Fund. Total fund balance for the Transportation Fund at year end was $8.7 million, a decrease of $ 3.7 million compared to the prior year. Of the $8.7 million, $8.4 million is committed and $0.3 million is restricted for debt service. The decrease in fund balance is attributed to a decrease in revenue from fuels taxes, a reduction in funds received through revenue sharing agreements, and an increase in capital outlay as compared to the prior fiscal year.

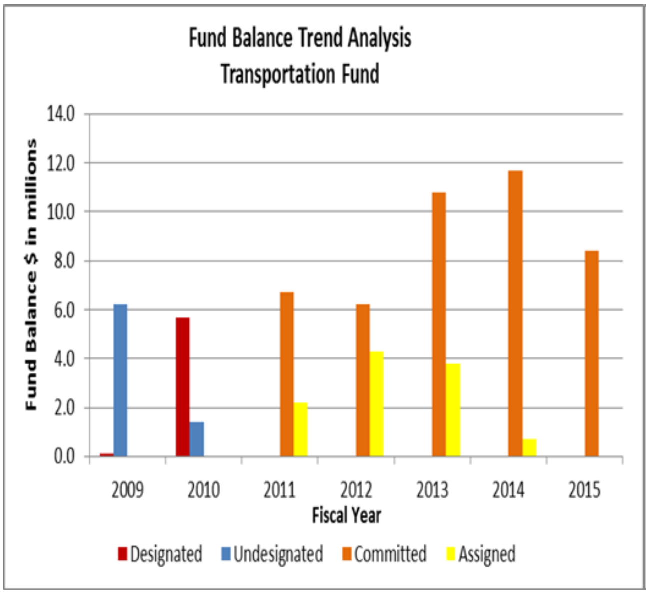
Total fund balance for the General Capital Projects Fund at year end was $10.0 million. The entire fund balance is committed for capital projects, funded by general obligation bonds, revenue bonds, master lease, cash capital, and proffers.

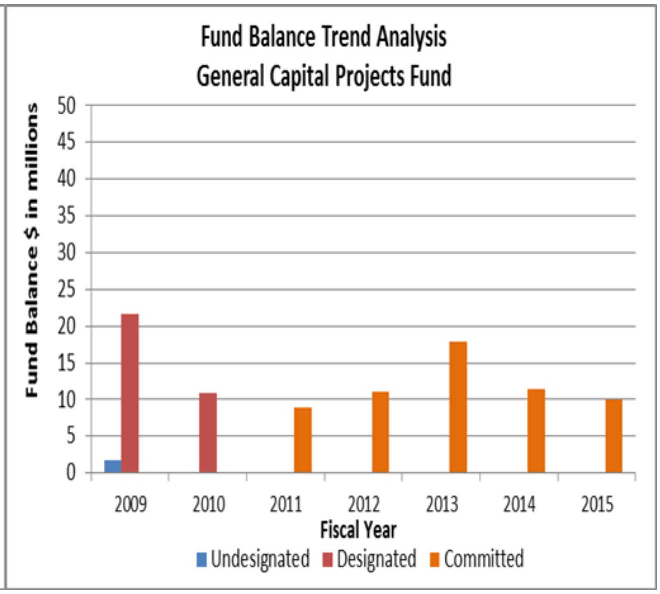
The County also has nine non-major governmental funds. In total, fund balance is $15.4 million, a $1.8 million decrease compared to prior year. Of the $15.4 million, $0.4 million is restricted for debt service and drug enforcement activities. $9.6 million is committed for contractual obligations related to each fund's purpose and $5.4 million is assigned for the various fund purposes.

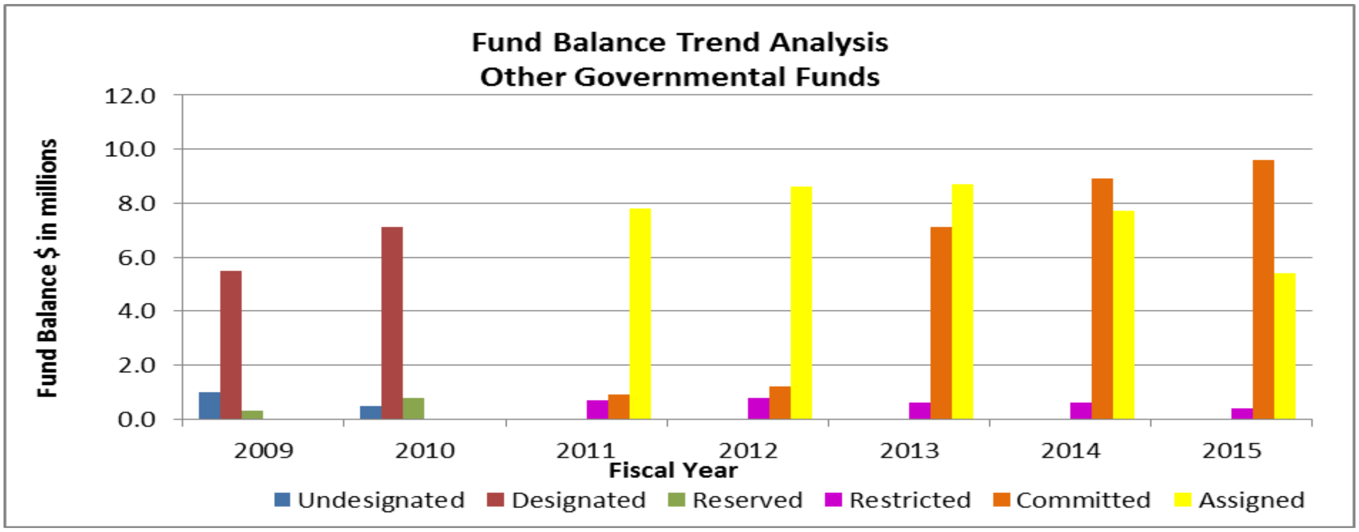
The following graphs illustrate fund balance trends for the County's governmental funds for fiscal years 2009 through 2015.











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 position increased $8.9 million during fiscal year 2015. Capital assets, net of depreciation and related debt decreased $5.6 million. Restricted net position increased by $9.6 million and unrestricted net position increased by $4.9 million. These changes reflect the increase of construction in process related to the construction of Rocky Pen Run Reservoir. 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 position for the component unit School Board was $22.2 million. This was due to the increases in program revenues exceeding the increase in expense. 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 $17.6 million between the original budget and the final budget. Major budget amendments included in this amount:

- $4.6 million in re-appropriated encumbrances
- $1.2 million in re-appropriated grant funds
- $6.1 million in re-appropriated commitments for ongoing capital improvements
- $2.3 million for Schools' operating expenditures
- $3.4 million for Schools' construction projects

General Fund revenues increased $6.5 million over the prior year amount. General property taxes increased $2.5 million driven by new construction. Other local taxes increased by $3.7 million, largely due to the expiration of a one-time "holiday" on car decal fees granted by the Board in fiscal year 2014. Robust sales tax, meals tax, and recordation fee collections also contributed to the increase in other local taxes.

General Fund expenditures recorded a net increase of $5.7 million compared to the prior year amount. Highlights that contributed to the net increase include:

- Debt service increased due to new debt issuance for School and County capital projects. VPSA refunded several bond issues in fiscal year 2014, resulting in a one-time savings of $3.1 million in that year.
- Additional funding for Parks, Recreation and Community Facilities to support the opening of Chichester Park and additional programs.
- Increased capital expenditures using cash capital (per the Board's financial policies)
- Replacement of public safety vehicles

The following table compares General Fund revenues and expenditures for fiscal year 2015 with the previous fiscal year.

General Fund Comparison
Revenues and Expenditures
FY 2015 – FY 2014
($ in millions)

	FY 2015	FY 2014	Increase (Decrease)
Revenues:			
General property taxes	$ 185.5	$ 183.0	$ 2.5
Other local taxes	35.7	32.0	3.7
Licenses and permits	3.7	4.3	(.6)
Use of money and property	.4	.4	-
Charges for services	6.9	6.3	.6
Other	7.6	8.2	(.6)
Intergovernmental	27.3	26.4	.9
Total revenues	$ 267.1	$ 260.6	$ 6.5
Expenditures:			
General government	$ 13.3	$ 12.6	$ .7
Judicial administration	7.0	7.0	-
Public safety	51.1	49.8	1.3
Public works	5.0	5.0	-
Health and social services	12.3	13.1	(.8)
Parks, recreation and cultural	13.6	12.1	1.5
Community development	3.9	3.9	-
Education	106.4	110.5	(4.1)
Capital outlay	2.3	1.4	.9
Debt service	41.2	35.0	6.2
Total expenditures	$ 256.1	$ 250.4	$ 5.7

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, 2015, totals $633.0 million, net of accumulated depreciation. This represents an increase of $30.8 million over the prior year. The investment in capital assets includes land, buildings, distribution and collection systems, equipment, vehicles, construction in progress. Major capital asset acquisitions during the current fiscal year included the following:

- Governmental activities – Embrey Mill Rec Center and fields
- Governmental activities - construction in progress/land improvements/buildings/equipment – park construction and improvements, and road improvement projects.
- Governmental activities – replacement vehicles for public safety functions.

- Business-type activities construction in progress – construction of Rocky Pen Run Reservoir.
- Business-type activities distribution and collection systems – acceptance of developer constructed infrastructure.

The following table summarizes the changes in the County's governmental and business-type capital assets for fiscal year 2015. Additional information on the County's capital assets can be found in Note 4.

Change in Capital Assets
($ in millions)

	Balance June 30, 2014	Net Additions And Deletions	Balance June 30, 2015
Governmental Activities:			
Land	$ 45.7	$ 3.6	$ 49.3
Other intangible	1.0	-	1.0
Construction in progress	33.9	19.8	53.7
Capital assets not being depreciated	80.6	23.4	104.0
Land improvements	27.5	.7	28.2
Buildings and building improvements	102.2	.8	103.0
Furniture, fixtures and equipment	50.9	1.3	52.2
Vehicles	19.0	1.3	20.3
Capital assets being depreciated	199.6	4.1	203.7
Less accumulated depreciation	(73.0)	(10.5)	(83.5)
Net capital assets being depreciated	126.6	(6.4)	120.2
Governmental activities capital assets	$ 207.2	$ 17.0	$ 224.2

Change in Capital Assets ($ in millions)			
	Balance June 30, 2014	Net Additions And Deletions	Balance June 30, 2015
Business-Type Activities:			
Land	$ 19.1	$ -	$ 19.1
Other intangible	4.0	-	4.0
Construction in progress	170.5	11.8	182.3
Capital assets not being depreciated	193.6	11.8	205.4
Land improvements	.5	-	.5
Buildings and building improvements	4.2	-	4.2
Distribution and collection systems	335.2	11.5	346.7
Furniture, fixtures and equipment	14.3	.5	14.8
Vehicles	2.9	.3	3.2
Capital assets being depreciated	357.1	12.3	369.4
Less accumulated depreciation	(155.7)	(10.4)	(166.1)
Net capital assets being depreciated	201.4	1.9	203.3
Business-type activities capital assets	$ 395.0	$ 13.7	$ 408.7

Long-term liabilities excluding Deferred Revenue, OPEB and Pension: At the end of the current fiscal year, County governmental activities reported total debt outstanding of $443.7 million. Of this amount, $340.0 million is general obligation debt backed by the full faith and credit of the County. The remainder of the County's debt is secured by specific revenue sources. County governmental activities had a net increase in long term liabilities excluding OPEB and Pension of $12.9 million during the fiscal year. Issuances for FY 2015 included $22.0 million general obligation bonds for school renovation projects and $64.3 million VRA loan of which $57.7 million was used to refinance lease revenue bonds with $ 8 million remaining and designated for capital projects.

The County's strong wealth and income levels, diverse local economy, sound financial management and moderate debt burden recently earned an upgrade (AA+ to AAA) for its general obligation bonds from Fitch Ratings and Standard and Poor's. Moody's affirmed its Aa2 rating, adding a positive outlook.

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 long term liabilities excluding OPEB and Pension of $105.1 million at the end of the current fiscal year.

Additional information on the County's long-term liabilities can be found in Note 5 of this report. Information on net pension liability can be found in Note 6 of the report and for OPEB Note 7 of the 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 Liabilities Excluding Deferred Revenue, OPEB and Pension ($ in millions)

	June 30, 2014	Net Increase (Decrease)	June 30, 2015
Governmental Activities:			
General obligation bonds, net	$ 327.7	$ 12.3	$ 340.0
Lease revenue bonds	73.7	(61.3)	12.4
Capital leases	12.0	(1.6)	10.4
Other	9.9	63.5	73.4
Compensated absences	7.5	-	7.5
Total long-term debt	$ 430.8	$ 12.9	$ 443.7
Business-Type Activities:			
Revenue bonds, net	$ 78.0	$ (1.7)	$ 76.3
VRA loans	29.2	(1.6)	27.6
Compensated absences	1.3	(.1)	1.2
Total long-term debt	$ 108.5	$ (3.4)	$ 105.1

Factors Influencing Future Budgets

Key factors that are expected to impact future budgets include:

- Uncertainty of state and federal revenue sources.
- Board of Supervisors' priorities.
- Public safety staffing.
- Citizen demands for maintaining service levels.
- Funding for capital improvements.
- Operating costs associated with new capital facilities.
- 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

STATEMENT OF NET POSITION
June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	School Board
ASSETS				
Current assets:				
Cash, cash equivalents and temporary cash investments	$ 123,115,513	$ 37,180,307	$ 160,295,820	30,733,947
Receivables, net of allowance for uncollectibles	25,350,827	4,443,636	29,794,463	8,756,622
Due from primary government	-	-	-	44,619,172
Internal balances	(418,536)	418,536	-	-
Prepaids	210,044	-	210,044	705,455
Inventory	10,565	759,907	770,472	538,719
Total current assets	148,268,413	42,802,386	191,070,799	85,353,915
Noncurrent assets:				
Restricted cash and cash equivalents	26,876,383	13,469,034	40,345,417	18,285,582
Note receivable - Component Unit	855,000	-	855,000	-
Investment in joint venture	2,691,075	-	2,691,075	-
Capital assets:				
Land	49,242,060	19,053,161	68,295,221	33,068,614
Construction in progress	53,709,278	182,359,163	236,068,441	64,299,368
Other intangible assets	1,039,428	4,035,282	5,074,710	-
Subtotal non-depreciable capital assets	103,990,766	205,447,606	309,438,372	97,367,982
Land improvements	28,194,367	474,603	28,668,970	48,707,251
Buildings and building improvements	103,039,094	4,207,425	107,246,519	453,795,008
Distribution and collection systems	16,525	346,732,488	346,749,013	635,154
Furniture, fixtures and equipment	41,237,137	14,015,911	55,253,048	8,882,394
Technology infrastructure	4,952,100	3,247,875	8,199,975	2,569,737
Software	6,005,232	195,574	6,200,806	877,713
Vehicles	20,336,146	610,759	20,946,905	22,198,693
Less accumulated depreciation	(83,512,102)	(166,182,349)	(249,694,451)	(197,390,115)
Subtotal depreciable capital assets	120,268,499	203,302,286	323,570,785	340,275,835
Total noncurrent assets	254,681,723	422,218,926	676,900,649	455,929,399
Total assets	402,950,136	465,021,312	867,971,448	541,283,314
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferrals	4,164,744	735,999	4,900,743	24,254,980
Deferred charge on refunding	4,269,998	-	4,269,998	-
Total deferred outflows of resources	8,434,742	735,999	9,170,741	24,254,980
LIABILITIES				
Current liabilities:				
Accounts payable	$ 7,851,492	$ 1,226,297	$ 9,077,789	8,191,283
Retainage payable	1,030,583	1,789,497	2,820,080	2,699,809
Accrued salaries and benefits	1,362,630	228,646	1,591,276	41,796,072
Accrued insurance claims	1,005,840	71,648	1,077,488	4,708,375
Accrued interest	7,440,037	958,645	8,398,682	-
Other accrued liabilities	924,834	5,348	930,182	-
Due to component unit	44,599,995	19,177	44,619,172	-
Deposits	9,035,416	3,385,233	12,420,649	-
Unearned revenue	1,199,308	-	1,199,308	81,200
Current portion of long-term debt	28,276,608	3,471,182	31,747,790	1,271,672
Total current liabilities	102,726,743	11,155,673	113,882,416	58,748,411
Noncurrent liabilities:				
Noncurrent portion of long-term debt	415,405,939	101,649,898	517,055,837	9,354,733
Noncurrent portion of accrued insurance claims	-	-	-	68,131
Unearned revenue	1,542,857	-	1,542,857	-
Other post-employment benefits	24,387,960	700,332	25,088,292	24,709,777
Net pension liability	18,737,963	3,311,520	22,049,483	239,079,561
Total noncurrent liabilities	460,074,719	105,661,750	565,736,469	273,144,071
Total liabilities	562,801,462	116,817,423	679,618,885	331,892,482
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	2,469,163	-	2,469,163	-
Pension related referrals	7,010,233	1,238,857	8,249,090	36,604,244
Total deferred inflows of resources	9,479,396	1,238,857	10,718,253	36,604,244
NET POSITION (DEFICIT)				
Net Investment in capital assets	98,292,334	308,716,780	407,009,114	433,631,721
Restricted:				
Drug enforcement	1,590,688	-	1,590,688	-
Capital projects	-	-	-	35,609,662
School Nutrition	-	-	-	3,141,740
Grants	-	-	-	119,264
IBNR	1,091,497	-	1,091,497	-
Water-sewer	-	9,617,314	9,617,314	-
Unrestricted (deficit)	(261,870,499)	29,366,937	(232,503,562)	(275,528,950)
Total net position (deficit)	$ (160,895,980)	$ 347,701,031	$ 186,805,051	$ 196,973,437

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

COUNTY OF STAFFORD, VIRGINIA

Exhibit II

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
General government	$ 14,757,363	$ 281,000	$ 716,671	$ -
Judicial administration	6,370,324	249,493	1,713,319	-
Public safety	52,314,985	7,267,651	5,163,714	6,945
Public works	8,243,611	66,868	-	-
Health and social services	12,448,947	75,819	6,383,766	-
Parks, recreation and cultural	25,408,604	2,441,178	-	-
Community development	4,377,659	2,321,592	-	-
Appropriation to School Board:				
School operating	103,810,323	-	-	-
School capital projects	27,462,843	-	-	-
Transportation	3,019,659	67,320	836,333	1,165,321
Interest	17,050,475	-	-	-
Total governmental activities	275,264,793	12,770,921	14,813,803	1,172,266
Business-type activities:				
Water and Sewer	34,817,632	30,660,729	-	16,888,941
Total primary government	$ 310,082,425	$ 43,431,650	$ 14,813,803	$ 18,061,207
Component unit:				
Stafford County School Board	$ 285,238,534	$ 18,902,311	$ 48,952,849	$ 27,462,843

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
Gain on disposal of capital assets
Miscellaneous
Transfers
Total general revenues
Change in net position
Net position (deficit), beginning
Prior year adjustment
Net position, beginning, as restated
Net position (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
$ (13,759,692)	$ -	$ (13,759,692)	$ -
(4,407,512)	-	(4,407,512)	-
(39,876,675)	-	(39,876,675)	-
(8,176,743)	-	(8,176,743)	-
(5,989,362)	-	(5,989,362)	-
(22,967,426)	-	(22,967,426)	-
(2,056,067)	-	(2,056,067)	-
(103,810,323)	-	(103,810,323)	-
(27,462,843)	-	(27,462,843)	-
(950,685)	-	(950,685)	-
(17,050,475)	-	(17,050,475)	-
(246,507,803)	-	(246,507,803)	-
-	12,732,038	12,732,038	-
(246,507,803)	12,732,038	(233,775,765)	-
			$ (189,920,531)
185,302,231	-	185,302,231	-
12,376,768	-	12,376,768	26,913,398
3,828,615	-	3,828,615	-
9,861,641	-	9,861,641	-
2,019,185	-	2,019,185	-
419,962	-	419,962	-
2,967,321	-	2,967,321	-
616,888	-	616,888	-
7,102,018	-	7,102,018	-
41,375	-	41,375	-
1,233,043	-	1,233,043	-
36,853	-	36,853	-
-	-	-	81,035,906
15,584,842	-	15,584,842	103,735,323
106,796	203,909	310,705	42,190
-	43,365	43,365	133,484
6,616,292	35,920	6,652,212	276,331
10,000	(10,000)	-	-
248,123,830	273,194	248,397,024	212,136,632
1,616,027	13,005,232	14,621,259	22,216,101
(139,386,457)	338,782,576	199,396,119	429,725,919
(23,125,550)	(4,086,777)	(27,212,327)	(254,968,583)
(162,512,007)	334,695,799	172,183,792	174,757,336
$ (160,895,980)	$ 347,701,031	$ 186,805,051	$ 196,973,437

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	Major Funds			Non Major	
	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in pooled cash and investments	$ 110,438,666	$ 1,453,295	$ -	$ 11,223,552	$ 123,115,513
Restricted assets:					
Cash	45,421	-	4,953,956	1,588,778	6,588,155
Cash with fiscal agents	2,306,292	5,624,269	7,625,751	4,731,916	20,288,228
Receivables, net of allowance for uncollectibles:					
Property taxes	13,536,006	-	-	33,853	13,569,859
Accounts	3,547,778	1,414,347	-	189,005	5,151,130
Intergovernmental	3,997,259	2,409,917	-	147,622	6,554,798
Due from other funds	7,286	-	-	1,910	9,196
Inventory	10,565	-	-	-	10,565
Prepaid expenditures	210,044	-	-	-	210,044
Total assets	$ 134,099,317	$ 10,901,828	$ 12,579,707	$ 17,916,636	$ 175,497,488
LIABILITIES					
Liabilities:					
Accounts payable	$ 2,812,423	$ 1,950,208	$ 1,906,349	$ 1,182,512	$ 7,851,492
Retainage payable	-	286,759	658,293	85,531	1,030,583
Deposits	9,035,416	-	-	-	9,035,416
Accrued salaries and benefits	1,341,557	4,804	11,680	4,589	1,362,630
Other accrued liabilities	924,834	-	-	-	924,834
Unearned revenue	1,542,857	-	-	1,199,308	2,742,165
Due to other funds	420,446	-	7,286	-	427,732
Due to component unit	44,599,995	-	-	-	44,599,995
Total liabilities	60,677,528	2,241,771	2,583,608	2,471,940	67,974,847
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue property taxes	4,809,271	-	-	39,227	4,848,498
Unearned revenue	2,469,163	-	-	-	2,469,163
Total deferred inflows of resources	7,278,434	-	-	39,227	7,317,661
FUND BALANCES					
Nonspendable	220,609	-	-	-	220,609
Restricted	3,306,455	237,532	-	384,819	3,928,806
Committed	5,164,702	8,422,525	9,996,099	9,596,848	33,180,174
Assigned	24,541,606	-	-	5,423,842	29,965,448
Unassigned	32,909,983	-	-	-	32,909,983
Total fund balances	66,143,355	8,660,057	9,996,099	15,405,509	100,205,020
Total liabilites, deferred inflows of resources and fund balances	$ 134,099,317	$ 10,901,828	$ 12,579,707	$ 17,916,676	$ 175,497,528

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

COUNTY OF STAFFORD, VIRGINIA Exhibit IV

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2015

Total fund balances- total governmental funds		**$ 100,205,020**
Amounts reported for governmental activities in the Statement of Net Position 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	$ 307,771,367	
Less accumulated depreciation	(83,512,102)	
Net capital assets		224,259,265
Unavailable revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.		4,848,498
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Investment in joint venture	2,691,075	
Note Receivable - component unit (non current)	855,000	
Note Receivable - component unit (current)	75,000	
		3,621,075
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	(12,415,000)	
General obligation bonds	(314,821,489)	
VRA loan	(71,099,213)	
Literary loans	(2,263,037)	
Capital leases	(10,339,667)	
Compensated absences	(7,501,967)	
Bond premiums	(25,242,174)	
Loss on refunding	4,269,998	
Pension related deferred outflows of resources	4,164,744	
Pension related deferred inflows of resources	(7,010,233)	
Net pension liability	(18,737,963)	
Accrued insurance claims	(1,005,840)	
Interest payable	(7,440,037)	
Net other post-employment benefits obligation	(24,387,960)	
		(493,829,838)
Net Position (Deficit) of Governmental Activities		**$ (160,895,980)**

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

COUNTY OF STAFFORD, VIRGINIA Exhibit V

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Major Funds			Non Major	
	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	$ 185,523,747	$ -	$ -	$ 653,454	$ 186,177,201
Other local taxes	35,717,318	3,828,615	-	957,736	40,503,669
Permits, privilege fees and regulatory licenses	3,723,699	-	-	-	3,723,699
Fines and forfeitures	1,071,872	-	-	-	1,071,872
Use of money and property	424,794	5,902	13,596	18,467	462,759
Charges for services	6,897,797	-	-	22,506	6,920,303
Miscellaneous	6,528,592	315	-	87,384	6,616,291
Intergovernmental	27,240,172	4,298,761	318,474	412,588	32,269,995
Total revenues	267,127,991	8,133,593	332,070	2,152,135	277,745,789
EXPENDITURES					
Current operating:					
General government	13,324,624	-	-	-	13,324,624
Judicial administration	7,021,958	-	-	47,129	7,069,087
Public safety	51,148,368	-	749,380	226,936	52,124,684
Public works	5,020,856	-	366,967	-	5,387,823
Health and social services	12,331,075	-	-	-	12,331,075
Parks, recreation and cultural	13,569,870	-	15,018,923	287,029	28,875,822
Community development	3,880,590	-	-	699,443	4,580,033
Appropriation to School Board:					
School operating	103,735,323	-	-	-	103,735,323
School capital projects	2,593,913	-	24,868,930	-	27,462,843
Transportation	-	3,662,264	-	-	3,662,264
Capital outlay	2,338,998	7,984,404	76,465	2,071,664	12,471,531
Debt service:					
Principal	23,420,929	125,064	-	290,000	23,835,993
Interest and fiscal charges	17,769,500	112,468	865,074	267,845	19,014,887
Total expenditures	256,156,004	11,884,200	41,945,739	3,890,046	313,875,989
Excess (deficiency) of revenues under expenditures	10,971,987	(3,750,607)	(41,613,669)	(1,737,911)	(36,130,200)
OTHER FINANCING SOURCES (USES)					
Transfers in	32,004	71,000	6,483,307	-	6,586,311
Transfers out	(6,483,307)	(24,917)	-	(68,087)	(6,576,311)
Refunding of debt:					
Payment to refunded bond escrow agent	-	-	(63,862,332)	-	(63,862,332)
Issuance of debt:					
Proceeds on refunding bonds	-	-	57,105,000	-	57,105,000
Proceeds on new bonds			29,350,000		29,350,000
Premium on issuances	-	-	11,057,239	-	11,057,239
Total other financing sources (uses), net	(6,451,303)	46,083	40,133,214	(68,087)	33,659,907
Net change in fund balances	4,520,684	(3,704,524)	(1,480,455)	(1,805,998)	(2,470,293)
Fund balance, beginning	61,622,671	12,364,581	11,476,554	17,211,507	102,675,313
Fund balance, ending	$ 66,143,355	$ 8,660,057	$ 9,996,099	$ 15,405,509	$ 100,205,020

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, 2015

Net change in fund balances - total governmental funds		**$ (2,470,293)**
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.		
Acquisition of capital assets	$ 28,386,661	
Less depreciation expense	(11,306,044)	
Excess of capital outlay over depreciation		17,080,617
Unavailable revenues represent amounts that were not available to fund current expenditures and therefore are not reported as revenue in the governmental		(874,970)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. These changes are included in expenses based on their functional category.		
Change in joint venture investment (Landfill)	(1,093,265)	
Change in note receivable - component unit (School operating)	(75,000)	
		(1,168,265)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liablities in the Statement of Net Position. Repayment of bond principal and issuance costs are expenditures in the governmental funds, but the repayment reduces long-term liabilities. This is the amount by which proceeds were more than repayments.		
Debt issued or incurred:		
General obligation bonds	(22,120,000)	
Bond premium	(10,979,755)	
VRA loans	(64,335,000)	
Principal repayments:		
General obligation debt	17,674,044	
Revenue bonds	61,250,000	
VRA loans	441,736	
Literary loans	466,149	
Capital leases	1,714,064	
		(15,888,762)
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	754,213	
Compensated absences	48,736	
Accrued insurance claims	(70,694)	
Deferred loss on refunding	4,202,950	
Amortization of premium on refunding, net	(3,082,097)	
Change in net pension obligations	1,542,098	
Change in net other post-employment benefits obligation	(4,621,701)	
Payments to escrow agent for debt refunding	6,152,332	
Miscellaneous interest and finance charges	11,863	
		4,937,700
Change in net position of governmental activities		**$ 1,616,027**

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

COUNTY OF STAFFORD, VIRGINIA Exhibit VII

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Business Type Activity - Enterprise Fund
	Water and Sewer Fund
ASSETS	
Current assets:	
Equity in pooled cash and investments	$ 37,180,307
Receivables, net of allowance for uncollectibles	4,443,636
Due from other funds	418,536
Inventory	759,907
Total current assets	42,802,386
Noncurrent assets:	
Restricted cash and cash equivalents	13,469,034
Capital assets:	
Land	19,053,161
Construction in progress	182,359,163
Other intangible assets	4,035,282
Land improvements	474,603
Buildings and building improvements	4,207,425
Distribution and collection systems	346,732,488
Furniture, fixtures and equipment	14,015,911
Vehicles	3,247,875
Software	195,574
Technology infrastructure	610,759
Less accumulated depreciation	(166,182,349)
Total capital assets (net of accumulated depreciation)	408,749,892
Total noncurrent assets	422,218,926
Total assets	465,021,312
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	735,999
LIABILITIES	
Current liabilities:	
Accounts payable	1,226,297
Retainage payable	1,789,497
Accrued salaries and benefits	228,646
Accrued interest	958,645
Other liabilities	96,173
Deposits	3,385,233
Current portion of long-term debt	3,471,182
Total current liabilities	11,155,673
Noncurrent liabilities:	
Noncurrent portion of long-term debt	101,649,898
Other post-employment benefits	700,332
Net pension liability	3,311,520
Total noncurrent liabilities	105,661,750
Total liabilities	116,817,423
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	1,238,857
NET POSITION	
Net investment in capital assets	308,716,780
Restricted	9,617,314
Unrestricted	29,366,937
Total net position	$ 347,701,031

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

COUNTY OF STAFFORD, VIRGINIA Exhibit VIII

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Business-Type Activity - Enterprise Fund
	Water and Sewer Fund
Operating revenues:	
Charges for services	$ 30,660,729
Miscellaneous	35,920
Total operating revenues	30,696,649
Operating expenses:	
Personnel services	11,993,725
Contractual services	2,875,409
Materials and supplies	4,745,407
Heat, light and power	2,056,514
Telecommunication and internal services	2,128,172
Miscellaneous	624,755
Depreciation	10,653,505
Total operating expenses	35,077,487
Operating loss	(4,380,838)
Nonoperating revenues (expenses):	
Interest and investment revenue	203,909
Interest expense	(36,456)
Amortization of bond discount	384,682
Loss on refunding	(16,963)
Issuance costs	(71,408)
Gain on disposal of capital assets	43,365
Total nonoperating revenues, net	507,129
Loss before contributions and trasnfers	(3,873,709)
Capital contributions and transfers:	
Donated capital assets	8,308,543
Availability fees	6,176,840
Transfers out	(10,000)
Prorata fees	2,403,558
Total capital contributions	16,878,941
Change in net position	13,005,232
Total net position, beginning	338,782,576
Prior period adjustment	(4,086,777)
Total net position, beginning, as restated	334,695,799
Total net position, ending	$ 347,701,031

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Business-Type Activity - Enterprise Fund
	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 28,859,391
Other revenues	35,920
Other expenses	(624,755)
Payments to suppliers	(14,269,794)
Payments to employees	(11,676,101)
Net cash provided by operating activities	2,324,661
CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES	(10,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(12,335,858)
Principal paid on bonds	(2,864,538)
Interest capitalized	(3,741,356)
Issuance costs	(71,408)
Proceeds on disposal of capital assets	43,365
Availability fees and prorata fees	8,580,398
Net cash used in capital and related financing activities	(10,389,397)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	
Interest and dividends on investments	203,909
Net decrease in cash and cash equivalents	(7,870,827)
Cash and cash equivalents, beginning	58,520,168
Cash and cash equivalents, ending	$ 50,649,341
Equity in pooled cash and investments	$ 37,180,307
Restricted cash and cash equivalents	13,469,034
Total cash and cash equivalents	$ 50,649,341
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	$ (4,380,838)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	10,653,505
Increase in OPEB liability	685,198
Change in assets and liabilities:	
Increase in accounts receivable	(160,119)
Increase in accrued liabilities	2,160
Increase in other liabilities	19,481
Decrease in pension related liabilities and deferrals	(272,399)
Decrease in inventory	24,895
Decrease in accounts payable	(2,508,668)
Decrease in deposits	(1,641,219)
Decrease in compensated absences	(97,335)
Total adjustments	6,705,499
Net cash provided by operating activities	$ 2,324,661

Supplemental disclosure of noncash capital and related financing activities:
The Water and Sewer Fund received donated assets in 2015 valued at $ 8,308,543.

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

COUNTY OF STAFFORD, VIRGINIA Exhibit X

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Agency Funds	Post Employment Trust Fund
ASSETS		
Current assets:		
Cash and short-term investments	$ 2,911,547	$ 5,014,964
Receivables:		
Property taxes	2,880,949	-
Accounts	99,316	-
Total assets	$ 5,891,812	5,014,964
LIABILITIES		
Accrued salaries and benefits	$ 19,592	-
Other liabilities	82,234	-
Reserve for future expenses	1,817,902	-
Reserve for bondholders	3,972,084	-
Total liabilities	$ 5,891,812	-
NET POSITION		
Restricted for other post-employment benefits		$ 5,014,964

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

COUNTY OF STAFFORD, VIRGINIA Exhibit XI

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
RETIRED EMPLOYEES HEALTH INSURANCE TRUST FUND
YEAR ENDED JUNE 30, 2015

	Post Employment Trust Fund
ADDITIONS	
Investments:	
Investment activity	$ 104,104
Net investment earnings	104,104
Total additions	104,104
DEDUCTIONS	
Administration	500
Change in Net Position	103,604
Net Position restricted for Post-Employment Benefits	
Beginning of year	4,911,360
End of year	$ 5,014,964

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

The County of Stafford (County) 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 142,299.

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 is organized under the County Executive form of government, as provided for by Commonwealth of Virginia (the Commonwealth) law. Under this form of government, the policies concerning the financial and business affairs of the County are determined by the Board of County Supervisors (the Board). The Board is composed of seven elected members elected by district who have authority over local taxation, budgets, borrowing, local ordinances and policy. The Board appoints a County Administrator to as the chief administrative officer of the County. The County Administrator carries out the policies established by the Board. The accompanying financial statements include the County's primary government and component unit over which the County exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the County (as distinct from legal relationships).

The financial statements of the 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 MODEL and the 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 Position – The Statement of Net Position displays the financial position of the primary government (government and business-type activities) and its discretely presented component unit. Governments report all capital assets and their related debt in the government-wide Statement of Net Position. The net position of a government is broken down into three categories – (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

Statement of Activities – The 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.

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 unit for which the government is considered financially accountable. The discretely presented component unit is reported in a separate column in the government-wide statements to emphasize that it is 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: Lance W. Wolff, 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 Position, 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 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.

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 2015.

(1) Governmental Funds

The focus of governmental funds (in the Fund Financial Statements) is on determination of current financial resources and changes in current financial resources. 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 include 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. **Garrisonville Road Service District Fund** – accounts for ad valorem tax receipts from property owners in the district to pay debt service for road improvements in the district.

5. **Warrenton Road Service District Fund** – accounts for ad valorem tax receipts from property owners in the district to pay debt service for road improvements in the district.

6. **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.

10. **350th Anniversary Fund** – accounts for revenue and expenditures related to the County's 350th Anniversary celebration.

11. **Transportation Impact Fee** – accounts for impact fee receipts from new development in a designated service area in the County. Disbursements from this fund are for road improvement projects attributable to the new development.

c. Capital Projects Funds are used to account for current 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, net position, revenues, and expenses related to the government's business activities are accounted for through proprietary funds. The measurement focus of proprietary funds is on determination of net income, financial position and cash flows. The following is the County's Proprietary Fund type:

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

(3) Fiduciary Funds

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

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

e. Embrey Mill Fund (Agency Fund) – accounts for a special assessment collection used to service bonded debt for infrastructure improvements in the assessment district.

f. 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 the current financial resources measurement focus. 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 financial resources 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 Position and operating statements present increases (revenues) and decreases (expenses) in total net position.

The Statement of Net Position, 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 unavailable revenue. Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. 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 considers all other revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end.
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, compensated absences and claims and judgments are recognized when due.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund and the component unit's internal service funds are charges to internal customers for sales and services. Operating expenses for the aforementioned enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, "Deferred outflows of resources", represents a consumption of net position that applies to a future period which will not be recognized as an outflow of resources (expense or expenditure) until then. The County has two items that meets this criterion – a loss resulting from the refunding of debt and pension related deferrals. The refunding loss is the difference in the reacquisition price and the net carrying value of the old debt. The amount is amortized as a component of interest expense on the straight-line basis over the remaining life of the old debt, or the new debt, whichever is shorter. The pension deferrals relate to contributions made to the pension plan in the 2015 fiscal year.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "Deferred inflows of resources", represents an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources (revenue) until then. The County has a few items that meet this criterion such as prepaid on property taxes, property taxes not collected within the period of availability, deferrals of pension expense that resulted from the implementation of GASB Statement No. 68, and others. These are explained in more detail in a separate note to the financial statements.

E. 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
Warrenton Road Service District
Asset Forfeiture Fund
Hidden Lake Dam Fund
350th Anniversary Fund
Transportation Impact Fee
General Capital Projects Fund
Tourism Fund

Component Unit – School Board

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. The budget for the proprietary fund serves as a guide to the County and not as legally binding limitations.

5. 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, 2015. 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 2015.

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.

F. DEPOSITS AND INVESTMENTS

Cash resources of the County, 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.

G. RESTRICTED ASSETS – CASH AND INVESTMENTS

Restricted cash in the General Fund represents a reserve account held by the County's health insurance administrator as well as unspent grant proceeds and unspent lease proceeds.

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 August 2014.

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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. INVENTORIES AND PREPAID ITEMS

Primary Government:
The General Fund inventory is stated at cost (first-in, first-out), which approximates market. 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 approximates market. 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 approximates market. 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 approximates market. 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.

I. CAPITAL ASSETS

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

	Primary Government	Component Unit – School Board
	Governmental Activities	Governmental Activities
Land improvements	20 years	20 years
Buildings and building improvements	25 – 50 years	4 – 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:

	Primary Government	Component Unit – School Board
	Water and Sewer Fund	Fleet Services Fund
Land improvements	20 years	20 years
Buildings and building improvements	20 – 100 years	4 – 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	-
Technology infrastructure	5 years	-

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

J. REAL ESTATE AND PERSONAL PROPERTY DATA

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

	Real Property	Personal Property
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

K. 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 are recorded in the government-wide and proprietary fund financial statements.

L. 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 Position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as expenses in the period in which they are incurred.

In the governmental fund financial statements bond premiums and discounts, as well as issuance costs are recognized 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. All debt service costs are recognized as expenditures when due.

M. NET POSITION 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the Statement of Net Position, 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 position of the primary government. The corresponding capital assets are reported as assets of the Component Unit – School Board (title holder), thereby increasing their net position.

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 position, 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 $160.8 million net position deficit in governmental activities in the government wide statement of net position, $305.0 million is attributed to debt for school property and equipment.

N. <u>NET POSITION and FUND BALANCE CLASSIFICATION</u>

Net Position:
The government-wide financial statements utilize a net position presentation. Net position is presented in three components – net invested in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This component of net position 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.

Restricted – This component consists of financial statement elements constrained by external 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 financial statement elements that do not meet the definition of "net invested in capital assets" and "restricted".

When both restricted and unrestricted resources are available for use, it is the County'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 on 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 – Non-spendable, 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 adopted resolutions. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the specified use by taking the same type of action (adopted 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 by Board resolution adopting the County's Principles of High Performance Financial Management - 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 its review of financial policies in fiscal year 2012 the Board established a goal of a minimum unassigned fund balance of twelve percent of General Fund operating revenues. This threshold must be met before other reserves are funded. The goal was met for fiscal year 2015.

During a review of its financial policies in fiscal year 2010, the Board created three General Fund reserves (R09-260 and R09-356) – Revenue Stabilization Reserve, Capital Projects Reserve, Stafford Opportunity Fund Reserve. These reserves allow 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. The reserves are in addition to minimum unassigned fund balance limits and are classified as committed fund balance.

During fiscal year 2013 the Board reviewed the County's financial policies and made changes (R13-102) that are designed to improve debt ratios and to strengthen and clarify fund balance reserve policies. A Healthcare Costs Reserve was added. Amounts in excess of the required minimum unassigned fund balance are assigned to the reserves according to the following hierarchy:

- 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. The trigger for drawing on the reserve is a two percent revenue shortfall within a single fiscal year. Withdrawal amounts may not exceed one-half of the reserve balance. The reserve will be used in combination with spending cuts. The reserve will not be used to offset a tax rate change. Replenishment is required within five years.
- Capital Projects Reserve - $1.5M for capital needs, to reduce reliance on debt, provide cash flow for capital projects and pay down high interest debt when advantageous.
- Stafford Opportunity Reserve – $500,000 to enhance and promote economic development opportunities.
- Healthcare Costs Reserve – an amount equal to the estimated claims incurred but not reported (IBNR) plus ten percent of annual claims. Any healthcare savings realized after all reserve needs have been met will be set aside for contribution to the County's OPEB Trust Fund.
- Any remaining available fund balance after the reserves have been fully funded will go to the Capital Projects Reserve.

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 position is in addition to all other required restrictions.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification for Governmental Funds:

	General Fund	Transportation Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Nonspendable					
Prepaids	$ 210,044	$ -	$ -	$ -	$ 210,044
Inventory	10,565	-	-	-	10,565
Restricted					
Grants	1,137,982	-	-	-	1,137,982
Encumbrances	13,010	-	-	-	13,010
Debt service	-	237,532	-	-	237,532
Drug enforcement	-	-	-	384,819	384,819
CFR	2,155,463	-	-	-	2,155,463
Committed					
Encumbrances	-	8,422,525	9,996,099	9,596,848	28,015,472
Stafford opportunity fund	500,000	-	-	-	500,000
Capital projects reserve	2,602,282	-	-	-	2,602,282
Purchase of development Rights	104,534	-	-	-	104,534
Health Insurance	700,000	-	-	-	700,000
Future Operations	107,886	-	-	-	107,886
School prior year carry-forward	1,150,000	-	-	-	1,150,000
Assigned					
Encumbrances	3,703,634	-	-	-	3,703,634
CSA reserve	300,000	-	-	-	300,000
Fuel reserve	500,000	-	-	-	500,000
Insurance parity	936,294	-	-	-	936,294
Revenue stabilization reserve	1,324,641	-	-	-	1,324,641
Risk management reserve	100,000	-	-	-	100,000
Future one-time school uses	7,312,618	-	-	-	7,312,618
School capital project reserve	1,500,000	-	-	-	1,500,000
Museum reserve	938,293	-	-		938,293
Contingency reserve	500,000	-			500,000
Future operations	7,426,126	-	-	5,423,842	12,849,968
Unassigned	32,909,983	-	-	-	32,909,983
Total	$ 66,143,355	$ 8,660,057	$ 9,996,099	$ 15,405,509	$ 100,205,020

O. 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.

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 insured up to limits by the Federal Deposit Insurance Corporation (FDIC) and the excess is 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 insured or collateralized.

INVESTMENTS: Statutes authorize local governments and other public bodies to invest in obligations of the United States or 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, banker's 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 all the 2013 General Obligation bonds, the 2014 VRA bonds, and all 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, 2015 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 and/or an equivalent organization on the Nationally Recognized Statistical Rating Organizations (NRSRO) list rated the County's debt investments as of June 30, 2015 and the ratings are presented below using the Standard & Poor's rating scale.

Note 2. DEPOSITS AND INVESTMENTS (continued)

At year-end the Primary Government's and Component Unit Stafford County Public School's investment balances were as follows:

	VALUE					
	Short Term		Long Term			
	AAAm	A-1	AAA	AA	A	BBB
U.S. Agencies	$ -	$ -	$ -	$ 36,221,197	$ -	$ -
Municipal Bonds	$ -	$ -	$ -	$ 199,986	$ -	$ -
Corporate Notes and Bonds	$ -	$ 8,548,839	$ 1,425,613	$ 12,849,032	$ -	$ 8,415
Money Market	$ 1,320,630	$ 4,645,640	$ -	$ -	$ -	$ -
LGIP	$ 34,599,680	$ -	$ -	$ -	$ -	$ -
SNAP	$ 16,209,386	$ -	$ -	$ -	$ -	$ -
Total	$ 52,129,696	$ 13,194,479	$ 1,425,613	$ 49,270,215	$ -	$ 8,415
Component Unit						
LGIP	$ 4,767,571	$ -	$ -	$ -	$ -	$ -
SNAP	$ 16,160,582	$ -	$ -	$ -	$ -	$ -
Total	$ 20,928,153	$ -	$ -	$ -	$ -	$ -
Held in County's Name as Fiduciary						
U.S. Agencies and Securities	$ -	$ -	$ -	$ 2,568,443	$ -	$ -
Municipal Bonds	$ -	$ -	$ -	$ -	$ -	$ -
Corporate Notes and Bonds	$ -	$ 250,228	$ -	$ 1,376,927	$ -	$ -
Money Market Mutual Funds	$ 1,453,299	$ 349,970	$ -	$ -	$ -	$ -
Total	$ 1,453,299	$ 600,198	$ -	$ 3,945,370	$ -	$ -

As of June 30, 2015, all investments were in compliance with the State Statutes administering investments of Public Funds. Ratings are purchased by the issuer from Moody's and/or Standard & Poor's. Ratings must comply with the investment policy prior to any purchase.

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. In accordance with GASB 40, if certain investments in any single issuer represent 5% of total investments, except U.S. government guaranteed obligations, there must be a disclosure for the amount and the issuer.

At June 30, 2015, the County had the following investments exceeding 5% of the total investments:

Investment Type	Value	
	Dollars	Percentage of Portfolio
Federal Home Loan Bank	$ 11,253,231	7.87%

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 generally sets a 5-year maximum maturity from the date of purchase. Additionally, the County requires 25% of the liquid funds be invested in over-night funds while the remaining 75% be invested in no longer than 180 days. Furthermore, the core funds are to have a final maturity of no longer than 5 years and a duration requirement not exceeding 3 years to manage portfolio volatility. The County establishes these guidelines to minimize investment risk in the portfolio.

Note 2. DEPOSITS AND INVESTMENTS (continued)

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1 Year	1 - 5 Years	6 - 10 Years	Over 10 Years
U.S. Agencies and Securities	$ 36,220,936	$ 3,733,692	$ 32,345,078	$ 66,971	$ 75,195
Municipal Bonds	$ 199,986	$ 199,986	$ -	$ -	$ -
Corporate Notes and Bonds	$ 22,832,159	$ 14,053,303	$ 8,711,073	$ -	$ 67,783
Money Market Mutual Funds	$ 5,966,270	$ 5,966,270	$ -	$ -	$ -
LGIP	$ 34,599,680	$ 34,599,680	$ -	$ -	$ -
SNAP	$ 16,209,386	$ 16,209,386	$ -	$ -	$ -
Total	$ 116,028,417	$ 74,762,317	$ 41,056,151	$ 66,971	$ 142,978
Component Unit					
LGIP	$ 4,767,571	$ 4,767,571	$ -	$ -	$ -
SNAP	$ 16,160,582	$ 16,160,582	$ -	$ -	$ -
Total	$ 20,928,153	$ 20,928,153	$ -	$ -	$ -
Held in County's Name as Fiduciary					
U.S. Agencies and Securities	$ 2,568,443	$ 1,446,708	$ 1,121,735	$ -	$ -
Municipal Bonds	$ -	$ -	$ -	$ -	$ -
Corporate Notes and Bonds	$ 1,627,155	$ 1,126,633	$ 500,522	$ -	$ -
Money Market Mutual Funds	$ 1,803,269	$ 1,803,269	$ -	$ -	$ -
Total	$ 5,998,867	$ 4,376,610	$ 1,622,257	$ -	$ -

County and School Board OPEB Funds:

As of June 30, 2015, the carrying value of the *County OPEB Fund's* deposits and investments held by the Trust and their respective credit rating was as follows:

Investment Type	Fair Value	Credit Rating
Investment in pooled funds	$5,014,964	N/A

As of June 30, 2015, the carrying value of the *School Board OPEB Fund's* deposits and investments held by the Trust and their respective credit rating was as follows:

Investment Type	Fair Value	Credit Rating
Investment in pooled funds	$18,482,077	N/A

The primary government's OPEB trust fund and its component unit Stafford County Public School's OPEB trust fund are participants in the Virginia Pooled OPEB Trust (VACo/VML Pooled OPEB Trust). The Trust is an irrevocable trust offered to local governments and authorities and is governed by a Board of Trustees consisting of local officials participating in the Trust. Funds of participating jurisdictions are pooled and are invested in the name of the Virginia Pooled OPEB Trust. The Board of Trustees of the Virginia Pooled OPEB Trust has adopted an investment policy to achieve a compound annualized total rate of return over a market cycle, including current income and capital appreciation, in excess of 5.0 percent after inflation, in a manner consistent with prudent risk-taking. Investment decisions for the funds' assets are made by the Board of Trustees. The Board of Trustees establishes investment objectives, risk tolerance and asset allocation policies in light of the purpose of the Fund, market and economic conditions, and generally prevailing prudent investment practices. In addition, they will oversee adherence to the investment policy. The Board of Trustees review, monitor, and evaluate the performance of the investments and its investment advisors in light of available investment opportunities, market conditions, and publicly available indices for the generally accepted evaluation and measurement of such performance. Specific investment information for the Virginia Pooled OPEB Trust can be obtained by writing to VML/VACo Finance Program, 919 East Main Street Suite 1100, Richmond, Virginia 23219.

Note 3. RECEIVABLES

Receivables at June 30, 2015 consist of the following:

Primary Government

	General Fund	Transportation Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Totals
Property taxes	$ 18,330,470	$ -	$ 33,933	$ -	$ 18,364,403
Accounts	3,547,778	1,414,347	189,005	4,961,487	10,112,617
Intergovernmental	3,997,259	2,409,917	147,662	1,218	6,556,056
Gross Receivables	25,875,507	3,824,264	370,600	4,962,705	35,033,076
Less: Allowance for uncollectible accounts	(4,794,464)	-	(80)	(519,069)	(5,313,613)
Net Receivables	$ 21,081,043	$ 3,824,264	$ 370,520	$ 4,443,636	$ 29,719,463

Component Unit – Stafford County Public Schools

	Operating Fund	Nutrition Services Fund	Grants Fund	Internal Service Fund	Totals
Accounts receivable	$ 265,310	$ 16,554	$ -	$ -	$ 281,864
Intergovernmental	6,063,258	816,720	1,594,780	-	8,474,758
Due from Primary Government	44,535,792	-	-	83,380	44,619,172
Total Receivables	$ 50,864,360	$ 833,274	$ 1,594,780	$ 83,380	$53,375,794

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, 2015:

PRIMARY GOVERNMENT
Governmental Activities

	Balance June 30, 2014	Increases	Decreases	Reclassifications	Balance June 30, 2015
Capital assets not being depreciated:					
Land	$ 45,643,020	$ 199,190	$ -	$ 3,399,850	$ 49,242,060
Intangible Asset – Other	1,039,428	-	-	-	1,039,428
Construction in progress	33,886,989	23,834,437	(612,298)	(3,399,850)	53,709,278
Total capital assets not being depreciated	80,569,437	24,033,627	(612,298)	-	103,990,766
Capital assets being depreciated:					
Land improvements	27,519,876	674,491	-	-	28,194,367
Buildings and building improvements	102,191,644	847,450	-	-	103,039,094
Furniture, fixtures and equipment	39,949,674	1,303,989	-	(1)	41,253,662
Intangible Asset - Software	6,005,231	-	-	1	6,005,232
Technology Infrastructure	4,942,000	10,100	-	-	4,952,100
Vehicles	19,009,578	2,129,303	(802,735)	-	20,336,146
Total capital assets being depreciated	199,618,003	4,965,333	(802,735)	-	203,780,601
Less accumulated depreciation for:					
Land improvements	(11,935,974)	(1,157,923)	-	-	(13,093,897)
Buildings and building improvements	(27,706,971)	(3,415,263)	-	-	(31,122,234)
Furniture, fixtures and equipment	(8,754,579)	(4,135,348)	-	(4,402,948)	(17,292,875)
Intangible Asset - Software	(4,698,009)	(401,975)	-	-	(5,099,984)
Technology Infrastructure	(6,643,645)	(638,157)	-	4,402,948	(2,878,854)
Vehicles	(13,269,615)	(1,557,378)	802,735	-	(14,024,258)
Total accumulated depreciation	(73,008,793)	(11,306,044)	802,735	-	(83,512,102)
Total capital assets being depreciated, net	126,609,210	(6.340,711)	-	-	120,268,499
Total capital assets, governmental activities	$ 207,178,647	$17,692,916	$ (612,298)	$ -	$ 224,259,265

Depreciation expense was charged to governmental functions as follows:

General government	$ 609,324
Judicial administration	69,308
Public safety	5,947,924
Public works	2,854,571
Parks, recreation and cultural	1,491,537
Community development	75,466
Transportation	257,914
Total	$ 11,306,044

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, 2015:

PRIMARY GOVERNMENT
Business-type Activities
Water and Sewer Fund

	Balance June 30, 2014	Increases	Decreases	Reclassifications	Balance June 30, 2015
Capital assets not being depreciated:					
Land	$ 19,053,161	$ -	$ -	$ -	$ 19,053,161
Intangible Asset - Other	4,035,282	-	-	-	4,035,282
Construction in progress	170,527,457	14,967,326	-	(3,135,620)	182,359,163
Total capital assets not being depreciated	193,615,900	14,967,326	-	(3,135,620)	205,447,606
Capital assets being depreciated:					
Land improvements	474,603	-	-	-	474,603
Buildings and building improvements	4,175,025	32,400	-	-	4,207,425
Distribution and collection systems	335,245,250	8,351,618	-	3,135,620	346,732,488
Furniture, fixtures and equipment	13,501,426	514,485	-	-	14,015,911
Intangible Asset – Software	195,574	-	-	-	195,574
Technology Infrastructure	610,759	-	-	-	610,759
Vehicles	2,951,582	519,927	(223,634)	-	3,247,875
Total capital assets being depreciated	357,154,219	9,418,430	(223,634)	3,135,620	369,484,635
Less accumulated depreciation for:					
Land improvements	(298,644)	(11,534)	-	-	(310,178)
Buildings and building improvements	(2,028,345)	(118,709)	-	-	(2,147,054)
Distribution and collection systems	(139,930,843)	(9,741,739)	-	-	(149,672,582)
Furniture, fixtures and equipment	(10,499,041)	(536,422)	-	-	(11,035,463)
Intangible Asset – Software	(193,174)	(1600)	-	-	(194,774)
Technology Infrastructure	(364,198)	(13,494)	-	-	(377,692)
Vehicles	(2,438,234)	(230,006)	223,634	-	(2,444,606)
Total accumulated depreciation	(155,752,479)	(10,653,504)	223,634	-	(166,182,349)
Total capital assets being depreciated, net	201,401,740	(1,235,074)	-	3,135,620	203,302,286
Total capital assets, business-type activities	$ 395,017,640	$ 13,732,252	$ -	$ -	$ 408,749,892

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets, except for fleet services fund, for Stafford County Public Schools' governmental activities for the fiscal year ended June 30, 2015:

COMPONENT UNIT – Stafford County Public Schools
Governmental Activities

	Balance June 30, 2014	Increases	Decreases	Reclassifications	Balance June 30, 2015
Capital assets not being depreciated:					
Land	$ 33,031,257	$ -	$ -	$ -	$ 33,031,257
Assets not placed in service	54,548	21,130	-	(54,547)	21,131
Construction in progress	30,907,142	47,439,272	(118,790)	(13,949,387)	64,278,237
Total capital assets not being depreciated	63,992,947	47,460,402	(118,790)	(14,003,934)	97,330,625
Capital assets being depreciated:					
Land improvements	44,952,562	221,977	(191,019)	2,455,302	47,438,822
Buildings and building improvements	440,963,228	1,224,526	(1,328,914)	11,109,732	451,968,572
Furniture, fixtures and equipment	8,858,946	461,706	(769,131)	123,673	8,675,194
Vehicles	21,505,120	2,032,751	(1,446,448)	-	22,091,423
Software	1,041,670	-	(242,682)	-	798,988
Technology infrastructure	2,129,561	124,949	-	315,227	2,569,737
Distribution and collection systems	635,154	-	-	-	635,154
Total capital assets being depreciated	520,086,241	4,065,909	(3,978,194)	14,003,934	534,177,890
Less accumulated depreciation for:					
Land improvements	(14,426,397)	(2,413,113)	121,174	-	(16,718,336)
Buildings and building improvements	(147,848,334)	(12,444,075)	1,190,092	-	(159,102,317)
Furniture, fixtures and equipment	(6,968,638)	(695,408)	753,976	(31,469)	(6,941,539)
Vehicles	(11,953,169)	(1,176,873)	1,319,443	31,469	(11,779,130)
Software	(489,092)	(144,687)	242,682	-	(391,097)
Technology infrastructure	(268,243)	(117,664)	-	-	(385,907)
Distribution and collection systems	(473,124)	(29,373)	-	-	(502,497)
Total accumulated depreciation	(182,426,997)	(17,021,193)	3,627,367	-	(195,820,823)
Total capital assets being depreciated, net	337,659,244	(12,955,284)	(350,827)	14,003,934	338,357,067
Total capital assets, governmental activities	$ 401,652,191	$ 34,505,118	$ (469,617)	$ -	$ 435,687,692

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 392,586
Administration, attendance and health	180,871
Pupil transportation	1,084,634
Operation and maintenance	501,192
Food and nutrition services	112,140
Facilities	14,225,119
Technology	524,651
Total	$ 17,021,193

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, 2015:

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

Proprietary Fund - Fleet Services	Balance June 30, 2014	Increases	Decreases	Reclassifications	Balance June 30, 2015
Capital assets not being depreciated:					
Land	$ 37,357	$ -	$ -	$ -	$ 37,357
Construction in progress	29,610	-	-	(29,610)	-
Total assets not being depreciated	66,967	-	-	(29,610)	37,357
Capital assets being depreciated:					
Land improvements	1,268,429	-	-	-	1.268,429
Buildings and building improvements	1,796,826	-	-	29,610	1,826,436
Furniture, fixtures and equipment	241,150	-	(33,950)	-	207,200
Vehicles	59,042	48,227	-	-	107,269
Software	78,725	-	-	-	78,725
Total capital assets being depreciated	3,444,172	48,227	(33,950)	29,610	3,488,059
Less accumulated depreciation for:					
Land improvements	(375,458)	(62,325)	-	-	(437,783)
Buildings and building improvements	(857,117)	(75,899)	-	-	(933,016)
Furniture, fixtures and equipment	(75,287)	(12,622)	28,292	-	(59,617)
Vehicles	(34,357)	(25,795)	-	-	(60,152)
Software	(70,852)	(7,873)	-	-	(78,725)
Total accumulated depreciation	(1,413,071)	(184,514)	28,292	-	(1,569,293)
Total capital assets being depreciated, net	2,031,101	(136,287)	(5,658)	29,610	1,918,766
Total capital assets, business-type activities	$ 2,098,068	$ (136,287)	$ (5,658)	$ -	$ 1,956,123

Note 5. LONG-TERM LIABILITIES

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, 2015:

	Amounts Payable at June 30, 2014	Increases	Decreases	Amounts Payable at June 30, 2015	Amounts Due within One Year
Bonds Payable:					
General obligation bonds	$ 310,375,533	$ 22,120,000	$ (17,674,044)	$ 314,821,489	$ 18,671,219
Lease revenue Bonds	73,665,000	-	(61,250,000)	12,415,000	2,540,000
Plus amounts for bond premiums	17,344,516	11,057,239	(3,159,581)	25,242,174	-
Bonds payable including amounts for bond premiums	401,385,049	33,177,239	(82,083,625)	352,478,663	21,211,219
Literary loans	2,729,186	-	(466,149)	2,263,037	466,149
VRA loan	7,205,949	64,335,000	(441,736)	71,099,213	1,751,954
Capital leases	12,053,731	-	(1,714,064)	10,339,667	1,759,444
**Compensated absences	7,550,703	5,068,879	(5,117,615)	7,501,967	3,087,842
Governmental activities long-term liabilities	$ 430,924,618	$ 102,503,634	$ (89,745,705)	$ 443,682,547	$ 28,276,608

** 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 debt service requirements to maturity for long-term debt and related interest, exclusive of premiums are as follows:

Year Ending	General Obligation Bonds		Revenue Bonds	
June 30,	Principal	Interest	Principal	Interest
2016	$18,671,219	$14,244,144	$2,540,000	$549,988
2017	19,262,122	13,258,626	2,535,000	448,159
2018	19,173,499	12,294,198	2,535,000	346,518
2019	19,130,996	11,335,194	2,540,000	238,518
2020	18,431,214	10,406,702	40,000	111,646
2021-2025	86,862,439	39,223,774	225,000	527,220
2026-2030	90,175,000	18,544,555	220,000	467,289
2031-2035	42,615,000	3,136,954	1,780,000	222,500
2036-2040	500,000	10,125	-	-
Total	$314,821,489	$122,454,272	$12,415,000	$2,911,838

Year Ending	Literary Loans	
June 30,	Principal	Interest
2016	$ 466,149	$ 67,891
2017	466,149	53,907
2018	466,149	39,922
2019	216,149	25,938
2020	216,149	19,453
2021-2022	432,292	19,453
Total	$2,263,037	$226,564

Note 5. LONG-TERM LIABILITIES (Continued)

Year Ending June 30,	Capital Leases Principal	Capital Leases Interest	VRA Loan Principal	VRA Loan Interest
2016	$ 1,759,444	$ 261,905	$1,751,954	$2,979,856
2017	1,806,095	215,253	1,802,409	2,931,369
2018	1,854,056	167,292	1,868,106	2,861,389
2019	1,535,087	122,251	1,944,050	2,781,561
2020	1,081,209	85,132	4,590,247	2,636,341
2021-2025	2,303,776	108,154	21,208,469	9,991,783
2026-2030	-	-	17,828,978	5,723,836
2031-2035	-	-	14,870,000	2,383,244
2036-2040	-	-	5,235,000	209,047
Total	$10,339,667	$959,987	$71,099,213	$32,498,426

Note 5. LONG-TERM LIABILITIES (Continued)

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
Governmental Activities					
General Obligation Bonds					
County:					
Public Improvements (Refunding)	6/13/2012	10/1/2021	3.43 – 5.13%	$ 4,810,000	$ 3,415,000
Public Improvements	6/27/2013	7/1/2033	3.13%	24,075,000	22,880,000
Total General Obligation - County				28,885,000	26,295,000
Schools:					
VPSA Series 1994B	11/22/1994	7/15/2014	6.10 – 6.60%	4,615,000	-
VPSA Series 1994C	11/22/1994	7/15/2014	6.10 – 6.60%	2,794,068	-
VPSA Series 1995A	5/18/1995	7/15/2015	5.40 – 5.98%	650,000	30,000
VPSA Series 1995B-1	12/21/1995	7/15/2015	5.10 – 6.10%	2,805,000	140,000
VPSA Series 1995B-2	12/21/1995	7/15/2015	5.10 – 6.10%	2,096,324	123,720
VPSA Series 1996A	5/2/1996	7/15/2016	5.30 – 6.10%	6,370,000	640,000
VPSA Series 1996B	11/14/1996	7/15/2016	5.10 – 6.10%	6,585,000	650,000
VPSA Series 1997A	5/30/1997	7/15/2017	5.35 – 6.10%	5,280,000	700,000
VPSA Series 1997B	11/20/1997	1/15/2018	4.60 – 5.35%	8,450,000	1,260,000
VPSA Series 1998A	4/30/1998	7/15/2018	4.35 – 5.30%	11,560,000	2,300,000
VPSA Series 1998B-1	11/19/1998	7/15/2018	4.35 – 5.10%	4,345,729	960,788
VPSA Series 1998B-2	11/19/1998	7/15/2018	4.35 – 5.10%	9,845,000	1,960,000
VPSA Series 1999A	5/13/1999	7/15/2019	4.10 – 5.23%	18,000,000	4,500,000
VPSA Series 1999B	11/18/1999	7/15/2019	5.10 – 6.10%	9,805,170	2,683,617
VPSA Series 2000A	5/18/2000	7/15/2020	5.10 – 5.60%	9,240,000	2,760,000
VPSA Series 2000B	11/16/2000	7/15/2020	4.98 – 5.85%	4,260,000	1,260,000
VPSA Series 2001A	5/17/2001	7/15/2021	4.85 – 5.60%	10,135,000	3,535,000
VPSA Series 2001B	11/15/2001	7/15/2021	3.10 – 5.35%	9,257,513	3,433,472
VPSA Series 2002A	5/16/2002	7/15/2022	5.10 – 5.60%	2,685,000	1,065,000
VPSA Series 2002B	11/7/2002	7/15/2022	4.10 – 5.10%	1,815,000	720,000
VPSA Series 2003A	5/15/2003	7/15/2023	3.10 – 5.35%	6,905,000	3,105,000
VPSA Series 2003B	11/1/2003	7/15/2028	3.10 – 5.35%	54,070,000	38,290,000
VPSA Series 2003C	11/1/2003	7/15/2023	3.10 – 5.35%	5,494,768	2,689,892
VPSA Series 2004A	5/13/2004	7/15/2029	4.85 – 5.10%	8,470,000	6,280,000
VPSA Series 2004B	11/10/2004	7/15/2029	4.1 – 5.6%	9,700,000	7,165,000
VPSA Series 2005A	5/12/2005	7/15/2030	4.1 – 5.1%	17,895,000	13,765,000
VPSA Series 2005B	11/10/2005	7/15/2030	4.35 – 5.1%	9,810,000	7,555,000
VPSA Series 2006A	5/12/2006	7/15/2031	4.10 – 5.1%	41,035,000	32,865,000
VPSA Series 2006B	11/9/2006	7/15/2032	4.225 – 5.1%	6,310,000	5,020,000
VPSA Series 2007A	5/10/2007	7/15/2032	4.1 – 5.1%	13,620,000	11,310,000
VPSA Series 2007B	11/8/2007	1/15/2033	4.4 – 5.1%	10,600,000	8,825,000
VPSA Series 2008A	5/19/2008	7/15/2033	4.1 – 5.1%	11,500,000	9,885,000
VPSA Series 2008B	12/11/2008	7/15/2033	4.1 – 5.4%	1,700,000	1,460,000
VPSA Series 2010A	5/13/2010	7/15/2025	3.05 – 5.05%	5,740,000	4,545,000
Qualified School Construction Bonds	7/8/2010	7/15/2031	5.31%	1,305,000	930,000
VPSA Series 2010C	11/10/2010	7/15/2030	2.05 – 3.55%	2,305,000	1,970,000
VPSA Series 2011A	5/5/2011	7/15/2031	2.05 – 4.30%	5,625,000	5,075,000
VPSA Series 2011B	11/9/2011	7/15/2031	2.05 – 5.05%	9,845,000	8,885,000
VPSA Series 2012A	5/10/2012	7/15/2032	2.55 – 5.05%	11,860,000	10,905,000
VPSA Series 2012B	11/15/2012	7/15/2032	2.15 – 5.05%	16,220,000	15,155,000
VPSA Series 2013A	5/9/2013	7/15/2033	3.05 – 5.05%	13,820,000	13,355,000
VPSA Series 2013B	11/15/2013	7/15/2033	2.30 – 5.05%	12,575,000	12,270,000
VPSA Series 2014A	5/15/2014	7/15/2034	2.67 – 5.05%	16,380,000	16,380,000
VPSA Series 2014B	11/15/2014	7/15/2034	2.05 – 5.05%	15,250,000	15,250,000
VPSA Series 2015A	5/15/2015	7/15/2035	2.05 – 5.05%	6,870,000	6,870,000
Total General Obligation - Schools					288,526,489
Lease Revenue Bonds:					
Public Safety Improvements	6/27/2006	8/1/2036	4.00 – 5.25%	47,030,000	-
Public Improvements	3/20/2008	4/1/2033	4.00 – 5.00%	45,165,000	11,785,000
Hidden Lake Dam	6/19/2008	10/1/2028	3.00 – 4.93%	800,000	630,000
Total Lease Revenue Bonds					12,415,000
Total Bonds Payable					$327,236,489

NOTE 5. LONG TERM LIABILITIES (Continued)

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
State Literary Fund Loans					
Winding Creek Elementary School	11/1/1997	11/1/2017	3.0%	$ 5,000,000	$ 750,000
Rocky Run Elementary School	8/15/2001	8/15/2021	3.0%	4,322,974	1,513,037
Total State Literary Fund Loans					2,263,037
Virginia Resources Authority Loan					
Public Improvements	4/18/2008	4/1/2028	3.00%	$ 9,500,000	6,764,213
Refinance LRB/Public Improvements	8/15/2014	4/1/2036	3.08%	64,365,000	64,335,000
Total VRA Loans Payable					71,099,213
Capital Leases					
Public Improvements	2/23/1999	6/30/2014	5.4%	$ 478,000	-
Public Improvements	3/29/2011	4/10/2021	3.11%	8,707,998	5,135,676
Public Improvements	6/27/2014	6/23/2024	2.62%	3,631,837	3,309,699
Public Improvements	6/27/2014	6/23/2019	1.62%	2,349,069	1,894,292
Total Capital Leases					$10,339,667

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:

	Governmental Activities
Asset:	
Land	$ 59,386
Building	89,386
Equipment	14,654,692
Less: Accumulated depreciation	(2,497,951)
Total	$ 12,305,513

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.

On August 15, 2014, the County issued $57.1 million in bonds through the Virginia Resources Authority Virginia Pooled Financing Program with an average interest rate of 3.1 percent to advance refund $57.7 million of outstanding 2006 Lease Revenue bonds and a portion of the 2008 Lease Revenue bonds with an average interest rate of 4.5 percent. The net proceeds of $63.9 million (after premium of $7.3 million and payment of $0.5 million in issuance costs) were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2006 and 2008 Lease

NOTE 5. LONG TERM LIABILITIES (Continued)

Revenue bonds. As a result, the 2006 and a portion of the 2008 Lease Revenue Bonds are considered to be defeased and the liability for those bonds have been removed from the government-wide statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4.4 million. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is recognized as a component of interest expense over the remaining life if the old debt. The County completed the advance refunding to reduce its total debt service payments over the next 23 years by $7.5 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $5.6 million.

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 19 years to the Rappahannock Area YMCA for the new North Stafford branch YMCA.

B. PRIMARY GOVERNMENT – BUSINESS-TYPE ACTIVITIES

	Amounts Payable at June 30, 2014	Increases	Decreases	Amounts Payable at June 30, 2015	Amounts Due within One Year
Bonds Payable:					
Revenue bonds	$ 69,090,000	$ -	$(1,380,000)	$ 67,710,000	$ 1,410,000
VRA Loans	29,114,379	-	(1,484,539)	27,629,840	1,574,720
Plus amounts for bond premiums	8,929,674	-	(384,682)	8,544,992	-
Total Bonds payable including amounts for bond premiums/ (discounts)	107,134,053	-	(3,249,221)	103,884,832	2,984,720
Compensated absences	1,333,582	1,074,554	(1,171,888)	1,236,248	546,462
Business-type activities long-term liabilities	$ 108,467,635	$ 1,074,554	$(4,421,109)	$ 105,121,080	$ 3,471,182

Annual debt service requirements to maturity for long-term debt and related interest, exclusive of unamortized premiums are as follows:

Year Ending June 30,	Revenue Bonds Principal	Revenue Bonds Interest	VRA Loans Principal	VRA Loans Interest
2016	$ 1,410,000	$ 3,156,525	$ 1,514,720	$ 524,639
2017	1,475,000	3,094,696	1,543,645	495,712
2018	1,545,000	3,025,010	1,573,160	466,198
2019	1,620,000	2,950,231	1,603,280	436,078
2020	1,695,000	2,878,285	1,634,015	405,343
2021-2025	9,710,000	13,145,751	8,653,654	1,543,136
2026-2030	12,285,000	10,564,015	9,522,699	674,086
2031-2035	15,375,000	7,480,444	1,584,667	22,448
2036-2040	13,045,000	4,044,252	-	-
2041-2045	9,550,000	706,143	-	-
Total	$67,710,000	$51,045,352	27,629,840	4,567,640

Note 5. LONG-TERM LIABILITIES (Continued)

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
Business-Type Activities					
Revenue Bonds:					
Public Improvements (Refunding)	11/23/2010	10/1/2014	2.34 – 4.20%	$ 2,195,000	$ -
Public Improvements	6/13/2012	10/1/2042	3.43 – 5.13%	53,355,000	51,700,000
Public Improvements	6/27/2014	10/1/2035	3.12 – 4.83%	16,010,000	16,010,000
Total Revenue Bonds					$ 67,710,000
Virginia Resources Authority Loans:					
Public Improvements	7/8/2009	3/1/2031	3.35%	$ 23,681,363	$ 19,619,212
Public Improvements	7/27/2009	3/1/2031	2.34 – 4.20%	9,606,478	8,010,628
Total Virginia Resources Authority					$ 27,629,840

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, 2015:

Governmental Activities	**Amounts Payable at June 30, 2014**	**Increases**	**Decreases**	**Amounts Payable at June 30, 2015**	**Amounts Due within One Year**
Capital lease	$ 1,084,474	$ 2,125,000	$ (346,339)	$ 2,863,135	$ 646,941
Compensated absences **	6,400,822	585,472	(503,575)	6,482,719	510,758
Note payable	1,005,000	-	(75,000)	930,000	75,000
Total governmental type long-term liabilities	$ 8,490,296	$ 2,710,472	$(924,914)	$ 10,275,854	$ 1,232,699

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

Business-Type Activities	**Amounts Payable at June 30, 2014**	**Increases**	**Decreases**	**Amounts Payable at June 30, 2015**	**Amounts Due within One Year**
Capital lease	$ 246,901	$ -	$ (27,940)	$ 218,961	$ 28,729
Compensated absences	167,662	12,524	(48,596)	131,590	10,243
Total business type long-term liabilities	$ 414,563	$ 12,524	$ (76,536)	$ 350,551	$ 38,972

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 service credit in their plan.

NOTE 6. BENEFIT PENSION PLAN (Continued)

VRS administers three defined benefit plans for local government employees – Plan 1, Plan 2 and a Hybrid plan:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 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 five years of service credit or age 50 with at least 10 years of service credit. Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 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.

- Non-hazardous members hired or rehired on or after January 1, 2014 are covered under the Hybrid Plan. Non-hazardous members in Plan 1 and 2 were able to convert to the Hybrid Plan January 1, 2014 through April 30th 2014 at their option. The Hybrid Plan has disability insurance in addition to the retirement plan. The hybrid plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefits are based on a member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- 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. Under the Hybrid Plan average final compensation is the same as Plan 2 for the defined benefit component. 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. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. The retirement multiplier under the hybrid plan is 1%. 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 3.00%. 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. Under Hybrid COLA is the same as Plan 2 for the defined benefit component and is not applicable for the defined contribution piece.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the

NOTE 6. BENEFIT PENSION PLAN (Continued)

VRS website at *http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf* or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	336
Inactive members:	
Vested	95
Non-vested	210
Active elsewhere in VRS	175
Total inactive members	480
Active members	837
Total covered employees	1,653

B. Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required contribution rate for the year ended June 30, 2015 was 10.91% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan by the County were $5,018,322 and $5,291,891 for the years ended June 30, 2015 and 2014, respectively.

Stafford County Public Schools contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.
The School Board non-professional's contractually required contribution rate for the year ended June 30, 2015 was 8.15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the non-professional plan were $825,400 and $828,505 for the years ended June 30, 2015 and 2014, respectively.

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The School Board Professional's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Section 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board for the professional plan were $22,117,580 and $16,715,309 for the years ended June 30, 2015 and 2014, respectively.

C. Net Pension Liability

The County's net pension liabilities were measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

At June 30, 2015, the County and the County's Rappahannock Regional Solid Waste Management Board (Board) reported a collective pension liability of $22,578,513 for its proportionate share of the net pension liability (collectively the County). This amount is comprised of $22,049,483 for the County and $529,030 for the Board. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014 the County's proportion was 0.90% as compared to 0.88% at June 30, 2013.

Actuarial Assumptions – General Employees

The total pension liability for the VRS retirement plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods including in the measurement and rolled forward to the measurement date as of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

NOTE 6. BENEFIT PENSION PLAN (Continued)

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension benefits.

Mortality Rates:	14% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the County's retirement plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2014.

Inflation	2.5 %
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality Rates:	60% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non-U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non-Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		* Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liabilities was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate.

NOTE 6. BENEFIT PENSION PLAN (Continued)

Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County's retirement plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liabilities.

Change in the net pension liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2013	$ 151,952,558	$118,795,459	$ 33,157,099
Changes for the Year:			
Service Cost	5,461,428		5,461,428
Interest	10,443,292		10,443,292
Contributions-employer		5,291,891	(5,291,891)
Contributions-employee		2,344,409	(2,344,409)
Net investment income		18,945,438	(18,945,438)
Benefit payments, including refunds of employee contributions	(5,525,348)	(5,525,348)	-
Administrative charges	-	(99,431)	99,431
Other charges	-	999	(999)
Net changes	10,379,372	20,957,958	(10,578,586)
Balances at June 30, 2014	$ 162,331,930	$ 139,753,417	$ 22,578,513

As fiduciary for Rappahannock Regional Solid Waste Management Board (R-Board), the County reports the R-Board's employees to the VRS as if they were employees of the County. Since the R-Board is legally responsible for their employee's contributions, they are responsible for their proportionate share of the net pension liability, deferred inflows of resources and deferred outflows of resources.

A reconciliation from the amount above to the statements is shown below.

	Net Pension Liability
Governmental Activities	$ 18,737,963
Business-Type Activities	3,311,520
Rappahannock Regional Solid Waste Management Board	529,030
	$ 22,578,513

NOTE 6. BENEFIT PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liabilities of the County's plan, using the discount rate of 7.00%, as well as what the County's net pension liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County net pension liability	45,496,951	22,578,513	3,552,836

Detailed information about the pension plans' fiduciary net position are available in the separately issued VRS financial report. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

The School Board's non-professional plan net pension liabilities were measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

At June 30, 2015, the School Board reported a liability for the professional plan of $236,893,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the School Board's proportion was 1.96028% as compared to 1.94865% at June 30, 2013.

Actuarial Assumptions – School Board Non-Professional Plan

The total pension liability for non-professionals in the School Board's retirement plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 %
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension benefits.

NOTE 6. BENEFIT PENSION PLAN (Continued)

forward 4 years and females set back 2 years. forward 1 year.

Scale AA to 2020 with males set Scale AA to 2020 with males set
to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – School Board Professional Plan

The total pension liability for the VRS Teacher retirement plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2014.

Inflation	2.5 %
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality Rates:
- Pre-retirement: RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years.
- Post-retirement: RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years.
- Post-disablement: RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension

NOTE 6. BENEFIT PENSION PLAN (Continued)

System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset

allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non-U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non-Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
* Expected arithmetic nominal return			8.33%

Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liabilities was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the School Board’s retirement plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

NOTE 6. BENEFIT PENSION PLAN (Continued)

Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liabilities.

	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
Balances at June 30, 2013	$ 24,609,166	$ 20,540,769	$ 4,068,397
Changes for the Year:			
Service cost	931,365	-	931,365
Interest	1,679,630	-	1,679,630
Contributions – employer	-	828,505	(828,505)
Contributions – employee	-	433,951	(433,951)
Net investment income	-	3,247,485	(3,247,485)
Benefit payments, including refunds of employee	(1,228,897)	(1,228,897)	-
Administrative expense	-	(17,281)	17,281
Other changes	-	171	(171)
Net changes	1,382,098	3,263,934	(1,881,836)
Balances at June 30, 2014	$ 25,991,264	$ 23,804,703	$ 2,186,561

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liabilities of the County and the District, the School Board non-professional plan, and the School Board professional plan, using the discount rate of 7.00%, as well as what the County and the District, the School Board non-professional plan, and the School Board professional plan's net pension liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage- point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	**Current Discount Rate (7.00%)**	**1% Increase (8.00%)**
School Board non-professional net pension liability (asset)	5,553,479	2,186,561	(615,322)
School Board professional net pension liability (asset)	347,855,000	236,693,000	145,537,000

Detailed information about the pension plans' fiduciary net position are available in the separately issued VRS financial report. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules and the VRS Teacher Retirement Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

NOTE 6. BENEFIT PENSION PLAN (Continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the County recognized pension expense of $3,161,000. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 8,447,000
County contributions subsequent to the measurement date	5,018,322	-
Total	$ 5,018,322	$ 8,447,000

$5,018,322 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ (2,111,750)
2017	(2,111,750)
2018	(2,111,750)
2019	(2,111,750)
2020	-
Thereafter	-
	$ (8,447,000)

A reconciliation of the deferred inflows and deferred outflows is shown below:

	Deferred Inflows	Deferred Outflows
Governmental Activities	$ 4,164,744	$ 7,010,233
Business Type Activities	735,999	1,238,857
Rappahannock Regional Solid Waste Management Board	117,579	197,910
Total	$ 5,018,322	$ 8,447,000

For the year ended June 30, 2015, the School Board recognized pension expense related to its non-professional plan of $393,892. The School Board also reported deferred outflows of resources and deferred inflows of resources related to its non-professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 1,447,244
Employer contributions subsequent to the measurement date	825,400	-
Total	$ 825,400	$ 1,447,244

$825,400 reported as deferred outflows of resources related pensions resulting from the School Board non-professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

NOTE 6. BENEFIT PENSION PLAN (Continued)

Amounts reported as deferred inflows of resources related to pensions for the School Board non-professional plan will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	$ 361,811
2017	361,811
2018	361,811
2019	361,811
	$ 1,447,244

For the year ended June 30, 2015, the School Board recognized pension expense related to the professional plan of $19,009,309. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions for the professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings On pension plan investments	$ -	$ 35,157,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,312,000	-
Employer contributions subsequent to the measurement date	22,117,580	-
Total	$ 23,429,580	$ 35,157,000

$22,117,580 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions for the professional plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	$ 8,499,000
2017	8,499,000
2018	8,499,000
2019	8,499,000
2020	(151,000)
	$ 33,845,000

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, 2015 membership consisted of:

Retirees and beneficiaries currently receiving benefits	153
Terminated employees entitled to benefits but not yet receiving them	1
Active employees	833
Total	987

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 the health care plan chosen plus applicable 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. Retirees with less than 15 years of service pay the full premium less any VRS HIC. 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)	$ 6,088,000
Amortization of NOO	(847,000)
Interest on NOO	781,000
Gains on plan assets	(90,134)
Annual OPEB Cost (AOC)	$ 5,931,866
NOO, beginning of year	$ 20,114,242
Current year AOC	5,931,866
Contribution made	(543,380)
NOO, end of year	$ 25,502,728

The NOO for the County as shown above includes a NOO of $ 414,436 for the George Washington Regional Commission Agency Fund.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 5,931,866	9.16%	$ 25,502,728
June 30, 2014	5,203,146	14.45%	20,114,242
June 30, 2013	4,436,579	8.34%	15,663,238

E. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 7.02% funded. The actuarial value of the plan assets was determined using current market value as these assets were invested in an irrevocable trust offered to local governments. The actuarial accrued liability for benefits was $62,057,000, and the actuarial value of plan assets was $4,354,510 (funded by an initial contribution of $2,700,000 by the Water and Sewer fund plus accumulated interest earned on invested contributions), resulting in an unfunded actuarial accrued liability (UAAL) of $57,702,490. The covered payroll (annual payroll of active employees covered by the plan was $47,255,432, and the ratio of the UAAL to covered payroll was 122.11%.

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.

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

The Schedule of Funding Progress for the County's postemployment defined benefit plan is included in the Required Supplementary section immediately following the Notes to the Financial Statements. It presents trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

F. Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the unfunded level of the plan at the valuation date, and an annual pre-Medicare trend rate of 8.0 percent and an annual post-Medicare trend rate of 6.50 percent. The trend decreases gradually. The ultimate post-Medicare rate is 3.42 percent which is achieved in 2084. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015 was 23 years. Amortization periods used are closed.

Length of Service Awards Program for Fire and Rescue Volunteers:

Plan Description:
Stafford County provides a Length of Service Awards Program (LOSAP) retirement, disability and life insurance benefits program as a recruitment and retention incentive for its fire and rescue volunteer personnel. The plan has been in place since January 1, 2009.

Volunteers are eligible to enroll in the plan after completion of one year of active service. Volunteers must be a member in good standing and complete required participation and performance measures on an annual basis to receive service credit. Members vest in the program after five years of active service. After vesting, credit is awarded for each year of service up to 25 years of active service.

Benefits:
At entitlement age (65 years) members receive a monthly benefit for life, with 10 years guaranteed. The monthly benefit is $10 for each year of service. The maximum years of service is capped at 25 ($250 maximum monthly benefit).

Termination of active service due to disability while an active plan participant entitles the member to 100% of his/her earned benefit payable in lump sum.

Termination due to death while an active plan participant entitles the surviving beneficiary to the pre-entitlement death benefit of the greater of $10,000 or the present value of the accrued benefit.

Membership:
Membership details as of January 1, 2015 were:

Active members	27	(22 vested)
Inactive members	14	
Total	41	

Note 7. OTHER POST- EMPLOYMENT BENEFITS (Continued)

Funding:

The County funds the contribution to LOSAP on an annual basis as an operational expenditure of the Fire and Rescue Department.

Annual Required Contribution	$ 27,159
Contribution made	$ 27,159
Funded ration	100%
Value of assets at January 1, 2015	$398,179

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)	$ 6,483,000
Amortization of NOO	(1,227,014)
Interest on NOO	1,416,342
Annual OPEB Cost (AOC)	$ 6,672,328
NOO, beginning of year	$ 20,233,456
Current year AOC	6,672,328
Contribution made	(2,196,007)
NOO, end of year	$ 24,709,777

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015, 2014 and 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 6,672,328	32.91%	$ 24,709,777
June 30, 2014	$ 5,704,000	102.34%	$ 20,233,456
June 30, 2013	5,762,000	152.33%	20,367,099

Note 8. INTERFUND AND COMPONENT UNIT RECEIVABLE / PAYABLE

Individual fund receivable and payable balances at June 30, 2015 are summarized as follows:

	Receivable Fund				
Payable Fund	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Component Unit Stafford County Public Schools	Total Payable
Primary Government					
General Fund	$ -	$ 1,910	$ 418,536	$44,599,995	$45,020,441
General Capital Projects Fund	7,286	-	-	-	7,286
Water and Sewer Fund	-	-	-	19,177	19,177
Total Receivable	$ 7,286	$ 1,910	$ 418,536	$44,619,172	$45,046,904

The interfund payable from the General Fund to Nonmajor Governmental Funds was a transfer due to the Asset Forfeiture Fund represent interest earned in FY 2014.

The interfund payable from the General Capital Projects Fund to the General Fund were reimbursement for project related closing costs FY 2014.

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

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

The interfund payable from the Water and Sewer Fund to the Component Unit – School Board, Fleet Services Fund is for vehicle service charges.

Note 9. Deferred Inflows

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue 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 inflow of resources reported in the governmental funds were as follows:

	Unavailable Revenue	Unearned Revenue
Prepaid taxes not yet earned (General Fund)	$ -	$ 2,469,163
Property tax receivable (net) (General Fund)	4,809,271	-
Property tax receivable (net) (Nonmajor Governmental Funds)	39,227	-
	$ 4,848,498	$ 2,469,163

Note 10. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the County totaled $ 189,174,144 for fiscal year 2015. Sources of these revenues were as follows:

	Commonwealth	Federal
Primary Government		
Governmental Funds:		
General Fund	$ 24,170,749	$ 3,069,423
Transportation Fund	3,223,094	1,075,667
Garrisonville Fund	363,013	-
Capital Projects Fund	318,474	-
Asset Forfeiture Fund	49,574	-
Total Governmental Funds	28,124,904	4,145,090
Proprietary Fund:		
Water and Sewer Fund	-	-
Total Primary Government	28,124,904	4,145,090
Component Unit – Stafford County Public Schools		
Governmental Funds:		
School Operating Fund	138,866,042	2,562,419
School Nutrition Fund	206,182	5,503,469
School Grants Fund	422,870	9,343,171
Total Component Unit	139,495,094	17,409,059
Total	$ 167,619,995	$ 21,554,149

Note 11. INTERFUND TRANSFERS

A summary of interfund transfer activity for the year ended June 30, 2015 is presented as follows:

	Transfer from Fund				
	General Fund	Transportation Fund	Enterprise Fund	Other Govt'l Funds	Total Transferred In
Transfer To Fund:					
General Fund	$ -	$ 24,917	$ -	$ 7,087	$ 32,004
Transportation Fund	-	-	10,000	61,000	71,000
General Capital Projects Fund	6,483,307	-	-	-	6,483,307
Total Transferred Out	$ 6,483,307	$ 24,917	$ 10,000	$ 68,087	$ 6,586,311

The transfer from the General Fund to the Transportation Fund was road project..

The transfer from the General Fund to the General Capital Projects Fund includes proffers for Parks improvements and interim funding for projects from the capital reserve fund.

The transfer from the Transportation Fund to the General Fund was reimbursement to social services for transportation aid.

The transfer from the Enterprise Fund to the Transportation fund was for a waterline on a road project.

Note 12. COMMITMENTS, CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

At June 30, 2015 the County had contractual commitments of $12.05 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, 2015 will not be material to the County's financial position.

In August 2015, the County issued 2015 GO bonds in the amount of $ 10,315,000. The proceeds will be used to complete park and transportation projects.

In November 2015 the County participated in the Fall 2015 Virginia Public School Authority issuance and sale of General Obligation School Bonds, in a principal amount of $20,310,000. Proceeds of these issues will be used to finance construction rebuild of a high school and building additions and renovations for several schools.

At June 30, 2015, the Component Unit – Stafford County Public Schools had contractual commitments of $35.6 million for the Capital Projects Fund for construction of various projects.

Note 13. 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, 2015 was $2,691,075. During fiscal year 2015, the R-Board paid $ 236,554 in management fees to the County.

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 post closure 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 post closure costs as an operating expense in each period based on landfill capacity used as of each financial statement date. The $8.2 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2015 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 2015. 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, 2015 totaled $6,640,242.

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

C. CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

The Central Rappahannock Regional Library (Library) was organized July 1, 1971, pursuant to the provisions of Title 42.1 of the *Code of Virginia* (1950), as amended. Member jurisdictions are the City of Fredericksburg, and the Counties of Stafford, Spotsylvania, and Westmoreland. It provides library and related services to the participating jurisdictions.

The Library operates under a Regional Library Board consisting of representatives from each of the member jurisdictions, as follows:

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

The Regional Library Board is empowered to budget and expend funds and to execute contracts. Eighty percent of the Library's operating revenues are derived from annual appropriations by the participating jurisdictions. The remaining twenty percent is derived from fines, fees, donations and State grants. For the year ended June 30, 2015, Stafford County's appropriation to the Regional Library was $5,067,220.

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 14. 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 pool a proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

Note 14. RISK MANAGEMENT (Continued)

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, 2015, the account had a balance of $ 2,155,463.

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 a follows:

	2015	2014
Unpaid claims, beginning	$ 991,853	$ 950,445
Incurred claims (including IBNR)	11,880,998	10,405,270
Claim payments	(11,795,363)	(10,363,862)
Unpaid claims, ending	$ 1,077,488	$ 991,853

COMPONENT UNIT – Stafford County Public Schools

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

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

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

	2015	2014
Unpaid claims, beginning	$ 4,931,982	$ 4,508,198
Incurred claims (including IBNR)	24,017,877	24,377,150
Claim payments	(24,506,349)	(23,953,366)
Unpaid claims, ending	$ 4,443,510	$ 4,931,982

Note 15. OPERATING LEASES

Stafford County leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases were $1,103,532 for the year ended June 30, 2015. The future minimum lease payments for these leases are as follows:

Year Ending June 30	General Government	Water and Sewer Fund
2016	$ 499,091	$ 114,824
2017	399,893	78,454
2018	307,648	-
2019	312,884	-
2020	74,011	-
2021	76,176	-
	$ 1,669,703	$ 193,278

Note 16. ACCOUNTING CHANGE

The County and Stafford County Public Schools implemented Governmental Accounting Standards Board (GASB) Statement Nos. 68 & 71, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27) and Pension Transition for Contributions made subsequent to the Measurement Date: An Amendment of GASB Statement No. 68,* in the fiscal year ending June 30, 2015. The implement of the statement required the County and Stafford County Public Schools to record beginning net pension liability and the effects on net position of contribution made by the County and Stafford County Public Schools during the measurement period (fiscal year ending June 30, 2014). As a result, begining net position for the governmental and business-type activities decreased by $ 23,125,550 and $ 4,086,777 respectively. Stafford County Public Schools net position decreased by $ 254,968,583.

Note 17. PENDING GASB STATEMENTS

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement generally requires investments to be measured at fair value and will take effect for fiscal years after June 15, 2015. The County will implement Statement No. 72 in FY 2016 it is not expected to have a material impact.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68.* This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, as well as for the assets accumulated for the purposes of providing those pensions. It will take effect for fiscal years after June 15, 2016. The County will implement Statement No. 73 in FY 2017.

In June 2015, GASB issued Statement No. 74, *Financial reporting for Postemployment Benefit Plans Other than Pensions Plans*. This Statement replaces statements No. 43 and No. 57 and includes requirements for defined contribution OPEB plans that replace the requirements for OPEB plans in Statement No. 25. It requires employers to present supplementary information covering each of the most recent 10 fiscal years that includes annual money – weighted rate of return on OPEB plan investments each year. It will take effect for fiscal years after June 15, 2016. The County will implement Statement No. 74 in FY 2017.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other Than Pensions.* This Statement replaces GASB Statement No. 45 and establishes new accounting and financial reporting guidelines for governments whose employees are provided with OPEB as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. It will take effect for fiscal years after June 15, 2017. The County will implement Statement No. 75 in FY 2018.

Note 17. PENDING GASB STATEMENTS (Continued)

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This Statement supercedes Statement No. 55. The Statement reduces GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. It will take effect for fiscal years after June 15, 2015. The County will implement Statement No. 76 in FY 2016.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures.* Statement No. 77 establishes standards for disclosing information about tax abatements including specific taxes abated, authority under which abatement is authorized, criteria that make the recipient abatement eligible, calculation of tax abatement, method under which any of the abatement will be recaptured, and any commitments made as part of the tax abatement. Statement No. 77 will take effect for employers in fiscal years beginning after June 15, 2016. The County will implement Statement No. 77 in FY 2016 it is not expected to have a material impact.

COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues				
General property taxes	$ 185,602,236	$ 185,602,236	$ 185,523,747	$ (78,489)
Other local taxes	34,031,840	34,031,840	35,717,318	1,685,478
Permits, privilege fees and regulatory licenses	3,882,650	3,882,650	3,723,699	(158,951)
Fines and forfeitures	959,460	959,460	1,071,872	112,412
Use of money and property	552,200	552,200	424,794	(127,406)
Charges for services	6,119,001	6,119,001	6,897,797	778,796
Miscellaneous	3,393,711	6,493,435	6,528,592	35,157
Intergovernmental	27,309,810	27,833,955	27,240,172	(593,783)
Total revenues	261,850,908	265,474,777	267,127,991	1,653,214
Expenditures				
Current operating:				
General government:				
Board of Supervisors	630,982	731,354	661,065	70,289
Clerk of the Board	162,015	165,687	165,901	(214)
County Administrator	624,771	632,755	655,087	(22,332)
Public Information	323,774	350,009	332,246	17,763
County Attorney	1,070,580	1,363,660	1,036,668	326,992
Human Resources	698,090	796,004	644,710	151,294
Commissioner of the Revenue	2,690,750	2,818,334	2,567,338	250,996
Treasurer	1,923,130	2,094,402	1,913,316	181,086
Finance	1,897,355	2,122,129	1,948,937	173,192
Budget	406,579	415,021	411,090	3,931
Computer Services	1,569,016	2,025,695	1,928,017	97,678
Geographic Information Systems	561,394	586,796	586,704	92
Electoral Board and Registrar	476,870	503,286	473,545	29,741
	13,035,306	14,605,132	13,324,624	1,280,508
Judicial administration:				
Circuit Court	274,750	282,756	283,251	(495)
General District Court	101,750	103,440	63,001	40,439
Juvenile and Domestic Relations District Court	65,740	65,740	65,757	(17)
Clerk of the Circuit Court	1,451,400	1,726,328	1,383,502	342,826
Magistrate	9,330	9,330	6,023	3,307
Commonwealth Attorney	2,947,440	3,014,786	2,951,603	63,183
Court Deputies	2,214,227	2,329,188	2,268,821	60,367
	7,064,637	7,531,568	7,021,958	509,610
Public safety:				
Policing and investigating	21,371,768	23,085,111	22,158,426	926,685
Emergency management	15,407,610	17,294,556	15,372,494	1,922,062
Volunteer rescue squads	129,631	136,631	138,216	(1,585)
Volunteer fire departments	624,189	684,020	571,634	112,386
Care and confinement of prisoners	6,640,242	6,640,242	6,640,242	-
15th District Court Unit	345,190	371,552	307,471	64,081
Rappahannock Juvenile Detention	1,337,290	1,009,482	1,009,466	16
Code compliance	4,018,912	4,880,414	4,059,684	820,730
Animal control	899,915	936,587	890,735	45,852
	50,774,747	55,038,595	51,148,368	3,890,227
Public works:				
Engineering	449,992	456,394	392,801	63,593
Maintenance of general buildings and grounds and general properties	4,373,508	4,803,805	4,628,055	175,750
	4,823,500	5,260,199	5,020,856	239,343

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Health and social services:				
Local health department	$ 535,937	$ 535,937	$ 535,937	$ -
Public assistance	12,523,660	11,401,104	10,655,139	745,965
Other	1,981,343	2,350,568	1,139,999	1,210,569
	15,040,940	14,287,609	12,331,075	1,956,534
Parks, recreation and cultural:				
Administration	4,189,465	6,241,498	5,684,664	556,834
Community programs	450,205	452,916	454,211	(1,295)
Sports programs	325,815	368,189	471,428	(103,239)
Gymnastics program	759,580	771,111	765,869	5,242
Pool program	822,272	830,947	906,848	(75,901)
Senior citizens	120,136	120,603	143,467	(22,864)
Seasonal	-	-	93	(93)
Cultural programs	76,070	76,070	76,070	-
Regional library	5,067,220	5,067,220	5,067,220	-
	11,810,763	13,928,554	13,569,870	358,684
Community development:				
Planning and community development	2,196,450	2,284,808	2,084,120	200,688
Planning commission	96,450	91,450	105,483	(14,033)
Zoning board	57,630	114,239	65,066	49,173
Economic development	863,470	1,252,065	1,099,325	152,740
Other	371,219	363,234	363,234	-
Cooperative extension program	171,020	171,020	163,362	7,658
	3,756,239	4,276,816	3,880,590	396,226
Appropriation to School Board:				
School operating	111,429,456	113,697,941	103,735,323	9,962,618
School capital projects	-	3,443,913	2,593,913	850,000
	111,429,456	117,141,854	106,329,236	10,812,618
Capital outlay	3,121,670	6,351,531	2,338,998	4,012,533
Debt service:				
Principal	23,397,374	23,397,374	23,420,929	(23,555)
Interest and fiscal charges	18,085,276	18,085,276	17,769,500	315,776
	41,482,650	41,482,650	41,190,429	292,221
Total expenditures	262,339,908	279,904,508	256,156,004	23,748,504
Excess (deficiency) of revenues over (under) expenditures	(489,000)	(14,429,731)	10,971,987	25,401,718
Other Financing Sources (Uses)				
Proceeds of indebtedness	-	84,872	-	(84,872)
Transfers in	540,000	547,087	32,004	(515,083)
Transfers out	-	(6,483,307)	(6,483,307)	-
Total other financing sources (uses), net	540,000	(5,851,348)	(6,451,303)	(599,955)
Net change in fund balance	51,000	(20,281,079)	4,520,684	24,801,763
Fund balance, beginning	350,000	20,281,079	61,622,671	41,341,592
Fund balance, ending	$ 401,000	$ -	$ 66,143,355	$ 66,143,355

COUNTY OF STAFFORD, VIRGINIA Exhibit XIII

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL TRANSPORTATION FUND YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive(Negative)
Revenues				
Other local taxes - fuel sales tax	$ 5,182,849	$ 5,182,849	$ 3,828,615	$ (1,354,234)
Use of money	2,000	2,000	5,902	3,902
Miscellaneous	-	-	315	315
Intergovernmental	4,512,124	16,068,785	4,298,761	(11,770,024)
Total revenues	9,696,973	21,253,634	8,133,593	(13,120,041)
Expenditures				
Current operating:				
Transportation	3,389,114	3,566,284	3,662,264	(95,980)
Capital outlay	5,554,247	26,409,457	7,984,404	18,425,053
Debt service:				
Principle	125,064	125,064	125,064	-
Interest and fiscal charges	112,468	186,563	112,468	74,095
Total expenditures	9,180,893	30,287,368	11,884,200	18,403,168
Excess (deficiency) of revenues over (under) expenditures	516,080	(9,033,734)	(3,750,607)	5,283,127
Other Financing Sources (Uses)				
Transfers in	60,000	131,000	71,000	(60,000)
Transfers out	(40,000)	(40,000)	(24,917)	15,083
Total other financing sources (uses)	20,000	91,000	46,083	(44,917)
Net change in fund balance	536,080	(8,942,734)	(3,704,524)	5,238,210
Fund balance, beginning	-	8,942,734	12,364,581	3,421,847
Fund balance, ending	$ 536,080	$ -	$ 8,660,057	$ 8,660,057

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - VIRGINIA RETIREMENT SYSTEM

	As of June 30, 2014
Total Pension Liability	
Service cost	$ 5,461,428
Interest	10,443,292
Benefit payments, including refunds of employee contributions	(5,525,348)
Net change in total pension liability	10,379,372
Total pension liability - beginning	151,952,558
Total pension liability - ending (a)	$ 162,331,930
Plan Fiduciary Net Position	
Contributions - employer	$ 5,291,891
Contributions - employee	2,344,409
Net investment income	18,945,438
Benefit payments, including refunds of employee contributions	(5,525,348)
Administrative expense	(99,431)
Other	999
Net change in plan fiduciary net position	20,957,958
Plan fiduciary net position - beginning	118,795,459
Plan fiduciary net position - ending (b)	$ 139,753,417
Net pension liability - ending (a) - (b)	$ 22,578,513
Plan fiduciary net position as a percentage of the total pension liability	86.09%
Employer's covered-employee payroll	$ 48,461,394
Net pension liability as a percentage of covered-employee payroll	46.59%

Notes to Schedule:

(1) **Changes of benefit terms:** There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2014. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

(2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:

a. Update mortality table
b. Adjustments to rates of service retirement for females
c. Increase in rates of withdrawal
d. Decrease in male and female rates of disability

(3) **Reporting Entity:** The numbers presented above represent the County and the Rappahannock Regional Waste Management Board.

This schedule is presented to illustrat the rquirement to show information for 10 years. However, until a full 10 year trend is compiled, the Count will present information for those years for which information is available.

		As of June 30, 2014
Total Pension Liability		
Service cost	$	931,365
Interest		1,679,630
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		-
Benefit payments, including refunds of employee contributions		(1,228,897)
Net change in total pension liability		1,382,098
Total pension liability - beginning		24,609,166
Total pension liability - ending (a)	$	25,991,264
Plan Fiduciary Net Position		
Contributions - employer	$	828,505
Contributions - employee		433,951
Net investment income		3,247,485
Benefit payments, including refunds of employee contributions		(1,228,897)
Administrative expense		(17,281)
Other		171
Net change in plan fiduciary net position		3,263,934
Plan fiduciary net position - beginning		20,540,769
Plan fiduciary net position - ending (b)	$	23,804,703
School Board non-professional net pension liability - ending (a) - (b)	$	2,186,561
Plan fiduciary net position as a percentage of the total pension liability		91.59%
Employer's covered-employee payroll	$	8,577,515
School Board's non-professional net pension liability as a percentage of covered-employee payroll		25.49%

SCHEDULE OF CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	$ 5,291,891
Contributions in relation to the CRC	5,291,891
Contribution deficiency (excess)	$ -
Employer's covered-employee payroll	$ 48,461,394
Contributions as a percentage of covered-employee payroll	10.92%

Notes to Schedule:

(1) Valuation date: June 30, 2014

(2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

(3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20-29 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.50%
Projected salary increases	3.50%-5.35%
Investment rate of return	7.0%, including inflation at 2.50%

A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA

	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	$ 828,505
Contributions in relation to the CRC	828,505
Contribution deficiency (excess)	$ -
Employer's covered-employee payroll	$ 8,577,515
Contributions as a percentage of covered-employee payroll	9.66%

SCHEDULE OF FUNDING PROGRESS

Other Post-Employment Benefit Plan

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
July 1, 2009	-	19,400,000	17,300,000	0.00%	41,519,138	41.67%
July 1, 2011	2,698,000	42,334,000	39,636,000	6.37%	42,338,337	93.62%
July 1, 2013	3,821,000	57,286,000	53,465,000	6.67%	41,970,466	127.39%
July 1, 2014	4,354,510	62,057,000	57,702,490	7.02%	47,255,432	122.11%

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:

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
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%
July 1, 2011	2,700,962	96,984,000	94,283,038	2.78%	104,195,744	90.49%
July 1, 2012	4,697,715	50,489,000	45,791,285	9.30%	104,507,089	43.82%
July 1, 2013	11,874,000	55,269,000	43,395,000	21.48%	103,582,553	41.89%
July 1, 2014	18,099,103	70,272,000	52,172,897	25.76%	103,582,553	50.37%

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, 2015

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 14, 2014, 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, 2015.

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.

350th Anniversary Fund
Accounts for the revenues and expenditures associated with the County's 350th Anniversary celebration.

Transportation Impact Fee

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	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
ASSETS					
Equity in pooled cash and investments	$ 2,769,658	$ 813,892	$ 3,018,485	$ 3,445,414	$ -
Restricted assets:					
Cash	-	-	-	-	1,588,778
Cash w/ fiscal agents	-	-	4,731,916	-	-
Receivables, net of allowance for uncollectibles:					
Property taxes	-	-	24,396	2,112	-
Accounts receivable	-	-	147,662	-	-
Due from other funds	-	-	-	-	1,910
Total assets	$ 2,769,658	$ 813,892	$ 7,922,459	$ 3,447,526	$ 1,590,688
LIABILITIES					
Liabilities:					
Accounts payable	$ 1,088,827	$ -	$ 72,125	$ -	$ 6,561
Accrued salaries and benefits	464	-	633	150	-
Retainage payable	56,781	-	28,750	-	-
Unearned revenue	-	-	-	-	1,199,308
Total liabilities	1,146,072	-	101,508	150	1,205,869
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	30,850	1,847	-
Total deferred inflows of resources	-	-	30,850	1,847	-
FUND BALANCES					
Restricted	-	-	-	-	384,819
Committed	1,454,366	-	7,790,101	17,540	-
Assigned	169,220	813,892	-	3,427,989	-
Total fund balances	1,623,586	813,892	7,790,101	3,445,529	384,819
Total liabilities deferred inflows of resources and fund balances	$ 2,769,658	$ 813,892	$ 7,922,459	$ 3,447,526	$ 1,590,688

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue				
	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	Transportation Impact Fee Fund	Total Nonmajor Governmental Funds
ASSETS					
Equity in pooled cash and investments	$ 969,784	$ 32,426	$ 143,903	$ 29,990	$ 11,223,552
Restricted assets:					
Cash	-	-			1,588,778
Cash w/ fiscal agents	-	-	-	-	4,731,916
Receivables, net of allowance for uncollectibles:					
Property taxes	-	-	7,345	-	33,853
Accounts receivable	189,005	-	-	-	336,667
Due from other funds	-	-	-	-	1,910
Total assets	$ 1,158,789	$ 32,426	$ 151,248	$ 29,990	$ 17,916,676
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 11,449	$ -	$ 3,550	$ -	$ 1,182,512
Accrued salaries and benefits	3,189	-	153	-	4,589
Retainage payable	-	-	-	-	85,531
Unearned revenue	-	-	-	-	1,199,308
Total liabilities	14,638	-	3,703	-	2,471,940
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	6,530	-	39,227
Total deferred inflows of resources	-	-	6,530	-	39,227
Fund Balances:					
Restricted	-	-	-	-	384,819
Committed	334,841	-	-	-	9,596,848
Assigned	809,310	32,426	141,015	29,990	5,423,842
Total fund balances	1,144,151	32,426	141,015	29,990	15,405,509
Total liabilities and fund balances	$ 1,158,789	$ 32,426	$ 151,248	$ 29,990	$ 17,916,676

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

YEAR ENDED JUNE 30, 2015

	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
REVENUES					
Property taxes	$ -	$ -	$ 541,721	$ 3,099	$ -
Other local taxes	3,206	-	-	-	-
Use of money and property	2,834	823	9,294	3,505	1,908
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	3,070
Intergovernmental	-	-	363,013	-	49,575
Total revenues	6,040	823	914,028	6,604	54,553
EXPENDITURES					
Current operating:					
Judicial administration	-	-	-	-	47,129
Public safety	-	-	-	-	226,936
Parks, recreation and cultural	-	-	-	-	-
Community development	-	-	-	-	-
Debt service	-	-	496,900	-	-
Capital outlay	1,199,070	-	632,424	217,256	22,914
Total expenditures	1,199,070	-	1,129,324	217,256	296,979
Excess (deficiency) of revenues over (under) expenditures	(1,193,030)	823	(215,296)	(210,652)	(242,426)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(1,193,030)	823	(215,296)	(210,652)	(242,426)
Fund balance, beginning	2,816,616	813,069	8,005,397	3,656,181	627,245
Fund balance, ending	$ 1,623,586	$ 813,892	$ 7,790,101	$ 3,445,529	$ 384,819

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

YEAR ENDED JUNE 30, 2015

	Special Revenue					
	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	350th Anniversary Fund	Transportation Impact Fee Fund	Total Nonmajor Governmental Funds
REVENUES						
Property taxes	$ -	$ -	$ 108,634	$ -	$ -	$ 653,454
Other local taxes	924,540	-	-	-	29,990	957,736
Use of money and property	-	-	103	-	-	18,467
Charges for services	-	22,506	-	-	-	22,506
Miscellaneous	-	-	-	84,314	-	87,384
Intergovernmental	-	-	-	-	-	412,588
Total revenues	924,540	22,506	108,737	84,314	29,990	2,152,135
EXPENDITURES						
Current operating:						
Judicial administration	-	-	-	-	-	47,129
Public safety	-	-	-	-	-	226,936
Parks, recreation and cultural	-	-	-	287,029	-	287,029
Community development	675,186	-	24,257	-	-	699,443
Debt service	-	-	60,945	-	-	557,845
Capital outlay	-	-	-	-	-	2,071,664
Total expenditures	675,186	-	85,202	287,029	-	3,890,046
Excess (deficiency) of revenues over (under) expenditures	249,354	22,506	23,535	(202,715)	29,990	(1,737,911)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(61,000)	-	-	(7,087)	-	(68,087)
Total other financing sources (uses)	(61,000)	-	-	(7,087)	-	(68,087)
Net change in fund balances	188,354	22,506	23,535	(209,802)	29,990	(1,805,998)
Fund balance, beginning	955,797	9,920	117,480	209,802	-	17,211,507
Fund balance, ending	$ 1,144,151	$ 32,426	$ 141,015	$ -	$ 29,990	$ 15,405,509

COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2015

PRIMARY GOVERNMENT	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive(Negative)
Special Revenue Funds:				
Road Impact Fee - West				
Revenues:				
Other local taxes	$ -	$ -	$ 3,206	$ 3,206
Use of money	-	-	2,834	2,834
Total revenues	-	-	6,040	6,040
Expenditures				
Current operating:				
Capital outlay	-	2,842,694	1,199,070	1,643,624
Excess (deficiency) of revenues over (under) expenditures	-	(2,842,694)	(1,193,030)	1,649,664
Net change in fund balance	-	(2,842,694)	(1,193,030)	1,649,664
Fund balance, beginning	-	2,842,694	2,816,616	(26,078)
Fund balance, ending	$ -	$ -	$ 1,623,586	$ 1,623,586
Road Impact Fee - South East				
Revenues:				
Use of money	$ -	$ -	$ 823	$ 823
Total revenues	-	-	823	823
Expenditures				
Current operating:				
Capital outlay	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	823	823
Net change in fund balances	-	-	823	823
Fund balance, beginning	-	-	813,069	813,069
Fund balance, ending	$ -	$ -	$ 813,892	$ 813,892

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2015

PRIMARY GOVERNMENT	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive(Negative)
Special Revenue Funds:				
Garrisonville Road Service District Fund:				
Revenues:				
Property taxes	$ 530,000	$ 530,000	$ 541,721	$ 11,721
Use of money	-	-	9,294	9,294
Intergovernmental	-	7,450,508	363,013	(7,087,495)
Total revenues	530,000	7,980,508	914,028	(7,066,480)
Expenditures				
Current operating:				
Debt Service	496,900	496,900	496,900	-
Capital outlay	-	14,901,016	632,424	14,268,592
	496,900	15,397,916	1,129,324	14,268,592
Excess (deficiency) of revenues over (under) expenditures	33,100	(7,417,408)	(215,296)	7,202,112
Net change in fund balance	33,100	(7,417,408)	(215,296)	7,202,112
Fund balance, beginning	(33,100)	7,417,408	8,005,397	587,989
Fund balance, ending	$ -	$ -	$ 7,790,101	$ 7,790,101
Warrenton Road Service District Fund:				
Revenues:				
Property taxes	$ -	$ -	$ 3,099	$ 3,099
Use of money	-	-	3,505	3,505
Total revenues	-	-	6,604	6,604
Expenditures				
Current operating:				
Capital outlay	-	1,604,360	217,256	(1,387,104)
Excess (deficiency) of revenues over (under) expenditures	-	(1,604,360)	(210,652)	1,393,708
Net change in fund balances	-	(1,604,360)	(210,652)	1,393,708
Fund balance, beginning	-	1,604,360	3,656,181	2,051,821
Fund balance, ending	$ -	$ -	$ 3,445,529	$ 3,445,529

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget
PRIMARY GOVERNMENT	Original	Final	Actual Amounts	Positive(Negative)
Special Revenue Funds:				
Tourism Fund:				
Revenues				
Other local taxes	$ 1,250,000	$ 1,250,000	$ 924,540	$ (325,460)
Miscellaneous	-	-	-	-
Total revenues	1,250,000	1,250,000	924,540	(325,460)
Expenditures				
Current operating:				
Community development	750,000	1,605,523	675,186	930,337
	750,000	1,605,523	675,186	930,337
Excess (deficiency) of revenues over (under) expenditures	500,000	(355,523)	249,354	604,877
Other financing sources (uses)				
Transfers out	(500,000)	(61,000)	(61,000)	-
Net change in fund balance	-	(416,523)	188,354	604,877
Fund balance, beginning	-	416,523	955,797	539,274
Fund balance, ending	$ -	$ -	$ 1,144,151	$ 1,144,151
Hidden Lake Dam Fund:				
Revenues:				
Property taxes	$ 105,400	$ 105,400	$ 108,634	$ 3,234
Use of money	49	49	103	54
Total revenues	105,449	105,449	108,737	3,288
Expenditures				
Current operating:				
Community development	44,503	76,801	24,257	52,544
Debt service				
Principal	30,000	30,000	30,000	-
Interest and fiscal charges	30,946	30,946	30,945	1
Total expenditures	105,449	137,747	85,202	52,545
Excess (deficiency) of revenues over (under) expenditures	-	(32,298)	23,535	55,833
Net change in fund balance	-	(32,298)	23,535	55,833
Fund balance, beginning	-	32,298	117,480	85,182
Fund balance, ending	$ -	$ -	$ 141,015	$ 141,015

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2015

PRIMARY GOVERNMENT	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive(Negative)
Special Revenue Funds:				
350th Anniversary Fund:				
Revenues:				
Miscellaneous	$ -	$ 20	$ 84,314	$ 84,294
Expenditures				
Current operating:				
Parks, recreation and cultural	-	287,029	287,029	-
Excess (deficiency) of revenues over (under) expenditures	-	(287,009)	(202,715)	84,294
Other Financing Sources				
Transfers-Out	-	7,087	7,087	-
Net change in fund balance	-	(279,922)	(195,628)	84,294
Fund balance, beginning	-	279,922	195,628	(84,294)
Fund balance, ending	$ -	$ -	$ -	$ -
Asset Forfeiture Fund:				
Revenues				
Use of money and property	$ -	$ -	$ 1,908	$ 1,908
Miscellaneous	-	-	3,070	3,070
Intergovernmental	57,891	57,891	49,575	(8,316)
Total revenues	57,891	57,891	54,553	(3,338)
Current operating:				
Judicial administration	90,000	90,000	47,129	42,871
Public safety	210,000	329,598	226,936	102,662
Capital outlay	-	25,000	22,914	2,086
Total expenditures	300,000	444,598	296,979	147,619
Excess (deficiency) of revenues over (under) expenditures	(242,109)	(386,707)	(242,426)	144,281
Net change in fund balance	(242,109)	(386,707)	(242,426)	144,281
Fund balance, beginning	242,109	386,707	627,245	240,538
Fund balance, ending	$ -	$ -	$ 384,819	$ 384,819

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2015

Transportation Impact Fee:				
Revenues:				
Other local taxes	$ 60,000	$ 60,000	$ 29,990	$ (30,010)
Total revenues	60,000	60,000	29,990	(30,010)
Expenditures				
Current operating:				
Capital outlay	60,000	60,000	-	60,000
Excess (deficiency) of revenues over (under) expenditures	-	-	29,990	29,990
Net change in fund balance	-	-	29,990	29,990
Fund balance, beginning	-	-	-	-
Fund balance, ending	$ -	$ -	$ 29,990	$ 29,990

COUNTY OF STAFFORD, VIRGINIA Schedule IV

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL CAPITAL PROJECTS FUND YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive(Negative)
PRIMARY GOVERNMENT				
Capital Projects Funds:				
General Capital Projects Fund:				
Revenues				
Use of money	$ 20,000	$ 20,000	$ 13,596	$ (6,404)
Intergovernmental	-	318,475	318,474	(1)
Total revenues	20,000	338,475	332,070	(6,405)
Expenditures				
Current operating:				
Public safety	-	4,695,162	749,380	3,945,782
Public works	234,000	1,060,504	366,967	693,537
Parks, recreation and cultural	266,650	27,555,160	15,018,923	12,536,237
Capital Outlay	236,670	609,093	76,465	532,628
Debt service:				
Principal	-	-	57,710,000	(57,710,000)
Payments to escrow agent for refunding			6,152,332	(6,152,332)
Interest and fiscal charges	13,410	328,262	865,074	(536,812)
Appropriation to School Board:				
School capital projects	-	54,525,792	24,868,930	29,656,862
Total expenditures	750,730	88,773,973	105,808,071	(17,034,098)
Deficiency of revenues under expenditures	(730,730)	(88,435,498)	(105,476,001)	(17,040,503)
Other financing sources (uses)				
Transfers in	-	6,483,307	6,483,307	-
Issuance of debt:				
Bonds	-	66,254,792	97,512,239	31,257,447
Total other financing sources (uses)	-	72,738,099	103,995,546	31,257,447
Net change in fund balance	(730,730)	(15,697,399)	(1,480,455)	14,216,944
Fund balance, beginning	730,730	15,697,399	11,476,554	(4,220,845)
Fund balance, ending	$ -	$ -	$ 9,996,099	$ 9,996,099

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 Washington 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.

Embrey Mill

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 Embrey Mill Development for public infrastructure improvements in the district.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Agency Funds					
	Widewater CDA	Celebrate Virginia North	Lake Arrowhead Sanitary District	George Washington Regional Commission	Embrey Mill	Totals
ASSETS						
Current assets:						
Cash and short-term investments	$ 1,260,267	$ 1,096,927	$ 470,889	$ -	$ 83,464	$ 2,911,547
Receivables:						
Property taxes	-	2,789,910	86,746	-	4,293	2,880,949
Accounts	-	-	-	99,316	-	99,316
Total assets	$ 1,260,267	$ 3,886,837	$ 557,635	$ 99,316	$ 87,757	$ 5,891,812
LIABILITIES						
Accrued salaries and benefits	$ -	$ -	$ -	$ 19,592	$ -	$ 19,592
Other liabilities	-	2,510	-	79,724	-	82,234
Reserve for future expenditures	1,260,267	-	557,635	-	-	1,817,902
Reserve for bondholders	-	3,884,327	-	-	87,757	3,972,084
Total liabilities	$ 1,260,267	$ 3,886,837	$ 557,635	$ 99,316	$ 87,757	$ 5,891,812

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Widewater CDA Fund				
ASSETS				
Cash and short-term investments	$ 1,260,267	$ -	$ -	$ 1,260,267
LIABILITIES				
Reserve for future expenditures	$ 1,260,267	$ -	$ -	$ 1,260,267
Celebrate Virginia North Fund				
ASSETS				
Cash and short-term investments	$ 781,726	$ 1,711,130	$ (1,395,929)	$ 1,096,927
Property taxes receivable	4,715,894	845,055	(2,771,039)	2,789,910
Total assets	$ 5,497,620	$ 2,556,185	$ (4,166,968)	$ 3,886,837
LIABILITIES				
Other liabilities	$ 2,510	$ -	$ -	$ 2,510
Reserve for bondholders	5,495,110	2,556,185	(4,166,968)	3,884,327
Total liabilities	$ 5,497,620	$ 2,556,185	$ (4,166,968)	$ 3,886,837
Lake Arrowhead Sanitary District Fund				
ASSETS				
Cash and short-term investments	$ 434,213	$ 36,829	$ (153)	$ 470,889
Property taxes receivable	88,370	33,542	(35,166)	86,746
Total assets	$ 522,583	$ 70,371	$ (35,319)	$ 557,635
Reserve for future expenditures	$ 522,583	$ 36,154	$ (1,102)	$ 557,635
George Washington Regional Commission				
ASSETS				
Accounts receivable	$ 35,016	$ 388,018	$ (323,718)	$ 99,316
LIABILITIES				
Accrued salaries and benefits	$ 15,824	$ 19,592	$ (15,824)	$ 19,592
Other liabilities	19,192	60,532	-	79,724
	$ 35,016	$ 80,124	$ (15,824)	$ 99,316
Embrey Mill Agency Fund				
ASSETS				
Cash and short-term investments	$ 23,316	$ 111,574	$ (51,426)	$ 83,464
Property taxes receivable	2,149	2,144	-	4,293
	$ 25,465	$ 113,718	$ (51,426)	$ 87,757
LIABILITIES				
Reserve for bondholders	25,465	144,197	(81,905)	$ 87,757
	$ 25,465	$ 144,197	$ (81,905)	$ 87,757
Totals - All Fiduciary Agency Funds				
ASSETS				
Cash and short-term investments	$ 2,499,522	$ 1,859,533	$ (1,447,508)	$ 2,911,547
Property taxes receivable	4,806,413	880,741	(2,806,205)	2,880,949
Accounts receivable	35,016	388,018	(323,718)	99,316
Total assets	$ 7,340,951	$ 3,128,292	$ (4,577,431)	$ 5,891,812
LIABILITIES				
Accrued salaries and benefits	15,824	19,592	(15,824)	19,592
Other liabilities	21,702	60,532	-	82,234
Reserve for future expenditures	1,782,850	36,154	(1,102)	1,817,902
Reserve for bondholders	5,520,575	2,700,382	(4,248,873)	3,972,084
Total liabilities	$ 7,340,951	$ 2,816,660	$ (4,265,799)	$ 5,891,812

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

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

COUNTY OF STAFFORD, VIRGINIA **Table S-1**

NET POSITION BY COMPONENT

Fiscal Years 2006 - 2015
(accrual basis of accounting)
(unaudited) (1)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Primary government:										
Governmental activities:										
Net investment in capital assets	$ 6,822,858	$ 32,895,897	$ 10,604,891	$ 29,631,901	$ 63,339,727	$ 73,303,969	$ 81,905,153	$ 83,012,683	$ 94,214,362	$ 98,292,334
Restricted	1,318,218	1,379,409	1,484,829	256,965	777,238	2,540,231	2,585,376	2,563,552	3,127,912	2,682,185
Unrestricted (deficit)	(194,432,777)	(226,391,509)	(216,822,496)	(211,061,627)	(210,589,191)	(192,423,702)	(192,972,219)	(217,209,926)	(236,728,731)	(261,870,499)
Total governmental activities net position	$ (186,291,701)	$ (192,116,203)	$ (204,732,776)	$ (181,172,761)	$ (146,472,226)	$ (116,579,502)	$ (108,481,690)	$ (131,633,691)	$(139,386,457)	$ (160,895,980)
Business-type activities:										
Net investment in capital assets	$ 150,066,102	$ 183,788,210	$ 208,473,170	$ 224,899,611	$ 214,291,000	$ 243,840,540	$ 215,975,340	$ 263,389,309	$ 314,276,234	$ 308,716,780
Restricted	11,396,183	11,695,567	11,912,732	12,002,547	12,165,547	14,293,655	51,224,071	14,008,268	-	9,617,314
Unrestricted	80,458,112	64,474,149	52,270,192	39,658,707	54,892,613	32,052,353	34,373,851	41,136,662	24,506,342	29,366,937
Total business-type activities net position	$ 241,920,397	$ 259,957,926	$ 272,656,094	$ 276,560,865	$ 281,349,160	$ 290,186,548	$ 301,573,262	$ 318,534,239	$ 338,782,576	$ 347,701,031
Total Primary government										
Net investment in capital assets	$ 156,888,960	$ 216,684,107	$ 219,078,061	$ 254,531,512	$ 277,630,727	$ 317,144,509	$ 297,880,493	$ 346,401,992	$ 408,490,596	$ 407,009,114
Restricted	12,714,401	13,074,976	13,397,561	12,259,512	12,942,785	16,833,886	53,809,447	16,571,820	3,127,912	12,299,499
Unrestricted (deficit)	(113,974,665)	(161,917,360)	(164,552,304)	(171,402,920)	(155,696,578)	(160,371,349)	(158,598,368)	(176,073,264)	(212,222,389)	(232,503,562)
Total primary government net position	$ 55,628,696	$ 67,841,723	$ 67,923,318	$ 95,388,104	$ 134,876,934	$ 173,607,046	$ 193,091,572	$ 186,900,548	$ 199,396,119	$ 186,805,051

(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**

CHANGES IN NET POSITION
Fiscal Years 2006 - 2015
(accrual basis of accounting)
(unaudited) (1)

Primary government:	**2006**	**2007**	**2008**	**2009**	**20010**	**2011**	**2012**	**2013**	**2014**	**2015**
Expenses										
Governmental activities:										
General government	$ 5,934,279	$ 14,320,059	$ 14,985,255	$ 13,641,852	$ 12,261,364	$ 12,719,415	$ 12,623,568	$ 12,734,773	$ 13,533,596	$ 14,757,363
Judicial administration	5,484,964	6,259,936	7,134,996	7,087,591	6,703,566	6,735,964	6,839,212	6,105,930	7,606,669	6,370,324
Public safety	36,405,012	40,408,595	47,572,866	44,273,261	45,897,812	45,474,144	49,986,737	55,435,338	57,699,254	52,314,985
Public works	2,050,631	3,375,036	4,925,416	7,437,815	7,326,583	7,674,038	7,851,234	9,554,439	8,694,821	8,243,611
Health and social services	12,534,771	12,853,899	14,279,036	13,527,646	13,664,321	13,783,282	14,070,334	13,856,403	13,479,255	12,448,947
Parks, recreation and cultural	7,898,191	10,117,611	11,386,966	10,750,553	10,096,206	9,659,082	12,034,049	12,784,641	14,321,722	25,408,604
Community development	5,417,064	5,114,537	5,537,404	5,241,060	4,603,445	5,472,934	4,837,754	4,921,864	5,159,874	4,377,659
Appropriation to School Board	153,719,718	117,225,152	124,008,330	101,194,329	109,379,789	107,730,081	123,139,836	142,751,306	141,597,936	131,273,166
Transportation	7,333,030	2,293,299	3,438,628	4,405,170	3,770,803	3,124,991	3,988,075	4,829,573	3,322,814	3,019,659
Interest	11,864,125	15,903,856	16,383,754	19,486,762	16,617,439	13,427,364	16,147,660	16,736,309	13,807,460	17,050,475
Change in equity - joint venture	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	248,641,785	227,871,980	249,652,651	227,046,039	230,321,328	225,801,295	251,518,459	279,710,576	279,223,401	275,264,793
Total business-type activities expenses	23,528,349	25,694,334	28,186,943	30,617,305	31,035,605	30,216,044	31,324,423	30,473,842	31,904,381	34,817,632
Total primary government expenses	$ 272,170,134	$ 253,566,314	$ 277,839,594	$ 257,663,344	$ 261,356,933	$ 256,017,339	$ 282,842,882	$ 310,184,418	$ 311,127,782	$ 310,082,425
Program revenues										
Governmental activities:										
Charges for services:										
General government	$ 214,435	$ 184,244	$ 3,619	$ 965	$ 1,108	$ 25,964	$ 225,028	$ 242,505	$ 266,157	$ 281,000
Judicial administration	1,218,732	728,369	482,221	388,935	277,479	335,598	304,592	371,234	258,636	249,493
Public safety	7,469,813	6,505,497	5,772,896	6,143,041	6,691,261	6,549,245	6,693,587	7,926,496	7,672,339	7,267,651
Public works	-	-	-	67,927	70,097	71,817	68,888	72,680	54,814	66,868
Health and social services	72,325	50,120	34,375	310,308	292,027	175,902	140,145	195,762	247,335	75,819
Parks, recreation and cultural	1,465,902	1,428,532	1,370,845	1,642,351	1,754,006	1,806,643	1,840,751	1,900,427	1,888,993	2,441,178
Community development	915,784	919,603	2,207,172	1,550,465	1,077,860	1,343,065	1,237,301	1,796,945	1,835,090	2,321,592
Transportation	-	-	-	500	28,890	37,455	36,450	44,650	51,785	67,320
Operating grants and contributions										
General government	549,804	604,780	681,802	659,751	591,090	563,978	571,979	593,732	591,531	716,671
Judicial administration	1,471,532	1,914,556	1,737,551	1,959,943	1,697,023	1,890,125	1,619,250	1,775,749	1,765,593	1,713,319
Public safety	5,053,688	5,106,827	5,231,094	5,109,088	5,795,343	6,940,239	6,341,182	6,247,021	5,549,949	5,163,714
Public works	-	-	-	-	-	-	-	-	-	-
Health and social services	7,324,716	7,650,173	7,960,391	7,742,158	7,752,214	7,472,568	7,246,818	6,126,643	6,300,225	6,383,766
Parks, recreation and cultural	9,000	-	-	2,220	-	-	39,496	-	-	-
Community development	5,000	104,382	84,908	448,890	579,847	1,111,018	75,348	101,161	250,254	-
Transportation	-	716,564	452,413	41,940	10,729	139,175	1,031,384	82,849	918,886	836,333
Capital grants and contributions										
Public Safety	-	-	-	-	-	-	-	-	-	6,945
Public works	-	-	-	-	601,983	49,327	-	-	-	-
Parks, recreation and cultural	-	-	-	-	16,453,700	-	-	-	-	-
Transportation	-	-	-	-	-	-	685,812	898,290	1,602,859	1,165,321
Total governmental program revenues	$ 25,770,731	$ 25,913,647	$ 26,019,287	$ 26,068,482	$ 43,674,657	$ 28,512,119	$ 28,158,011	$ 28,376,144	$ 29,254,446	$ 28,756,990

COUNTY OF STAFFORD, VIRGINIA

CHANGES IN NET POSITION
Fiscal Years 2006 - 2015
(accrual basis of accounting)
(unaudited) (1)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Charges for services	$ 18,908,872	$ 20,457,137	$ 21,204,730	$ 21,816,692	$ 22,675,662	$ 23,348,476	$ 24,085,502	$ 26,115,323	$ 27,444,874	$ 30,660,729
Operating grants and contributions	15,000	65,702	1,857,407	-	3,496,906	2,914,691	1,037,356	276,145	-	-
Capital grants and contributions	24,254,354	18,775,970	14,462,419	10,434,253	8,644,800	11,958,913	17,037,061	21,404,272	24,410,978	16,888,941
Total business-type activities program revenues	43,178,226	39,298,809	37,524,556	32,250,945	34,817,368	38,222,080	42,159,919	47,795,740	51,855,852	47,549,670
Total primary government program revenues	$ 69,091,873	$ 65,318,096	$ 63,593,038	$ 75,925,602	$ 63,329,487	$ 66,380,091	$ 70,536,063	$ 76,171,884	$ 81,110,298	$ 76,306,660
Net (expense)/revenue (2)										
Governmental activities	$ (201,958,333)	$ (223,633,364)	$ (200,977,557)	$ (186,646,671)	$ (197,289,176)	$ (223,360,448)	$ (251,334,432)	$ (251,334,432)	$ (249,968,955)	$ (246,507,803)
Business activities	17,483,892	11,111,866	6,907,251	1,215,340	4,601,324	6,897,657	11,686,077	17,321,898	19,951,471	12,732,038
Total primary government net expense	$ (184,474,441)	$ (212,521,498)	$ (194,070,306)	$ (185,431,331)	$ (192,687,852)	$ (216,462,791)	$ (239,648,355)	$ (234,012,534)	$ (230,017,484)	$ (233,775,765)
General revenues and other changes in net assets										
Governmental activities:										
Taxes										
General property taxes	$ 119,255,939	$ 134,602,576	$ 154,022,352	$ 165,287,706	$ 168,106,174	$ 172,389,860	$ 175,603,509	$ 176,261,594	$ 183,480,382	$ 185,302,231
Other local taxes	40,352,470	37,760,751	37,621,091	35,845,372	36,866,175	38,933,477	40,345,254	41,711,420	39,281,476	40,503,669
Unrestricted grants and contributions	14,141,680	13,133,856	12,918,794	14,707,388	15,599,795	15,019,020	14,911,207	14,941,367	14,591,241	15,584,842
Investment earnings	1,849,825	5,014,147	2,960,670	1,449,560	205,052	116,813	46,162	38,656	206,821	106,796
Miscellaneous	5,340,574	5,622,502	3,507,598	709,672	570,010	722,730	552,128	884,870	4,656,269	6,616,292
Gain (loss) on sale of property	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	(13,713)	282,448	-	-	-	121,100	-	10,000
Extraordinary items	336,580	-	-	-	-	-	-	-	-	-
Total governmental activities	$ 181,277,068	$ 196,133,832	$ 211,016,792	$ 218,282,146	$ 221,347,206	$ 227,181,900	$ 231,458,260	$ 233,959,007	$ 242,216,189	$ 248,123,830
Business-type activities										
Investment earnings	$ 3,061,335	$ 3,735,172	$ 3,266,902	$ 2,473,329	$ 964,691	$ 514,145	$ 377,663	$ 282,527	$ 235,995	$ 203,909
Gain on disposal of capital assets	-	-	-	-	-	-	5,122	13,000	12,882	43,365
Miscellaneous	200,344	697,882	79,940	80,250	41,841	317,207	168,433	159,109	47,989	35,920
Transfers	-		13,713	(282,448)	-	-	-	(121,100)	-	(10,000)
Total business-type activities	3,261,679	4,433,054	3,360,555	2,271,131	1,006,532	831,352	551,218	333,536	296,866	273,194
Total primary government	$ 184,538,747	$ 200,566,886	$ 214,377,347	$ 220,553,277	$ 222,353,738	$ 228,013,252	$ 232,009,478	$ 234,292,543	$ 242,513,055	$ 248,397,024
Change in net position										
Primary government:										
Governmental activities	$ (41,593,986)	$ (5,824,502)	$ (12,616,573)	$ 17,304,588	$ 34,700,535	$ 29,892,724	$ 8,097,812	$ (17,375,425)	$ (7,752,766)	$ 1,616,027
Business-type activities	22,911,556	18,037,529	12,698,168	3,904,771	4,788,295	8,837,388	11,386,714	17,655,434	20,248,337	13,005,232
Total primary government	$ (18,682,430)	$ 12,213,027	$ 81,595	$ 21,209,359	$ 39,488,830	$ 38,730,113	$ 19,484,526	$ 280,009	$ 12,495,571	$ 14,621,259
Total primary government										
Net position, beginning (3), (4), (5), (6) (7)	$ 78,135,847	$ 55,628,696	$ 67,841,723	$ 74,178,745	$ 95,388,104	$ 134,876,934	$ 173,507,046	$ 186,620,539	$ 186,900,548	$ 172,183,792
Net position, ending	$ 59,453,417	$ 67,841,723	$ 67,923,318	$ 95,388,104	$ 134,876,934	$ 173,607,047	$ 192,991,572	$ 186,900,548	$ 199,396,119	$ 186,805,051

CHANGES IN NET POSITION
Fiscal Years 2006 - 2015
(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 position 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 position balance for the General Government was restated to reflect an adjusted prior year transfer from the Component Unit-School Board.
(5) In 2012 the beginning net position balance for the governmental activities was restated to reflect an adjusted prior year transfer of a land asset to the Component Unit School Board.
(6) In 2013 the beginning net position balance for the governmental activities was restated to reflect a change in accounting principle and a restatement of an error.
(7) In 2015 the beginning net position balance for the governmental activities was restated to reflect a change in accounting for pensions per GASB 68.

COUNTY OF STAFFORD, VIRGINIA **Table S-3**

FUNDS BALANCES, GOVERNMENTAL FUNDS
Fiscal Years 2006-2015
(modified accrual basis of accounting)
(unaudited) (1)

	Pre-GASB 54 (2) Fiscal Year				
	2006	**2007**	**2008**	**2009**	**2010**
General Fund					
Reserved	$ 1,368,198	$ 1,118,262	$ 2,843,111	$ 926,214	$ 1,237,328
Unreserved					
Designated	12,292,979	6,407,832	416,833	3,813,606	9,514,224
Undesignated (4)	19,189,249	23,430,256	24,644,447	30,538,661	26,268,217
Total General Fund	32,850,426	30,956,350	27,904,391	35,278,481	37,019,769
All Other Governmental Funds					
Reserved	257,039	261,148	295,985	315,533	810,531
Unreserved					
Designated					
Special revenue funds	3,015,288	6,492,813	9,075,142	5,419,558	12,813,595
Capital projects funds	47,616,579	26,377,422	44,354,683	21,744,145	10,852,158
Undesignated					
Special revenue funds	1,093,257	2,147,618	3,881,091	7,173,911	1,919,703
Capital projects funds	609,177	-	-	1,670,369	-
Total all other government funds	52,591,340	35,279,001	57,606,901	36,323,516	26,395,987
Total fund balances	$85,441,766	$66,235,351	$ 85,511,292	$ 71,601,997	$ 63,415,756

	Post-GASB 54 (3) Fiscal Year					
	2010	**2011**	**2012**	**2013**	**2014**	**2015**
General Fund						
Nonspendable	$ 937,328	$ 38,977	$ 39,554	$ 27,813	$ 326,168	$ 220,609
Restricted	-	569,745	652,293	879,437	3,373,807	3,306,455
Committed	4,806,242	9,588,558	11,846,432	13,937,000	8,413,076	5,164,702
Assigned	5,007,982	10,219,883	13,496,185	11,883,767	18,539,638	24,541,606
Unassigned	26,268,217	29,129,794	29,590,639	30,376,952	30,969,982	32,909,983
Total General Fund	37,019,769	49,546,957	55,625,103	57,104,969	61,622,671	66,143,355
All Other Governmental Funds						
Nonspendable	-	-	-	-	-	-
Restricted						
Special Revenue	831,793	740,486	-	-	-	-
Capital Projects	-	1,230,000	1,155,000	1,080,000	-	-
Other Governmental Funds	-	-	778,082	604,115	689,251	622,351
Committed						
Special Revenue	4,842,360	7,648,876	6,220,896	10,765,215	11,642,718	8,422,525
Capital Projects	10,852,158	8,946,013	9,874,269	16,903,871	11,476,554	9,996,099
Other Governmental Funds	-	-	1,152,847	7,123,925	8,844,875	9,596,848
Assigned						
Special Revenue	9,869,676	10,027,309	4,330,167	3,798,204	721,863	
Other Governmental Funds	-	-	8,618,960	8,726,946	7,677,381	5,423,842
Total all other government funds	26,395,987	28,592,684	32,130,221	49,002,276	41,052,642	34,061,665
Total fund balances	$63,415,756	$78,139,641	$87,755,324	$106,107,245	$ 102,675,313	$100,205,020

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) Fiscal years 2003 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.
(4) The General Fund Undesignated fund balance was re-stated in fiscal year 2009 for fiscal years 2007 and 2008.

COUNTY OF STAFFORD, VIRGINIA

Table S-4
Page 1 of 2

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
FISCAL YEARS 2006-2015
(modified accrual basis of accounting)
(unaudited) (1)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
General property taxes	$ 121,622,651	$ 135,859,852	$ 152,946,964	$ 164,927,068	$ 168,767,569	$ 172,389,860	$ 175,603,509	$ 178,881,369	$ 183,606,999	$ 186,177,201
Other local taxes	38,312,276	35,490,473	35,761,003	33,933,856	34,883,967	38,218,971	39,638,192	41,017,797	38,426,342	40,503,669
Permits, privilege fees and										
regulatory licenses	7,174,717	6,277,427	5,011,135	4,646,243	4,058,796	3,368,355	3,165,460	4,342,575	4,312,561	3,723,699
Fines and forfeitures	867,114	905,693	729,448	691,102	729,490	904,319	730,433	784,514	1,057,819	1,071,872
Use of money and property	1,849,825	5,014,147	3,159,009	1,668,970	465,207	429,386	334,240	347,769	432,444	462,759
Charges for services	4,349,136	4,147,093	5,226,955	5,362,710	4,993,840	5,218,433	5,817,807	6,193,509	6,326,343	6,920,303
Miscellaneous	5,675,388	5,390,303	3,270,803	2,992,369	4,777,219	3,456,531	3,139,690	3,883,714	7,402,475	6,616,291
Intergovernmental	29,563,403	29,987,465	29,830,631	29,485,490	30,386,436	31,783,161	31,186,940	29,382,578	30,032,267	32,269,995
Total revenues	209,414,510	223,072,453	235,935,948	243,707,808	249,062,524	255,769,016	259,616,271	264,833,825	271,597,250	277,745,789
Expenditures										
Current operating:										
General government	13,065,292	15,286,072	17,603,620	17,131,984	15,796,367	15,118,921	16,048,880	12,083,734	12,585,414	13,324,624
Judicial administration	5,419,062	6,167,640	6,961,844	6,873,685	6,485,676	6,489,706	6,459,754	6,949,212	6,996,272	7,069,087
Public safety	33,323,162	39,192,264	44,007,441	41,799,586	44,816,171	45,841,713	48,822,682	53,421,921	51,822,442	52,124,684
Public works	3,304,353	3,501,246	4,019,189	3,988,036	4,382,841	5,221,699	7,167,438	7,124,172	9,728,759	5,387,823
Health and social services	12,549,758	13,039,756	13,968,888	13,302,169	13,564,781	13,597,282	13,684,536	13,435,827	13,141,477	12,331,075
Parks, recreation and cultural	8,483,121	10,873,546	15,340,188	11,865,961	10,079,702	10,875,709	11,314,097	14,444,997	22,263,174	28,875,822
Community development	5,064,579	5,160,842	5,211,654	5,861,420	4,521,530	5,272,457	4,723,822	4,795,928	4,708,570	4,580,033
Appropriation to school board:										
School operation	89,547,690	95,985,884	100,817,432	99,474,959	103,189,962	99,323,620	98,599,339	108,625,975	108,414,728	103,735,323
School capital projects	64,172,028	21,239,268	23,190,898	1,719,370	6,189,827	8,406,461	24,540,497	34,050,331	33,108,208	27,462,843
Transportation	-	-	-	-	-	-	-	2,781,761	3,347,968	3,662,264
Capital outlay	22,666,254	26,678,955	31,769,630	16,706,600	14,460,024	12,305,815	4,854,714	6,950,065	10,611,313	12,471,531
Debt service										
Principal	16,233,105	20,274,620	18,820,682	22,360,830	22,461,779	22,295,756	25,714,726	25,436,816	21,021,636	23,835,993
Interest and fiscal charges	12,142,734	14,945,078	16,334,633	19,168,869	17,839,981	17,604,636	16,932,891	16,780,980	14,233,335	19,014,887
Total expenditures	285,971,138	272,345,171	298,046,099	260,253,469	263,788,641	262,353,775	278,863,376	306,881,719	311,983,296	313,875,989
Excess of revenues										
over (under) expenditures	(76,556,628)	(49,272,718)	(62,110,151)	(16,545,661)	(14,726,117)	(6,584,759)	(19,247,105)	(42,047,894)	(40,386,046)	(36,130,200)
Other Financing Sources (Uses)										
Issuance of debt	100,590,000	20,359,366	78,744,286	1,704,853	6,189,827	9,585,984	26,515,000	54,115,000	30,973,208	97,984,907
Issuance of capital leases	8,434,211	3,451,690	2,655,519	649,060	350,054	8,707,998	-	-	-	-
Bond premium	2,949,267	-	-	-	-	-	3,577,788	6,163,715	-	-
Transfers in	927,731	8,529,884	11,133,536	4,854,932	2,060,019	1,710,869	4,011,416	4,603,625	12,031,878	6,586,311
Transfers out	(927,731)	(8,529,884)	(11,147,249)	(4,572,484)	(2,060,019)	(1,710,869)	(4,011,416)	(4,482,525)	(12,031,878)	(6,576,311)
Refunding of debt (4)	-	-	-	-	-	-	-	-	-	(64,335,000)
Other miscellaneous non-operating revenue	-	-	-	-	-	3,089,662	-	-	-	-
Proceeds from indebtedness	-	-	-	-	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-	-	-	5,980,906	
Loan to Component Unit	-	-	-	-	-	(1,305,000)	-	-	-	-
Total other financing sources (uses)	111,973,478	23,811,056	81,386,092	2,636,361	6,539,881	20,078,644	30,092,788	60,399,815	36,954,114	33,659,907
Net change in fund balances	**35,416,850**	**(25,461,662)**	**19,275,941**	**(13,909,300)**	**(8,186,236)**	**13,493,885**	**10,845,683**	**18,351,921**	**(3,431,932)**	**(2,470,293)**
Fund balance, beginning (3)	50,024,916	85,441,766	66,235,351	85,511,292	71,601,992	63,415,756	76,909,641	87,755,324	106,107,245	102,675,313
Fund balance, ending (3)	$ 85,441,766	$ 66,235,351	$ 85,511,292	$ 71,601,992	$ 63,415,756	$ 76,909,641	$ 87,755,324	$ 106,107,245	$ 102,675,313	$ 100,205,020

COUNTY OF STAFFORD, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
FISCAL YEARS 2005-2015
(modified accrual basis of accounting)
(unaudited) (1)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total debt service	$ 28,375,839	$ 35,219,698	$ 36,576,441	$ 41,529,699	$ 40,301,760	$ 39,900,392	$ 42,647,617	$ 42,217,796	$ 35,254,971	$ 42,850,880
Total expenditures	$ 285,971,138	$ 272,345,171	$ 298,046,099	$ 260,253,469	$ 263,788,641	$ 262,353,775	$ 278,863,376	$ 306,881,719	$ 311,983,296	$ 313,875,989
Less: Capital outlay	26,514,511	29,508,946	38,200,394	20,488,695	17,834,948	19,148,190	13,202,826	16,817,195	27,686,981	28,386,661
Non-capital expenditures	$ 259,456,627	$ 242,836,225	$ 259,845,705	$ 239,764,774	$ 245,953,693	$ 243,205,585	$ 265,660,550	$ 290,064,524	$ 284,296,315	$ 285,489,328
Debt service as a percentage of noncapital expenditures	**10.94%**	**14.50%**	**14.08%**	**17.32%**	**16.39%**	**16.41%**	**16.05%**	**14.55%**	**12.40%**	**15.01%**

(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) 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 for 2007 and 2008. See Footnote 14 of the Financial Statements for 2009.

(4) In FY15 the 2006 and part of 2008 lease revenue bonds were refunded.

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Calendar Years 2006 - 2015
(unaudited) (1)

	Real Property				Personal Property								
Calendar Year	Residential Real Property	Commercial and Industrial Real Property	Agricultural Real Property	Total Real Property (5)	Personal Property	Merchants Capital	Machinery & Tools	Mobile Homes	Aircraft (3)	Recreational Vehicles/ Trailers; Watercraft & Business Property	Total Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate (4)
2006 (2)	13,787,026,663	1,998,640,060	1,136,810,550	16,293,674,473	600,054,740	166,899,420	32,242,860	22,991,170	2,909,180	128,315,180	953,412,550	17,247,087,023	0.72
2007	14,334,990,827	2,123,204,227	1,019,445,450	16,913,237,529	593,950,230	172,227,860	33,666,130	24,005,890	2,700,660	139,618,480	966,169,250	17,879,406,779	0.79
2008 (2)	12,992,885,100	2,785,332,869	1,183,223,200	16,226,491,762	588,508,390	172,169,510	39,404,460	21,580,810	2,829,910	151,149,900	975,642,980	17,202,134,742	0.92
2009	13,207,302,880	2,806,328,239	1,101,805,900	16,313,534,929	525,381,390	175,881,250	42,843,200	22,562,060	-	148,909,350	915,577,250	17,229,112,179	0.94
2010 (2)	9,850,345,400	2,514,103,100	634,355,800	12,555,580,113	585,711,380	174,917,430	35,020,440	21,025,020	-	156,031,145	972,705,415	13,528,285,528	1.21
2011	10,021,541,300	2,540,176,800	611,053,100	12,719,091,716	580,866,160	180,885,340	30,960,430	20,411,060	-	158,134,400	971,257,390	13,690,349,106	1.19
2012 (2)	10,236,576,300	2,623,917,176	517,222,800	13,002,326,118	608,786,840	196,387,420	30,495,880	19,280,860	-	177,549,360	1,032,500,360	14,034,826,478	1.19
2013	10,453,773,090	2,673,373,426	497,992,200	13,262,150,638	632,393,059	186,440,770	-	16,697,240	-	137,968,580	973,499,649	14,235,650,287	1.19
2014	11,453,237,050	2,765,187,000	510,902,000	14,389,795,201	646,424,160	198,206,730	-	15,648,640	-	132,954,700	993,234,230	15,383,029,431	1.12
2015	11,771,269,050	2,775,865,500	495,224,200	14,699,463,435	658,036,590	199,069,300	-	16,162,950	-	139,524,240	1,012,793,080	15,712,256,515	1.12

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) The county reassesses real property every two years. Real property is assessed at 100% of the fair market value.
(3) The tax for aircraft was eliminated in Calendar Year 2009.
(4) Total Direct Tax Rates are calculated per $100 of assessed value, calculated on a weighted average basis. Refer to Table 6.
(5) The assessed value of real property does not include exempt values.

Source: Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA **Table S-6**

DIRECT AND OVERLAPPING TAX RATES (1)
Calendar Years 2006 - 2015
(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)
		Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied	Tax Rate	Direct Rate Applied	Tax Rate	Direct Rate Applied	
2006	(3)	0.63	0.60	5.49	0.08	0.50	-	0.75	-	0.63	-	3.00	-	5.49	0.04	0.72
2007		0.70	0.66	5.49	0.08	0.50	0.01	0.75	-	0.70	-	3.00	-	5.49	0.04	0.79
2008	(3)	0.84	0.79	5.49	0.08	0.50	-	0.75	-	0.84	-	3.00	-	5.49	0.05	0.92
2009		0.84	0.80	6.89	0.08	0.50	0.01	0.75	-	0.84	-	-	-	5.49	0.05	0.94
2010	(3)	1.10	1.02	6.89	0.12	0.50	0.01	0.75	-	1.10	-	-	-	5.49	0.06	1.21
2011		1.08	1.00	6.89	0.12	0.50	0.01	0.75	-	1.08	-	-	-	5.49	0.06	1.19
2012	(3)	1.07	0.99	6.89	0.12	0.50	0.01	0.75	-	1.07	-	-	-	5.49	0.07	1.19
2013		1.07	0.99	6.89	0.12	0.50	0.01	-	-	1.07	-	-	-	5.49	0.05	1.19
2014		1.02	0.95	6.61	0.11	0.50	0.01	-	-	1.02	-	-	-	5.49	0.05	1.12
2015		1.02	0.95	6.61	0.11	0.50	0.01	-	-	1.02	-	-	-	5.49	0.05	1.12

(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 Direct Tax Rates are calculated per $100 of assessed value, calculated on a weighted average basis based on assessed value. Refer to Table 5 for Assessed Values.

Source: Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA **Table S-7**

PRINCIPAL PROPERTY TAX PAYERS
Calendar Years 2015 vs 2006
(unaudited) (1)

		Calendar Year 2015			Calendar Year 2006		
Tax Payer	Type of Business	Assessed Valuation	Rank	% Total Assessed Valuation	Assessed Valuation	Rank	% Total Assessed Valuation
Virginia Electric & Power Co	Utility	$ 243,314,068	1	1.6%	$ 87,999,879	4	0.5%
Verizon	Utility	77,259,710	2	0.5%			
Government Employees Insurance Co	Commercial	89,519,560	3	0.6%	55,082,600	7	0.3%
Stafford Marketplace LLC	Commercial	70,635,800	4	0.5%	81,637,600	5	0.4%
Washington Real Estate Investment Trust	Commercial	66,168,900	5	0.4%			
Wal-Mart	Commercial	63,622,797	6	0.4%			
Silver Companies	Commercial	61,744,800	7	0.4%	191,888,600	1	1.1%
Nash Stafford	Commercial	60,446,100	8	0.4%			
Aventine@Courthouse Square Apt.	Commercial	56,356,000	9	0.4%			
Garrett Companies	Commercial	56,344,400	10	0.4%			
Leeland station LLC	Commercial				44,786,200	9	0.3%
Vine Place II Associates LP	Commercial				39,971,100	10	0.2%
McLane/Mid-Atlantic Inc, McLane Foods	Commercial				68,949,380	6	0.4%
Andrew S. Garrett, Inc	Commercial				104,383,302	2	0.6%
Northern Stafford Associates	Commercial				97,889,200	3	0.6%
Augustine Land & Development LLC	Commercial				51,891,500	8	0.2%
Totals		$ 845,412,135		5.6%	$ 824,479,361		4.6%
Total taxable assessed real property		$ 15,042,358,135			$ 16,922,477,273		

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

Source: Office of the Commissioner of Revenue.

REAL PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Years 2006 - 2015
(unaudited) (1)

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (3)	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2006	98,469,052	573,162	99,042,214	94,744,404	96.22%	2,766,856	97,511,260	98.45%
2007	110,625,880	1,193,666	111,819,546	106,471,292	96.24%	3,113,928	109,585,220	98.00%
2008	127,394,700	(2,466,572)	124,928,128	121,206,262	95.14%	3,362,990	124,569,252	99.71%
2009	136,676,772	(1,070,130)	135,606,642	131,464,801	96.19%	4,275,615	135,740,416	100.10%
2010 (2)	138,276,717	(439,122)	137,837,595	133,418,693	96.49%	3,837,375	137,256,068	99.58%
2011	139,098,207	(477,378)	138,620,829	134,537,353	96.72%	3,075,897	137,613,250	99.27%
2012	138,195,291	(566,768)	137,628,524	134,446,756	97.29%	2,837,870	137,284,626	99.75%
2013	141,088,714	(628,046)	140,460,667	136,430,178	96.70%	2,541,168	138,971,346	98.94%
2014	144,738,631	(390,547)	144,348,083	140,322,929	96.95%	1,790,857	142,113,786	98.45%
2015	147,557,767	(395,963)	147,161,804	144,103,736	97.66%	0	144,103,736	97.92%

(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) The Collections in Subsequent Years column was restated to accurately report delinquent taxes by levy year rather than by collection year.

(4) Taxes Levied for the Fiscal Year = Tax setups minus Tax Relief and Disable Vet Relief

(5) Total Adjusted Levy was restated in prior years to include exonerations

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 2006 - 2015
(unaudited) (1)

	Governmental Activities						Business-Type Activities		Total Direct Debt	Total Direct Debt		
Fiscal Year	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)
2006 (6)	266,483,041	47,030,000	7,678,378	4,310,000	11,062,986	-	-	22,060,000	358,624,405	2.08%	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	2.02%	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	2.44%	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	2.30%	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	3.02%	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	2.93%	7.34%	3,057
2012	257,810,098	80,685,000	3,661,484	-	7,949,797	8,023,769	-	87,277,322	445,407,470	3.17%	7.94%	3,356
2013	297,085,268	77,195,000	3,195,335	-	7,026,320	7,626,409	-	85,002,056	477,130,388	3.35%	8.09%	3,526
2014	310,375,533	73,665,000	2,729,186	-	12,053,731	7,205,949	-	98,204,379	504,233,778	3.28%	8.28%	3,643
2015	314,821,489	12,415,000	2,263,037	-	10,339,667	71,099,213	-	95,339,840	506,278,246	3.22%	8.04%	3,558

(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 discounts.
(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.
(8) % of assessed Real Property Value changed for prior years 2006-2013 to account for revised population figures.

COUNTY OF STAFFORD, VIRGINIA **Table S-10**

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Fiscal Years 2006 - 2015
(unaudited) (1)

Fiscal Year	General Obligation Bonds (4)	Percentage of Estimated Actual Taxable Value of Property (2)	Outstanding Debt Per Capita (3)
2006	266,483,041	2.60%	2,218
2007	272,722,829	2.30%	2,259
2008	280,101,263	2.05%	2,301
2009	266,648,806	1.95%	2,171
2010	257,206,940	1.86%	1,994
2011	251,459,634	1.83%	1,919
2012	257,810,098	1.85%	1,943
2013	297,085,268	2.09%	2,196
2014	310,375,533	2.11%	2,242
2015	314,821,489	2.10%	2,212

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

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

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

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

(4) There are currently no resources that have been externally restricted for the repayment of the principal of general bonded debt.
Therefore net bonded debt is equal to total bonded debt.

COUNTY OF STAFFORD, VIRGINIA **Table S-11**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2015
(unaudited) (1)

	Debt Outstanding	Estimated Percentage Applicable (3)	Estimated Share of Direct and Overlapping Debt
Direct debt:			
General Government			
General obligation bonds (2)	$314,821,489	100.0%	$314,821,489
Lease revenue bonds (2)	12,415,000	100.0%	12,415,000
Literary loans	2,263,037	100.0%	2,263,037
Capital leases	10,339,667	100.0%	10,339,667
VRA	71,099,213	100.0%	71,099,213
Total general government direct debt	410,938,406		410,938,406
Overlapping Debt:			
Regional Joint Activities			
Rappahannock Regional Jail	58,595,000	47.6%	27,908,799
Juvenile Detention Center	2,338,000	33.6%	785,568
Total regional joint ventures	60,933,000		28,694,367
Total overlapping debt	60,933,000		28,694,367
Total direct and overlapping debt	$471,871,406		$439,632,773

(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.
(3) The estimated percentage applicable of overlapping debt was calculated based on the population.
(4) For Fy15 overlapping Debt was adjusted to match outstanding Debt @ each joint activity.

COUNTY OF STAFFORD, VIRGINIA

Table S-12
Page 1 of 3

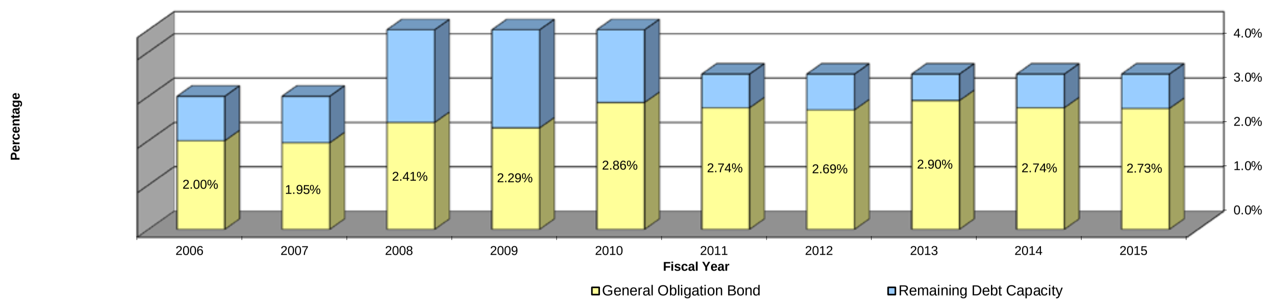
DEBT MARGIN INFORMATION
Fiscal Years 2006 - 2015
(unaudited) (1)

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 asssessed valuation of taxable real property prior to FY2014 and 3% thereafter. (4)

	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed value of taxable real property	$ 16,293,674,473	$ 16,913,237,529	$ 16,226,491,762	$ 16,313,534,929	$ 12,555,580,113	$ 12,719,091,716	$ 13,002,326,118	$ 13,262,150,638	$ 14,372,802,061	$ 14,699,463,435
Debt limit, 3.5% of assessed value (4)	$733,215,351	$761,095,689	$730,192,129	$734,109,072	$565,001,105	$445,168,210	$455,081,414	$464,175,272	$503,048,072	$514,481,220
Tax-supported general obligation debt (2)	$325,501,419	$329,985,058	$391,097,343	$373,095,996	$359,024,579	$348,511,738	$350,180,351	$385,102,012	$393,975,668	$400,598,739
% of assessed real property	**2.00%**	**1.95%**	**2.41%**	**2.29%**	**2.86%**	**2.74%**	**2.69%**	**2.90%**	**2.74%**	**2.73%**
Debt margin (3)	$ 407,713,932	$ 431,110,631	$ 339,094,786	$ 361,013,076	$ 205,976,526	$ 96,656,472	$ 104,901,063	$ 79,073,260	$ 109,072,404	$ 113,882,481

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



The limit of debt service to assessed value was increased to 4.5% in fiscal year 2005

(1) The scope of the independent audit does not include the tables/charts displayed in the Statistical section of the CAFR.
(2) The tax-supported general obligation debt includes general obligation bonds (including VPSA), lease-revenue bonds (issued for the construction of public safety projects), literary loans, certificates of participation 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

Table S-12
Page 2 of 3

DEBT MARGIN INFORMATION
Fiscal Years 2006 - 2015

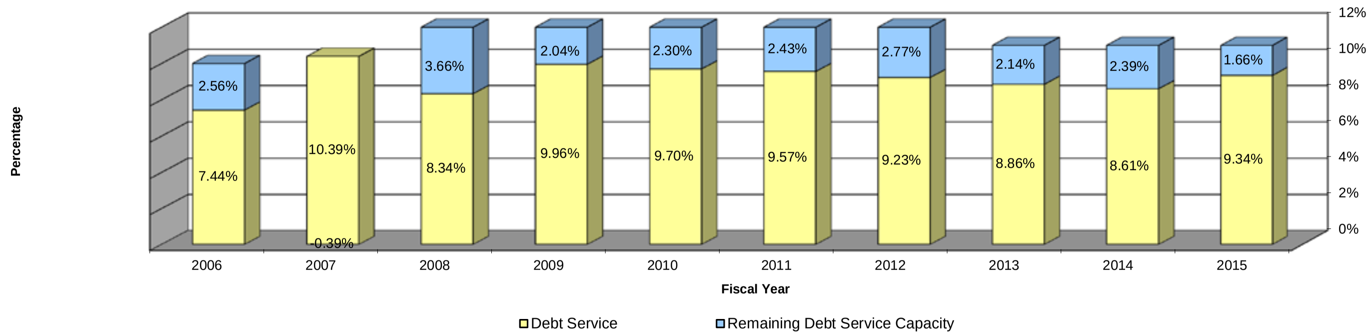
(unaudited) (1)

Debt Limitation 2:

General fund debt service expenditures not including master leases (County and Schools) shall not exceed 11% of the general government budget or 10 % after FY15. (5)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government budget (4)	$ 364,107,872	$ 314,664,138	$ 392,970,905	$ 384,090,478	$ 381,759,337	$ 383,015,888	$ 387,213,980	$ 399,027,672	$ 409,450,896	$ 419,269,371
Debt limit, 11% of general government budget	$36,410,787	$37,759,697	$47,156,509	$46,090,857	$45,811,120	$45,961,907	$42,593,538	$43,893,044	$45,039,599	$46,119,631
Debt service expenditure (2) (6)	27,081,989	32,706,238	32,770,319	38,265,401	37,039,949	36,636,001	$35,742,589	$35,348,244	$35,254,971	$39,169,081
Percentage of the general government budget	**7.44%**	**10.39%**	**8.34%**	**9.96%**	**9.70%**	**9.57%**	**9.23%**	**8.86%**	**8.61%**	**9.34%**
Debt service margin (3)	$ 9,328,798	$ 5,053,459	$ 14,386,190	$ 7,825,456	$ 8,771,171	$ 9,325,906	$ 6,850,949	$ 8,544,800	$ 9,784,628	$ 6,950,550

Debt Service to General Expenditures not to exceed 10%



(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
(6) The above schedule excludes debt service on master leases, the 2006 through 2013 expenditures were revised in the 2014 CAFR.

COUNTY OF STAFFORD, VIRGINIA

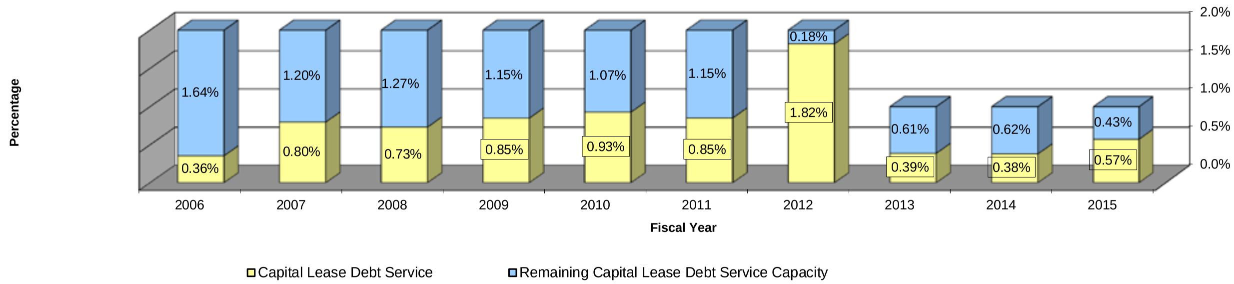
DEBT MARGIN INFORMATION
Fiscal Years 2006 - 2015
(unaudited) (1)

Debt Limitation 3:

Capital lease debt service shall not exceed 2% of the general government budget prior to FY13 and 1% thereafter. (3)

	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government budget	$ 364,107,872	$ 314,664,138	$ 392,970,905	$ 384,090,478	$ 381,759,337	$ 383,015,888	$ 387,213,980	$ 399,027,672	$ 409,450,896	$ 419,269,371
Capital lease debt service limit, 2% of general government budget (3)										
Total debt service limitation	7,282,157	6,293,283	7,859,418	7,681,810	7,635,187	7,660,318	7,744,280	3,990,276	4,094,509	4,192,694
Amount of total debt service applicable to limit (4)	1,293,850	2,513,460	2,881,029	3,264,298	3,545,952	3,264,391	7,054,952	1,549,552	1,559,682	2,405,210
Capital lease debt service as a percentage of general government budget	**0.36%**	**0.80%**	**0.73%**	**0.85%**	**0.93%**	**0.85%**	**1.82%**	**0.39%**	**0.38%**	**0.57%**
Debt service margin (2)	$ 5,988,307	$ 3,779,823	$ 4,978,389	$ 4,417,512	$ 4,089,235	$ 4,395,927	$ 689,327	$ 2,440,724	$ 2,534,827	$ 1,787,484

Capital Lease Debt Service to General Government Budget not to exceed 2% prior to FY13 and 1% thereafter



(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.
(3) Debt service limit was 2% of general expenditures prior to fiscal year 2012; The Board changed this policy to 1% of general general government budget in June 2012 after all debt service transactions had been recorded.
(4) At the end of fiscal year 2012 capital leases were paid down by $ 5.3 million.

PLEDGED REVENUE COVERAGE: WATER AND SEWER FUND
Fiscal Years 2005 - 2015
(unaudited) (1)

Fiscal Year	Water and Sewer Fund Gross Revenue (2)	Less: Expenses (3)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage (Times) (4)
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
2012	31,620,457	20,670,017	10,950,440	3,815,613	1,567,969	5,383,582	2.03
2013	37,586,122	20,577,533	17,008,589	1,975,883	3,174,914	5,150,797	3.30
2014	40,151,093	21,637,360	18,513,733	2,807,676	3,294,940	6,102,616	3.03
2015	39,480,956	24,423,982	15,056,974	2,864,536	3,777,812	6,642,348	2.27

(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 2006 - 2015
(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)
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	131,067	68,039	35,484	5.2%	5,493,935	41,917	12,719,091,716
2012	132,719	72,993	37,508	4.9%	5,674,401	42,755	13,002,326,118
2013	135,311	71,569	38,039	5.1%	5,900,913	43,610	13,262,150,638
2014	138,423	71,229	39,672	5.2%	6,091,996	44,010	14,389,795,201
2015	142,299	70,828	40,341	5.2%	6,296,162	44,246	14,699,463,435

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

(2) Population figures (2003 - 2010) provided by the U.S. Census Count. 2011 & 2012 is from Weldon Cooper Center. 2013 ,2014 & 2015 figure is from Stafford Economic Development to planning and Zoning projections.

(3) The Civilian Labor Force represents the number of people that live in Stafford County. Source:US census Table DP-03

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

(5) Unemployment Rate is as of July 2012. Source: VEC.

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

(7) Per capita Personal Income figures (2003-2009) 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%.
Per capita personal income figures (2011-2013): Provided by Stafford Economic Development. 2011 figure revised, 2012 & 2013 based on 2% increase.

(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	Virginia	United States
Population:				
Median age	33.0	34.2 (2)	37.5 (2)	37.2 (2)
Persons under 18 years old	28.6%	29.2%	23.4%	24.3%
Persons 19 to 64 years old	65.8%	64.3%	64.4%	62.8%
Persons 65 years old and over	5.6%	6.5%	12.2%	12.9%
Persons per square mile	341.9	477.0 (2)	202.1 (2)	87.3 (2)
Education:				
High school or higher	88.6%	91.3%	85.8%	84.6%
Bachelor's degree or higher	29.6%	35.5%	33.4%	27.5%
Income:				
Median household income	$75,456	$88,179	$59,372	$50,221
Housing:				
Number persons/household	3.0	3.0	2.5	2.6
Percent owner occupied	80.6%	79.5%	69.2%	66.9%
Owner occupied median value	$156,400	$364,900	$247,100	$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 2015 vs 2006
(unaudited) (1)

Employer	Industry	Fiscal Year 2015 Employees	Fiscal Year 2015 Rank	Fiscal Year 2015 Percentage of Total County Employment (2)	Fiscal Year 2006 Employees	Fiscal Year 2006 Rank	Fiscal Year 2006 Percentage of Total County Employment (2)
GEICO, Government Employees Insurance	Insurance	1000+	1	2.5%	1000+	2	3.2%
Stafford County School System	Education	3,959	2	9.8%	3,448	1	10.9%
U.S. Department of Defense	Government Services	1000+	3	2.5%			
Stafford County Government	County Government	813	4	2.0%	768	3	2.4%
Wal Mart	Retail Distribution	500-999	5	1.9%	250-499	8	1.2%
McLane Mid Atlantic	Retail Distribution	500-999	6	1.9%	500-999	4	2.4%
Stafford Hospital Center	Medical	500-999	7	1.9%			
Intuit	Computer Services	250-499	8	0.9%	250-499	6	1.2%
Food Lion	Grocery	250-499	9	0.9%			
Giant Food	Grocery	250-499	10	0.9%			
YMCA					250-499	9	1.2%
Hilldrup Transfer and Storage, Inc	Van Line Services				150-249	10	1.2%
Fredericksburg Auto Auction	Wholesale Electronic Markets & Agents/Brokers				250-499	7	1.2%
FBI Academy(Stafford Facilities)	Government Services				500-999	5	2.4%
Total 10 Largest Employers		9,022-11,266+		25.1%	7,366-9,459+		26.6%
Total County Employment		40,341			31,631		

(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: Virginia Employment Commission.

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
Fiscal Years 2006 - 2015
(unaudited) (1)

	Full-time Equivalent Employees as of June 30									
Function/Program Employees:	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Primary Government:										
Governmental activities:										
General government	131	134	122	116	105	98	99	99	97	103
Judicial administration	46	50	48	48	47	44	46	48	46	44
Public safety (2)	265	302	302	302	314	319	332	338	358	355
Public services (4)	24	19	23	24	-	-	-	-	-	-
Health and welfare	60	60	53	53	51	49	54	51	51	54
Parks, recreation and community fac	32	32	34	34	56	53	53	51	53	54
Community development	75	83	71	68	67	63	62	67	69	66
Transportation (5)	1	2	5	5	-	-	-	-	-	-
Total governmental activities emplo	634	682	658	650	640	626	646	654	674	676
Business-type activities:										
Utilities	134	139	126	141	135	134	136	132	134	137
Total business-type activities employees										
Total primary government employees	768	821	784	791	775	760	782	786	808	813
Volunteers:										
Public safety (6)	250	250	546	634	461	600	550	400	200	200

(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 reclassed to Parks, recreation and community facilities.
(5) Beginning in fiscal year 2010, Transportation was reclassed to Community development.
(6) The number of Public Safety Volunteers is provided by the Stafford County Fire and Rescue Department.

Source: Stafford Human Resources Department.

COUNTY OF STAFFORD, VIRGINIA

OPERATING INDICATORS BY FUNCTION (13)
Fiscal Years 2006 - 2015
(unaudited) (1)

	Fiscal Year									
Function/Program	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Governmental Activities:										
General government										
Commissioner of Revenue										
Taxpayers assisted at real estate and personal property counters	24,000	15,258	12,022	14,890	12,765	12,645	11,262	9,748	8,841	11,546
Building permits reviewed	3,300	2,756	2,177	1,465	1,604	1,609	1,798	1,961	1,976	1,858
State income tax returns processed	18,000	13,295	10,125	12,984	11,160	5,096	2,504	5,570	6,838	7,027
Personal property records processed	65,000	61,528	58,658	61,539	71,453	83,746	87,541	86,054	77,632	80,419
Finance										
Landfill bills processed	252	297	351	348	293	310	351	352	369	407
Accounts payable transactions processed (8)	55,094	42,036	42,215	34,794	42,105	43,980	44,497	45,156	47,429	43,731
Department of Human Resources										
Number of new hires	332	373	342	187	206	225	214	249	242	272
Number of positions recruited	264	481	291	192	93	86	94	80	78	90
Public Services										
Total facilities maintained (sq ft) (9)	225,046	231,999	421,134	427,381	433,427	495,567	495,567	563,271	565,128	559,558
Registrar										
Voters served at polling places	26,497	34,000	25,000	58,493	50,000	35,162	32,965	63,431	36,479	45,043
Registered Voters Served (12)						77,053	80,572	81,765	82,630	81,394
Treasurer										
Real estate and personal property bills processed	241,148	245,845	249,203	255,801	265,003	267,955	267,546	271,311	277,174	283,455
Auto decals processed	133,249	-	-	-	-	-	-	-		
Water and sewer bills processed	339,528	361,142	366,941	372,158	377,978	385,619	390,614	395,147	401,193	415,050
Judicial administration										
Victims' services	849	1,076	1,332	1,182	1,345	785	856	957	914	929
Public safety										
Requests for law enforcement service (responded)	73,390	73,112	72,096	71,464	70,941	68,817	75,457	73,371	75,716	75,458
Number of arrests	6,144	7,451	7,486	7,530	7,216	6,764	6,851	6,194	6,084	5,341
Number of fire and EMS calls (3)	21,806	22,984	23,707	21,734	20,648	22,674	25,660	25,957	25,432	24,845

COUNTY OF STAFFORD, VIRGINIA

OPERATING INDICATORS BY FUNCTION
Fiscal Years 2005 - 2015
(unaudited) (1)

Function/Program	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Social Services										
Benefit applications received	4,597	4,877	5,857	7,329	7,907	7,910	7,853	8,552	8,810	7,989
CPS complaints investigated (4)	400	469	501	515	521	542	603	546	542	695
Food stamp households served	1,413	1,615	1,797	2,203	2,942	3,363	3,701	4,024	4,032	3,718
Foster care children served	138	127	143	116	88	79	73	71	82	59
Parks, recreational and cultural										
Programs offered: gymnastics	1,210	1,355	1,550	1,630	2,000	2,042	2,230	2,056	1,610	2,532
Programs offered: senior citizens	102	103	165	308	376	412	377	260	495	564
Programs offered: sports/recreation	340	494	390	505	1,051	811	915	618	1,244	1,131
Programs offered: aquatics	572	696	625	598	550	549	550	630	507	635
Acres maintained	1,000	1,000	1,162	1,162	1,432	1,432	1,432	1,476	1,476	1,476
Community development										
Public Works										
Permits issued (10)	21,396	15,335	11,931	3,405	3,157	3,381	3,567	4,306	4,424	4,062
Chesapeake bay building permits reviewed (6)	3,650	2,402	1,765	1,308	1,558	1,422	1,487	1,744	1,893	1,942
Building inspections performed	53,709	42,302	35,024	24,499	25,740	25,188	26,254	30,708	33,897	24,889
E&S control inspections performed (5)	11,336	16,393	13,004	9,926	7,256	6,276	5,765	6,584	6,576	7,504
Economic Development/Legislative Affairs										
At-place employment	32,260	34,542	35,037	34,878	35,064	35,484	37,508	38,039	39,443	40,341
Unemployment rate	2.4%	2.6%	3.4%	5.4%	5.7%	5.2%	4.9%	5.1%	5.1%	5.2%
Businesses in the County	2,061	2,155	2,248	2,231	2,217	2,234	2,257	2,272	2,329	2,377
Legislative bills reviewed for action/response	3,287	3,069	3,323	2,577	2,964	2,693	2,876	2,575	2,942	2,925
Planning and Zoning										
Addresses issued (7)	2,161	1,748	1,013	1,369	486	308	760	1,666	633	716
Subdivision applications processed	834	726	582	415	205	343	316	442	652	482
Site plans processed	381	367	373	235	145	140	143	160	180	167
Zoning site development inspections	205	571	281	835	152	169	272	265	700	678
Zoning enforcement inspections performed	1,075	958	1,037	887	1,130	987	807	604	525	304

COUNTY OF STAFFORD, VIRGINIA

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OPERATING INDICATORS BY FUNCTION
Fiscal Years 2005 - 2015
(unaudited) (1)

Function/Program	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-Type Activities:										
Water & Sewer Utilities										
Billions of gallons of water treated per year	3.768	4.080	4.081	3.825	3.504	3.418	3.400	3.944	3.305	3.328
Water storage (mg)	15.800	16.645	16.645	16.645	16.645	16.645	16.645	16.645	17.645	17.645
Billions of gallons of wastewater treated per year	2.973	3.234	3.106	3.079	3.418	2.951	2.994	2.844	3.066	2.486
Number of customer accounts served	30,553	31,314	31,849	32,296	32,803	32,289	32,650	33,240	33,768	34,518

(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 reveiwed 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 reflected an overall slow down in new home starts. The increase in 2013 is due to volume of residential applications.
(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.
(13) The data is provided by the applicable Stafford County Departments.

Source: Various Stafford County Departments

COUNTY OF STAFFORD, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION
Fiscal Years 2006 - 2015
(unaudited) (1)

	Fiscal Year									
Function/Program	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Public services										
Total facilities maintained (sq ft) (4)	225,046	231,999	421,134	427,381	433,427	495,567	495,567	563,271	565,128	559,558
Public safety (2)										
Number of Fire & Rescue Stations	5	5	6	7	7	7	7	8	8	8
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	4	4	4
Utilities										
Water Plant Capacity (mgd)	19	19	19	19	19	19	19	19	19	19
Water Lines (miles)	491	558	571	579	579	584	600	613	619	634
Wastewater Plant Capacity (mgd)	10.5	10.5	10.5	10.5	10.5	14.5	14.5	14.5	18	18
Sewer Lines (miles)	433	452	462	470	480	481	497	506	511	516
Pumping Stations	82	86	87	88	88	89	89	89	91	90
Parks, recreation and cultural										
Number of County parks	12	12	10	10	13	13	13	18	18	18
Acreage of County parks	1002	1002	1025	1025	1432	1432	1432	1476	1476	1476
Number of Regional parks (5)	2	2	3	3	0	0	0	0	0	0
Acreage of Regional parks (5)	215	215	157	157	0	0	0	0	0	0
State and National parks (1,184 acres)	1	1	1	1	2	2	2	2	2	2
Playgrounds (county & schools)	24	24	24	25	25	25	25	25	25	25
Athletic fields (county & schools)	75	80	82	82	82	82	82	93	93	92
Tennis courts (county & schools)	19	19	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)	3	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 (48 ac	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	2	2	2	2	2	2	2	2	2
Public boat ramps	2	2	3	3	3	3	3	3	3	3

COUNTY OF STAFFORD, VIRGINIA

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CAPITAL ASSET STATISTICS BY FUNCTION
Fiscal Years 2006 - 2015
(unaudited) (1)

	Fiscal Year									
Function/Program	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Parks, recreation and cultural (cont.)										
Public marinas	2	2	2	2	2	2	2	2	2	2
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	2	2	2	2	2
Community development										
Libraries (3)	1	1	1	1	1	2	2	2	2	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 (CRRL) is a shared facility serving the Central Rappahannock area.
(4) County owned facilities only.
(5) Regional parks & regional acreage was added to county parks & county acreage in fiscal year 2010.

Source: Various Stafford County Departments

RSM

RSM US LLP

Independent Auditor's Report
On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based
On An Audit Of Financial Statements Performed
In Accordance With *Government Auditing Standards*

Board of Supervisors
County of Stafford, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Stafford, Virginia (the "County") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 18, 2015.

The County's basic financial statements include the operations of the County of Stafford School Board, a discretely presented component unit of the County of Stafford. Our audit, described below, did not include the operations of the County of Stafford School Board because the County of Stafford School Board separately engaged us to perform an audit in accordance with *Government Auditing Standards.*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies described in the accompanying Schedule of findings and Questioned Costs as Finding 2015-001 and 2015-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Finding 2015-003 and Finding 2015-004 to be significant deficiencies.

Compliance and Other Matters

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

The County's Response to Findings

The County's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGladrey LLP

New Bern, North Carolina
December 18, 2015

RSM US LLP, an Iowa limited liability partnership, is doing business as McGladrey LLP in the state of North Carolina and is a CPA firm registered with the North Carolina State Board of Certified Public Accountants under the name McGladrey LLP. Rules permitting the use of RSM US LLP have been published in the North Carolina Register and are pending final approval.

Independent Auditor's Report
On Compliance For Each
Major Federal Program And On Internal Control Over
Compliance Required By OMB Circular A-133

Board of Supervisors
County of Stafford, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Stafford, Virginia's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2015. 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*.

The County's basic financial statements include the operations of the County of Stafford School Board, a discretely presented component unit of the County of Stafford, which received $ 17,403,028 in federal awards which is not included in the County's schedule of expenditures of federal awards for the year end June 30, 2015. Our audit, described below, did not include the operations of the County of Stafford School Board because the County of Stafford School Board separately engaged us to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Stafford, Virginia complied, in all material respects, with the types of 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, 2015.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs, as Finding 2015-005 that we consider to be a material weakness.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

New Bern, North Carolina
December 18, 2015

RSM US LLP, an Iowa limited liability partnership, is doing business as McGladrey LLP in the state of North Carolina and is a CPA firm registered with the North Carolina State Board of Certified Public Accountants under the name McGladrey LLP. Rules permitting the use of RSM US LLP have been published in the North Carolina Register and are pending final approval.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures	
U.S. DEPARTMENT OF AGRICULTURE				
Pass Through Payments:				
Department of Social Services				
State Administrative Matching Grants for Food Stamp Program	10.561	0010113-90103	$ 578,235	
		0010113-90223		
		0040113-90104		
		0040113-90224		
TOTAL U.S. DEPARMENT OF AGRICULTURE				$ 578,235
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass Through Payments:				
Department of Social Services				
Social Services Block Grant	93.667	1000113-90648	317,885	
		1000113-90335		
		1000113-90340		
		1000113-90123		
		1000113-90124		
		1000113-90240		
		1000113-90242		
		1000113-90243		
		1000113-90244		
		1000113-90245		
		1000113-90246		
		1000113-90262		
		1000113-90351		
		1000113-90379		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760113-90116	65,525	
		0760113-90117		
		0760113-90118		
		0760113-90236		
		0760113-90237		
		0760113-90238		
		0760113-90529		
Administration for Children and Families				
Chafee Education and Training Vouchers Program	93.599	9160112-90353	4,047	
Child Welfare Services - State Grants	93.645	0900113-90251	2,982	

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)			
Pass Through Payments:			
Department of Social Services			
Temporary Assistance for Needy Families	93.558	0400113-90109	$ 410,172
		0400113-90110	
		0400113-90111	
		0400113-90112	
		0400113-90127	
		0400113-90229	
		0400113-90230	
		0400113-90231	
		0400113-90232	
		0400113-90247	
		0400113-90249	
		0400113-90365	
		0400113-90377	
Promoting health and stable families	93.556	950113-91129	1,147
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113-90623	9,617
		0500113-90113	
		0500113-90233	
Low-Income Home Energy Assistance	93.568	0600413-90114	43,940
		0600413-90115	
		0600413-90234	
		0600413-90235	
Foster Care Title IV-E	93.658	1100113-90639	282,690
		1100113-90658	
		1100113-90105	
		1100113-90106	
		1100113-90147	
		1100113-90225	
		1100113-90226	
		1100113-90227	
		1100113-90253	
		1100113-90258	
		1100113-90267	
		1100113-90268	
Adoption Assistance	93.659	1120113-90606	426,416
		1120113-90607	
		1120113-90228	
Adoption and Legal Guardian Incentive Payments	93.603	1130113-90651	2,902
Chafee Foster Care Independence Program	93.674	9150113-90254	6,579
		9150113-90356	
State Children's Insurance Program	93.767	0540113-90102	18,361
		0540113-90222	
Medical Assistance Program (Medicaid; Title XIX)	93.778	1200113-90101	648,812
		1200113-90146	
		1200113-90221	

		1200112-90266		
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				$ 2,241,075

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures	
DEPARTMENT OF DEFENSE				
Direct Payments:				
Office of Economic Adjustment				
Joint Use Land Study	12.610	not applicable	38,600	
TOTAL DEPARTMENT OF DEFENSE				$ 38,600
U.S. DEPARTMENT OF JUSTICE				
Direct Payments:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	not applicable	66,556	
Pass Through Payments:				
Office for Victims of Crime				
Crime Victim Assistance	16.575	13-P9564VW12	22,082	
TOTAL U.S. DEPARTMENT OF JUSTICE				88,638
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Payments:				
Federal Highway Administration				
Highway Planning and Construction	20.205	not applicable	1,075,923	
Pass Through Payments:				
Department of Motor Vehicles				
State and Community Highway Safety (Section 402)	20.600	SC2014-54108-5356	18,015	
Selective Enforcement - Alcohol	20.601	K8-2013-53164-4879	6,104	
Selective Enforcement - Occupant Protection	20.616	K2-2013-53165-4880	11,139	
Selective Enforcement - Alcohol	20.607	154AL-2014-54033-5281	54,140	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				1,165,321
U.S. DEPARTMENT OF TREASURY				
Direct Payments:				
QSCB Interest	Unknown	not applicable		64,237

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures	
DEPARTMENT OF HOMELAND SECURITY				
Direct Payments:				
Staffing for Adequate Fire and Rescue Response	97.044	EMW-2010-FH-00962	$ -	
Interoperable Emergency Communications	97.055	2010CKWX031	5,150	
Pass Through Payments:				
Department of Emergency Management				
Emergency Management Performance Grant	97.042	2010-EP-EO-0039	48,963	
Disaster Grants - Public Assistance	97.036	179-99179-00	37,850	
TOTAL DEPARTMENT OF HOMELAND SECURITY				$ 91,963
GRAND TOTAL FEDERAL FINANCIAL ASSISTANCE				**$ 4,268,069**

See notes to the schedule of expenditures of federal awards

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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 Singe 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, 2015

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(as) identified?	✓	Yes		No
Significant deficiency(ies) identified?	✓	Yes		None Reported
Noncompliance material to financial statements noted?		Yes	✓	No

Federal Awards

Internal control over major federal programs:				
Material weakness(es) identified?	✓	Yes		No
Significant deficiency(ies) identified?		Yes	✓	None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	✓	Yes		No

Identification of major federal programs:

CFDA Number	Program Name or Cluster
20.205	Highway Planning and Construction
10.561	State Adminstrative Matching Grants for the Supplemental Nutrition Assistance Program
93.778	Medical Assistance
93.667	Social Services Block Grant
93.659	Adoption Assistance Title IV-E

Dollar threshold used to distinguish between type A and type B programs	$ 300,000			
Auditee qualified as low-risk auditee?		Yes	✓	No

(Continued)

Section II - Financial Statement Findings

Finding 2015-001

Material Weakness in Internal Control - Review of Year-End Inventory

Criteria:	A system of review should be in place to ensure that the year-end inventory is complete and being prepared using a method in accordance with GAAP.
Condition and context:	During our testing of the year-end water/sewer inventory, we noted that the year-end inventory listing had items on the list with units on hand, but with a $0 corresponding "per unit" cost. We also noted that certain "per unit" costs were being reported at replacement cost, rather than the lower of cost or market value.
Effect:	The net effect is that the inventory value at year-end was understated by $125,139 and repairs and maintenance expense was overstated by $125,139
Cause:	Staff involved with the preparation of the year-end listing were not familiar with the inventory software, resulting in uploads of replacement cost that were overriding the initial cost within the system. There was also no formal training for use of the inventory tracking software. Staff involved with the review of the year-end listing were unaware that items were being reported at replacement cost. Staff reviewing the listing also did not carefully review the listing to see that items were being reported with a $0 "per unit" cost.
Recommendation:	We recommend formal staff training on inventory software be required for all staff responsible for water/sewer inventory. We also recommend a detailed review of the year-end listing to ensure that all items are being reported at the appropriate "per unit" cost.
Views of Responsible Officials:	We concur and corrections have been implemented to prevent reoccurrence. Inventory pricing was not GAAP (lower of cost or market) – staff has consulted with the Infor/Hansen vendor so the inventory system is now using GAAP in lieu of the replacement cost. Inventory discrepancies due to zeros in item cost - Due to a conversion/upgrade of the Hansen inventory system earlier in the year, the cost of many of the inventory items were imported as zero. Once this issue was discovered, staff immediately worked with our IT department to have the reporting function edited to resolve this issue. All inventory items now show the appropriate costs. Additionally, staff is receiving training and procedures are in place for review of inventory reports.

Section II - Financial Statement Findings (Continued)

Finding 2015-002

Material Weakness in Internal Control - Segregation of Duties related to Inventory

Criteria:	There should be adequate segregation of duties among the staff involved in ordering, receiving, monitoring and releasing inventory in order to reduce the likelihood of errors, fraud, or abuse in the inventory process and to allow for cross-training that reduces the County's exposure to risks associated with having one, or few, employees knowledgeable about a system or process.
Condition and context:	During our testing of the year end water/sewer inventory we noted that, currently, one individual is responsible for ordering, receiving, monitoring and releasing inventory from the warehouse.
Effect:	Lack of segregation of duties leaves the County vulnerable to errors, fraud, or abuse. It also creates risk for the County where only one, or few, staff know how to operate a system or process.
Cause:	Recent turnover in the water/sewer department resulting in fewer, and less experienced, staff.
Recommendation:	We recommend additional staff resources be incorporated in the ordering and receiving process, and that the related duties be segregated to adequately mitigate the segregation of duties risk.
Views of Responsible Officials:	Segregation of Inventory Duties – staff has worked with our Hansen partners to take advantage of the functionality in the Hansen upgrades and we have modified our standard procedures regarding all processes related to inventory including ordering, receiving, and payments. These processes now go through four individuals all of which can be tracked in our Hansen system.

Section II - Financial Statement Findings (Continued)

Finding 2015-003

Significant Deficiency in Internal Control -Physical Controls over Inventory

Criteria:	There should be adequate physical controls over inventory to prevent loss or theft from the inventory warehouse and storage yard.
Condition and context:	During our physical inspection of inventory we noted a lack of physical security over the warehouse and inventory yard. We also noted that inventory is not released in the inventory system until it is utilized on a work-order, resulting in quantities of inventory items being stored on trucks. We also noted discrepancies between the amounts recorded as inventory "on hand" per the inventory system, and the amounts "on hand" per physical counts in the warehouse, on the yard, and in trucks.
Effect:	Insufficient physical controls can result in inventory loss and/or theft. The adjustment to actual inventory per physical counts resulted in a net overstatement of inventory in the amount of $25,077 which was determined by management to be immateral to adjust.
Cause:	Inadequate control procedures over the monitoring and tracking of physical inventory.
Recommendation:	We recommend policies and procedures be put in place to be able to adequately track inventory as to its storage location and use, and to adequately monitor inventory as it physically leaves the warehouse/yard versus when the inventory is relieved via a work order.
Views of Responsible Officials:	Inventory Physical control – The inventory yard and warehouse are located within a fenced area that is secured after hours. The area is available to all staff which leaves it open to risk. In order to make the warehouse items more secure, areas will be fenced off and locked with a limited number of employees approved for access. Those employees will administer and record the issuance of supplies. The gated area will cover the vast majority of supplies. The yard holds the larger items, such as pipes, manhole lids valves etc. Due to the large volume and size of these items, and the lack of space in our facility, it is not possible to separate all of these items from the open area available for truck parking and bulk storage. Staff is reviewing the annual inventory to determine which items are most at risk for loss by identifying those with the largest discrepancies. If any of the items shows a significant loss, a fenced area will be constructed to house those items. The annual inventory will be used to continually identify any issues which may cause a risk, and those items will be secured within the locked fenced area.

Section II - Financial Statement Findings (Continued)

Finding 2015-004

Significant Deficiency in Internal Control - Recording of Donated Assets

Criteria:	Purchased capital assets are more easily identified and recorded in the financial statements than donated capital assets, however, donated capital assets must also be properly recorded and valued in the financial statements to account for the value of the asset received and the recognition in non-operating revenue that the County has received that amount of value.
Condition and context:	During testing of capital asset additions, it was noted certain donated water and sewer assets were recorded as an increase in capital assets in the water/sewer statement of net position and as an increase in a "contra expense" account (reducing an expense line item). Capital assets that are donated should be recorded as an increase in capital assets in the statement of net position, and as an increase to non-operating revenue.
Effect:	Other non-operating revenues and certain expense line items were understated by $8,308,543.
Cause:	Lack of review and/or knowledge related to recording donated capital assets.
Recommendation:	We recommend (1) the County review minutes of Board meetings and all journal entries to help ensure donated assets are identified and appropriately accounted for in the financials statements, (2) staff be given training in recording and accounting for donated assets, and (3) County policies and procedures be clarified/modified to require a documented review for the recording of donated assets each year..
Views of Responsible Officials:	Beginning in FY14 the asset entry for the proprietary funds changed the offset to a contra account. The donated assets were booked in the fixed asset subledger but the contra account was credited and not revenue. This entry would have been discovered by management during financial statement presentation. In the future management will book the donated assets separately from the other and ensure revenue gets credited.

Section III - Findings and Questioned Costs for Federal Awards

Finding 2015-005

Material Weakness in Internal Control Over Compliance - Medical Assistance Eligibility
93.778

Criteria:	The County should (1) have an adequate system for physically maintaining, using and locating physical records/case files related to the Medical Assistance program and (2) operate a participant tracking process for Medical Assistance eligibility files which allows for adequate monitoring of cases to ensure timely and accurate determinations, and re-determinations, of eligibility.
Condition and context:	During testing of the Medical Assistance program, we noted that the participant tracking process did not result in adequate monitoring of the electronic Medical Assistance case files due to a significant increase in caseload and understaffing, resulting in (a) 40 instances (of 65 case files tested) where renewals of client eligibility were not performed within the prescribed 12 months, (b) 1 instance where a client file could not be located, and (c) 1 instance where a client case had been transferred to the County electronically without anyone's knowledge in excess of 2 years earlier due to non-receipt of the paper file from the transferring jurisdiction. The determination/re-determination process is made more difficult due to limitations of the resources available to maintain physical records/case files and a file locator system and participant tracking process to monitor timely and accurate eligibility determinations and re-determinations.
Effect:	40 out of 65 cases reviewed were overdue for renewal, 1 case file could not be located, 1 case had been transferred to the County without anyone's knowledge in excess of 2 years.
Cause:	Insufficient participant tracking process due to an inadequate physical filing system and decreased staffing resources resulting in in adequate monitoring of eligibility case files. Since the implementation of the Affordable Care Act, there has been a sharp increase in the volume of applications resulting in understaffing at the agency.
Recommendation:	We recommend the County consider (1) implementing an electronic participant tracking process with integrated participant key date (e.g. benefit determination and re-determination date) alert functions, (2) obtaining additional staff resources to "catch up" monitoring and re-determinations, and (3) evaluating the level of staffing needed to address the "new normal" volume of staffing needed for Medical Assistance subsequent to the passage of the Affordable Care Act.

County of Stafford, Virginia

Corrective Action Plan
Year Ended June 30, 2015

Identifying Number: 2015-001

Finding:	During our testing of the year end water/sewer inventory we noted that the year-end inventory listing had items on the list with units on hand, but with a $0 corresponding unit costs. We also noted that the unit cost of the remaining items were being reported at replacement cost, rather than lower of cost or market.
Corrective Actions Taken:	We concur and corrections have been implemented to prevent reoccurrence. Inventory pricing was not GAAP (lower of cost or market) – staff has consulted with the Infor/Hansen vendor so the inventory system is now using GAAP in lieu of the replacement cost. Inventory discrepancies due to zeros in item cost - Due to a conversion/upgrade of the Hansen inventory system earlier in the year, the cost of many of the inventory items were imported as zero. Once this issue was discovered, staff immediately worked with our IT department to have the reporting function edited to resolve this issue. All inventory items now show the appropriate costs. Additionally, staff is receiving training and procedures are in place for review of inventory reports.

Identifying Number: 2015-002

Finding:	During our testing of the year end water/sewer inventory we noted that currently one individual is responsible for ordering, receving, monitoring and releasing inventory from the warehouse.
Corrective Actions Taken:	Segregation of Inventory Duties – staff has worked with our Hansen partners to take advantage of the functionality in the Hansen upgrades and we have modified our standard procedures regarding all processes related to inventory including ordering, receiving, and payments. These processes now go through four individuals all of which can be tracked in our Hansen system.

Identifying Number: 2015-003

Finding:

During our physical inspection of inventory we noted a lack of physical security over the warehouse and inventory yard. We also noted that inventory is not released in the inventory system until it is utilized on a work-order, resulting in qualtities of invnentory items being stored on trucks. We also noted discrepancies from the amounts recorded on hand versus the amounts physically on hand both with and without including the inventory maintained on the trucks.

Corrective Actions Taken:

Inventory Physical control – The inventory yard and warehouse are located within a fenced area that is secured after hours. The area is available to all staff which leaves it open to risk. In order to make the warehouse items more secure, areas will be fenced off and locked with a limited number of employees approved for access. Those employees will administer and record the issuance of supplies. The gated area will cover the vast majority of supplies. The yard holds the larger items, such as pipes, manhole lids valves etc. Due to the large volume and size of these items, and the lack of space in our facility, it is not possible to separate all of these items from the open area available for truck parking and bulk storage. Staff is reviewing the annual inventory to determine which items are most at risk for loss by identifying those with the largest discrepancies. If any of the items shows a significant loss, a fenced area will be constructed to house those items. The annual inventory will be used to continually identify any issues which may cause a risk, and those items will be secured within the locked fenced area.

Identifying Number: 2015-004

Finding:

During testing of capital asset additions, it was noted the donated water and sewer assets were recorded on the balance sheet but erroneous booked through expense as if they had been purchased. Fixed assets that are donated should be recorded as assets and a corresponding revenue be booked to account for the increase in net position without the distribution of cash or other assets for their acquisition.

Corrective Actions Taken:

Beginning in FY14 the asset entry for the proprietary funds changed the offset to a contra account. The donated assets were booked in the fixed asset subledger but the contra account was credited and not revenue. This entry would have been discovered by management during financial statement presentation. In the future management will book the donated assets separately from the other and ensure revenue gets credited.

Identifying Number: 2015-005

Finding: During testing of the medical assistance program, we noted that an insufficient filing system with inadequate monitoring of the electronic Medical Assistance tracking system due to a significant increase in caseload and understaffing resulted in 40 instances out of 65 where renewals of client eligibility were not performed within the prescribed 12 months, 1 instance where a client file could not be located, and 1 instance where a client case had been transferred to the County electronically without anyone's knowledge in excess of 2 years due to non-receipt of the paper file from the transferring jurisdiction.

Corrective Actions Taken: Stafford County Department of Social Services (DSS) concurs with the finding. Despite the increasing Medicaid caseload (a 25% increase in fiscal year 2015 over fiscal year 2014), DSS continuously strives to complete all Medicaid renewals timely in accordance with program requirements. The agency understands the importance of this task and is continuously identifying new ways to become more efficient. From the time of this audit to date, DSS has:

- Purchased a rolling file system.
- Drafted a quality assurance measure of filing “check out” controls.
- Improved the timeliness of processing by reducing the number of overdue Medicaid renewals by 60%.
- Continued implementation of new technology by completing state required Virginia Case Management System (VaCMS) Trainings that will reduce duplication of services and errors for client record keeping.

DSS will continue to strive for excellence, but as the caseload continues to grow additional staff may be needed to keep up with the demand.

County of Stafford, Virginia

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

Finding 2014-001

Significant Deficiency in Internal Control - Review of Year-end OPEB Accrual Workpaper

Status	The County has designed an implemented appropriate control for remediation of the significant deficiency.

Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork