STAFFORD COUNTY, VIRGINIA

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

FISCAL YEAR 2016
(July 1, 2015 - June 30, 2016)

Prepared by Stafford County, Virginia Finance Department

Anthony J. Romanello, County Administrator
Maria J. Perrotte, Chief Financial Officer
Alan R. (Randy) Helwig, Controller
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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, 2016

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COMPLIANCE SECTION

Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

December 19, 2016

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) 2016 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.

RSM 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, 2016, 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, 2016, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements and internal controls involving the administration of federal awards. These reports are available in the compliance section of this report.

GAAP requires that management provide a narrative overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors at the beginning of the financial section.

PROFILE OF STAFFORD COUNTY

Stafford County was formed in 1664 and was named for Staffordshire, England. The County is located in northeastern Virginia, approximately 40 miles south of Washington, D.C. and 55 miles north of Richmond, Virginia. It encompasses 277 square miles and is bordered by the Potomac River on the east and the Rappahannock River on the south.

Stafford County operates under the board of supervisors/administrator form of government. The Board of Supervisors (the Board) consists of seven members elected by district who have authority over local taxation, budgets, borrowing, local ordinances and policy. The Board appoints a County Administrator to act as the chief administrative officer of the County. The County Administrator serves at the pleasure of the Board of Supervisors and carries out the policies established by the Board.

The government of the County serves a population of 142,380 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, RSM 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 2015-2016. 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 2016 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 continues 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, 2016 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 with a goal of 2% by 2018 – to be used during times of economic downturns when reduced revenues create fiscal stress.
- Capital Projects Reserve – a minimum of $1.5 million for capital needs to reduce reliance on debt.
- Schools Capital Projects Reserve – a minimum of $1.5 million for capital needs to reduce reliance on debt.
- Stafford Opportunity Fund – $0.5 million 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 2016, including meeting the FY 2018 funding goal of 2% for the Revenue Stabilization Reserve. 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% of the assessed value of taxable real property. General obligation debt as a percentage of taxable real property assessed value for FY 2016 was 2.59%. General Fund debt service expenditures for the County and its Component Unit School Board are not to exceed 10% of general government and schools operating budgeted expenditures. Debt service expenditures were 9.47% of budgeted expenditures for FY 2016. 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.

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 2016-2025 CIP totaled $783.9 million with $311.1 million for County projects, $266.1 million for school projects and $206.7 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 $422.8 million - $126.1 million for County projects, $200.9 million for school projects and $95.8 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.

ECONOMIC CONDITION AND OUTLOOK

Stafford County saw modest growth in FY 2016. Stafford County's location offers 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 March 2016 was 4.0%, while the State of Virginia and national rates were 4.2% and 4.9% 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 2,600 businesses located in Stafford, employing more than 41,500 people. The professional and business services and health care industries have contributed significantly to that growth. Nearly 425,000 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:

- 3rd highest job growth rate for localities in Virginia, 2005-2016
- 18th highest national median household income - 2016
- 6th highest ranked County in Virginia for median family income, 2016
- 4th fastest rate of growth in wages in Virginia for Stafford businesses, 2005-2016

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 Redevelopment Plan element of the Comprehensive Plan to provide opportunities for business development and expansion
- Support multiple regional workshops for the business community focusing on business development and resources, workforce development, and veterans' transition programs.

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. Department staff provide Economic Development overviews to executive roundtables, professional associations, and community groups. 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. This business cluster attracts additional defense and high-tech related contractors. Healthcare, education, and support service enterprises (hotel, retail and food service) have located, are under construction, or plan to locate in the area.

The Board approved initial funding and the 2016 Implementation plan for the Stafford County Research and Technology Park (STRP) at Quantico Corporate Center. The plan includes the creation of a business accelerator/co-working space to accommodate the needs of new small business entrepreneurs, the hire of a full-time executive director to advance the Tech Park Initiative, and the co-location of the Center under one roof with the larger business accelerator/co-working space.

The central Courthouse area includes a variety of retail, government and health care facilities. The historic Courthouse area has been master planned 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. Bike and pedestrian trails have been constructed as a means of linking the area to historic and recreation sites.

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, a new southbound turn lane has been completed at the intersection of route 1 and Garrisonville Road. Construction begins in Spring 2017 to widen Rt. 610, a major transportation corridor. 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. Additional 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 tourism website, a wayfinding signage program, cooperative regional programs, Civil War reenactments, and more. The construction of the replica of George Washington's boyhood home is set for completion in 2017.

Sports Tourism now brands Stafford County as a regional sports destination. The new Rouse Swim and Sports Center provides an Olympic pool complex, and 6 multi-sport fields with an additional 2 synthetic fields under construction. With the addition of this new complex, Stafford County will host seven confirmed new tournaments in 2017. More tournament and events are in the pipe

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 2016 budget was adopted in April 2016, 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 2017 as well.

In July, 2012, the Board passed a resolution to establish a commission to create an armed services memorial in Stafford County. The memorial will: honor the loss of Stafford's brave sons and daughters and their families; provide a place for families and citizens to honor the fallen; and serve as a visible reminder to the public of all the men and women who gave the last full measure of devotion to their county.

The County has completed construction of buildings, public family style restrooms, trail and a boat launch at Lake Mooney (previously Rocky Pen). Lake Mooney is a 520 acre reservoir that holds 5.5 billion gallons of water. The lake now allows for non-motorized boating and will open to recreational fishing.

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. Several road projects that were funded in part through these general obligation bonds were completed in FY2016. Garrisonville Road in northern Stafford County was widened to a six lanes. Improvement to Poplar Road in central Stafford County was finished. Reconstruction of a portion of Mountain View Road was also completed.

The County is currently looking at feasible areas in which to share services with Stafford County Public Schools. Shared services are already in place in many functional areas. We have a joint Fleet Services Department that maintains both County and School vehicles. Both the County and the Schools have contracted to provide the same medical and dental benefit provider with similar plans to all employees. The County is considering other areas to combine services that would provide the same level of service to the customer and the residents of the County.

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 Transportation Alternative 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, Embrey Mill, a rectangular fields complex in Central Stafford. 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 is 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 opened 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 opened at Embrey Mill Park. This 76,000 square foot indoor recreation facility, houses 3 pools, one of which is 50 meters x 25 yards, that accommodate high level championship swim meets, space for fitness equipment, aerobics, spinning, 2 basketball courts, and classrooms was completed.

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, 2015. This was the County's thirty-fourth 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-eight years, including the 2016 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 FY2016, please refer to the Management's Discussion and Analysis, located in the Financial Section of this document.

ACKNOWLEDGEMENTS

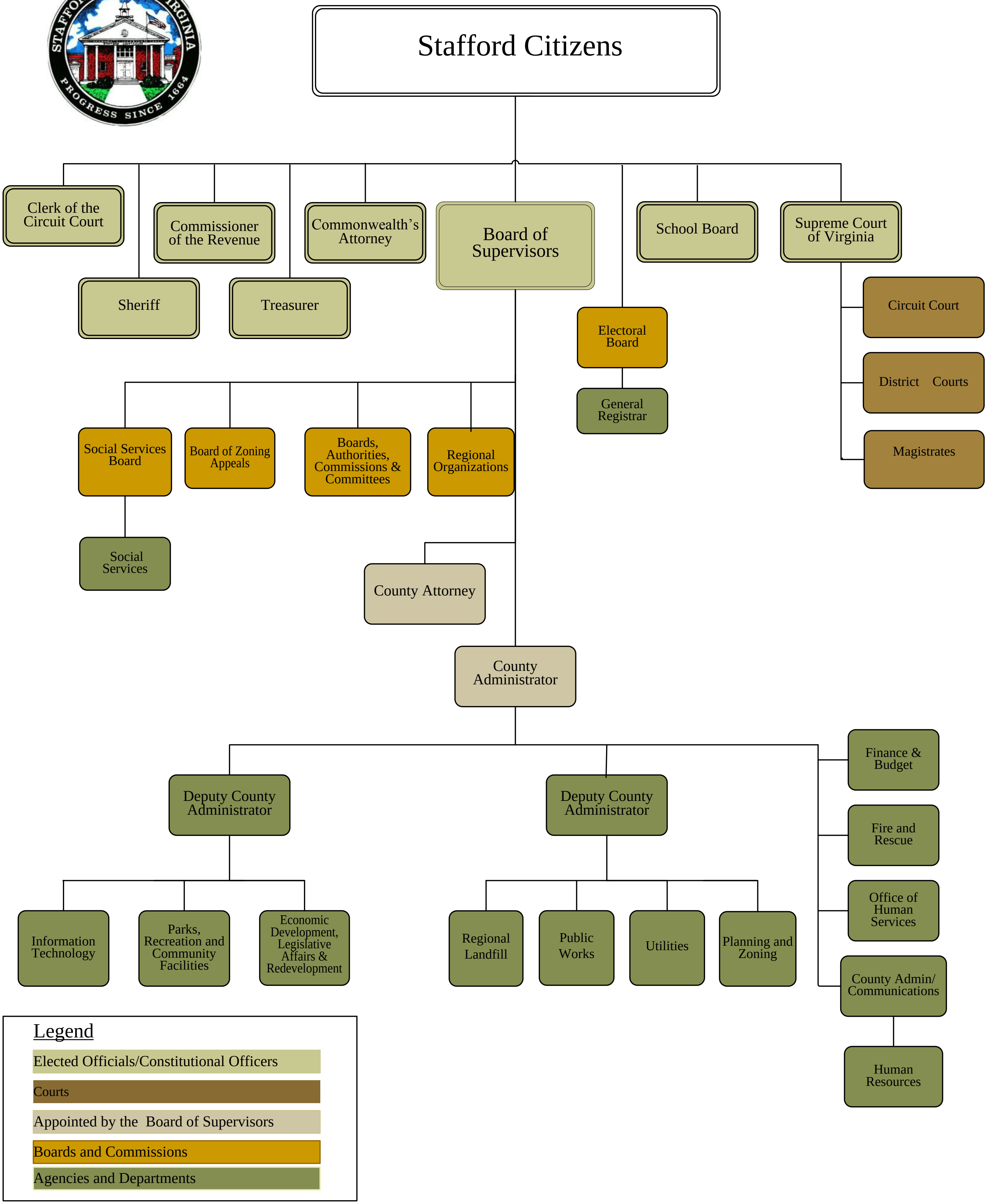
Stafford County has a sound record in financial management and continues to maintain a strong and stable financial reporting system. Appreciation is expressed to the members of the Stafford County Board of Supervisors, the School Board, the Treasurer, and the Commissioner of the Revenue for their interest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

C. Douglas Barnes
Interim County Administrator

Maria J. Perrotte
Chief Financial Officer

COUNTY OF STAFFORD, VIRGINIA



COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS

BOARD OF SUPERVISORS

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

CONSTITUTIONAL OFFICERS

Kathy M. Stern	Clerk of Circuit Court
Scott A. Mayausky	Commissioner of the Revenue
Eric L. Olsen	Commonwealth's Attorney
David P. Decatur	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
Michael Q. Cannon	Director of Information Technology
Maria J. Perrotte	Chief Financial Officer
Catherine L. Vollbrecht	Acting Director of Parks, Recreation and Community Facilities
Chris K. Rapp	Director of Public Works
Shannon E. Howell	Public Information Officer
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, 2015

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, 2016, 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, 2016, 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.

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 22–35 and 103–110 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 19, 2016, 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.

RSM US LLP

New Bern, North Carolina
December 19, 2016

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, 2016. 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 $216.2 million (*net position*).

- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $96.4 million. Of the $96.4 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 $16.1 million during the current fiscal year. The increase was in part the result of change in long term debt of $18.7 million debt which consisted of $20.6 million of VPSA debt for school renovation and construction projects and $10.3 million in general obligation bonds 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 $216.2 million at the close of fiscal year 2016. By far, the largest portion of the County's net position ($448.3 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 ($12.7 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 $149.7 million governmental net position deficit is primarily due to $294.0 million for school property and equipment.

The net $18.3 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, 2016 and 2015
($ in millions)

	Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total Primary			
	2016	2015	2016	2015	2016	2015	2016	2015
Assets:								
Current and other assets	$ 176.1	$ 178.7	$ 69.9	$ 56.3	$ 246.0	$ 235.0	$ 105.8	$ 103.6
Capital assets (net)	253.9	224.3	420.9	408.7	674.8	633.0	442.2	437.7
Total assets	430.0	403.0	490.8	465.0	920.8	868.0	548.0	541.3
Total deferred outflows of resources	10.5	8.4	1.1	.7	11.6	9.1	23.4	24.3
Liabilities:								
Other liabilities	106.1	102.7	12.4	11.2	118.5	113.9	56.8	58.7
Long-term liabilities	476.1	460.1	112.6	105.6	588.7	565.7	277.3	273.2
Total liabilities	582.2	562.8	125.0	116.8	707.2	679.6	334.1	331.9
Total deferred inflows of resources	8.1	9.5	0.9	1.2	9.0	10.7	28.4	36.7
Net position:								
Net Investment in capital assets	125.6	98.3	322.7	308.7	448.3	407.0	438.9	433.6
Restricted	2.0	2.7	10.7	9.6	12.7	12.3	12.9	38.8
Unrestricted	(277.3)	(261.9)	32.6	29.4	(244.7)	(232.5)	(242.9)	(275.4)
Total net position	$(149.7)	$(160.9)	$ 366.0	$ 347.7	$ 218.3	$ 186.8	$ 208.9	$ 197.0

Statement of Activities
Governmental Activities

The increase in net position attributable to the County's governmental activities totaled $8.0 million for fiscal year 2016. Generally, the change in net position is the difference between revenues and expenses. For fiscal year 2016 governmental revenues were $286.1 million and expenses were $274.9 million. A summary of key elements follows:

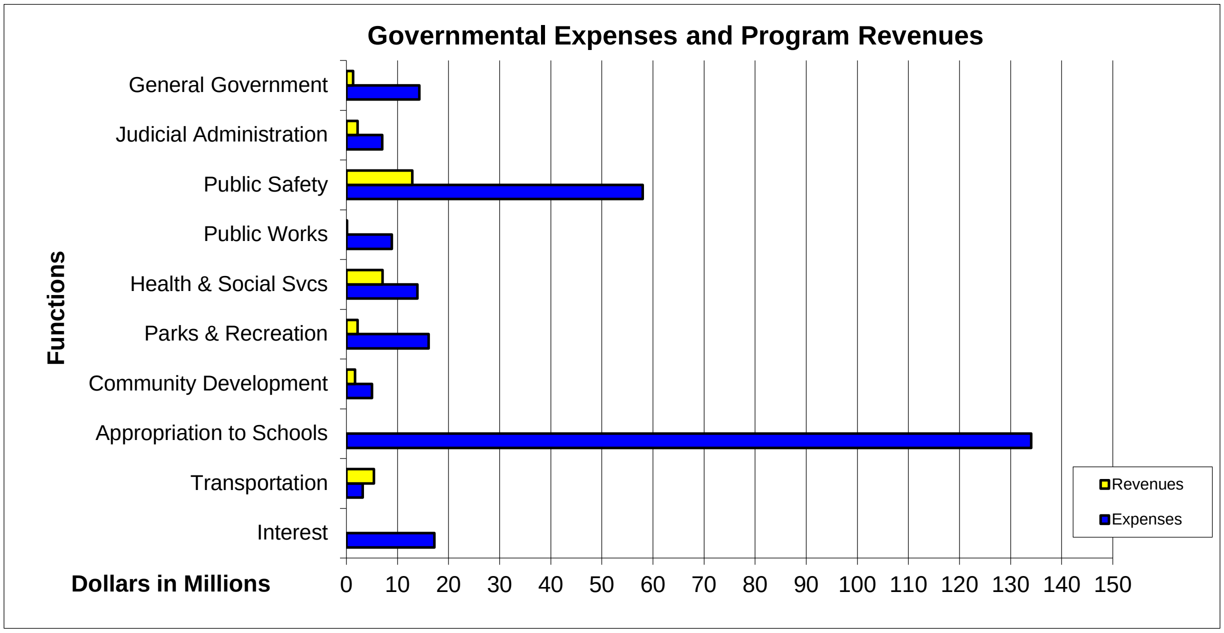
- Revenues increased $8.7 million due to increased real estate tax collections, consumer taxes and development fees.

- Operating grants and contributions increased $0.1 million.

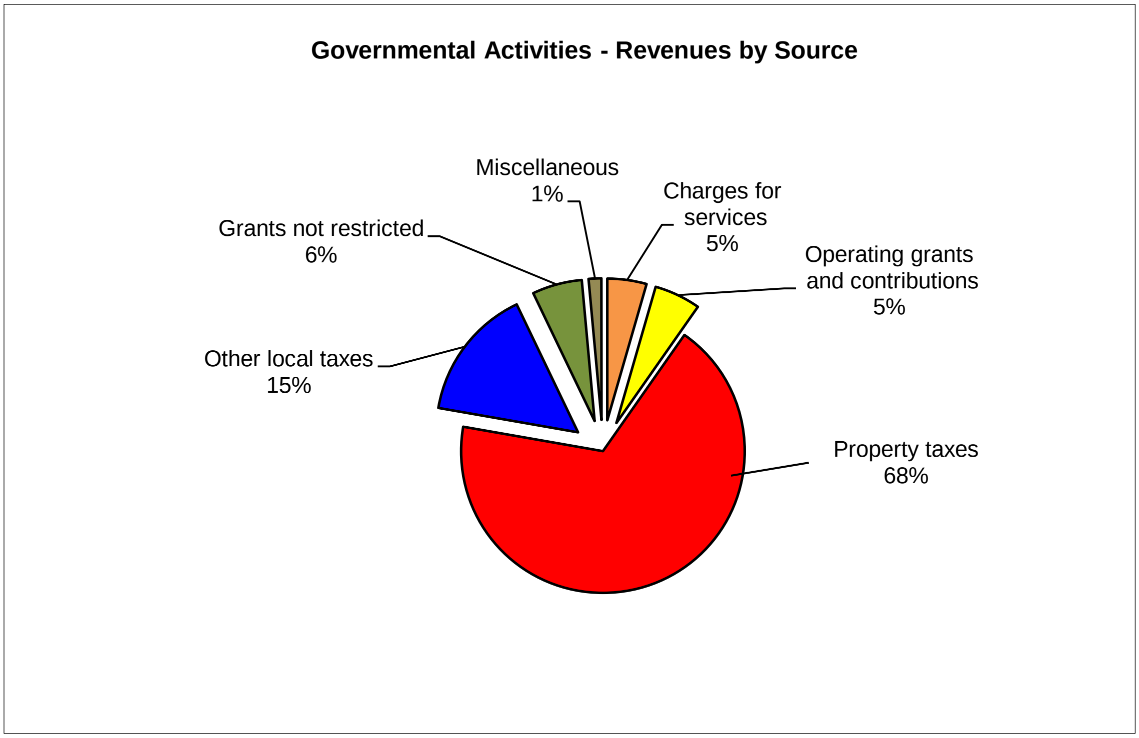
- Capital grants and contributions increased $4.2 million reflects a revenue sharing agreement for local road improvement projects.

- Expenses for governmental activities recorded a net decrease of $.3 million compared to the prior year. Increases in public safety and schools were mostly offset by a reduction in parks and recreation due to completion of park construction together with a decrease in public works due to increase equity of the RBoard.

The following graph compares the County's fiscal year 2016 expenses by function to associated program revenues for governmental activities.



The following graph illustrates the County's fiscal year 2016 governmental revenues by source.



Business-type Activities

The increase in net position attributable to the County's business-type activities totaled $18.3 million for fiscal year 2016. 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 2016, resulting in a net loss before contributions of $2.2 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 2016:

- The Water and Sewer Fund implemented a rate increase of 9% in fiscal 2016 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 $32.4 million, which were $1.8 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 $11.7 million which is a $3.1 million increase compared to the prior year. Availability and pro-rata fees are paid by the developer of a subdivision and then passed on to the new homeowner.

- Donated capital assets (infrastructure completed by developers and dedicated to the County) totaled $8.0 million, a $0.3 million decrease compared to the prior year.

- Expenses totaled $34.8 million, a net $0.3 million decrease over the prior year. Contractual service increased $0.2 million, materials and supplies increased $0.4 million, other expenses such as heat, light, telecommunications decreased $0.2 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, 2016 and 2015 ($ in millions)	Primary Government						Component Unit School Board	
	Governmental Activities 2016	Governmental Activities 2015	Business-Type Activities 2016	Business-Type Activities 2015	Total Primary 2016	Total Primary 2015	2016	2015
Revenues:								
Program revenues:								
Charges for services	$ 12.6	$ 12.8	$ 32.5	$ 30.6	$ 45.1	$ 43.4	$ 18.4	$ 18.9
Operating grants and contributions	14.9	14.8	-	-	14.9	14.8	132.0	130.0
Capital grants and contributions	5.4	1.2	19.7	16.9	25.1	18.1	22.2	27.5
General revenues:								
General property taxes	192.1	185.3	-	-	192.1	185.3	-	-
Other local taxes	42.6	40.5	-	-	42.6	40.5	27.8	26.9
Grants not restricted	16.0	15.6	-	-	16.0	15.6	111.7	103.7
Investment earnings	.5	.1	.6	.2	1.1	.3	.1	.1
Miscellaneous	4.0	6.6	-	-	4.0	6.6	.1	.1
Total revenues	288.1	276.9	52.8	47.7	340.9	324.6	312.3	307.2
Expenses:								
General Government	14.3	14.8	-	-	14.3	14.8	-	-
Judicial administration	7.0	6.4	-	-	7.0	6.4	-	-
Public safety	58.0	52.3	-	-	58.0	52.3	-	-
Public works	6.2	8.3	-	-	6.2	8.3	-	-
Health and social services	13.9	12.4	-	-	13.9	12.4	-	-
Parks, recreation and cultural	16.1	25.4	-	-	16.1	25.4	-	-
Community development	5.0	4.4	-	-	5.0	4.4	-	-
Appropriation to schools	134.0	131.2	-	-	134.0	131.2	300.4	285.2
Transportation	3.2	3.0	-	-	3.2	3.0	-	-
Interest	17.2	17.0	-	-	17.2	17.0	-	-
Water and sewer	-	-	34.5	34.8	34.5	34.8	-	-
Total expenses	274.9	275.2	34.5	34.8	309.4	310.0	300.4	285.2
Excess (deficiency) before transfer	13.2							
Transfers	(2.0)	-	-	-	(2.0)	-	-	-
Change in net position	11.2	1.7	18.3	12.9	29.0	14.6	11.9	22.0
Net position (deficit) beginning, as previously reported	(160.9)	(139.4)	347.7	338.8	186.8	199.4	197.0	429.7
Effect of GASB 68	-	(23.2)	-	(4.0)	-	(27.2)	-	(254.7)
Net position (deficit), July 1, as restated	(160.9)	(162.6)	347.7	334.8	186.8	172.2	197.0	175.0
Net position (deficit) ending	$ (149.7)	$ (160.9)	$ 366.0	$ 347.7	$ 216.3	$ 186.8	$ 208.9	$ 197.0

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 $96.4 million, a decrease of $3.8 million in comparison with the prior year. Of the $96.4 million, $4.0 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 2016 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.

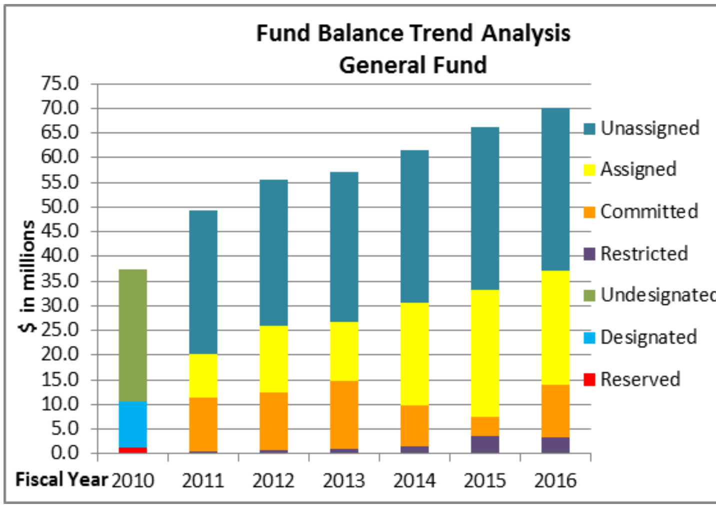
The General Fund is the primary operating fund of the County. The total fund balance of the County's General Fund increased $4.2 million during fiscal year 2016. This was due to management's conservative budgeting, commitment to maintain unassigned fund balance at or above stated policy levels, frequent analysis of revenue collection and expenditure patterns, and underspending by Schools. Of the $70.3 million General Fund balance, $0.6 million is restricted for grant-funded programs, $2.5 million is restricted for health insurance expenditures, $10.7 million is committed by policy or for contractual obligations, $23.3 million is assigned for future expenditures and $32.9 million is unassigned.

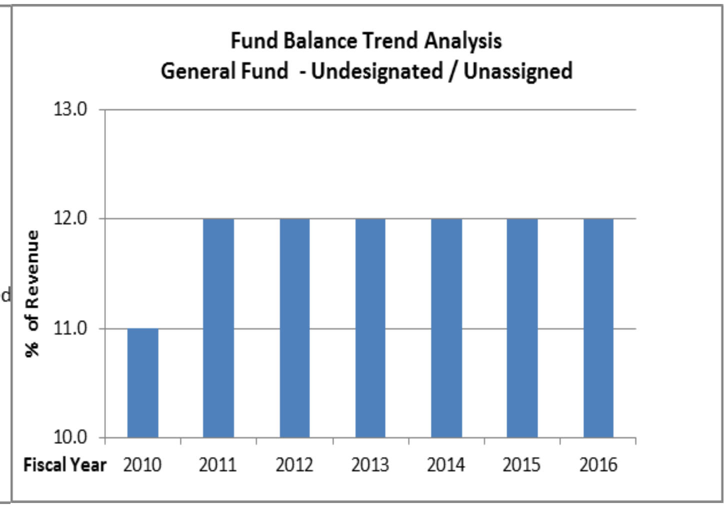
In addition to the General Fund the County has two major governmental funds, the Transportation Fund and the General Capital Projects Fund. Total fund balance for the Transportation Fund at year end was $7.4 million, a decrease of $ 1.3 million compared to the prior year. Of the $7.4 million, $6.8 million is committed and $0.6 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.

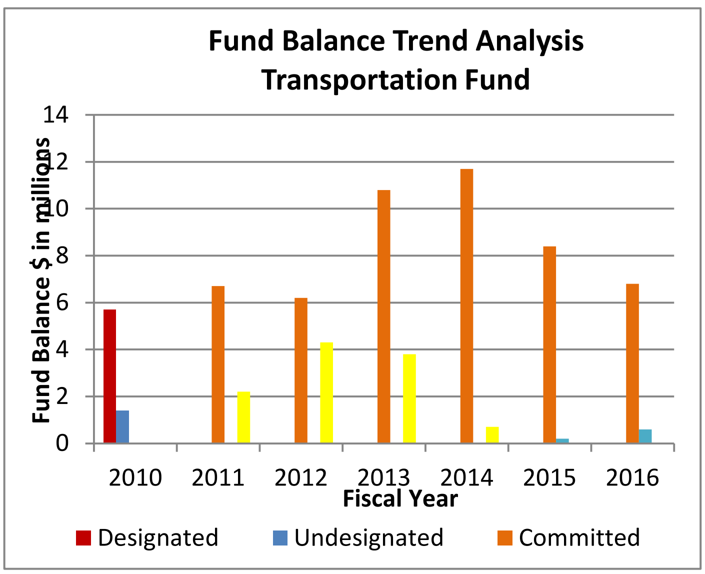
Total fund balance for the General Capital Projects Fund at year end was $6.2 million. This is a reduction of $3.8 million from the previous fiscal year, which is primarily due to the completion of several County capital projects.

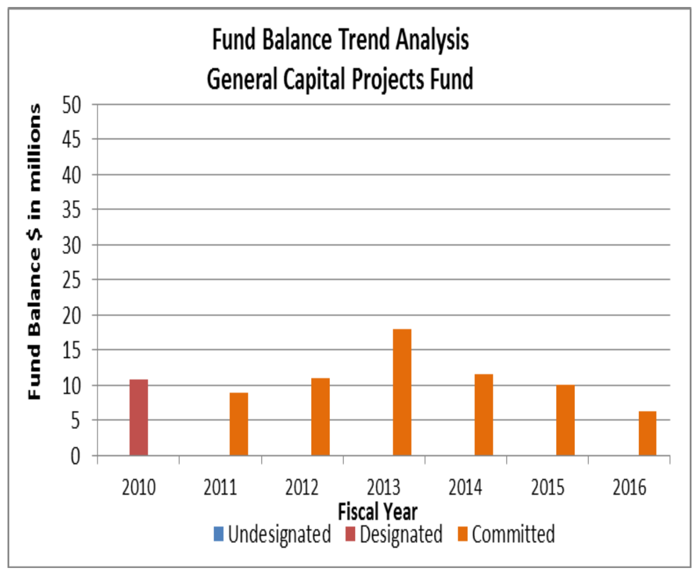
The County also has nine non-major governmental funds. In total, fund balance is $12.5 million, a $2.9 million decrease compared to prior year. Of the $12.5 million, $0.3 million is restricted for debt service and drug enforcement activities. $5.7 million is committed for contractual obligations related to each fund's purpose and $6.5 million is assigned for the various fund purposes.

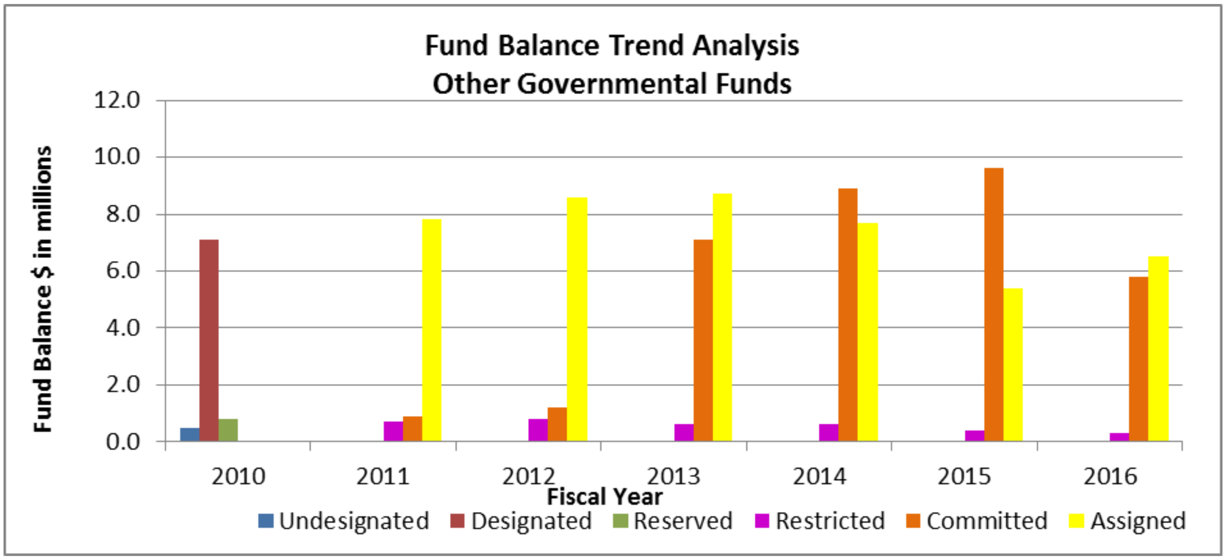
The following graphs illustrate fund balance trends for the County's governmental funds for fiscal years 2010 through 2016.


Fund Balance Trend Analysis
General Fund
$ in millions
75.0
70.0
65.0
60.0
55.0
50.0
45.0
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
Fiscal Year 2010
2011
2012
2013
2014
2015
2016
Unassigned
Assigned
Committed
Restricted
Undesignated
Designated
Reserved


Fund Balance Trend Analysis
General Fund - Undesignated / Unassigned
% of Revenue
13.0
12.0
11.0
10.0
Fiscal Year 2010
2011
2012
2013
2014
2015
2016


Fund Balance Trend Analysis
Transportation Fund
Fund Balance $ in millions
14
12
10
8
6
4
2
0
2010
2011
2012
2013
2014
2015
2016
Fiscal Year
Designated
Undesignated
Committed


Fund Balance Trend Analysis
General Capital Projects Fund
Fund Balance $ in millions
50
45
40
35
30
25
20
15
10
5
0
2010
2011
2012
2013
2014
2015
2016
Fiscal Year
Undesignated
Designated
Committed



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 $18.3 million during fiscal year 2016. Capital assets, net of depreciation and related debt increased $12.2 million. Restricted net position increased by $1.1 million and unrestricted net position increased by $16.4 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 $11.9 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 $11.9 million between the original budget and the final budget. Major budget amendments included in this amount:

- $2.2 million in re-appropriated encumbrances
- $0.6 million in re-appropriated grant funds
- $6.2 million in re-appropriated commitments for ongoing capital improvements
- $2.0 million for Schools' operating expenditures
- $0.9 million for Schools' construction projects

General Fund revenues increased $7.2 million over the prior year amount. General property taxes increased $5.4 million driven by new construction. Other local taxes increased by $1.6 million. Robust sales tax, meals tax, and recordation fee collections contributed to the increase in other local taxes.

General Fund expenditures recorded a net increase of $9.0 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.
- Additional funding for School Operating in the amount of $7.7 million.
- 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 2016 with the previous fiscal year.

General Fund Comparison Revenues and Expenditures FY 2016 – FY 2015 ($ in millions)			
	FY 2016	FY 2015	Increase (Decrease)
Revenues:			
General property taxes	$ 190.9	$ 185.5	$ 5.4
Other local taxes	37.3	35.7	1.6
Licenses and permits	4.2	3.7	0.5
Use of money and property	.8	.4	0.4
Charges for services	6.6	6.9	(0.3)
Other	6.0	7.6	(1.6)
Intergovernmental	28.5	27.3	1.2
Total revenues	$ 274.3	$ 267.1	$ 7.2
Expenditures:			
General government	$ 13.3	$ 13.3	$ -
Judicial administration	7.1	7.0	0.1
Public safety	52.7	51.1	1.6
Public works	5.2	5.0	0.2
Health and social services	13.6	12.3	1.3
Parks, recreation and cultural	12.9	13.6	(0.7)
Community development	3.9	3.9	-
Education	111.7	106.4	5.3
Capital outlay	2.3	2.3	-
Debt service	42.4	41.2	1.2
Total expenditures	$ 265.1	$ 256.1	$ 9.0

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, 2016, totals $674.8 million, net of accumulated depreciation. This represents an increase of $41.8 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 tables summarize the changes in the County's governmental and business-type capital assets for fiscal year 2016. Additional information on the County's capital assets can be found in Note 4.

Change in Capital Assets ($ in millions)			
	Balance June 30, 2015	Net Additions And Deletions	Balance June 30, 2016
Governmental Activities:			
Land	$ 49.3	$ -	$ 49.3
Other intangible	1.0	-	1.0
Construction in progress	53.7	23.2	76.9
Capital assets not being depreciated	104.0	23.2	127.2
Land improvements	28.2	10.8	39.0
Buildings and building improvements	103.0	0.8	103.8
Furniture, fixtures and equipment	52.3	1.7	54.0
Vehicles	20.3	3.8	24.1
Capital assets being depreciated	203.8	17.1	220.9
Less accumulated depreciation	(83.5)	(10.7)	(94.2)
Net capital assets being depreciated	120.3	6.4	126.7
Governmental activities capital assets	$ 224.1	$ 29.8	$ 253.9

Change in Capital Assets ($ in millions)			
	Balance June 30, 2015	Net Additions And Deletions	Balance June 30, 2016
Business-Type Activities:			
Land	$ 19.1	$ -	$ 19.1
Other intangible	4.0	-	4.0
Construction in progress	182.3	10.4	192.7
Capital assets not being depreciated	205.4	10.4	215.8
Land improvements	0.5	0.1	0.6
Buildings and building improvements	4.2	-	4.2
Distribution and collection systems	346.7	11.0	357.7
Furniture, fixtures and equipment	14.8	0.5	15.3
Vehicles	3.2	1.0	4.2
Capital assets being depreciated	369.4	12.6	382.0
Less accumulated depreciation	(166.1)	(10.8)	(176.9)
Net capital assets being depreciated	203.3	1.8	205.1
Business-type activities capital assets	$ 408.7	$ 12.2	$ 420.9

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 $457.6 million. Of this amount, $354.9 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 $11.0 million during the fiscal year. Issuances for FY 2016 included $20.6 million general obligation bonds for school renovation projects and $1.9 million VRA loan.

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-13 in the Statistical Section of this report.

The County's business-type activities reported total long term liabilities excluding OPEB and Pension of $111.5 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, 2015	Net Increase (Decrease)	June 30, 2016
Governmental Activities:			
General obligation bonds, net	$ 340.0	$ 13.7	$ 353.7
Lease revenue bonds	12.4	(2.5)	9.9
Capital leases	10.4	3.3	13.7
Other	73.4	(0.5)	72.9
Compensated absences	7.5	(0.1)	7.4
Total long-term debt	$ 443.7	$ 15.2	$ 457.6
Business-Type Activities:			
Revenue bonds, net	$ 76.3	$ 7.8	$ 84.1
VRA loans	27.6	(1.5)	26.1
Compensated absences	1.2	0.1	1.3
Total long-term debt	$ 105.1	$ 6.4	$ 111.5

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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	School Board
ASSETS				
Current assets:				
Cash, cash equivalents and temporary cash investments	$ 122,080,378	$ 48,528,130	$ 170,608,508	31,920,124
Receivables, net of allowance for uncollectibles	30,494,697	4,692,494	35,187,191	12,630,725
Due from primary government	-	-	-	45,145,306
Internal balances	(418,536)	418,536	-	-
Prepaids	9,993	843,633	853,626	1,054,243
Inventory	172,000	-	172,000	550,848
Total current assets	152,338,532	54,482,793	206,821,325	91,301,246
Noncurrent assets:				
Restricted cash and cash equivalents	18,426,544	15,397,441	33,823,985	14,483,200
Note receivable - Component Unit	780,000	-	780,000	-
Investment in joint venture	4,598,546	-	4,598,546	-
Capital assets:			-	
Land	49,242,060	19,053,161	68,295,221	89,152,908
Construction in progress	76,923,659	192,683,052	269,606,711	21,094,151
Other intangible assets	1,039,428	4,035,282	5,074,710	-
Subtotal non-depreciable capital assets	127,205,147	215,771,495	342,976,642	110,247,059
Land improvements	38,974,414	618,111	39,592,525	1,268,429
Buildings and building improvements	103,811,488	4,223,105	108,034,593	493,304,185
Distribution and collection systems	16,525	357,740,468	357,756,993	635,154
Furniture, fixtures and equipment	42,999,475	14,453,471	57,452,946	9,795,029
Technology infrastructure	4,952,100	610,759	9,155,763	2,631,414
Software	6,005,232	240,638	6,245,870	867,666
Vehicles	24,177,973	4,203,663	24,788,732	22,915,337
Less accumulated depreciation	(94,239,561)	(176,942,163)	(271,181,724)	(199,469,991)
Subtotal depreciable capital assets	126,697,646	205,148,052	331,845,698	331,947,223
Total noncurrent assets	277,707,883	436,316,988	714,024,871	456,677,482
Total assets	430,046,415	490,799,781	920,846,196	547,978,728
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferrals	6,472,789	1,139,221	7,612,010	23,375,726
Deferred charge on refunding	4,068,870	-	4,068,870	-
Total deferred outflows of resources	10,541,659	1,139,221	11,680,880	23,375,726
LIABILITIES				
Current liabilities:				
Accounts payable	3,576,456	1,525,824	5,102,280	4,504,310
Retainage payable	1,004,715	1,973,052	2,977,767	3,561,933
Accrued salaries and benefits	1,941,950	315,039	2,256,989	42,930,047
Accrued insurance claims	1,132,077	71,648	1,203,725	4,424,646
Accrued interest	7,699,091	985,880	8,684,971	-
Other accrued liabilities	1,519,703	24,505	1,544,208	-
Deposits	2,593,381	-	2,593,381	-
Due to component unit	45,127,406	17,900	45,145,306	-
Unearned revenue	10,327,010	3,611,948	13,938,958	107,198
Current portion of long-term debt	31,198,724	3,875,211	35,073,935	1,312,843
Total current liabilities	106,120,513	12,401,007	118,521,520	56,840,977
Noncurrent liabilities:				
Noncurrent portion of long-term debt	426,371,347	107,576,903	533,948,250	8,624,387
Noncurrent portion of accrued insurance claims	-	-	-	50,165
Other post-employment benefits	28,755,381	1,361,630	30,117,011	29,808,057
Net pension liability	20,979,902	3,711,150	24,691,052	238,776,418
Total noncurrent liabilities	476,106,630	112,649,683	588,756,313	277,259,027
Total liabilities	582,227,143	125,050,690	707,277,833	334,100,004
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	2,744,512	-	2,744,512	-
Pension related referrals	5,330,782	938,226	6,269,008	28,371,772
Total deferred inflows of resources	8,075,294	938,226	9,013,520	28,371,772
NET POSITION (DEFICIT)				
Net Investment in capital assets	125,608,019	322,691,679	448,299,698	438,932,856
Restricted:				
Drug enforcement	250,603	-	250,603	-
Capital projects	-	-	-	8,997,231
School Nutrition	-	-	-	3,797,665
Grants	-	-	-	66,166
Transportation	610,499	-	610,499	
Water-sewer	-	10,673,889	10,673,889	-
Unrestricted (deficit)	(276,183,484)	32,584,518	(243,598,966)	(242,911,240)
Total net position (deficit)	$ (149,714,363)	$365,950,086	$216,235,723	$ 208,882,678

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

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 14,362,591	$ 641,721	$ 643,329	$ -
Judicial administration	6,918,104	269,789	1,909,899	-
Public safety	57,976,361	7,562,952	5,367,744	-
Public works	8,232,226	38,912	-	-
Health and social services	13,905,298	135,963	7,019,454	-
Parks, recreation and cultural	16,142,774	2,213,931	-	-
Community development	4,993,035	1,689,645	50	-
Appropriation to School Board:				
School operating	111,524,395	-	-	-
School capital projects	22,450,152	-	-	-
Transportation	3,227,877	49,708	-	5,376,640
Interest	17,260,538	-	-	-
Total governmental activities	276,993,351	12,602,621	14,940,476	5,376,640
Business-type activities:				
Water and Sewer	34,526,713	32,449,975	-	19,716,714
Total primary government	$ 311,520,064	$ 45,052,596	$ 14,940,476	$ 25,093,354
Component unit:				
Stafford County School Board	$ 300,625,771	$ 18,372,613	$ 50,397,602	$ 22,241,152

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
Total general revenues and transfers
Change in net position
Net position (deficit), beginning
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 Governmental Activities	Primary Government Business-type Activities	Primary Government Totals	Component Unit School Board
$ (13,077,541)	$ -	$ (13,077,541)	$ -
(4,738,416)	-	(4,738,416)	-
(45,045,665)	-	(45,045,665)	-
(8,193,314)	-	(8,193,314)	-
(6,749,881)	-	(6,749,881)	-
(13,928,843)	-	(13,928,843)	-
(3,303,340)	-	(3,303,340)	-
(111,524,395)	-	(111,524,395)	-
(22,450,152)	-	(22,450,152)	-
2,198,471	-	2,198,471	-
(17,260,538)	-	(17,260,538)	-
(244,073,614)	-	(244,073,614)	-
-	17,639,976	17,639,976	-
(244,073,614)	17,639,976	(226,433,638)	-
			$ (209,614,404)
192,132,277	-	192,132,277	-
12,872,793	-	12,872,793	27,830,873
2,961,265	-	2,961,265	-
8,675,352	-	8,675,352	-
2,371,392	-	2,371,392	-
444,068	-	444,068	-
3,939,630	-	3,939,630	-
1,723,483	-	1,723,483	-
7,779,537	-	7,779,537	-
85,150	-	85,150	-
1,254,204	-	1,254,204	-
424,876	-	424,876	-
-	-	-	81,590,202
15,978,707	-	15,978,707	111,658,395
448,174	449,208	897,382	71,599
75,337	23,560	98,897	115,058
4,088,986	136,311	4,225,297	257,518
255,255,231	609,079	255,864,310	221,523,645
11,181,617	18,249,055	29,430,672	11,909,241
(160,895,980)	347,701,031	186,805,051	196,973,437
$ (149,714,363)	$ 365,950,086	$ 216,235,723	$ 208,882,678

COUNTY OF STAFFORD, VIRGINIA Exhibit III

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	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	$ 112,322,024	$ -	$ -	$ 9,758,354	$ 122,080,378
Restricted assets:					
Cash	-	-	3,107,317	1,326,476	4,433,793
Cash with fiscal agents	2,267,253	5,660,339	4,324,798	1,740,361	13,992,751
Receivables, net of allowance for uncollectibles:					
Property taxes	14,262,350	-	-	28,753	14,291,103
Accounts	3,179,936	1,395,706	-	1,177,827	5,753,469
Intergovernmental	4,543,161	5,400,251	431,713	-	10,375,125
Due from other funds	4,476,288	-	-	-	4,476,288
Inventory	9,993	-	-	-	9,993
Prepaid expenditures	172,000	-	-	-	172,000
Total assets	$ 141,233,005	$ 12,456,296	$ 7,863,828	$ 14,031,771	$ 175,584,900
LIABILITIES					
Liabilities:					
Accounts payable	$ 1,970,736.00	$ 378,093.00	$ 974,260.00	$ 253,367.00	$ 3,576,456.00
Retainage payable	-	192,908	671,564	140,243	1,004,715
Deposits	10,327,010	-	-	-	10,327,010
Accrued salaries and benefits	1,918,368	2,552	17,215	3,815	1,941,950
Other accrued liabilities	1,519,703	-	-	-	1,519,703
Unearned revenue	1,517,143	-	-	1,076,238	2,593,381
Due to other funds	418,536	4,476,288	-	-	4,894,824
Due to component unit	45,127,406	-	-	-	45,127,406
Total liabilities	62,798,902	5,049,841	1,663,039	1,473,663	70,985,445
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue property taxes	5,411,225	-	-	37,581	5,448,806
Unearned revenue	2,744,512	-	-	-	2,744,512
Total deferred inflows of resources	8,155,737	-	-	37,581	8,193,318
FUND BALANCES					
Nonspendable	181,993	-	-	-	181,993
Restricted	3,189,177	610,499	-	250,238	4,049,914
Committed	10,672,838	6,795,956	6,200,789	5,757,073	29,426,656
Assigned	23,332,365	-	-	6,513,216	29,845,581
Unassigned	32,901,993	-	-	-	32,901,993
Total fund balances	70,278,366	7,406,455	6,200,789	12,520,527	96,406,137
Total liabilites, deferred inflows of resources and fund balances	$ 141,233,005	$ 12,456,296	$ 7,863,828	$ 14,031,771	$ 175,584,900

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, 2016

Total fund balances- total governmental funds		**$ 96,406,137**
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	$ 348,142,355	
Less accumulated depreciation	(94,239,562)	
Net capital assets		253,902,793
Unavailable revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.		5,448,806
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Investment in joint venture	4,598,546	
Note Receivable - component unit (non current)	780,000	
Note Receivable - component unit (current)	75,000	
		5,453,546
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	(9,875,000)	
General obligation bonds	(327,095,270)	
VRA loan	(71,202,259)	
Literary loans	(1,796,888)	
Capital leases	(13,674,528)	
Compensated absences	(7,369,111)	
Bond premiums	(26,557,015)	
Loss on refunding	4,068,870	
Pension related deferred outflows of resources	6,472,789	
Pension related deferred inflows of resources	(5,330,782)	
Net pension liability	(20,979,902)	
Accrued insurance claims	(1,132,077)	
Interest payable	(7,699,091)	
Net other post-employment benefits obligation	(28,755,381)	
		(510,925,645)
Net Position (Deficit) of Governmental Activities		**$ (149,714,363)**

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, 2016

	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	$ 190,859,284	$ -	$ -	$ 672,685	$ 191,531,969
Other local taxes	37,299,699	2,961,265	-	1,425,323	41,686,287
Permits, privilege fees and regulatory licenses	4,203,746	-	-	-	4,203,746
Fines and forfeitures	1,034,714	-	-	-	1,034,714
Use of money and property	791,736	24,388	21,815	34,975	872,914
Charges for services	6,588,194	-	-	69,463	6,657,657
Miscellaneous	5,021,021	107,912	-	100,996	5,229,929
Intergovernmental	28,493,856	6,222,105	431,713	1,209,770	36,357,444
Total revenues	274,292,250	9,315,670	453,528	3,513,212	287,574,660
EXPENDITURES					
Current operating:					
General government	13,311,548	-	-	-	13,311,548
Judicial administration	7,138,713	-	-	29,912	7,168,625
Public safety	52,714,956	-	5,290,408	160,745	58,166,109
Public works	5,171,810	-	2,821,871	-	7,993,681
Health and social services	13,647,667	-	-	-	13,647,667
Parks, recreation and cultural	12,936,945	-	12,567,835	3,515	25,508,295
Community development	3,901,635	-	-	1,035,883	4,937,518
Appropriation to School Board:					
School operating	111,449,395	-	-	-	111,449,395
School capital projects	209,000	-	22,241,152	-	22,450,152
Transportation	-	3,651,700	-	-	3,651,700
Capital outlay	2,251,634	11,930,383	512,541	5,614,319	20,308,877
Debt service:					
Principal	24,802,735	125,065	-	295,000	25,222,800
Interest and fiscal charges	17,622,732	305,599	337,373	257,338	18,523,042
Total expenditures	265,158,770	16,012,747	43,771,180	7,396,712	332,339,409
Excess (deficiency) of revenues over expenditures	9,133,480	(6,697,077)	(43,317,652)	(3,883,500)	(44,764,749)
OTHER FINANCING SOURCES (USES)					
Transfers in	27,186	711,311	3,376,826	1,432,646	5,547,969
Transfers out	(5,025,655)	(88,186)	-	(434,128)	(5,547,969)
Issuance of debt:					
Proceeds on Capital Leases	-	-	5,128,339	-	5,128,339
Proceeds on new bonds	-	4,367,370	28,432,630	-	32,800,000
Premiums on issuances	-	452,980	2,584,547	-	3,037,527
Total other financing sources (uses), net	(4,998,469)	5,443,475	39,522,342	998,518	40,965,866
Net change in fund balances	4,135,011	(1,253,602)	(3,795,310)	(2,884,982)	(3,798,883)
Fund balance, beginning	66,143,355	8,660,057	9,996,099	15,405,509	100,205,020
Fund balance, ending	$ 70,278,366	$ 7,406,455	$ 6,200,789	$ 12,520,527	$ 96,406,137

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, 2016

Net change in fund balances - total governmental funds		**$ (3,798,882)**
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	$ 41,765,283	
Less depreciation expense	(12,121,755)	
Excess of capital outlay over depreciation		29,643,528
Unavailable revenues represent amounts that were not available to fund current expenditures and therefore are not reported as revenue in the governmental funds.		600,308
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)	(146,769)	
Additional investment in the Landfill as recorded as expense in the fund statements	2,054,240	
Change in note receivable - component unit (School operating)	(75,000)	
		1,832,471
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	(30,945,000)	
Bond premium	(3,037,527)	
VRA loans	(1,855,000)	
Capital Leases	(5,128,339)	
Principal repayments:		
General obligation debt	18,671,219	
Revenue bonds	2,540,000	
VRA loans	1,751,954	
Literary loans	466,149	
Capital leases	1,793,478	
		(15,743,066)
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	(259,055)	
Compensated absences	132,856	
Accrued insurance claims	(126,237)	
Deferred loss on refunding	(201,128)	
Amortization of premium, net	1,722,686	
Change in net pension obligations and related deferred outflows/inflows	1,745,557	
Change in net other post-employment benefits obligation	(4,367,421)	
		(1,352,742)
Change in net position of governmental activities		**$ 11,181,617**

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, 2016

	Business Type Activity - Enterprise Fund
	Water and Sewer Fund
ASSETS	
Current assets:	
Equity in pooled cash and investments	$ 48,528,130
Receivables, net of allowance for uncollectibles	4,692,494
Due from other funds	418,536
Inventory	843,633
Total current assets	54,482,793
Noncurrent assets:	
Restricted cash and cash equivalents	15,397,441
Capital assets:	
Land	19,053,161
Construction in progress	192,683,052
Other intangible assets	4,035,282
Land improvements	618,111
Buildings and building improvements	4,223,105
Distribution and collection systems	357,740,468
Furniture, fixtures and equipment	14,453,471
Vehicles	4,203,663
Software	240,638
Technology infrastructure	610,759
Less accumulated depreciation	(176,942,163)
Total capital assets (net of accumulated depreciation)	420,919,547
Total noncurrent assets	436,316,988
Total assets	490,799,781
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	1,139,221
LIABILITIES	
Current liabilities:	
Accounts payable	1,525,824
Retainage payable	1,973,052
Accrued salaries and benefits	315,039
Accrued interest	985,880
Other liabilities	114,053
Deposits	3,611,948
Current portion of long-term debt	3,875,211
Total current liabilities	12,401,007
Noncurrent liabilities:	
Noncurrent portion of long-term debt	107,576,903
Other post-employment benefits	1,361,630
Net pension liability	3,711,150
Total noncurrent liabilities	112,649,683
Total liabilities	125,050,690
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	938,226
NET POSITION	
Net investment in capital assets	309,467,433
Restricted	10,673,889
Unrestricted	45,808,764
Total net position	$ 365,950,086

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016

	Business-Type Activity - Enterprise Fund
	Water and Sewer Fund
Operating revenues:	
Charges for services	$ 32,449,975
Miscellaneous	136,311
Total operating revenues	32,586,286
Operating expenses:	
Personnel services	12,033,336
Contractual services	3,147,676
Materials and supplies	4,260,614
Heat, light and power	1,913,390
Telecommunication and internal services	2,125,232
Miscellaneous	359,720
Depreciation	10,939,810
Total operating expenses	34,779,778
Operating loss	(2,193,492)
Nonoperating revenues (expenses):	
Interest and investment revenue	449,208
Interest expense	-
Amortization of bond discount	384,676
Loss on refunding	-
Issuance costs	(131,611)
Gain on disposal of capital assets	23,560
Total nonoperating revenues, net	725,833
Loss before contributions	(1,467,659)
Capital contributions and transfers:	
Donated capital assets	7,971,200
Availability fees	9,020,838
Prorata fees	2,724,676
Total capital contributions	19,716,714
Change in net position	18,249,055
Total net position, beginning, as previously reported	347,701,031
Total net position, ending	$ 365,950,086

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

COUNTY OF STAFFORD Exhibit IX

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016

	Business-Type Activity - Enterprise Fund
	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 32,427,832
Other revenues	136,311
Other expenses	(359,729)
Payments to suppliers	(11,029,667)
Payments to employees	(11,497,939)
Net cash provided by operating activities	9,676,808
CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(11,323,368)
Proceeds from the Issuance of Debt	9,591,353
Principal paid on bonds	(2,940,337)
Interest capitalized	(3,814,897)
Issuance costs	(131,611)
Proceeds on disposal of capital assets	23,560
Availability fees and prorata fees	11,745,514
Net cash used in capital and related financing activities	3,150,214
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	
Interest and dividends on investments	449,208
Net decrease in cash and cash equivalents	13,276,230
Cash and cash equivalents, beginning	50,649,341
Cash and cash equivalents, ending	$ 63,925,571
Equity in pooled cash and investments	$ 48,528,130
Restricted cash and cash equivalents	15,397,441
Total cash and cash equivalents	$ 63,925,571
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	$ (2,193,492)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	10,939,810
Increase in OPEB liability	661,298
Change in assets and liabilities:	
Increase in accounts receivable	(248,858)
Increase in accrued liabilities	86,393
Increase in other liabilities	17,880
Decrease in pension related liabilities and deferrals	(304,223)
Increase in inventory	(83,726)
Increase in accounts payable	483,082
Increase in deposits	226,715
Decrease in compensated absences	91,929
Total adjustments	11,870,300
Net cash provided by operating activities	$ 9,676,808

Supplemental disclosure of noncash capital and related financing activities:
The Water and Sewer Fund received donated assets in 2016 valued at $ 7,971,200.

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, 2016

	Agency Funds	Post Employment Trust Fund
ASSETS		
Current assets:		
Cash and short-term investments	$ 2,882,166	$ 4,987,066
Receivables:		
Property taxes	4,992,091	-
Accounts	82,466	-
Total assets	$ 7,956,723	4,987,066
LIABILITIES		
Accrued salaries and benefits	$ 25,709	-
Other liabilities	59,267	-
Accrued for future expenses	1,799,807	-
Accrued for bondholders	6,071,940	-
Total liabilities	$ 7,956,723	-
NET POSITION		
Restricted for other post-employment benefits		$ 4,987,066

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, 2016

	Post Employment Trust Fund
ADDITIONS	
Investments:	
Investment activity	$ (27,398)
Net investment earnings	(27,398)
Total additions	(27,398)
DEDUCTIONS	
Administration	500
Change in Net Position	(27,898)
Net Position restricted for Post-Employment Benefits	
Beginning of year	5,014,964
End of year	$ 4,987,066

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 142,380.

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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), governed by separately elected members of the 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: Chris R. Fulmer, CPA, CFE
Interim Chief Financial Officer
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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2016.

(1) <u>Governmental Funds</u>
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.

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

3. **Road Impact Fee - South East Fund** – accounts for impact fee receipts from new development in a designated service area in the southeastern portion of the County. Disbursements from this fund are for road improvements attributable to the new development.

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

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

6. **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. **Armed Services Memorial Fund** – accounts for revenue and expenditures related to the construction of the Armed Services Memorial.

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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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, 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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, claims and judgments, pension costs, and other post employment benefits are recognized when due.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund are charges to 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
- Armed Services Memorial Fund
- Transportation Impact Fee
- General Capital Projects Fund
- Tourism Fund

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Component Unit – School Board

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

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

5. Although legal restrictions on expenditures are established at the departmental level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets.

6. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

7. The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare actual revenue and expenditures with budgeted amounts as originally adopted, and as amended by the Board of Supervisors through June 30, 2016. 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 2016.

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.

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 and includes 2015 GO proceeds.

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 and from GO 2015 as well as capital lease proceeds.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted cash and investments in the Water and Sewer Fund represent assets set aside to meet debt sinking fund requirements, project construction payments pursuant to bond covenants and customer advance payments, as well as an operating reserve for repair, renewal and rehabilitation of capital assets.

Generally, the County uses restricted resources first for expenses incurred for which both restricted and unrestricted resources are available. The County may defer the use of restricted resources based on a review of the specific transaction.

H. INVENTORIES AND PREPAID ITEMS

Primary Government:
The General Fund inventory is stated at the lower of cost or market on a first-in, first-out basis. It consists of small dollar office supplies held for consumption.

The Water and Sewer Fund inventory is stated at the lower of cost or market on a first-in, first-out basis. It consists of small dollar office supplies held for consumption.

Component Units:
The School Nutrition Fund carries its inventory on the lower of cost or market on a first-in, first-out basis. The inventory consists of food service supplies and perishable and non-perishable food products.

The Fleet Services Fund carries its inventory on the lower of cost or market on a first-in, first-out basis. 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:

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	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	-

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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 $149.7 million net position deficit in governmental activities in the government wide statement of net position, $294.0 million is attributed to debt for school property and equipment.

N. NET POSITION and FUND BALANCE CLASSIFICATION

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, including deferred outflows.

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". Deficits in unrestricted fund balance require future funding.

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

- 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.

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 2016.

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 2016 the Board reviewed the County's financial policies and made changes (R15-382) that are designed to improve debt ratios and to strengthen and clarify fund balance reserve policies. 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, a minimum of one half of one percent of general fund revenue, with a goal of two percent, 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 - $1.5 million 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

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

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.

Fund Balance Classification for Governmental Funds:

	General Fund	Transportation Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Nonspendable					
Prepaids	$ 173,189	$ -	$ -	$ -	$ 173,189
Inventory	8,804	-	-	-	8,804
Restricted					
Grant Expenditures	641,082	-	-	-	641,082
Expenses utilizing appropriations	28,881	-	-	-	28,881
Debt service	-	610,499	-	-	610,499
Drug enforcement	-	-	-	250,238	250,238
CFR	2,519,214	-	-	-	2,519,214
Committed					
Special Revenue&Capital Projects	-	6,795,956	6,200,789	5,757,073	18,753,818
Stafford opportunity fund	500,000	-	-	-	500,000
Capital projects reserve	4,823,042	-	-	-	4,823,042
Purchase of development rights	714,541	-	-	-	714,541
Health insurance	535,255	-	-	-	535,255
School prior year carry-forward	1,250,000	-	-	-	1,250,000
Brooke Road improvement	2,850,000	-	-	-	2,850,000
Assigned					
Expenses utilizing appropriations	2,149,401	-	-	-	2,149,401
CSA reserve	300,000	-	-	-	300,000
Fuel reserve	500,000	-	-	-	500,000
Insurance parity	936,294	-	-	-	936,294
Revenue stabilization reserve	1,371,000	-	-	-	1,371,000
Revenue stabilization reserve enhancement	4,112,665	-	-	-	4,112,665
Risk management reserve	100,000	-	-	-	100,000
Future one-time school uses	5,226,106	-	-	-	5,226,106
School capital project reserve	1,500,000	-	-	-	1,500,000
Museum reserve	938,293	-	-		938,293
Contingency reserve	500,000	-			500,000
Future operations	5,698,606	-	-	6,513,216	12,211,822
Unassigned	32,901,993	-	-	-	32,901,993
Total	$ 70,278,366	$ 7,406,455	$ 6,200,789	$ 12,520,527	$ 96,406,137

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 3 months or less from when purchased.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A. 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.

B. 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, all the 2015 General Obligation 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 measured at amortized cost and 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 measured at amortized cost and the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of $1 per share.

(1) Custodial Credit Risk

The County's investments at June 30, 2016 were held by the County or in the County's name by the County's custodial banks.

Note 2. DEPOSITS AND INVESTMENTS (continued)

(2) 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, 2016 and the ratings are presented below using the Standard & Poor's rating scale.

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

	Short Term		Long Term		
Primary Government	AAAm	A-1	AAA	AA	A
U.S. Agencies and Securities	$ -	$ -	$ -	$ 39,586,383	$ -
Municipal Bonds	-	-	-	2,311,166	-
Corporate Notes and Bonds	-	9,319,632	660,186	7,834,469	1,722
Money Market Mutual Funds	116,047	6,098,830	-	-	-
LGIP	60,706,192	-	-	-	-
SNAP	18,435,537	-	-	-	-
Total	$ 79,257,776	$ 15,418,462	$ 660,186	$ 49,732,018	$ 1,722
Component Unit - Stafford County Public Schools					
LGIP	$ 4,782,969	$ -	$ -	$ -	$ -
SNAP	13,560,700	-	-	-	-
Total	$ 18,343,669	$ -	$ -	$ -	$ -
Held in County's Name as Fiduciary					
U.S. Agencies and Securities	$ -	$ -	$ -	$ 3,746,846	$ -
Corporate Notes and Bonds	-	1,026,030	-	803,075	-
Money Market Mutual Funds	15,125	448,653	-	-	-
Total	$ 15,125	$ 1,474,683	$ -	$ 4,549,921	$ -

As of June 30, 2016, all investments were in compliance with the State Statutes administering investments of Public Funds. All investments are rated by Moody's and/or Standard & Poor's. Ratings must comply with the investment policy prior to any purchase.

(3) 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, 2016, the County did not have any investments exceeding 5% of the total investments.

(4) 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

Note 2. DEPOSITS AND INVESTMENTS (continued)

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.

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1 Year	1 - 5 Years	6 - 10 Years	Over 10 Years
Primary Government					
U.S. Agencies and Securities	$ 39,586,383	$ 8,991,759	$ 30,474,207	$ 54,164	$ 66,253
Municipal Bonds	2,311,166	-	2,311,166	-	-
Corporate Notes and Bonds	17,816,009	5,681,682	12,113,400	-	20,927
Money Market Mutual Funds	6,214,877	6,214,877	-	-	-
LGIP	60,706,192	60,706,192	-	-	-
SNAP	18,435,537	18,435,537	-	-	-
Total	$ 145,070,164	$ 100,030,047	$ 44,898,773	$ 54,164	$ 87,180
Component Unit - Stafford County Public Schools					
LGIP	$ 4,782,969	$ 4,782,969	$ -	$ -	$ -
SNAP	13,560,700	13,560,700	-	-	-
Total	$ 18,343,669	$ 18,343,669	$ -	$ -	$ -
Held in County's Name as Fiduciary					
U.S. Agencies and Securities	$ 3,746,846	$ 1,851,474	$ 1,895,372	$ -	$ -
Corporate Notes and Bonds	1,829,105	1,000,576	828,529	-	-
Money Market Mutual Funds	463,778	463,778	-	-	-
Total	$ 6,039,729	$ 3,315,828	$ 2,723,901	$ -	$ -

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The County's investments in money market mutual funds are measured at amortized cost. These investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and Agency obligations and do not fall in the categories listed above.

Note 2. DEPOSITS AND INVESTMENTS (continued)

The County has the following recurring fair value measurements as of June 30, 2016:

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Amortized Cost
U.S. Agencies and Securities	$ 39,586,383	$ 39,586,383	$ -	$ -
Municipal Bonds	2,311,166	-	2,311,166	-
Corporate Notes and Bonds	17,816,009	-	17,816,009	-
Money Market Mutual Funds	6,214,877	-	-	6,214,877
LGIP	60,706,192	-	-	60,706,192
SNAP	18,435,537	-	-	18,435,537
Total	$ 145,070,164	$ 39,586,383	$ 20,127,175	$ 85,356,606
Component Unit - Stafford County Public Schools				
LGIP	$ 4,782,969	$ -	$ -	$ 4,782,969
SNAP	13,560,700	-	-	13,560,700
Total	$ 18,343,669	$ -	$ -	$ 18,343,669
Held in County's Name as Fiduciary				
U.S. Agencies and Securities	$ 3,746,846	$ 3,746,846	$ -	$ -
Corporate Notes and Bonds	1,829,105	-	1,829,105	-
Money Market Mutual Funds	463,778	-	-	463,778
Total	$ 6,039,729	$ 3,746,846	$ 1,829,105	$ 463,778

C. COUNTY AND COMPONENT UNIT'S OPEB FUNDS

As of June 30, 2016, the carrying value of the County's OPEB Fund's deposits and investments held by the Virginia Pooled OPEB Trust (VACo/VML Pooled OPEB Trust) and their respective credit rating was as follows:

Investment Type	Fair Value	Credit Rating
Investment in pooled funds	$4,987,067	Not Rated

As of June 30, 2016, the carrying value of the Component Unit – Stafford County Public School's OPEB Fund's deposits and investments held by the Virginia Pooled OPEB Trust and their respective credit rating was as follows:

Investment Type	Fair Value	Credit Rating
Investment in pooled funds	$18,380,629	Not Rated

The County's OPEB trust fund and the 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 fair value of the pool is measured at amortized cost and can be redeemed on demand for use against qualified OPEB benefit costs. The Board of Trustees of the Virginia Pooled OPEB Trust has adopted an investment policy to

Note 2. DEPOSITS AND INVESTMENTS (continued)

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, 2016 consist of the following:

Primary Government

	General Fund	Transportation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Totals
Property taxes	$ 18,777,560	$ -	$ -	$ 28,793	$ -	$ 18,806,353
Accounts	3,179,936	1,395,706	-	1,177,827	5,190,197	10,943,666
Intergovernmental	4,543,161	5,400,251	431,713	-	418,536	10,793,661
Gross Receivables	26,500,657	6,795,957	431,713	1,206,620	5,608,733	40,543,680
Less: Allowance for uncollectible accounts	(4,515,210)	-	-	(40)	(497,703)	(5,012,953)
Net Receivables	$ 21,985,447	$ 6,795,957	$ 431,713	$ 1,206,580	$ 5,111,030	35,035,357

Component Unit – Stafford County Public Schools

	Operating Fund	Capital Project Fund	Nutrition Services Fund	Grants Fund	Internal Service Fund	Totals
Accounts receivable	$ 248,065	$ -	$ -	$ -	$ -	$ 248,065
Intergovernmental	5,666,305	221,436	915,946	5,578,148	-	12,381,835
Due from Primary Government	50,570,858	-	-	-	77,825	50,648,683
Total Receivables	$ 56,485,288	$ 221,436	$ 915,946	$ 5,578,148	$ 77,825	$ 63,278,583

Stafford County Public Schools' receivables are considered fully collectible and therefore an allowance for uncollectible accounts is not reported for 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, 2016:

PRIMARY GOVERNMENT
Governmental Activities

	Balance June 30, 2015	Increases	Decreases	Reclassifications	Balance June 30, 2016
Capital assets not being depreciated:					
Land	$ 49,242,060	$ -	$ -	$ -	$ 49,242,060
Intangible Asset – Other	1,039,428	-	-	-	1,039,428
Construction in progress	53,709,278	34,484,526	(1,066)	(11,269,079)	76,923,659
Total capital assets not being depreciated	103,990,766	34,484,526	(1,066)	(11,269,079)	127,205,147
Capital assets being depreciated:					
Land improvements	28,194,367	234,662	-	10,545,385	38,974,414
Buildings and building improvements	103,039,094	288,572	-	483,822	103,811,488
Furniture, fixtures and equipment	41,253,662	1,522,466	-	239,872	43,016,000
Intangible Asset - Software	6,005,232	-	-	-	6,005,232
Technology Infrastructure	4,952,100	-	-	-	4,952,100
Vehicles	20,336,146	5,236,123	(1,418,683)	24,387	24,177,973
Total capital assets being depreciated	203,780,601	7,281,823	(1,418,683)	11,293,465	220,937,207
Less accumulated depreciation for:					
Land improvements	(13,093,897)	(1,419,541)	-	-	(14,513,438)
Buildings and building improvements	(31,122,234)	(3,452,096)	-	-	(34,574,330)
Furniture, fixtures and equipment	(17,292,875)	(4,306,400)	-	-	(21,599,275)
Intangible Asset - Software	(5,099,984)	(364,253)	-	-	(5,464,237)
Technology Infrastructure	(2,878,854)	(624,724)	-	-	(3,503,578)
Vehicles	(14,024,258)	(1,954,741)	1,418,683	(24,387)	(14,584,703)
Total accumulated depreciation	(83,512,102)	(12,121,755)	(1,066)	(24,386)	(94,239,561)
Total capital assets being depreciated, net	120,268,499	(4,839,930)	(2,748)	11,269,079	126,697,686
Total capital assets, governmental activities	$ 224,259,265	$29,644,595	$ (1,066)	$ -	$ 253,900,046

Depreciation expense was charged to governmental functions as follows:

General government	$ 659,289
Judicial administration	80,711
Public safety	6,352,702
Public works	2,910,400
Parks, recreation and cultural	1,802,734
Community development	78,830
Transportation	237,089
Total	$ 12,121,755

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, 2016:

PRIMARY GOVERNMENT
Business-type Activities
Water and Sewer Fund

	Balance June 30, 2015	Increases	Decreases	Reclassifications	Balance June 30, 2016
Capital assets not being depreciated:					
Land	$ 19,053,161	$ -	$ -	$ -	$ 19,053,161
Intangible Asset - Other	4,035,282	-	-	-	4,035,282
Construction in progress	182,359,163	13,360,670	-	(3,036,781)	192,683,052
Total capital assets not being depreciated	205,447,606	13,360,670	-	(3,036,781)	215,771,495
Capital assets being depreciated:					
Land improvements	474,603	143,508	-	-	618,111
Buildings and building improvements	4,207,425	15,680	-	-	4,223,105
Distribution and collection systems	346,732,488	7,971,199	-	3,036,781	357,740,468
Furniture, fixtures and equipment	14,015,911	437,560	-	-	14,453,471
Intangible Asset – Software	195,574	45,064	-	-	240,638
Technology Infrastructure	610,759	-	-	-	610,759
Vehicles	3,247,875	1,135,784	(125,697)	(54,299)	4,203,663
Total capital assets being depreciated	369,484,635	9,748,795	(125,697)	2,982,483	382,090,215
Less accumulated depreciation for:					
Land improvements	(310,178)	(16,969)	-	-	(327,147)
Buildings and building improvements	(2,147,054)	(119,749)	-	-	(2,266,803)
Distribution and collection systems	(149,672,582)	(9,848,939)	-	-	(159,521,521)
Furniture, fixtures and equipment	(11,035,463)	(573,960)	-	-	(11,609,423)
Intangible Asset – Software	(194,774)	(800)	-	-	(195,574)
Technology Infrastructure	(377,692)	(12,409)	-	-	(390,101)
Vehicles	(2,444,606)	(366,984)	125,697	54,299	(2,631,594)
Total accumulated depreciation	(166,182,349)	(10,939,810)	125,697	54,298	(176,942,163)
Total capital assets being depreciated, net	203,302,286	(1,191,014)	-	3,036,781	205,148,053
Total capital assets, business-type activities	$ 408,749,892	$ 12,169,656	$ -	$ -	$ 420,919,547

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, 2016:

Note 4. CAPITAL ASSETS (Continued)

COMPONENT UNIT – Stafford County Public Schools
Governmental Activities

	Balance June 30, 2015	Increases	Decreases	Reclassifications	Balance June 30, 2016
Capital assets not being depreciated:					
Land	$ 33,031,257	$ -	$ -	$ 693,570	$ 33,724,827
Assets not placed in service	21,131	-	-	-	21,131
Construction in progress	64,278,237	26,216,536	(200,393)	(69,221,360)	21,073,020
Total capital assets not being depreciated	97,330,625	26,216,536	(200,393)	(68,527,790)	54,818,978
Capital assets being depreciated:					
Land improvements	47,438,822	1,491,942	(666,868)	7,126,828	55,390,724
Buildings and building improvements	451,968,572	1,175,409	(22,591944)	60,918,244	491,470,281
Furniture, fixtures and equipment	8,675,194	659,053	(197,667)	482,718	9,619,298
Vehicles	22,091,423	2,468,396	(1,783221)	-	22,776,598
Software	798,988	17,676	(27,723)	-	788,941
Technology infrastructure	2,569,737	61,677	-	-	2,631,414
Distribution and collection systems	635,154	-	-	-	635,154
Total capital assets being depreciated	534,177,890	5,874,153	(25,267,423)	68,527,790	583,312,410
Less accumulated depreciation for:					
Land improvements	(16,718,336)	(2,725,062)	470,455	2,000	(18,970,941)
Buildings and building improvements	(159,102,317)	(13,125,216)	13,933,029	(2,000)	(158,296,504)
Furniture, fixtures and equipment	(6,941,539)	(717,042)	158,593	-	(7,499,989)
Vehicles	(11,779,130)	(1,288,414)	1,638,521	-	(11,429,023)
Software	(391,097)	(129,941)	20,414	-	(500,624)
Technology infrastructure	(385,907)	(130,210)	-	-	(516,117)
Distribution and collection systems	(502,497)	(29,373)	-	-	(531,870)
Total accumulated depreciation	(195,820,823)	(18,145,257)	16,221,011	-	(197,745,068)
Total capital assets being depreciated, net	338,357,067	(12,271,104)	(9,046,412)	68,527,790	385,567,342
Total capital assets, governmental activities	$ 435,687,692	$ 13,945,432	$ (9,246,805)	$ -	$ 440,386,320

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 429,013
Administration, attendance and health	173,859
Pupil transportation	1,195,151
Operation and maintenance	461,330
Food and nutrition services	131,281
Facilities	15,206,206
Technology	548,418
Total	$ 18,145,527

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, 2016:

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

Proprietary Fund - Fleet Services	Balance June 30, 2015	Increases	Decreases	Reclassifications	Balance June 30, 2016
Capital assets not being depreciated:					
Land	$ 37,357	$ -	$ -	$ -	$ 37,357
Construction in progress	-	-	-	-	-
Total assets not being depreciated	37,357	-	-	-	37,357
Capital assets being depreciated:					
Land improvements	1.268,429	-	-	-	1.268,429
Buildings and building improvements	1,826,436	7,468	-		1,833,904
Furniture, fixtures and equipment	207,200	-		-	207,200
Vehicles	107,269		-	-	107,269
Software	78,725	-	-	-	78,725
Total capital assets being depreciated	3,488,059	7,468			3,495,528
Less accumulated depreciation for:					
Land improvements	(437,783)	(62,325)	-	-	(500,108)
Buildings and building improvements	(933,016)	(72,817)	-	-	(1,005,833)
Furniture, fixtures and equipment	(59,617)	(12,623)		-	(72,240)
Vehicles	(60,152)	(7,865)	-	-	(68,017)
Software	(78,725)		-	-	(78,725)
Total accumulated depreciation	(1,569,293)	(155,630)	-	-	(1,724,923)
Total capital assets being depreciated, net	1,918,766	(148,162)			1,770,605
Total capital assets, business-type activities	$ 1,956,123	$ (148,162)	$ -	$ -	$ 1,807,962

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, 2016:

	Amounts Payable at June 30, 2015	Increases	Decreases	Amounts Payable at June 30, 2016	Amounts Due within One Year
Bonds Payable:					
General obligation bonds	$ 314,821,489	$ 30,945,000	$ (18,671,219)	$ 327,095,270	$ 20,247,122
Lease revenue Bonds	12,415,000	-	(2,540,000)	9,875,000	2,535,000
Plus amounts for bond premiums	25,242,174	3,037,527	(1,722,685)	26,557,015	-
Bonds payable including amounts for bond premiums	352,478,663	33,982,527	(22,933,904)	363,527,285	22,782,122
Literary loans	2,263,037	-	(466,149)	1,796,888	466,149
VRA loan	71,099,213	1,855,000	(1,751,954)	71,202,259	2,032,409
Capital leases	10,339,667	5,128,339	(1,793,478)	13,674,528	2,488,310
Pension Liability	18,737,963	13,792,685	(11,550,746)	20,979,902	-
OPEB	24,387,959	5,232,727	(865,305)	28,755,381	-
**Compensated absences	7,501,967	5,652,070	(5,784,926)	7,369,111	3,429,734
Governmental activities long-term liabilities	$ 486,808,469	$ 65,643,348	$ (45,146,465)	$ 507,305,352	$ 31,198,724

** 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, and Capital Projects Fund.

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

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds Principal	Revenue Bonds Interest
2017	$20,247,122	$14,264,046	$2,535,000	$448,159
2018	20,413,499	13,207,525	2,535,000	346,518
2019	20,410,996	11,978,677	2,540,000	238,518
2020	19,746,214	10,986,194	40,000	111,646
2021	18,955,408	10,051,072	40,000	109,731
2022-2026	94,787,031	36,692,369	235,000	516,034
2027-2031	94,480,000	14,474,438	170,000	457,744
2032-2036	38,055,000	1,670,553	1,780,000	133,500
Total	$327,095,270	$113,114,874	$ 9,875,000	$2,361,850

Year Ending June 30,	Literary Loans Principal	Literary Loans Interest
2017	$ 466,149	53,907
2018	466,149	39,922
2019	216,149	25,938
2020	216,149	19,453
2021	216,149	12,969
2022	216,143	6,484
Total	$1,796,888	$158,673

Note 5. LONG-TERM LIABILITIES (Continued)

Year Ending June 30,	Capital Leases Principal	Capital Leases Interest	VRA Loan Principal	VRA Loan Interest
2017	$ 2,488,310	$ 306,974	$1,997,409	$2,971,200
2018	2,548,837	246,446	2,073,106	2,946,311
2019	2,242,668	188,606	2,159,050	2,858,182
2020	1,801,826	138,450	4,815,247	2,702,201
2021	1,847,255	93,021	4,916,703	2,479,951
2022-2026	2,745,632	139,496	20,894,850	11,741,105
2027-2031	-	-	17,755,895	4,955,957
2032-2036	-	-	13,915,000	1,847,503
2037-2041	-	-	2,674,999	52,828
Total	$13,674,528	$1,117,993	$71,202,259	$32,555,238

Total Debt Service Payments by year

Year Ending June 30,	Principal	Interest
2017	$ 7,486,868	$ 3,780,239
2018	7,828,092	3,971,487
2019	7,442,866	3,624,590
2020	7,173,222	3,270,327
2021	7,335,107	2,978,719
2022-2026	25,955,661	13,557,145
2027-2031	20,205,895	6,113,437
2032-2036	18,375,000	2,291,080
2037-2041	2,675,000	52,828
Total	$104,477,709	$39,639,853

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	$ 2,910,000
Public Improvements	6/27/2013	7/1/2033	3.13%	24,075,000	21,685,000
Parks and Transportation	8/11/2015	6/30/2036	3.00-5.00%	28,885,000	10,315,000
Total General Obligation – County					$34,910,000
Schools:					
VPSA Series 1995A	5/18/1995	7/15/2015	5.40 – 5.98%	650,000	-
VPSA Series 1995B-1	12/21/1995	7/15/2015	5.10 – 6.10%	2,805,000	-
VPSA Series 1995B-2	12/21/1995	7/15/2015	5.10 – 6.10%	2,096,324	-
VPSA Series 1996A	5/2/1996	7/15/2016	5.30 – 6.10%	6,370,000	320,000
VPSA Series 1996B	11/14/1996	7/15/2016	5.10 – 6.10%	6,585,000	325,000
VPSA Series 1997A	5/30/1997	7/15/2017	5.35 – 6.10%	5,280,000	465,000
VPSA Series 1997B	11/20/1997	1/15/2018	4.60 – 5.35%	8,450,000	840,000
VPSA Series 1998A	4/30/1998	7/15/2018	4.35 – 5.30%	11,560,000	1,725,000
VPSA Series 1998B-1	11/19/1998	7/15/2018	4.35 – 5.10%	4,345,729	727,572
VPSA Series 1998B-2	11/19/1998	7/15/2018	4.35 – 5.10%	9,845,000	1,470,000
VPSA Series 1999A	5/13/1999	7/15/2019	4.10 – 5.23%	18,000,000	3,600,000
VPSA Series 1999B	11/18/1999	7/15/2019	5.10 – 6.10%	9,805,170	2,164,309
VPSA Series 2000A	5/18/2000	7/15/2020	5.10 – 5.60%	9,240,000	2,300,000
VPSA Series 2000B	11/16/2000	7/15/2020	4.98 – 5.85%	4,260,000	1,050,000
VPSA Series 2001A	5/17/2001	7/15/2021	4.85 – 5.60%	10,135,000	3,030,000
VPSA Series 2001B	11/15/2001	7/15/2021	3.10 – 5.35%	9,257,513	2,961,317
VPSA Series 2002A	5/16/2002	7/15/2022	5.10 – 5.60%	2,685,000	930,000
VPSA Series 2002B	11/7/2002	7/15/2022	4.10 – 5.10%	1,815,000	630,000
VPSA Series 2003A	5/15/2003	7/15/2023	3.10 – 5.35%	6,905,000	2,760,000
VPSA Series 2003B	11/1/2003	7/15/2028	3.10 – 5.35%	54,070,000	36,365,000
VPSA Series 2003C	11/1/2003	7/15/2023	3.10 – 5.35%	5,494,768	2,412,052
VPSA Series 2004A	5/13/2004	7/15/2029	4.85 – 5.10%	8,470,000	5,995,000
VPSA Series 2004B	11/10/2004	7/15/2029	4.10 – 5.6%	9,700,000	6,830,000
VPSA Series 2005A	5/12/2005	7/15/2030	4.10 – 5.1%	17,895,000	13,185,000
VPSA Series 2005B	11/10/2005	7/15/2030	4.35 – 5.1%	9,810,000	7,240,000
VPSA Series 2006A	5/12/2006	7/15/2031	4.10 – 5.1%	41,035,000	31,595,000
VPSA Series 2006B	11/9/2006	7/15/2032	4.225 – 5.1%	6,310,000	4,820,000
VPSA Series 2007A	5/10/2007	7/15/2032	4.10 – 5.1%	13,620,000	10,905,000
VPSA Series 2007B	11/8/2007	1/15/2033	4.40 – 5.1%	10,600,000	8,515,000
VPSA Series 2008A	5/19/2008	7/15/2033	4.10 – 5.1%	11,500,000	9,565,000
VPSA Series 2008B	12/11/2008	7/15/2033	4.10 – 5.4%	1,700,000	1,415,000
VPSA Series 2010A	5/13/2010	7/15/2025	3.05 – 5.05%	5,740,000	4,205,000
Qualified School Construction Bond	7/8/2010	7/15/2031	5.31%	1,305,000	855,000
VPSA Series 2010C	11/10/2010	7/15/2030	2.05 – 3.55%	2,305,000	1,875,000
VPSA Series 2011A	5/5/2011	7/15/2031	2.05 – 4.30%	5,625,000	4,875,000
VPSA Series 2011B	11/9/2011	7/15/2031	2.05 – 5.05%	9,845,000	8,505,000
VPSA Series 2012A	5/10/2012	7/15/2032	2.55 – 5.05%	11,860,000	10,405,000
VPSA Series 2012B	11/15/2012	7/15/2032	2.15 – 5.05%	16,220,000	14,530,000
VPSA Series 2013A	5/9/2013	7/15/2033	3.05 – 5.05%	13,820,000	12,870,000
VPSA Series 2013B	11/15/2013	7/15/2033	2.30 – 5.05%	12,575,000	11,840,000
VPSA Series 2014A	5/15/2014	7/15/2034	2.67 – 5.05%	16,380,000	15,760,000
VPSA Series 2014B	11/15/2014	7/15/2034	2.05 – 5.05%	15,250,000	14,825,000
VPSA Series 2015A	5/15/2015	7/15/2035	2.05 – 5.05%	6,870,000	6,870,000
VPSA Series 2015B	11/3/2015	7/15/2013	2.05 – 5.05%	18,910,000	18,910,000
VPSA Series 2016A	5/17/2016	7/15/2013	3.00 – 5.05%	1,720,000	1,720,000
Total General Obligation – Schools					$292,185,270

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	$ 500,000
Rocky Run Elementary School	8/15/2001	8/15/2021	3.0%	4,322,974	1,296,888
Total State Literary Fund Loans					$1,796,888
VRA Loans					
Crows Nest 2008	04/18/2008	04/01/2028	3.0%	9,500,000	6,312,258
Refunding LRBs 06/08	08/15/2014	10/01/2036	3.1%	64,335,000	63,035,000
Solid Waste 2015	11/04/2015	10/01/2023	3.12 – 5.13%	1,855,000	1,855,000
Total VRA Loans					71,202,258
Lease Revenue Bonds:					
Public Improvements	3/20/2008	4/1/2033	4.00 – 5.00%	45,165,000	9,280,000
Hidden Lake Dam	6/19/2008	10/1/2028	3.00 – 4.93%	800,000	595,000
Total Lease Revenue Bonds					9,875,000
Total Bonds Payable					$ 408,172,528

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
Equipment	16,725,723
Vehicles	3,128,339
Less: Accumulated depreciation	(1,733,380)
Total	$ 18,180,068

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

NOTE 5. LONG TERM LIABILITIES (Continued)

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

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. As of June 30th, 2016 the remaining value of outstanding defeased bonds is $ 56,605,000.

In November of 2015, the County and the City of Fredericksburg obtained a loan through the Virginia Resources Authority to fund the Rappahannock Regional Solid Waste Management Board's (R-Board) construction of a new landfill cell, cell F2. These loans are secured by the proportion financed and letters of credit and are payable principally from payments received from the R-Board. As of June 30, 2016, the principle balance of the County's share of the loan is $1,855,000.

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; and,
- $1,855,000 over the next nine years to the Rappahannock Regional Solid Waste Management Board.

B. PRIMARY GOVERNMENT – BUSINESS-TYPE ACTIVITIES

	Amounts Payable at June 30, 2015	Increases	Decreases	Amounts Payable at June 30, 2016	Amounts Due within One Year
Bonds Payable:					
Revenue bonds	$ 67,710,000	$ 8,620,000	$(1,410,000)	$74,920,000	$ 1,745,000
VRA Loans	27,629,840	-	(1,530,336)	26,099,504	1,569,650
Plus amounts for bond premiums	8,544,992	944,117	(384,675)	9,104,434	-
Total Bonds payable including amounts for bond premiums/ (discounts)	103,884,832	9,564,117	(3,325,011)	110,123,938	3,314,650
Pension Liability	3,311,520	2,765,638	(2,366,008)	3,711,150	-
OPEB	700,332	821,000	(159,702)	1,361,630	-
Compensated absences	1,236,248	1,099,047	(1,007,119)	1,328,176	560,561
Business-type activities long-term liabilities	$ 109,132,932	$ 14,249,802	$(6,857,840)	$ 116,524,894	$ 3,875,211

NOTE 5. LONG TERM LIABILITIES (Continued)

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
2017	$ 1,745,000	$ 3,462,553	$ 1,569,651	$ 377,006
2018	1,825,000	3,381,472	1,592,042	354,615
2019	1,915,000	3,291,959	1,614,851	331,805
2020	2,005,000	3,204,510	1,638,087	308,569
2021	2,095,000	3,112,397	1,661,760	284,897
2022-2026	12,055,000	13,978,259	8,679,871	1,053,410
2027-2031	15,220,000	10,820,918	9,343,242	390,042
2032-2036	17,815,000	7,078,369	-	-
2037-2041	13,725,000	3,362,796	-	-
2042-2046	6,520,000	318,424	-	-
Total	$74,920,000	$52,011,657	26,099,504	3,100,344

Total Debt Service Payments by year

Year Ending June 30,	Principal	Interest
2017	3,314,651	3,839,559
2018	3,417,042	3,736,087
2019	3,529,851	3,623,764
2020	3,643,087	3,513,079
2021	3,756,760	3,397,294
2022-2026	20,734,871	15,031,669
2027-2031	24,563,241	11,210,960
2032-2036	17,815,000	7,078,369
2037-2041	13,725,000	3,362,796
2042-2046	6,520,000	318,424
Totals	101,019,503	55,112,002

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
Business-Type Activities					
Revenue Bonds:					
Public Improvements	6/13/2012	10/1/2042	3.43 – 5.13%	53,355,000	50,815,000
Public Improvements	6/27/2014	10/1/2035	3.12 – 4.83%	16,010,000	15,485,000
Public Improvements	11/4/2015	10/1/2035	3.22%	8,620,000	8,620,000
Total Revenue Bonds					$74,920,000
Virginia Resources Authority Loans:					
Public Improvements	7/8/2009	3/1/2031	3.35%	$ 23,681,363	$ 18,494,557
Public Improvements	7/27/2009	3/1/2031	2.34 – 4.20%	9,606,478	7,604,947
Total Virginia Resources Authority					$ 26,099,504

The County has pledged future water customer revenues, net of specified operating expenses, to repay $78.0 million in water system revenue bonds issued at various times. Proceeds from the bonds provided financing for the construction and rehabilitation of the water-sewer system. The bonds are payable solely from water customer net revenues and are payable through 2042. Annual principal and interest payments on the bonds are expected to require less than 23 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $126,931,657. Principal and interest paid on revenue bonds for the current year and total customer net revenues were $4,734,992 and $8,868,895, respectively. In addition to pledged revenues, the

NOTE 5. LONG TERM LIABILITIES (Continued)

County must meet certain debt service ratio requirements in accordance with the bond indentures. At June 30, 2016 the County was in compliance with all ratio requirements.

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, 2016:

Governmental Activities	Amounts Payable at June 30, 2015	Increases	Decreases	Amounts Payable at June 30, 2016	Amounts Due within One Year
Capital lease	$ 2,863,135	$	$ (646,942)	$ 2,216,193	$ 668,293
Compensated absences **	6,482,719	566,220	(510,758)	6,538,181	526,714
Note payable	930,000	-	(75,000)	855,000	75,000
Total governmental type long-term liabilities	$ 10,275,854	$ 566,220	$(1,232,700)	$ 9,609,374	$ 1,270,007

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

Business-Type Activities	Amounts Payable at June 30, 2015	Increases	Decreases	Amounts Payable at June 30, 2016	Amounts Due within One Year
Capital lease	$ 218,961	$ -	$ (28,728)	$ 190,233	$ 29,540
Compensated absences	131,590	16,276	(10,243)	137,623	13,296
Total business type long-term liabilities	$ 350,551	$ 16,276	$ 38,971)	$ 327,856	$ 42,836

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.

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.

NOTE 6. BENEFIT PENSION PLAN (Continued)

- 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

VRS website at http://www.varetire.org/pdf/publications/2015-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 6. BENEFIT PENSION PLAN (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	360
Inactive members:	
Vested	108
Non-vested	187
Active elsewhere in VRS	175
Total inactive members	470
Active members	844
Total covered employees	1,674

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, 2016 was 10.24% 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 $5,128,278 and $5,063,632 for the years ended June 30, 2016 and 2015, 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

NOTE 6. BENEFIT PENSION PLAN (Continued)

pension plan from the School Board for the non-professional plan were $825,400 and $828,505 for the years ended June 30, 2016 and 2015, 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 Professionals contractually required contribution rate for the year ended June 30, 2016 was14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014, adjusted for the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred ontribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%; however, it was reduced to 17.64% as a result of the transfer. 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, 2016. Contributions to the pension plan from the School Board for the professional plan were $21,137,562 and $22,117,580 for the years ended June 30, 2016 and 2015, respectively.

C. Net Pension Liability

The County's net pension liabilities were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

At June 30, 2016, the County and the County's Rappahannock Regional Solid Waste Management Board (Board) reported a collective pension liability of $25,274,881 for its proportionate share of the net pension liability (collectively the County). This amount is comprised of $24,691,082 for the County and $583,829 for the Board. The net pension liability was measured as of June 30, 2015, 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015 the County's proportion was 0.95% as compared to 0.90% at June 30, 2014.

The actuarial assumptions used in the June 30, 2014 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

NOTE 6. BENEFIT PENSION PLAN (Continued)

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, 2014, 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, 2015.

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, 2014 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.

NOTE 6. BENEFIT PENSION PLAN (Continued)

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, 2014	$ 162,331,930	$139,753,417	$22,578,513
Changes for the Year:			
Service Cost	5,483,794		5,483,794
Interest	11,160,637		11,160,637
Difference between expected & actual experience	(118,543)		(118,543)
Contributions-employer		5,063,741	(5,063,741)
Contributions-employee		2,363,363	(2,363,363)
Net investment income		6,489,652	(6,489,652)
Benefit payments, including refunds of employee contributions	(5,788,531)	(5,788,531)	-
Administrative charges	-	(85,858)	85,858
Other charges	-	(1,378)	1,378
Net changes	10,737,357	8,040,989	2,696,368
Balances at June 30, 2015	$173,069,287	$ 147,794,406	$25,274,881

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.

The County allocates the net pension expense liability based on covered employees to governmental activities, business type activities, and the RBoard,

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

	Net Pension Liability
Governmental Activities	$ 20,979,900
Business-Type Activities	3,711,150
Rappahannock Regional Solid Waste Management Board	583,829
	$ 25,274,881

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	50,071,944	25,274,881	4,854,954

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 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 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 $ 2,526,418 measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. At June 30, 2016, the School Board reported a liability for the professional plan of $236,250,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the School Board's proportion was 1.87703% as compared to 1.96028% at June 30, 2014.

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, 2014, 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, 2015.

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)

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, 2014 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, 2014 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

NOTE 6. BENEFIT PENSION PLAN (Continued)

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. 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.

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

School Board Non Professional

	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
Balances at June 30, 2014	$ 25,991,264	$ 23,804,703	$ 2,186,561
Changes for the Year:			
Service cost	917,801	-	917,801
Interest	1,773,289	-	1,773,289
Difference between expected and actual experience	(171,518)	-	(171,518)
Contributions – employer	-	700,475	(700,475)
Contributions – employee	-	412,685	(412,685)
Net investment income	-	1,081,570	1,081,570
Benefit payments, including refunds of employee	(1,317,128)	(1,317,128)	-
Administrative expense	-	(14,788)	14,788
Other changes	-	(227)	227
Net changes	1,202,444	862,587	339,857
Balances at June 30, 2014	$ 27,193,708	$ 24,667,290	$ 2,526,418

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

The following presents the net pension liabilities of the School Board non-professional plan and the School Board professional plan, using the discount rate of 7.00%, as well as what 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)	6,014,958	2,526,418	(381,030)

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 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 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, 2016, the County recognized pension expense of $3,064,000. At June 30, 2016, 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	$ 2,678,000	$ 6,336,000
Net difference between expected and actual experience	-	93,000
County contributions subsequent to the measurement date	5,128,278	-
Total	$ 7,806,278	$ 6,429,000

$5,128,278 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:	
2017	$ (1,467,239)
2018	(1,467,239)
2019	(1,467,237)
2020	654,358
2021	-
Thereafter	-
	$ (3,747,357)

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

	Deferred Outflows	Deferred Infows
Governmental Activities	$ 6,427,789	$ 5,330,782
Business Type Activities	1,139,221	938,226
Rappahannock Regional Solid Waste Management Board	194,268	159,992
Total	$ 7,806,278	$ 6,429,000

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	Deferred Infows
Net difference between expected and actual experience	$ -	$ 123,339
Net difference between projected and actual earnings on pension plan investments	461,676	1,085,443
Employer contributions subsequent to the measurement date	754,488	-
Total	$ 1,216,164	$ 1,208,772

NOTE 6. BENEFIT PENSION PLAN (Continued)

$754,448 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.

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
2017	$ 294,571
2018	294,571
2019	273,373
2020	(115,419)
	$ 747,096

For the year ended June 30, 201, the School Board recognized pension expense related to the professional plan of $15,437,000. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, 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, 2016, 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	Deferred Infows
Net difference between projected and actual earnings On pension plan investments	$ -	$ 14,468,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,022,000	9,442,000
Difference between expected and actual experience	-	3,253,000
Employer contributions subsequent to the measurement date	21,137,562	-
Total	$ 22,159,562	$ 27,163,000

NOTE 6. BENEFIT PENSION PLAN (Continued)

$21,137,562 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, 2017. 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
2017	8,271,000
2018	8,271,000
2019	8,271,000
2020	(7,000)
2021	1,335,000
	$ 26,141,000

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board professional net pension liability (asset)	345,729,000	236,250,000	146,125,000

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, 2016 membership consisted of:

Retirees and beneficiaries currently receiving benefits	166
Terminated employees entitled to benefits but not yet receiving them	1
Active employees	839
Total	1,005

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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.

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)	$ 6,263,000
Amortization of NOO	(1,105,000)
Interest on NOO	977,000
Losses on plan assets	13,137
Annual OPEB Cost (AOC)	$ 6,148,137
NOO, beginning of year	$ 25,502,728
Current year AOC	6,148,137
Contribution made	(1,087,235)
NOO, end of year	$ 30,563,630

The NOO for the County as shown above includes a NOO of $ 446,619 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, 2016	$ 6,148,137	17.68%	$ 30,563,630
June 30, 2015	5,931,866	9.16%	25,502,728
June 30, 2014	5,203,146	14.45%	20,114,242

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

E. Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 7.34% 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 $63,494,000, and the actuarial value of plan assets was $4,659,000 (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 $58,835,000. The covered payroll (annual payroll of active employees covered by the plan was $48,231,268, and the ratio of the UAAL to covered payroll was 121.99%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

F. Actuarial Methods and Assumptions

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

In the July 1, 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, 2016 was 22 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.

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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	28	(27 vested)
Vested-Terminated	3	
Inactive members	10	
Total	41	

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	$ 20,244
Contribution made	$ 20,244
Funded ration	132%
Value of assets at January 1, 2016	$419,402

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.

RETIREMENT BENEFITS
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 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 is used. For active participants, the HIC provided by VRS is determined by multiplying the participants' years of service (up to a maximum of 30 years) by $1.50 for non-professional employees and $4.00 for professional employees.

DISABILITY BENEFITS
The VRS disability eligibility is the date of hire for a participant, which is the same eligibility SCPS requires. Disability participants receive the same subsidy percentage as a retiree, except there is no age 50 requirement to receive the employer subsidy. The employer's subsidized portion of the participants' benefit is determined after any credit given to the retiree from the VRS.

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

SURVIVOR BENEFITS
Surviving spouses of participants with dependent coverage can stay on the plan, but receive no subsidy from SCPS.

MEDICARE COVERAGE OPTIONS
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 secondarily to Medicare.

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.

ACTUARIAL METHODS AND ASSUMPTIONS

Cost Method
The projected unit credit method is used to determine the plan's liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal annual cost from the assumed entry date is determined by applying this percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year).

Under this method, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The plan's total annual normal cost and actuarial liability are the sum of the individual participant amounts.

An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

Interest Assumptions
The actuarial assumptions of the plan as of June 30, 2016 are as follows:

- Discount rate 7.0%
- VRS retiree credit increase 4.0%
- Payroll growth 4.0%

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 COST AND NET OPEB OBLIGATION

The annually required contribution (ARC) represents an actuarially computed annual level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of OPEB and amortize the unfunded actuarial liabilities (or funding excess) over a period not to exceed 25 years.

The School Board's annual OPEB cost (expense) for the year ended June 30, 2016 was $6,965,214 (comprised of the ARC of $6,734,000 plus interest of $1,729,684 on the beginning net OPEB obligation less an ARC adjustment of $1,498,470) and the annual contributions were $1,866,934, yielding an increase in the net OPEB obligation of $5,098,280.

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for fiscal years 2016, 2015, and 2014 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	$ 6,965,214	$ 1,866,934	26.80%	$ 29,808,057
June 30, 2015	6,672,328	2,196,007	32.91%	24,709,777
June 30, 2014	5,704,000	5,837,643	102.34%	20,233,456

D. FUNDED STATUS AND PROGRESS

As of June 30, 2015, the most recent valuation date, the plan was 31.19% funded. The actuarial accrued liability for benefits was $76,133,000, and the actuarial value of the assets was $23,743,000, resulting in an UAAL of $52,390,000. The covered payroll (annual payroll of active employees) was $104,673,291, and the ratio of the UAAL to the covered payroll was 50.05%.

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 revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for plan benefits.

Note 8. INTERFUND AND COMPONENT UNIT RECEIVABLE / PAYABLE

Individual fund receivable and payable balances at June 30, 2016 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	$ -	$ -	$ 418,536	$45,127,406	$45,545,942
Transportation Fund	4,476,288	-	-	-	4,476,288
Water and Sewer Fund	-	-	-	17,900	17,900
Total Receivable	$ 4,476,288	$ -	$ 418,536	$45,145,306	$50,040,130

The interfund payable from the Transportation Fund to the General Fund was a reclassification of cash balances to fund FY2016 Transportation operations and projects.

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 primarily the cash balance of the School Board and 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)	$ -	$ 2,744,512
Property tax receivable (net) (General Fund)	5,411,225	-
Property tax receivable (net) (Nonmajor Governmental Funds)	37,581	-
	$ 5,448,806	$ 2,744,512

Note 10. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the County totaled $ 195,674,372 for fiscal year 2016. Sources of these revenues were as follows:

	Commonwealth	Federal
Primary Government		
Governmental Funds:		
General Fund	$ 25,169,142	$ 3,324,716
Transportation Fund	4,686,382	1,040,353
Garrisonville Fund	1,069,043	-
Capital Projects Fund	431,713	-
Asset Forfeiture Fund	17,607	123,070
Total Governmental Funds	31,373,887	4,448,139
Proprietary Fund:		
Water and Sewer Fund	-	-
Total Primary Government	31,373,887	4,448,139
Component Unit – Stafford County Public Schools		
Governmental Funds:		
School Operating Fund	141,661,631	2,212,646
School Nutrition Fund	215,201	5,907,507
School Grants Fund	391,215	9,430,427
Total Component Unit	142,268,047	17,550,580
Total	$ 173,720,719	$ 21,953,653

Note 11. INTERFUND TRANSFERS

A summary of interfund transfer activity for the year ended June 30, 2016 is presented as follows:

	Transfer from Fund				
Transfer To Fund:	General Fund	Transportation Fund	Enterprise Fund	Other Govt'l Funds	Total Transferred In
General Fund	$ -	$ 27,186	$ -	$ -	$ 27,186
Transportation Fund	711,311	-	-	-	711,311
General Capital Projects Fund	3,376,826	-	-	-	3,376,826
Other Funds	937,518	61,000	-	434,128	1,432,646
Total Transferred Out	$ 5,025,655	$ 88,186	$ -	$ 434,128	$ 5,526,799

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

Note 12. COMMITMENTS, CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

At June 30, 2016 the County had contractual commitments of $ 4.3 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, 2016 will not be material to the County's financial position.

In November 2016 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, 2016, the Component Unit – Stafford County Public Schools had contractual commitments of $9.0 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

Note 13. JOINT VENTURES (Continued)

- 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, 2016 was $4,598,546. During fiscal year 2016, the R-Board paid $ 252,929 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 $9.5 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2016 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 2016. 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. <u>RAPPAHANNOCK REGIONAL JAIL AUTHORITY</u>

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, 2016 totaled $6,353,173.

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

Note 13. JOINT VENTURES (Continued)

C. CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

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

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

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

The Regional Library Board is empowered to budget and expend funds and to execute contracts. Eighty percent of the Library's operating revenues are derived from annual appropriations by the participating jurisdictions. The remaining twenty percent is derived from fines, fees, donations and State grants. For the year ended June 30, 2016, Stafford County's appropriation to the Regional Library was $5,117,220.

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.

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, 2016, the account had a balance of $ 2,267,253.

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:

Note 14. RISK MANAGEMENT (Continued)

	2016	2015
Unpaid claims, beginning	$ 1,077,488	$ 991,853
Incurred claims (including IBNR)	12,114,710	11,880,998
Claim payments	(11,865,496)	(11,795,363)
Unpaid claims, ending	$ 1,326,702	$ 1,077,488

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:

	2016	2015
Unpaid claims, beginning	$ 4,443,510	$ 4,931,982
Incurred claims (including IBNR)	23,543,117	24,017,877
Claim payments	(23,728,323)	(24,506,349)
Unpaid claims, ending	$ 4,258,304	$ 4,443,510

Note 15. OPERATING LEASES

Stafford County leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases were $1,111,546 for the year ended June 30, 2016. The future minimum lease payments for these leases are as follows:

Year Ending June 30	General Government	Water and Sewer Fund
2017	$ 536,356	$ 98,067
2018	471,072	-
2019	464,064	-
2020	338,314	-
2021	254,101	-
2022	144,800	-
	$ 2,208,707	$ 98,067

Note 16. PENDING GASB STATEMENTS

The County has not yet assessed the impact of these statements on the financial statements.

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.

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 2017.

In December 2015, GASB issued Statement No. 78, "Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans." This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

In December 2015, GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants." This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

In January 2016, GASB issued Statement No. 80, "Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14." The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the decision usefulness of information reported in financial statements and enhances its value for assessing government

Note 16. PENDING GASB STATEMENTS (continued)

accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

In March 2016, GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements" This Statement will enhance accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016.

In March 2016, GASB issued Statement No. 82, "Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73." This Statement will address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. Statement No. 83 will be effective for reporting periods beginning after June 15, 2018. The County will implement Statement No. 83 in FY 2019.

Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues				
General property taxes	$ 188,358,536	$ 188,358,536	$ 190,859,284	$ 2,500,748
Other local taxes	34,744,592	35,244,592	37,299,699	2,055,107
Permits, privilege fees and regulatory licenses	3,404,980	3,404,980	4,203,746	798,766
Fines and forfeitures	918,000	935,272	1,034,714	99,442
Use of money and property	464,001	464,001	791,736	327,735
Charges for services	6,164,079	6,164,079	6,588,194	424,115
Miscellaneous	3,476,712	4,244,393	5,021,021	776,628
Intergovernmental	27,463,985	27,814,387	28,493,856	679,469
Total revenues	264,994,885	266,630,240	274,292,250	7,662,010
Expenditures				
Current operating:				
General government:				
Board of Supervisors	632,967	701,010	666,337	34,673
Clerk of the Board	167,768	173,281	173,280	1
County Administrator	615,476	629,662	629,662	-
Public Information	328,962	290,180	274,682	15,498
County Attorney	1,078,239	1,363,533	942,926	420,607
Human Resources	625,610	753,264	680,846	72,418
Commissioner of the Revenue	2,621,306	2,670,359	2,662,802	7,557
Treasurer	1,880,157	1,990,470	1,967,306	23,164
Finance	2,020,546	2,293,639	2,001,068	292,571
Budget	418,747	423,137	423,135	2
Computer Services	1,581,130	1,831,045	1,820,035	11,010
Geographic Information Systems	571,794	588,455	588,452	3
Electoral Board and Registrar	481,947	481,024	481,017	7
	13,024,649	14,189,059	13,311,548	877,511
Judicial administration:				
Circuit Court	274,726	258,528	257,458	1,070
General District Court	101,750	111,912	69,722	42,190
Juvenile and Domestic Relations District Court	65,700	66,301	58,769	7,532
Clerk of the Circuit Court	1,445,130	1,738,136	1,456,484	281,652
Magistrate	8,830	9,025	7,717	1,308
Commonwealth Attorney	2,921,191	2,937,423	2,925,984	11,439
Court Deputies	2,217,780	2,380,344	2,362,579	17,765
	7,035,107	7,501,669	7,138,713	362,956
Public safety:				
Policing and investigating	21,635,544	23,159,264	22,467,416	691,848
Emergency management	15,707,761	17,067,987	16,604,934	463,053
Volunteer rescue squads	124,587	124,587	104,627	19,960
Volunteer fire departments	536,476	572,726	487,490	85,236
Care and confinement of prisoners	6,353,173	6,353,173	6,353,173	-
15th District Court Unit	361,330	362,777	350,613	12,164
Rappahannock Juvenile Detention	1,383,382	1,223,002	1,223,000	2
Code compliance	3,937,122	4,597,818	4,303,785	294,033
Animal control	905,079	899,584	819,918	79,666
	50,944,454	54,360,918	52,714,956	1,645,962
Public works:				
Engineering	440,884	447,650	442,065	5,585
Maintenance of general buildings and grounds and general properties	4,458,225	4,810,835	4,729,745	81,090
	4,899,109	5,258,485	5,171,810	86,675

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Health and social services:				
Local health department	$ 535,937	$ 535,938	$ 535,937	$ 1
Public assistance	12,260,514	11,954,356	11,654,058	300,298
Other	2,136,198	3,266,528	1,457,672	1,808,856
	14,932,649	15,756,822	13,647,667	2,109,155
Parks, recreation and cultural:				
Administration	4,318,455	4,802,347	4,771,717	30,630
Community programs	423,312	410,920	398,549	12,371
Sports programs	428,751	591,487	591,480	7
Gymnastics program	772,810	806,467	806,302	165
Pool program	639,651	1,040,210	1,040,195	15
Senior citizens	124,444	135,413	135,412	1
Seasonal	-	-	-	-
Cultural programs	76,070	76,070	76,070	-
Regional library	5,067,220	5,117,221	5,117,220	1
	11,850,713	12,980,135	12,936,945	43,190
Community development:				
Planning and community development	2,173,804	2,168,651	2,142,423	26,228
Planning commission	101,450	98,683	98,680	3
Zoning board	-	13,237	4,360	8,877
Economic development	825,051	987,835	923,309	64,526
Other	493,082	589,085	564,082	25,003
Cooperative extension program	174,447	170,758	168,781	1,977
	3,767,834	4,028,249	3,901,635	126,614
Appropriation to School Board:				
School operating	112,527,828	114,513,828	111,449,395	3,064,433
School capital projects	209,000	1,059,000	209,000	850,000
	112,736,828	115,572,828	111,658,395	3,914,433
Capital outlay	3,340,344	4,803,715	2,251,634	2,552,081
Debt service:				
Principal	25,081,111	25,074,903	24,802,735	272,168
Interest and fiscal charges	17,871,087	17,871,087	17,622,732	248,355
	42,952,198	42,945,990	42,425,467	520,523
Total expenditures	265,483,885	277,397,870	265,158,770	12,239,100
Excess (deficiency) of revenues over (under) expenditures	(489,000)	(10,767,630)	9,133,480	19,901,110
Other Financing Sources (Uses)				
Proceeds of indebtedness	-	415,256	-	415,256
Transfers in	540,000	40,000	27,186	12,814
Transfers out	-	(5,025,655)	(5,025,655)	-
Total other financing sources (uses), net	540,000	(4,570,399)	(4,998,469)	(428,070)
Net change in fund balance	51,000	(15,338,029)	4,135,011	19,473,040
Fund balance, beginning	(51,000)	15,338,029	66,143,355	50,805,326
Fund balance, ending	$ -	$ -	$ 70,278,366	$ 70,278,366

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL TRANSPORTATION FUND YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive(Negative)
Revenues				
Other local taxes - fuel sales tax	$ 3,554,926	$ 3,554,926	$ 2,961,265	$ (593,661)
Use of money	5,000	5,000	24,388	19,388
Miscellaneous	-	-	107,912	107,912
Intergovernmental	693,000	3,943,150	6,222,105	2,278,955
Total revenues	4,252,926	7,503,076	9,315,670	1,812,594
Expenditures				
Current operating:				
Transportation	3,488,682	3,651,324	3,651,700	(376)
Capital outlay	591,089	15,938,360	11,930,383	4,007,977
Debt service:				
Principle	125,065	125,065	125,065	-
Interest and fiscal charges	108,090	191,476	305,599	(114,123)
Total expenditures	4,312,926	19,906,225	16,012,747	3,893,478
Excess (deficiency) of revenues over (under) expenditures	(60,000)	(12,403,149)	(6,697,077)	5,706,072
Other Financing Sources (Uses)				
Transfers in	100,000	871,311	711,311	(160,000)
Transfers out	(40,000)	(101,000)	(88,186)	12,814
Transfers from component unit -				
Issuance of debt:				
Bonds		74,095	4,367,370	4,293,275
Bonds premium	-	-	452,980	452,980
Total other financing sources (uses)	60,000	844,406	5,443,475	4,599,069
Net change in fund balance	-	(11,558,743)	(1,253,602)	10,305,141
Fund balance, beginning	-	11,558,743	8,660,057	(2,898,686)
Fund balance, ending	$ -	$ -	$ 7,406,455	$ 7,406,455

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

	As of June 30, 2015	As of June 30, 2014
Total Pension Liability		
Service cost	$ 5,483,794	$ 5,461,428
Interest	11,160,637	10,443,292
Differences between expected and actual experience	(118,543)	-
Benefit payments, including refunds of employee contributions	(5,788,531)	(5,525,348)
Net change in total pension liability	10,737,357	10,379,372
Total pension liability - beginning	162,331,930	151,952,558
Total pension liability - ending (a)	$ 173,069,287	$ 162,331,930
Plan Fiduciary Net Position		
Contributions - employer	$ 5,063,741	$ 5,291,891
Contributions - employee	2,363,363	2,344,409
Net investment income	6,489,652	18,945,438
Benefit payments, including refunds of employee contributions	(5,788,531)	(5,525,348)
Administrative expense	(85,858)	(99,431)
Other	(1,378)	999
Net change in plan fiduciary net position	8,040,989	20,957,958
Plan fiduciary net position - beginning	139,753,417	118,795,459
Plan fiduciary net position - ending (b)	$ 147,794,406	$ 139,753,417
Net pension liability - ending (a) - (b)	$ 25,274,881	$ 22,578,513
Plan fiduciary net position as a percentage of the total pension liability	85.40%	86.09%
Employer's covered-employee payroll	$ 49,442,402	$ 48,461,394
Net pension liability as a percentage of covered-employee payroll	51.12%	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, 2014 and the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

(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 illustrate 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, 2015	As of June 30, 2014
Total Pension Liability		
Service cost		$ 931,365
Interest	$ 917,801	1,679,630
Changes of benefit terms	1,773,289	-
Differences between expected and actual experience	(171,518)	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(1,317,128)	(1,228,897)
Net change in total pension liability	1,202,444	1,382,098
Total pension liability - beginning	25,991,264	24,609,166
Total pension liability - ending (a)	$ 27,193,708	$ 25,991,264
Plan Fiduciary Net Position		
Contributions - employer	$ 700,475	$ 828,505
Contributions - employee	412,685	433,951
Net investment income	1,081,570	3,247,485
Benefit payments, including refunds of employee contributions	(1,317,128)	(1,228,897)
Administrative expense	(14,788)	(17,281)
Other	(227)	171
Net change in plan fiduciary net position	862,587	3,263,934
Plan fiduciary net position - beginning	23,804,703	20,540,769
Plan fiduciary net position - ending (b)	$ 24,667,290	$ 23,804,703
School Board non-professional net pension liability - ending (a) - (b)	$ 2,526,418	$ 2,186,561
Plan fiduciary net position as a percentage of the total pension liability	90.71%	91.59%
Employer's covered-employee payroll	$ 8,451,460	$ 8,577,515
School Board's non-professional net pension liability as a percentage of covered-employee payroll	29.89%	25.49%

SCHEDULE OF CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30, 2015	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	$ 5,063,741	$ 5,291,891
Contributions in relation to the CRC	5,063,741	5,291,891
Contribution deficiency (excess)	$ -	$ -
Employer's covered-employee payroll	$ 49,442,402	$ 48,461,394
Contributions as a percentage of covered-employee payroll	10.24%	10.92%

Notes to Schedule:

(1) Valuation date: June 30, 2014

(2) Measurement date: June 30, 2015

(3) 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.

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

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 & 20 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.25%-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, 2015	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	$ 700,475	$ 828,505
Contributions in relation to the CRC	700,475	828,505
Contribution deficiency (excess)	$ -	$ -
Employer's covered-employee payroll	$ 8,451,460	$ 8,577,515
Contributions as a percentage of covered-employee payroll	8.29%	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, 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%
July 1, 2015	4,659,000	63,494,000	58,835,000	7.34%	48,231,268	121.99%

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

For Component Unit School Board:

July 1, 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%
July 1, 2015	23,743,000	76,133,000	52,390,000	31.19%	104,673,291	50.05%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Supervisors annually adopts budgets for the General Fund, and Special Revenue Funds of the primary government. All appropriations are legally controlled at the department level for the General Fund and Special Revenue Funds. On April 21, 2015, 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, 2016.

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.

Armed Services Memorial Fund
Accounts for the revenues and expenditures associated with the Armed Services Memorial.

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, 2016

	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	$ 430,273	$ 1,367,214	$ 2,766,337	$ 3,440,001	$ -
Restricted assets:					
Cash	-	-	-	-	1,326,476
Cash with fiscal agents	-	-	1,740,361	-	-
Receivables, net of allowance for uncollectibles:					
Property taxes	-	-	21,739	-	-
Accounts receivable	-	-	1,069,043	-	-
Due from other funds	-	-	-	-	-
Total assets	$ 430,273	$ 1,367,214	$ 5,597,481	$ 3,440,001	$ 1,326,476
LIABILITIES					
Liabilities:					
Accounts payable	$ 125,346	$ -	$ 59,134	$ 11,632	$ -
Accrued salaries and benefits	-	-	1,094	-	-
Retainage payable	100,291	-	30,000	-	-
Unearned revenue	-	-	-	-	1,076,238
Total liabilities	225,638	-	90,227	11,632	1,076,238
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	31,202	-	-
Total deferred inflows of resources	-	-	31,202	-	-
FUND BALANCES					
Restricted	-	-	-	-	250,238
Committed	27,946	-	5,476,052	26,164	-
Assigned	176,689	1,367,214	-	3,402,205	-
Total fund balances	204,636	1,367,214	5,476,052	3,428,369	250,238
Total liabilities deferred inflows of resources and fund balances	$ 430,273	$ 1,367,214	$ 5,597,481	$ 3,440,001	$ 1,326,476

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue					
	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	Armed Services Memorial Fund	Transportation Impact Fee Fund	Total Nonmajor Governmental Funds
ASSETS						
Equity in pooled cash and investments	$ 767,419	$ 101,889	$ 106,125	$ 324,229	$ 454,866	$ 9,758,354
Restricted assets:						
Cash	-	-				1,326,476
Cash with fiscal agents	-	-	-	-	-	1,740,361
Receivables, net of allowance for uncollectibles:						
Property taxes	-	-	7,014	-	-	28,753
Accounts receivable	108,784	-	-	-	-	1,177,827
Due from other funds	-	-	-	-	-	-
Total assets	$ 876,203	$ 101,889	$ 113,139	$ 324,229	$ 454,866	$ 14,031,771
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 55,162	$ -	$ -	$ 2,093	$ -	$ 253,367
Accrued salaries and benefits	2,643	-	78	-	-	3,815
Retainage payable	9,951	-	-	-	-	140,243
Unearned revenue	-	-	-	-	-	1,076,238
Total liabilities	67,757	-	78	2,093	-	1,473,663
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	6,380	-	-	37,581
Total deferred inflows of resources	-	-	6,380	-	-	37,581
FUND BALANCES						
Restricted	-	-	-	-	-	250,238
Committed	226,911	-	-	-	-	5,757,073
Assigned	581,535	101,889	106,682	322,136	454,866	6,513,216
Total fund balances	808,445	101,889	106,682	322,136	454,866	12,520,527
Total liabilities deferred inflows of resources and fund balances	$ 876,203	$ 101,889	$ 113,139	$ 324,229	$ 454,866	$ 14,031,771

COUNTY OF STAFFORD, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	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	$ -	$ -	$ 556,373	$ 2,519	$ -
Other local taxes	-	-	-	-	-
Use of money and property	2,354	3,466	15,521	11,103	2,312
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	346
Intergovernmental	-	-	1,069,043	-	140,677
Total revenues	2,354	3,466	1,640,937	13,622	143,335
EXPENDITURES					
Current operating:					
Judicial administration	-	-	-	-	29,912
Public safety	-	-	-	-	160,745
Parks, recreation and cultural	-	-	-	-	-
Community development	-	-	-	-	-
Debt service	-	-	487,800	-	-
Capital outlay	1,421,304	607,790	3,467,184	30,782	87,259
Total expenditures	1,421,304	607,790	3,954,984	30,782	277,916
Excess (deficiency) of revenues over (under) expenditures	(1,418,950)	(604,324)	(2,314,047)	(17,160)	(134,581)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	1,157,646	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	1,157,646	-	-	-
Net change in fund balances	(1,418,950)	553,322	(2,314,047)	(17,160)	(134,581)
Fund balance, beginning	1,623,586	813,892	7,790,101	3,445,529	384,819
Fund balance, ending	$ 204,636	$ 1,367,214	$ 5,476,054	$ 3,428,369	$ 250,238

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue					
	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	Armed Services Memorial Fund	Transportation Impact Fee Fund	Total Nonmajor Governmental Funds
REVENUES						
Property taxes	$ -	$ -	$ 113,793	$ -	$ -	$ 672,685
Other local taxes	1,000,447	-	-	-	424,876	1,425,323
Use of money and property	-	-	219	-	-	34,975
Charges for services	-	69,463	-	-	-	69,463
Miscellaneous	-	-	-	100,650	-	100,996
Intergovernmental	50	-	-	-	-	1,209,770
Total revenues	1,000,497	69,463	114,012	100,650	424,876	3,513,212
EXPENDITURES						
Current operating:						
Judicial administration	-	-	-	-	-	29,912
Public safety	-	-	-	-	-	160,745
Parks, recreation and cultural	-	-	-	3,515	-	3,515
Community development	952,075	-	83,808	-	-	1,035,883
Debt service	-	-	64,538	-	-	552,338
Capital outlay	-	-	-	-	-	5,614,319
Total expenditures	952,075	-	148,346	3,515	-	7,396,712
Excess (deficiency) of revenues over (under) expenditures	48,422	69,463	(34,334)	97,135	424,876	(3,883,500)
OTHER FINANCING SOURCES (USES)						
Transfers in	50,000	-	-	225,000	-	1,432,646
Transfers out	(434,128)	-	-	-	-	(434,128)
Total other financing sources (uses)	(384,128)	-	-	225,000	-	998,518
Net change in fund balances	(335,706)	69,463	(34,334)	322,135	424,876	(2,884,982)
Fund balance, beginning	1,144,151	32,426	141,015	-	29,990	15,405,509
Fund balance, ending	$ 808,445	$ 101,889	$ 106,681	$ 322,135	$ 454,866	$ 12,520,527

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget
PRIMARY GOVERNMENT	Original	Final	Actual Amounts	Positive(Negative)
Special Revenue Funds:				
Road Impact Fee - West				
Revenues:				
Other local taxes	$ -	$ -	$ 2,354	$ 2,354
Use of money	-		-	-
Total revenues	-	-	2,354	2,354
Expenditures				
Current operating:				
Capital outlay	-	1,488,330	1,421,304	67,026
Excess (deficiency) of revenues over (under) expenditures	-	(1,488,330)	(1,418,950)	69,380
Net change in fund balance	-	(1,488,330)	(1,418,950)	69,380
Fund balance, beginning	-	1,488,330	1,623,586	135,256
Fund balance, ending	$ -	$ -	$ 204,636	$ 204,636
Road Impact Fee - South East				
Revenues:				
Use of money	$ -	$ -	$ 3,466	$ 3,466
Transfers in	-	-	1,157,646	1,157,646
Total revenues	-	-	1,161,112	1,161,112
Expenditures				
Current operating:				
Capital outlay	-	1,157,646	607,790	549,856
Excess (deficiency) of revenues over (under) expenditures	-	(1,157,646)	553,322	(604,324)
Net change in fund balances	-	(1,157,646)	553,322	(604,324)
Fund balance, beginning	-	1,157,646	813,892	1,971,538
Fund balance, ending	$ -	$ -	$ 1,367,214	$ 1,367,214

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget
PRIMARY GOVERNMENT	Original	Final	Actual Amounts	Positive(Negative)
Special Revenue Funds:				
Garrisonville Road Service District Fund:				
Revenues:				
Property taxes	$ 530,000	$ 530,000	$ 556,372	$ 26,372
Use of money	-	-	15,521	15,521
Intergovernmental	-	7,450,508	1,069,043	(6,381,465)
Total revenues	530,000	7,980,508	1,640,936	(6,339,572)
Expenditures				
Current operating:				
Debt Service	487,800	487,800	487,800	-
Capital outlay	-	12,649,208	3,467,184	9,182,024
	487,800	13,137,008	3,954,984	9,182,024
Excess (deficiency) of revenues over (under) expenditures	42,200	(5,156,500)	(2,314,048)	2,842,452
Net change in fund balance	42,200	(5,156,500)	(2,314,048)	2,842,452
Fund balance, beginning	(42,200)	5,156,500	7,790,101	2,633,601
Fund balance, ending	$ -	$ -	$ 5,476,053	$ 5,476,053
Warrenton Road Service District Fund:				
Revenues:				
Property taxes	$ -	$ -	$ 2,519	$ 2,519
Use of money	-	-	11,103	11,103
Total revenues	-	-	13,622	13,622
Expenditures				
Current operating:				
Capital outlay	-	1,387,104	30,782	1,356,322
Excess (deficiency) of revenues over (under) expenditures	-	(1,387,104)	(17,160)	1,369,944
Net change in fund balances	-	(1,387,104)	(17,160)	1,369,944
Fund balance, beginning	-	1,387,104	3,445,529	2,058,425
Fund balance, ending	$ -	$ -	$ 3,428,369	$ 3,428,369

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget
PRIMARY GOVERNMENT	Original	Final	Actual Amounts	Positive(Negative)
Special Revenue Funds:				
Tourism Fund:				
Revenues				
Other local taxes	$ 1,350,000	$ 1,350,000	$ 1,000,447	$ (349,553)
Intergovernmental	-	50,000	50,050	50
Total revenues	1,350,000	1,400,000	1,050,497	(349,503)
Expenditures				
Current operating:				
Community development	1,350,000	1,734,841	952,075	782,766
	1,350,000	1,734,841	952,075	782,766
Excess (deficiency) of revenues over (under) expenditures	-	(334,841)	98,422	433,263
Other financing sources (uses)				
Transfers out	(500,000)	(61,000)	(434,128)	(373,128)
Net change in fund balance	(500,000)	(395,841)	(335,706)	60,135
Fund balance, beginning	-	416,523	1,144,151	727,628
Fund balance, ending	$ (500,000)	$ 20,682	$ 808,445	$ 787,763
Hidden Lake Dam Fund:				
Revenues:				
Property taxes	$ 105,400	$ 105,400	$ 113,793	$ 8,393
Use of money	80	80	219	139
Total revenues	105,480	105,480	114,012	8,532
Expenditures				
Current operating:				
Community development	40,942	93,486	83,808	9,678
Debt service				
Principal	35,000	35,000	35,000	-
Interest and fiscal charges	29,538	29,538	29,538	-
Total expenditures	105,480	158,024	148,346	9,678
Excess (deficiency) of revenues over (under) expenditures	-	(52,544)	(34,334)	18,210
Net change in fund balance	-	(52,544)	(34,334)	18,210
Fund balance, beginning	-	52,544	141,015	88,471
Fund balance, ending	$ -	$ -	$ 106,681	$ 106,681

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, 2016

	Budgeted Amounts			Variance with Final Budget
PRIMARY GOVERNMENT	Original	Final	Actual Amounts	Positive(Negative)
Special Revenue Funds:				
Armed Services Memorial Fund:				
Revenues:				
Miscellaneous	$ -	$ -	$ 100,650	$ 100,650
Intergovernmental	$ -	$ -	$ 225,000	$ 225,000
Total revenues	-	-	325,650	325,650
Expenditures				
Current operating:				
Parks, recreation and cultural	-	225,000	3,515	221,485
Excess (deficiency) of revenues over (under) expenditures	-	(225,000)	322,135	(120,835)
Other Financing Sources				
Transfers-Out	-	-	-	-
Net change in fund balance	-	(225,000)	322,135	(120,835)
Fund balance, beginning	-	225,000	-	(225,000)
Fund balance, ending	$ -	$ -	$ 322,135	$ (345,835)
Asset Forfeiture Fund:				
Revenues				
Use of money and property	$ -	$ -	$ 2,312	$ 2,312
Miscellaneous	-	-	346	346
Intergovernmental	-	200,000	140,677	(59,323)
Total revenues	-	200,000	143,335	(56,665)
Current operating:				
Judicial administration	90,000	90,000	29,912	60,088
Public safety	210,000	444,759	160,745	284,014
Capital outlay	-	25,000	87,259	(62,259)
Total expenditures	300,000	559,759	277,916	281,843
Excess (deficiency) of revenues over (under) expenditures	(300,000)	(359,759)	(134,581)	225,178
Net change in fund balance	(300,000)	(359,759)	(134,581)	225,178
Fund balance, beginning	300,000	359,759	384,819	25,060
Fund balance, ending	$ -	$ -	$ 250,238	$ 250,238

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2016

Transportation Impact Fee:				
Revenues:				
Other local taxes	$ 100,000	$ 130,010	$ 424,876	$ 294,866
Total revenues	100,000	130,010	424,876	294,866
Expenditures				
Current operating:				
Capital outlay	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	100,000	-	424,876	294,866
Net change in fund balance	100,000	-	424,876	294,866
Fund balance, beginning	-	-	29,990	-
Fund balance, ending	$ 100,000	$ -	$ 454,866	$ 294,866

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, 2016

	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	$ 21,815	$ 1,815
Intergovernmental	-	431,713	431,713	-
Total revenues	20,000	451,713	453,528	1,815
Expenditures				
Current operating:				
Public safety	-	6,399,307	5,290,408	1,108,899
Public works	507,204	1,491,522	767,631	723,891
Parks, recreation and cultural	290,088	13,590,134	12,567,835	1,022,299
Capital Outlay	-	821,910	512,541	309,369
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	192,099	337,373	(145,274)
Appropriation to School Board:		29,656,863	22,241,152	7,415,711
School capital projects	-	-	-	-
Total expenditures	797,292	52,151,835	41,716,940	10,434,895
Deficiency of revenues under expenditures	(777,292)	(51,700,122)	(41,263,412)	10,436,710
Other financing sources (uses)				
Transfers in	-	3,491,826	3,376,826	(115,000)
Transfers out to component unit		-	-	-
Transfers to joint venture		(2,052,607)	(2,054,240)	(1,633)
Issuance of debt:				
Bonds	-	36,158,896	31,017,177	(5,141,719)
Capital leases	-	5,128,339	5,128,339	-
Total other financing sources (uses)	-	42,726,454	37,468,102	(5,258,352)
Net change in fund balance	(777,292)	(8,973,668)	(3,795,310)	5,178,358
Fund balance, beginning	777,292	8,973,668	9,996,099	1,022,431
Fund balance, ending	$ -	$ -	$ 6,200,789	$ 6,200,789

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, 2016

	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	$ 675,566	$ 458,349	$ -	$ 487,984	$ 2,882,166
Receivables:						
Property taxes	-	4,910,900	81,191	-	-	4,992,091
Accounts	-	-	-	82,466	-	82,466
Total assets	$ 1,260,267	$ 5,586,466	$ 539,540	$ 82,466	$ 487,984	$ 7,956,723
LIABILITIES						
Accrued salaries and benefits	$ -	$ -	$ -	$ 25,709	$ -	$ 25,709
Other liabilities	-	2,510	-	56,757	-	59,267
Reserve for future expenditures	1,260,267	-	539,540	-	-	1,799,807
Reserve for bondholders	-	5,583,956	-	-	487,984	6,071,940
Total liabilities	$ 1,260,267	$ 5,586,466	$ 539,540	$ 82,466	$ 487,984	$ 7,956,723

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
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	$ 1,096,927	$1,243,649	$(1,665,010)	$ 675,566
Property taxes receivable	2,789,910	2,760,023	(639,033)	4,910,900
Total assets	$ 3,886,837	$4,003,673	$(2,304,044)	$ 5,586,466
LIABILITIES				
Other liabilities	$ 2,510	$ -	$ -	$ 2,510
Reserve for bondholders	3,884,327	4,003,774	(2,304,145)	5,583,956
Total liabilities	$ 3,886,837	$4,003,774	$(2,304,145)	$ 5,586,466
Lake Arrowhead Sanitary District Fund				
ASSETS				
Cash and short-term investments	$ 470,889	$ 2,300	$ (14,840)	$ 458,349
Property taxes receivable	86,746	86,746	(92,301)	81,191
Total assets	$ 557,635	$ 89,046	$ (107,141)	$ 539,540
Reserve for future expenditures	$ 557,635	$ 31,163	$ (49,258)	$ 539,540
George Washington Regional Commission				
ASSETS				
Accounts receivable	$ 99,316	$ 82,467	$ (99,317)	$ 82,466
LIABILITIES				
Accrued salaries and benefits	$ 19,592	$ 41,105	$ (34,988)	$ 25,709
Other liabilities	79,724	32,183	(55,150)	56,757
	$ 99,316	$ 73,288	$ (90,138)	$ 82,466
Embrey Mill Agency Fund				
ASSETS				
Cash and short-term investments	$ 83,464	$ 573,367	$ (168,847)	$ 487,984
Property taxes receivable	4,293	-	(4,293)	-
	$ 87,757	$ 573,367	$ (173,140)	$ 487,984
LIABILITIES				
Reserve for bondholders	$ 87,757	$ 573,368	$ (173,141)	$ 487,984
Totals - All Fiduciary Agency Funds				
ASSETS				
Cash and short-term investments	$ 2,911,547	$1,819,317	$(1,848,698)	$ 2,882,166
Property taxes receivable	2,880,949	2,846,769	(735,627)	4,992,091
Accounts receivable	99,316	82,467	(99,317)	82,466
Total assets	$ 5,891,812	$4,748,553	$(2,683,642)	$ 7,956,723
LIABILITIES				
Accrued salaries and benefits	19,592	41,105	(34,988)	25,709
Other liabilities	82,234	32,183	(55,150)	59,267
Reserve for future expenditures	1,817,902	31,163	(49,258)	1,799,807
Reserve for bondholders	3,972,084	4,577,141	(2,477,285)	6,071,940
Total liabilities	$ 5,891,812	$4,681,592	$(2,616,681)	$ 7,956,723

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.

NET POSITION BY COMPONENT
Fiscal Years 2007 - 2016
(accrual basis of accounting)
(unaudited) (1)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary government:										
Governmental activities:										
Net investment in capital assets	$ 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	$ 125,608,019
Restricted	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	1,993,179
Unrestricted (deficit)	(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)	(277,315,561)
Total governmental activities net position	$ (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)	$ (149,714,363)
Business-type activities:										
Net investment in capital assets	$ 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	$ 322,691,679
Restricted	11,695,567	11,912,732	12,002,547	12,165,547	14,293,655	51,224,071	14,008,268	-	9,617,314	10,673,889
Unrestricted	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	32,588,161
Total business-type activities net position	$ 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	$ 365,953,729
Total Primary government										
Net investment in capital assets	$ 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	$ 448,299,698
Restricted	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	12,667,068
Unrestricted (deficit)	(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)	(244,727,400)
Total primary government net position	$ 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	$ 216,239,366

(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 2007-2016
(accrual basis of accounting)
(unaudited) (1)

Primary government:	**2007**	**2008**	**2009**	**20010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Expenses										
Governmental activities:										
General government	$ 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	$ 14,362,591
Judicial administration	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	6,918,104
Public safety	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	57,975,996
Public works	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	8,869,061
Health and social services	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	13,905,298
Parks, recreation and cultural	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	16,142,774
Community development	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	4,993,035
Appropriation to School Board	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	133,974,547
Transportation	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	3,227,877
Interest	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	17,173,262
Change in equity - joint venture	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	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	277,542,545
Total business-type activities expenses	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	$ 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	$ 277,542,545
Program revenues										
Governmental activities:										
Charges for services:										
General government	$ 184,244	$ 3,619	$ 965	$ 1,108	$ 25,964	$ 225,028	$ 242,505	$ 266,157	$ 281,000	$ 641,721
Judicial administration	728,369	482,221	388,935	277,479	335,598	304,592	371,234	258,636	249,493	269,789
Public safety	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	7,562,952
Public works	-	-	67,927	70,097	71,817	68,888	72,680	54,814	66,868	38,912
Health and social services	50,120	34,375	310,308	292,027	175,902	140,145	195,762	247,335	75,819	135,963
Parks, recreation and cultural	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	2,213,931
Community development	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	1,689,645
Transportation	-	-	500	28,890	37,455	36,450	44,650	51,785	67,320	49,708
Operating grants and contributions										
General government	604,780	681,802	659,751	591,090	563,978	571,979	593,732	591,531	716,671	643,329
Judicial administration	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	1,909,899
Public safety	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	5,367,744
Public works	-	-	-	-	-	-	-	-	-	-
Health and social services	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	7,019,454
Parks, recreation and cultural	-	-	2,220	-	-	39,496	-	-	-	-
Community development	104,382	84,908	448,890	579,847	1,111,018	75,348	101,161	250,254	-	50
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	5,376,640
Total governmental program revenues	$ 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	$ 32,919,737

COUNTY OF STAFFORD, VIRGINIA **Table S-2**

CHANGES IN NET POSITION **Page 2 of 2**
Fiscal Years 2007-2016
(accrual basis of accounting)
(unaudited) (1)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services	$ 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	$ 32,449,975
Operating grants and contributions	65,702	1,857,407	-	3,496,906	2,914,691	1,037,356	276,145	-	-	-
Capital grants and contributions	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	19,716,714
Total business-type activities program revenues	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	52,166,689
revenues	$ 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	$ 85,086,426
Net (expense)/revenue (2)										
Governmental activities	$ (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)	$ (244,622,808)
Business activities	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	52,166,689
Total primary government net expense	$ (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)	$ (192,456,119)
General revenues and other changes in net assets										
Governmental activities:										
Taxes										
General property taxes	$ 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	$ 192,132,277
Other local taxes	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	42,531,750
Unrestricted grants and contributions	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	15,978,707
Investment earnings	5,014,147	2,960,670	1,449,560	205,052	116,813	46,162	38,656	206,821	106,796	448,174
Miscellaneous	5,622,502	3,507,598	709,672	570,010	722,730	552,128	884,870	4,656,269	6,616,292	4,019,156
Gain (loss) on sale of property	-	-	-	-	-	-	-	-	-	75,337
Transfers	-	(13,713)	282,448	-	-	-	121,100	-	10,000	(1,984,410)
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Total governmental activities	$ 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	$ 253,200,991
Business-type activities										
Investment earnings	$ 3,735,172	$ 3,266,902	$ 2,473,329	$ 964,691	$ 514,145	$ 377,663	$ 282,527	$ 235,995	$ 203,909	$ 449,208
Gain on disposal of capital assets	-	-	-	-	-	5,122	13,000	12,882	43,365	23,560
Miscellaneous	697,882	79,940	80,250	41,841	317,207	168,433	159,109	47,989	35,920	136,311
Transfers		13,713	(282,448)	-	-	-	(121,100)	-	(10,000)	-
Total business-type activities	4,433,054	3,360,555	2,271,131	1,006,532	831,352	551,218	333,536	296,866	273,194	609,079
Total primary government	$ 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	$ 253,810,070
Change in net position										
Primary government:										
Governmental activities	$ (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	$ 11,181,617
Business-type activities	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	18,252,698
Total primary government	$ 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	$ 29,434,315
Total primary government										
Net position, beginning (3), (4), (5), (6) (7	$ 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	$ 186,805,051
Net position, ending	$ 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	$ 216,239,366

(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 the 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 fiscal year 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 fiscal year 2009, the beginning net position balanc

(5) In fiscal year 2012, the beginning net position balance for the governme

(6) In fiscal year 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 fiscal year 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 2007-2016
(modified accrual basis of accounting)
(unaudited) (1)

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

	Post-GASB 54 (3) Fiscal Year						
	2010	2011	2012	2013	2014	2015	2016
General Fund							
Nonspendable	$ 937,328	$ 38,977	$ 39,554	$ 27,813	$ 326,168	$ 220,609	$ 181,993
Restricted	-	569,745	652,293	879,437	3,373,807	3,306,455	3,189,177
Committed	4,806,242	9,588,558	11,846,432	13,937,000	8,413,076	5,164,702	10,672,838
Assigned	5,007,982	10,219,883	13,496,185	11,883,767	18,539,638	24,541,606	23,332,365
Unassigned	26,268,217	29,129,794	29,590,639	30,376,952	30,969,982	32,909,983	32,901,993
Total General Fund	37,019,769	49,546,957	55,625,103	57,104,969	61,622,671	66,143,355	70,278,366
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	860,737
Committed							
Special Revenue	4,842,360	7,648,876	6,220,896	10,765,215	11,642,718	8,422,525	6,795,956
Capital Projects	10,852,158	8,946,013	9,874,269	16,903,871	11,476,554	9,996,099	6,200,789
Other Governmental Funds	-	-	1,152,847	7,123,925	8,844,875	9,596,848	5,757,073
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	6,513,216
Total all other government funds	26,395,987	28,592,684	32,130,221	49,002,276	41,052,642	34,061,665	26,127,771
Total fund balances	$ 63,415,756	$ 78,139,641	$ 87,755,324	$ 106,107,245	$ 102,675,313	$ 100,205,020	$ 96,406,137

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

(2) Fiscal year 2003 through fiscal year 2010 were in compliance with GASB 34.

(3) GASB 54 was adopted in fiscal year 2011 and fiscal year 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 year 2007 and fiscal year 2008.

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
FISCAL YEARS 2007-2016
(modified accrual basis of accounting)
(unaudited) (1)

	2013	2014	2015	2016
Revenues				
General property taxes	$ 178,881,369	$ 183,606,999	$ 186,177,201	$ 191,531,969
Other local taxes	41,017,797	38,426,342	40,503,669	41,686,287
Permits, privilege fees and regulatory licenses	4,342,575	4,312,561	3,723,699	4,203,746
Fines and forfeitures	784,514	1,057,819	1,071,872	1,034,714
Use of money and property	347,769	432,444	462,759	872,914
Charges for services	6,193,509	6,326,343	6,920,303	6,657,657
Miscellaneous	3,883,714	7,402,475	6,616,291	5,160,099
Intergovernmental	29,382,578	30,032,267	32,269,995	36,357,444
Total revenues	264,833,825	271,597,250	277,745,789	287,504,830
Expenditures				
Current operating:				
General government	12,083,734	12,585,414	13,324,624	13,311,548
Judicial administration	6,949,212	6,996,272	7,069,087	7,168,625
Public safety	53,421,921	51,822,442	52,124,684	58,166,109
Public works	7,124,172	9,728,759	5,387,823	5,939,441
Health and social services	13,435,827	13,141,477	12,331,075	13,647,667
Parks, recreation and cultural	14,444,997	22,263,174	28,875,822	25,508,295
Community development	4,795,928	4,708,570	4,580,033	4,937,518
Appropriation to school board:				
School operation	108,625,975	108,414,728	103,735,323	111,449,395
School capital projects	34,050,331	33,108,208	27,462,843	22,450,152
Transportation	2,781,761	3,347,968	3,662,264	3,651,700
Capital outlay	6,950,065	10,611,313	12,471,531	20,308,877
Debt service				
Principal	25,436,816	21,021,636	23,835,993	25,222,800
Interest and fiscal charges	16,780,980	14,233,335	19,014,887	18,523,042
Total expenditures	306,881,719	311,983,296	313,875,989	330,285,169
Excess of revenues over (under) expenditures	(42,047,894)	(40,386,046)	(36,130,200)	(42,780,339)
Other Financing Sources (Uses)				
Issuance of debt	54,115,000	30,973,208	97,984,907	32,800,001
Issuance of capital leases	-	-	-	5,128,339
Bond premium	6,163,715	-	-	3,037,527
Transfers in	4,603,625	12,031,878	6,586,311	5,617,799
Transfers out	(4,482,525)	(12,031,878)	(6,576,311)	(7,602,209)
Refunding of debt (4)	-	-	(64,335,000)	
Other miscellaneous non-operating revenue	-	-	-	-
Proceeds from indebtedness	-	-	-	-
Proceeds from capital leases	-	5,980,906		-
Loan to Component Unit	-	-	-	-
Total other financing sources (uses)	60,399,815	36,954,114	33,659,907	38,981,457
Net change in fund balances	**18,351,921**	**(3,431,932)**	**(2,470,293)**	**(3,798,882)**
Fund balance, beginning (3)	87,755,324	106,107,245	102,675,313	100,205,020
Fund balance, ending (3)	$ 106,107,245	$ 102,675,313	$ 100,205,020	$ 96,406,138

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

	2013	2014	2015	2016
Total debt service	$ 42,217,796	$ 35,254,971	$ 42,850,880	$ 43,745,842
Total expenditures	$ 306,881,719	$ 311,983,296	$ 313,875,989	$ 330,285,169
Less: Capital outlay	16,817,195	27,686,981	28,386,661	
Non-capital expenditures	$ 290,064,524	$ 284,296,315	$ 285,489,328	$ 330,285,169
Debt service as a percentage of noncapital expenditures	**14.55%**	**12.40%**	**15.01%**	**13.24%**

(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 ar
(3) In fiscal Year 2006, the beginning fund balance was restated. See Footnote 15 of the Financial Statements for fiscal year 2
In Fiscal year 2009, the beginning fund balance was restated for fiscal 2007-2008. See Footnote 14 of the Financial Stat
(4) In Fiscal year 2015, the Fiscal year 2006 and part of Fiscal year 2008 lease revenue bonds were refunded.

Principal Tax Revenue by Source
Fiscal Year 2007-2016
(unaudited) (1)

Table S-5

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Restaurant Food Taxes	Taxes on Recordation and Wills	Vehicle License Taxes	Fuels Sales Tax	Garrisonville Rd Service District Property Taxes	Other Local Taxes(1)	Total
2007	135,859,852	9,776,827	7,978,703	4,944,214	3,786,355	2,038,837	3,917,268	-	3,048,269	171,350,325
2008	152,946,964	9,639,629	7,829,187	5,088,892	3,074,981	2,257,174	4,600,260	502,533	2,768,347	188,707,967
2009	164,927,068	10,288,383	6,564,254	5,203,051	2,388,858	2,239,127	3,587,601	507,849	3,154,733	198,860,924
2010	168,767,569	9,798,938	6,683,324	5,600,607	2,234,400	2,312,394	3,943,817	512,637	3,797,850	203,651,536
2011	172,389,860	10,318,717	10,086,911	5,949,285	2,242,017	2,450,070	5,181,825	534,239	1,455,907	210,608,831
2012	175,603,509	11,014,935	10,391,870	6,251,632	2,447,621	2,245,004	5,345,841	530,537	1,410,752	215,241,701
2013	176,261,594	11,800,992	10,018,017	6,400,869	3,600,473	2,344,309	5,616,151	533,358	703,628	217,279,391
2014	183,480,382	11,790,128	10,190,648	6,577,615	3,515,617	411,185	4,946,890	530,862	463,397	221,906,724
2015	185,302,231	12,376,768	11,094,684	7,102,018	2,967,321	2,019,185	3,828,615	541,721	573,357	225,805,900
2016	192,132,277	12,872,793	9,929,556	7,779,537	3,939,630	2,371,392	2,961,265	556,373	2,121,204	234,664,027

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

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Calendar Years 2007 - 2016
(unaudited) (1)

	Real Property				Personal Property								
Calendar Year	Residential Real Property	Commercial and Industrial Real Property	Agricultural Real Property	Total Real Property (3)	Personal Property	Merchants Capital	Machinery & Tools	Mobile Homes	Aircraft (4)	Recreational Vehicles/ Trailers; Watercraft & Business Property	Total Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate (5)
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
2016 (2)	12,745,166,500	2,946,159,700	473,016,900	15,857,245,779	694,942,180	195,895,430	-	16,622,020	-	147,308,220	1,054,767,850	16,912,013,629	1.09

(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 assessed value of real property does not include exempt values.
(4) The tax for aircraft was eliminated in Calendar Year 2009.
(5) Total Direct Tax Rates are calculated per $100 of assessed value, calculated on a weighted average basis. Refer to Table 6.

Source: Office of the Commissioner of Revenue.

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

DIRECT AND OVERLAPPING TAX RATES (1)
Calendar Years 2007 - 2016
(unaudited) (2)

Calendar Year		Real Estate		Personal Property (4)		Merchants Capital		Machinery and Tools		Mobile Homes (5)		Aircraft (6)		Recreational Vehicles/ Trailers; Watercraft & Business Property (7)		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	
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
2016		0.99	0.93	6.50	0.10	0.50	0.01	-	-	0.99	-	-	-	5.49	0.05	1.09

(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) The tax for aircraft was eliminated in calendar year 2009.
(7) Beginning in calendar year 2009, recreational vehicles / trailers, watercraft and business property have a separate rate set.
In years prior to 2009, they were taxed at the personal property rate.
(8) The 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-8**

PRINCIPAL PROPERTY TAX PAYERS
Calendar Years 2016 vs 2007
(unaudited) (1)

		Calendar Year 2016			Calendar Year 2007		
Tax Payer	Type of Business	Assessed Valuation	Rank	% Total Assessed Valuation	Assessed Valuation	Rank	% Total Assessed Valuation
Virginia Electric & Power Co	Utility	$ 245,670,111	1	1.5%	$ 100,887,401	2	0.6%
Park Ridge Townhomes	Commercial	92,205,300	2	0.5%			
Government Employees Insurance Co	Commercial	77,885,160	3	0.5%	71,749,770	6	0.4%
Verizon	Utility	77,134,675	4	0.5%			
Stafford Marketplace	Commercial	75,571,700	5	0.4%	64,828,400	7	0.4%
Wal-Mart	Commercial	65,082,599	6	0.4%			
Aventine at Courthouse Square Apt.	Commercial	64,814,500	7	0.4%			
Garrett Companies	Commercial	58,879,500	8	0.3%	97,358,302	3	0.6%
Washington Real estate Investment Trust	Commercial	56,184,800	9	0.3%			
Nash Stafford LLC	Commercial	53,798,700	10	0.3%			
Silver Companies	Commercial				203,221,300	1	1.2%
Vine Place II Associates LP	Commercial				39,971,100	9	0.2%
ACPRE ACS Reality LLC	Commercial				64,752,700	8	0.4%
Pulte Home Corporation	Commercial				75,949,600	5	0.4%
Northern Stafford Associates	Commercial				96,520,500	4	0.6%
BC Stafford LLC	Commercial				37,301,400	10	0.2%
Totals		$ 867,227,045		5.1%	$ 852,540,473		4.9%
Total taxable assessed real property		16,912,013,629			$ 17,477,640,504		

(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 2007- 2016
(unaudited) (1)

Fiscal Year	Taxes Levied for the Fiscal Year (3) (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Original Levy	Subsequent Collections by Levy Years (4)	Total Collections to Date: Amount	Total Collections to Date: Percentage of Adjusted Levy
2007	110,625,880	1,193,666	111,819,546	106,471,292	96.24%	3,118,865	109,590,157	98.01%
2008	127,394,700	(2,466,572)	124,928,128	121,206,262	95.14%	3,380,347	124,586,609	99.73%
2009	136,676,772	(1,077,503)	135,599,269	131,464,801	96.19%	4,296,205	135,761,006	100.12%
2010 (2)	138,276,717	(439,122)	137,837,595	133,418,693	96.49%	3,868,889	137,287,582	99.60%
2011	139,098,207	(477,378)	138,620,829	134,537,353	96.72%	3,140,237	137,677,590	99.32%
2012	138,195,291	(566,768)	137,628,524	134,446,756	97.29%	2,953,849	137,400,605	99.83%
2013	141,088,714	(628,046)	140,460,667	136,430,178	96.70%	2,738,826	139,169,004	99.08%
2014	144,738,631	(390,547)	144,348,083	140,322,929	96.95%	2,229,088	142,552,017	98.76%
2015	147,557,767	(395,963)	147,161,804	144,103,736	97.66%	1,793,285	145,897,021	99.14%
2016	152,915,361	(788,345)	152,127,016	148,989,753	97.43%	0	148,989,753	97.94%

(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) Taxes Levied for the Fiscal Year = Tax setups minus Tax Relief and Disable Vet Relief.
(4) The Collections in Subsequent Years column was restated to accurately report delinquent taxes by levy year rather than by collection year.

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

RATIOS OF OUTSTANDING DEBT BY TYPE
Direct Debt Ratios
Fiscal Years 2007 - 2016
(unaudited) (1)

	Governmental Activities						Business-Type Activities	Total Direct Debt				
Fiscal Year	General Obligation Bonds (2)	Lease Revenue Bonds (2)	Literary Loans	Certificates of Participation	Capital Leases	VRA Loan	Revenue Bonds (3)	Total Primary Government	Total Primary Government Including Premiums (4)	Percentage of Assessed Real Property Value (5)	Percentage of Personal Income (6)	Outstanding Debt Per Capita (7)
2007	272,722,829	47,030,000	6,922,229	3,310,000	12,401,196	-	18,875,000	361,261,254	368,435,219	2.07%	8.03%	2,992
2008	280,101,263	92,995,000	6,241,080	2,260,000	12,687,152	9,500,000	15,590,000	419,374,495	427,393,277	2.47%	8.56%	3,445
2009	266,648,806	91,890,000	5,484,931	-	10,601,729	9,147,259	12,240,000	396,012,725	403,669,493	2.31%	8.06%	3,225
2010	257,206,940	88,205,000	4,828,782	-	7,978,053	8,783,857	42,092,841	409,095,473	416,831,171	3.26%	7.77%	3,172
2011	251,459,634	84,470,000	4,172,633	-	14,138,137	8,409,471	38,017,841	400,667,716	400,888,364	3.15%	7.46%	3,107
2012	257,810,098	80,685,000	3,661,484	-	7,949,797	8,023,769	87,277,322	445,407,470	456,190,188	3.43%	7.97%	3,371
2013	297,085,268	77,195,000	3,195,335	-	7,026,320	7,626,409	85,002,056	477,130,388	493,385,817	3.60%	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	521,578,294	3.28%	8.38%	3,686
2015	314,821,489	12,415,000	2,263,037	-	10,339,667	71,099,213	95,339,840	506,278,246	531,520,420	3.22%	8.04%	3,558
2016	327,095,270	9,875,000	1,796,888	-	13,674,528	71,202,259	101,019,503	524,663,448	551,220,463	3.10%	8.17%	3,685

(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) In fiscal year 2010, Revenue Bonds for Business-Type Activities were included to show the total primary government's outstanding debt. Prior years were restated.
(4) In FY2016, Total Primary Government Including Premiums were added. However, percentage of assessed real property valude, percentage of personal income and outstanding debt per capita are calculated without the use of premiums.
(5) Percentage of Assessed Taxable Real Property = Total Direct Debt/Total Assessed Taxable Real Property Value (See Table S-14).
(6) Percentage of Personal Income = Outstanding Debt Per Capita/Total Per Capita Personal Income (See Table S-14).
(7) Percentage of Assessed Real Property = Total Direct Debt/Population (See Table S-14).

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Fiscal Years 2007 - 2016
(unaudited) (1)

Fiscal Year	General Obligation Bonds (2)	Premiums on General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property (3)	Outstanding Debt Per Capita (4)
2007	272,722,829	7,173,965	2.30%	2,259
2008	280,101,263	8,018,782	2.05%	2,301
2009	266,648,806	7,656,768	1.95%	2,171
2010	257,206,940	7,735,698	1.86%	1,994
2011	251,459,634	220,648	1.83%	1,950
2012	257,810,098	10,782,718	1.85%	1,951
2013	297,085,268	16,255,429	2.09%	2,196
2014	310,375,533	17,344,516	2.11%	2,242
2015	314,821,489	25,242,174	2.10%	2,212
2016	327,095,270	26,557,015	2.08%	2,297

(1) The scope of the independent audit does not include the tables displayed in the Statistical section of the CAFR.
(2) 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.
(3) 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.
(4) Population data can be found Taxable Real Property Value (See Table S-14) on Demographic and Economic Statistics (Table S-14).

COUNTY OF STAFFORD, VIRGINIA **Table S-12**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2016
(unaudited) (1)

	Debt Outstanding	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
Direct debt:			
General Government			
General obligation bonds (3)	$ 327,095,270	100.0%	$ 327,095,270
Lease revenue bonds (3)	9,875,000	100.0%	9,875,000
Literary loans	1,796,888	100.0%	1,796,888
Capital leases	13,674,528	100.0%	13,674,528
VRA	71,202,259	100.0%	71,202,259
Total general government direct debt	423,643,945		423,643,945
Bond premiums	26,557,015		
Total general government obligations including premiums	$ 450,200,960		
Overlapping Debt:			
Regional Joint Activities			
Rappahannock Regional Jail	57,200,019	47.6%	27,244,369
Juvenile Detention Center	1,781,000	33.6%	598,416
Total regional joint ventures	58,981,019		27,842,785
Total overlapping debt	58,981,019		27,842,785
Total direct and overlapping debt	$ 482,624,964		$ 451,486,730

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) The estimated percentage applicable of overlapping debt was calculated based on the population.
(3) Bond numbers shown do not include the impact of any deferred amounts for premiums or losses on refunding.

COUNTY OF STAFFORD, VIRGINIA

DEBT MARGIN INFORMATION
Fiscal Years 2007 - 2016
(unaudited) (1)

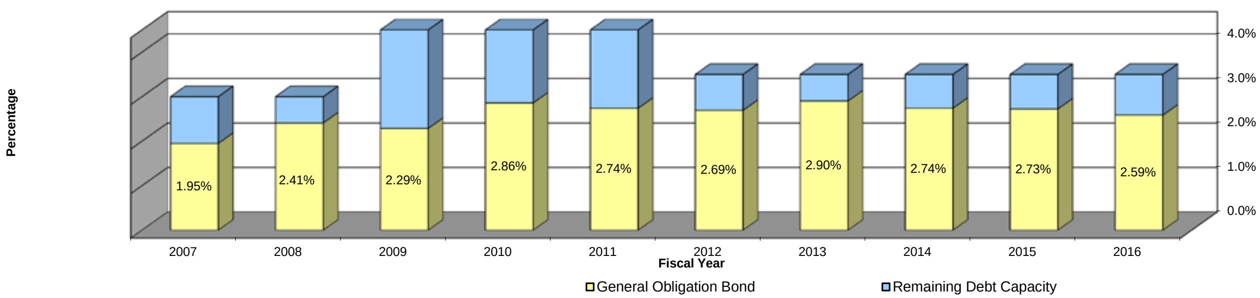
On June 21, 2005, the Board of Supervisors adopted new "Principles of High Performance Financial Management" as a means to strategically plan and account for the County's financial resources, ensure a balanced tax burden from residential and commercial resources and to maintain or upgrade the County's 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. (2)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed value of taxable real property	$ 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	$ 15,857,245,779
Debt limit, 3.5% of assessed value (2)	$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	$555,003,602
Tax-supported general obligation debt (3)	$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	$409,969,416
% of assessed real property	**1.95%**	**2.41%**	**2.29%**	**2.86%**	**2.74%**	**2.69%**	**2.90%**	**2.74%**	**2.73%**	**2.59%**
Debt margin (4)	$ 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	$ 145,034,186

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



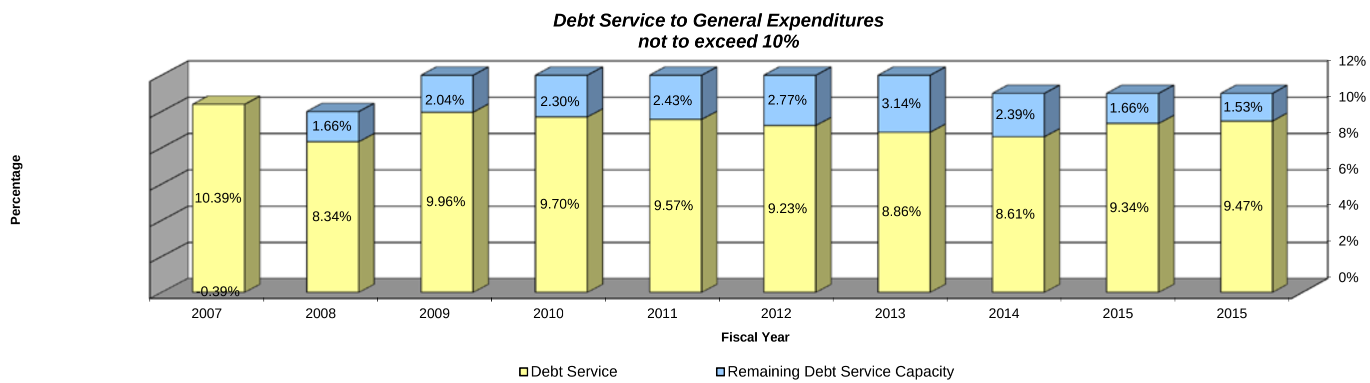
(1) The scope of the independent audit does not
(2) Debt limit was 3% of assessed value prior to June 21, 2005; it changed to 4.5% of assessed value until July 6, 2010; at that time it was set at 3.5% of assessed value with a goal to reach 3% by July 1, 2015.
(3) The tax-supported general obligation 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.
(4) 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.

DEBT MARGIN INFORMATION
Fiscal Years 2007 - 2016
(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. (2)

	Fiscal Year 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government budget (3)	$ 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	$ 426,175,667
Debt limit, 11% of general government budget	$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	$46,879,323
Debt service expenditure (4) (5)	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	$40,370,084
Percentage of the general government budget	**10.39%**	**8.34%**	**9.96%**	**9.70%**	**9.57%**	**9.23%**	**8.86%**	**8.61%**	**9.34%**	**9.47%**
Debt service margin (6)	$ 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	$ 6,509,239



(1) The scope of the independent audit does not include the tables/charts displayed in the Statistical section of the CAFR.
(2) 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.
(3) 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.
(4) Debt service expenditures = principal payments plus interest.
(5) The above schedule excludes debt service on master leases, the fiscal year 2007 through 2013 expenditures were revised in the 2014 CAFR.
(6) Counties in Virginia are not subject to state imposed debt margins. The debt margin above represents a self-imposed debt limitation established by the Board of Supervisors.

COUNTY OF STAFFORD, VIRGINIA

Table S-13
Page 3 of 3

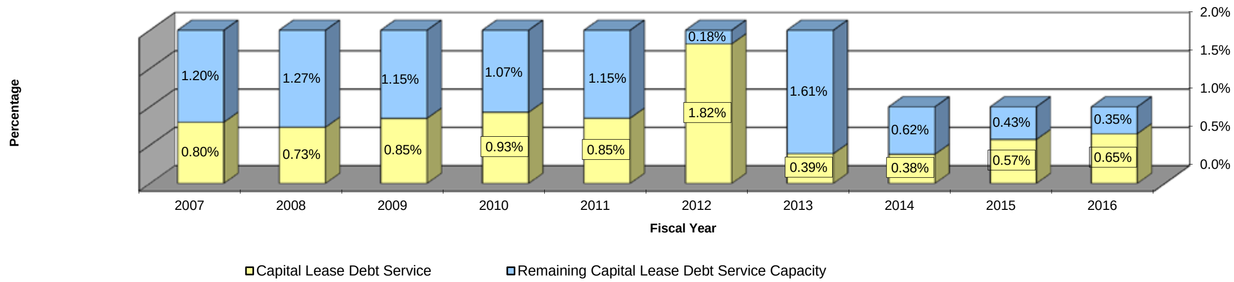
DEBT MARGIN INFORMATION
Fiscal Years 2007 - 2016
(unaudited) (1)

Debt Limitation 3:

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

	Fiscal Year									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
General government budget	$ 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	$ 426,175,667
Capital lease debt service limit, 2% of general government budget (2)										
Total debt service limitation	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	4,261,757
Amount of total debt service applicable to limit (3)	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	2,766,685
Capital lease debt service as a percentage of general government budget	**0.80%**	**0.73%**	**0.85%**	**0.93%**	**0.85%**	**1.82%**	**0.39%**	**0.38%**	**0.57%**	**0.65%**
Debt service margin (4)	$ 3,779,823	$ 4,978,389	$ 4,417,512	$ 4,089,235	$ 4,395,927	$ 689,327	$ 2,440,724	$ 2,534,827	$ 1,787,483	$ 1,495,073

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) 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.
(3) At the end of fiscal year 2012 capital leases were paid down by $ 5.3 million.
(4) Counties in Virginia are not subject to state imposed debt margins. The debt margin above represents a self-imposed debt limitation established by the Board of Supervisors.

PLEDGED REVENUE COVERAGE: WATER AND SEWER FUND
Fiscal Years 2007 - 2016
(unaudited) (1)

	Water and Sewer Fund						
Fiscal Year	Gross Revenue (2)	Less: Expenses (3)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Total	Coverage (Times) (4)
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
2016	44,781,008	23,836,325	20,944,683	2,924,720	3,814,897	6,739,617	3.11

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

COUNTY OF STAFFORD, VIRGINIA **Table S-15**

DEMOGRAPHIC AND ECONOMIC STATISTICS
Fiscal Years 2007- 2016
(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)
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	129,772	68,039	35,484	5.2%	5,439,653	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
2016	142,380	67,413	41,939	4.0%	6,425,740	45,131	15,857,245,779

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

(2) Population figures (fiscal year 2007 - fiscal year 2010) provided by the U.S. Census Count. Fiscal Year 2011 figure is from American Community Survey Estimate. Fiscal year 2012 figure is from Weldon Cooper Center. Fiscal year 2013 -2016 figures are from Stafford County Planning and Zoning.

(3) The Civilian Labor Force represents the number of people that live in Stafford County. Source: fiscal year 2007- 2014 (US Census DP-3), fiscal year 2015-2016 figures are from Viginia Employment Commission (VEC) .

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

(5) Unemployment Rate Source: Virginia Employment Commission (VEC)

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

(7) Per capita Personal Income figures (fiscal year 2007-2009) provided by the U.S. Bureau of Economic Analysis.
Per capita personal income figures (fiscal year 2010-2011): Estimate provided by Stafford County Finance Department assuming a growth of 2%.
Per capita personal income figures (fiscal year 2012-2013): Provided by Stafford Economic Development. Fiscal year 2011 figure revised, fiscal year 2012 , 2013 & 2016 based on 2% increase. Fiscal Year 2014-2015 figures are from Stafford County Economic Development.

(8) Total taxable assessed real property figures are based on a calendar year. Source: Stafford County Office of the Commissioner of Revenue.

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.

PRINCIPAL EMPLOYERS
Fiscal Years 2016 vs 2007
(unaudited) (1)

Employer	Industry	Fiscal Year 2016 Employees	Rank	Percentage of Total County Employment (2)	Fiscal Year 2007 Employees	Rank	Percentage of Total County Employment (2)
GEICO, Government Employees Insurance	Insurance	1000+	1	2.4%	1000+	2	2.9%
Stafford County School System	Education	4,450	2	10.6%	3,352	1	9.8%
U.S. Federal Bureau of Investigation	Government Services	1000+	3	2.4%	1000+	3	2.9%
U.S. Department of Defense	Government Services	1000+	4	2.4%			
Stafford County Government	County Government	838	5	2.0%	821	4	2.4%
Wal Mart	Retail Distribution	500-999	6	1.8%	500-999	6	2.2%
McLane Mid Atlantic	Retail Distribution	500-999	7	1.8%	500-999	5	2.2%
Stafford Hospital Center	Medical	500-999	8	1.8%			
Hilldrup Transfer and Storage, Inc	Van Line Services	250-499	9	0.9%	100-249	10	0.5%
Intuit	Computer Services	250-499	10	0.9%	250-499	8	1.1%
Fredericksburg Auto Auction	Wholesale Electronic Markets & Agents				250-499	7	1.1%
Food Lion	Grocery				250-499	9	1.1%
Total 10 Largest Employers		10,288-12,283+		26.9%	8,023-9,917+		26.3%
Total County Employment		41,939			34,066		

(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.

COUNTY OF STAFFORD, VIRGINIA

Table S-18

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
Fiscal Years 2007- 2016
(unaudited) (1)

	Full-time Equivalent Employees as of June 30									
Function/Program Employees:	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Primary Government:										
Governmental activities:										
General government	134	122	116	105	98	99	99	97	103	102
Judicial administration	50	48	48	47	44	46	48	46	44	48
Public safety (2)	302	302	302	314	319	332	338	358	355	379
Public services (3)	19	23	24	-	-	-	-	-	-	-
Health and welfare	60	53	53	51	49	54	51	51	54	52
Parks, recreation and community facilities (4)	32	34	34	56	53	53	51	53	54	58
Community development	83	71	68	67	63	62	67	69	66	62
Transportation (5)	2	5	5	-	-	-	-	-	-	-
Total governmental activities employees	682	658	650	640	626	646	654	674	676	701
Business-type activities:										
Utilities	139	126	141	135	134	136	132	134	137	137
Total business-type activities employees										
Total primary government employees	821	784	791	775	760	782	786	808	813	838
Volunteers:										
Public safety (6)	250	546	634	461	600	550	400	200	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) Beginning in fiscal year 2010, Public services was reclassed to Parks, Recreation and Community Facilities.
(4) Does not include seasonal employees.
(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 | **Table S-19**
Page 1 of 3

OPERATING INDICATORS BY FUNCTION
Fiscal Years 2007 - 2016
(unaudited) (1)

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
General government										
Commissioner of Revenue										
Taxpayers assisted at real estate and personal property counters	15,258	12,022	14,890	12,765	12,645	11,262	9,748	8,841	11,546	12,744
Building permits reviewed	2,756	2,177	1,465	1,604	1,609	1,798	1,961	1,976	1,858	1,973
State income tax returns processed	13,295	10,125	12,984	11,160	5,096	2,504	5,570	6,838	7,027	5,741
Personal property records processed	61,528	58,658	61,539	71,453	83,746	87,541	86,054	77,632	80,419	92,063
Finance										
Landfill bills processed	297	351	348	293	310	351	352	369	407	421
Accounts payable transactions processed (2)	42,036	42,215	34,794	42,105	43,980	44,497	45,156	47,429	43,731	44,379
Department of Human Resources										
Number of new hires	373	342	187	206	225	214	249	242	272	310
Number of positions recruited	481	291	192	93	86	94	80	78	90	104
Public Services										
Total facilities maintained (sq ft) (3)	231,999	421,134	427,381	433,427	495,567	495,567	563,271	565,128	555,218	638,551
Registrar										
Voters served at polling places	34,000	25,000	58,493	50,000	35,162	32,965	63,431	36,479	45,043	53,212
Registered Voters Served (4)					77,053	80,572	81,765	82,630	81,394	86,603
Treasurer										
Real estate and personal property bills processed	245,845	249,203	255,801	265,003	267,955	267,546	271,311	277,174	283,455	291,455
Water and sewer bills processed	361,142	366,941	372,158	377,978	385,619	390,614	395,147	401,193	415,050	415,050
Judicial administration										
Victims' services (5)	1,076	1,332	1,182	1,345	785	856	957	914	929	973
Public safety										
Requests for law enforcement service (responded)	73,112	72,096	71,464	70,941	68,817	75,457	73,371	75,716	75,458	82,317
Number of arrests	7,451	7,486	7,530	7,216	6,764	6,851	6,194	6,084	5,341	5,029
Number of fire and EMS calls (6)	22,984	23,707	21,734	20,648	22,674	25,660	25,957	25,432	24,845	17,983

OPERATING INDICATORS BY FUNCTION
Fiscal Years 2007 - 2016
(unaudited) (1)

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Social Services										
Benefit applications received	4,877	5,857	7,329	7,907	7,910	7,853	8,552	8,810	7,989	7,552
CPS complaints investigated (7)	469	501	515	521	542	603	546	542	695	704
Food stamp households served	1,615	1,797	2,203	2,942	3,363	3,701	4,024	4,032	3,718	3,379
Foster care children served	127	143	116	88	79	73	71	82	59	56
Parks, Recreational and Cultural										
Programs offered: gymnastics	1,355	1,550	1,630	2,000	2,042	2,230	2,056	1,610	2,532	2,689
Programs offered: senior citizens	103	165	308	376	412	377	260	495	564	801
Programs offered: sports/recreation	494	390	505	1,051	811	915	618	1,244	1,131	1,268
Programs offered: aquatics	696	625	598	550	549	550	630	507	635	903
Acres maintained	1,000	1,162	1,162	1,432	1,432	1,432	1,476	1,476	1,476	3,090
Community Development										
Public Works										
Permits issued (8)	15,335	11,931	3,405	3,157	3,381	3,567	4,306	4,424	4,062	5,228
Chesapeake Bay building permits reviewed (9)	2,402	1,765	1,308	1,558	1,422	1,487	1,744	1,893	1,942	1,877
Building inspections performed	42,302	35,024	24,499	25,740	25,188	26,254	30,708	33,897	24,889	35,244
E&S control inspections performed (10)	16,393	13,004	9,926	7,256	6,276	5,765	6,584	6,576	7,504	6,973
Economic Development/Legislative Affairs										
At-place employment	34,542	35,037	34,878	35,064	35,484	37,508	38,039	39,443	40,341	41,939
Unemployment rate	2.6%	3.4%	5.4%	5.7%	5.2%	4.9%	5.1%	5.1%	5.2%	4.0%
Businesses in the County	2,155	2,248	2,231	2,217	2,234	2,257	2,272	2,329	2,377	2,639
Legislative bills reviewed for action/response	3,069	3,323	2,577	2,964	2,693	2,876	2,575	2,942	2,925	3,009
Planning and Zoning										
Addresses issued (11)	1,748	1,013	1,369	486	308	760	1,666	633	716	417
Subdivision applications processed	726	582	415	205	343	316	442	652	482	460
Site plans processed	367	373	235	145	140	143	160	180	167	150
Zoning site development inspections	571	281	835	152	169	272	265	700	678	457
Zoning enforcement inspections performed	958	1,037	887	1,130	987	807	604	525	304	671

OPERATING INDICATORS BY FUNCTION
Fiscal Years 2007 - 2016
(unaudited) (1)

Function/Program	Fiscal Year 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-Type Activities:										
Water & Sewer Utilities										
Billions of gallons of water treated per year	4.080	4.081	3.825	3.504	3.418	3.400	3.944	3.305	3.328	3.160
Water storage (mg)	16.645	16.645	16.645	16.645	16.645	16.645	16.645	17.645	17.645	17.645
Billions of gallons of wastewater treated per year	3.234	3.106	3.079	3.418	2.951	2.994	2.844	3.066	2.486	2.948
Number of customer accounts served	31,314	31,849	32,296	32,803	32,289	32,650	33,240	33,768	34,518	35,427

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) Beginning with fiscal year 2008 the number of accounts payable transactions includes checks and purchasing cards.
(3) Beginning with fiscal year 2008 the total of sq ft maintained includes owned and rental property.
(4) The number of registered voters served was added to the schedule beginning with fiscal year 2011.
(5) The number of victims' services decreased in fiscal year 2011 due to an increase in Domestic Violence cases which require more time per case than other services.
(6) EMS = Emergency Medical Services
(7) CPS = Child Protection Services
(8) Beginning with fiscal year 2009 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 fiscal year 2009.
(9) The number of permits reveiwed in fiscal year 2006 increased significantly due to applications for home additions now being reviewed, in addition to new construction.
(10)E&S = Erosion & Sediment
(11)The number of new addresses decreased in fiscal year 2010, which reflected an overall slow down in new home starts. The increase in fiscal year 2013 is due to volume of residential applications.

COUNTY OF STAFFORD, VIRGINIA

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Page 1 of 2

CAPITAL ASSET STATISTICS BY FUNCTION
Fiscal Years 2007 - 2016
(unaudited) (1)

	Fiscal Year									
Function/Program	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Public services										
Total facilities maintained (sq ft) (2)	231,999	421,134	427,381	433,427	495,567	495,567	563,271	565,128	555,218	638,851
Public safety (3)										
Number of Fire & Rescue Stations	5	6	7	7	7	7	8	8	8	10
Number of Fire Stations	4	4	4	4	4	4	4	4	4	3
Number of Rescue Squads	5	5	5	5	5	5	4	4	4	2
Utilities										
Water Plant Capacity (mgd)	19	19	19	19	19	19	19	19	19	19
Water Lines (miles)	558	571	579	579	584	600	613	619	634	643
Wastewater Plant Capacity (mgd)	10.5	10.5	10.5	10.5	14.5	14.5	14.5	18	18	18
Sewer Lines (miles)	452	462	470	480	481	497	506	511	516	522
Pumping Stations	86	87	88	88	89	89	89	91	90	88
Parks, recreation and cultural										
Number of County parks	12	10	10	13	13	13	18	18	18	19
Acreage of County parks	1002	1025	1025	1432	1432	1432	1476	1476	1476	3090
Number of Regional parks (4)	2	3	3	0	0	0	0	0	0	0
Acreage of Regional parks (4)	215	157	157	0	0	0	0	0	0	0
State and National parks (1,184 acres)	1	1	1	2	2	2	2	2	2	2
Playgrounds (County & Schools)	24	24	25	25	25	25	25	25	25	27
Athletic fields (County & Schools)	80	82	82	82	82	82	93	93	92	99
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 acres)	2	2	2	2	2	2	2	2	2	2
Public swimming pools	2	2	2	2	2	2	2	2	2	5
Public fishing lakes	2	2	2	2	2	2	2	2	2	2
Public boat ramps	2	3	3	3	3	3	3	3	3	4

CAPITAL ASSET STATISTICS BY FUNCTION
Fiscal Years 2007 - 2016
(unaudited) (1)

	Fiscal Year									
Function/Program	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Parks, recreation and cultural (cont.)										
Public marinas	2	2	2	2	2	2	2	2	2	4
Skateboard parks	2	2	2	2	2	2	2	2	2	2
Senior citizens centers	1	1	1	1	1	1	1	1	1	1
Gymnastics training centers	1	1	1	1	1	1	1	1	1	1
Community centers	3	3	3	3	2	2	2	2	2	4
Community development										
Libraries (5)	1	1	1	1	2	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) County owned facilities only.
(3) Although the County supports the Fire and Rescue stations, not all stations are owned by the County.
(4) Regional parks & regional acreage was added to County parks & County acreage in fiscal year 2010.
(5) The Central Rappahannock Regional Library (CRRL) is a shared facility serving the Central Rappahannock area.

Source: Various Stafford County Departments

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, 2016, 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 19, 2016.

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, as 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 2016-001, 2016-002, 2016-003, 2016-004 and 2016-005 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-006 to be a significant deficiency.

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.

RSM US LLP

New Bern, North Carolina
December 19, 2016

On Compliance For Each
Major Federal Program And On Internal Control Over
Compliance; in accordance with Uniform Guidance

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 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, 2016. 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 $ 17,550,580 in federal awards which is not included in the County's schedule of expenditures of federal awards for the year end June 30, 2016. 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 the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-007 and 2016-008. Our opinion on each major federal program is not modified with respect to these matters.

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 the Uniform Guidance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-07 to be a material weakness.

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. We consider the deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2016-008 to be a significant deficiency.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

New Bern, North Carolina
December 19, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

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	$ 589,860	
		0010113-90223		
		0040113-90104		
		0040113-90224		
TOTAL U.S. DEPARMENT OF AGRICULTURE				$ 589,860
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass Through Payments:				
Department of Social Services				
Social Services Block Grant	93.667	1000113-90648	336,164	
		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	68,631	
		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	1,877	
Child Welfare Services - State Grants	93.645	0900113-90251	2,736	

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

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	$ 427,849	
		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	2,372	
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113-90623	1,923	
		0500113-90113		
		0500113-90233		
Low-Income Home Energy Assistance	93.568	0600413-90114	80,791	
		0600413-90115		
		0600413-90234		
		0600413-90235		
Foster Care Title IV-E	93.658	1100113-90639	278,397	
		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	448,251	
		1120113-90607		
		1120113-90228		
Chafee Foster Care Independence Program	93.674	9150113-90254	3,205	
		9150113-90356		
State Children's Insurance Program	93.767	0540113-90102	28,384	
		0540113-90222		
Medical Assistance Program (Medicaid; Title XIX)	93.778	1200113-90101	752,727	
		1200113-90146		
		1200113-90221		
		1200112-90266		
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				$ 2,433,307

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures	
U.S. DEPARTMENT OF INTERIOR				
Direct Payments:				
Historic Preservation Fund	15.904		14,475	
TOTAL U.S. DEPARTMENT OF INTERIOR				14,475
U.S. DEPARTMENT OF JUSTICE				
Direct Payments:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	not applicable	43,953	
Pass Through Payments:				
Office for Victims of Crime				
Equitable Sharing Program	16.922		123,070	
TOTAL U.S. DEPARTMENT OF JUSTICE				167,023
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Payments:				
Passed Through the Virginia Department of Transportation				
Federal Highway Administration				
Highway Planning and Construction	20.205	not applicable	1,535,723	
Department of Motor Vehicles				
State and Community Highway Safety (Section 402)	20.600	SC2014-54108-5356	9,146	
Selective Enforcement - Alcohol	20.601	K8-2013-53164-4879	25,884	
Selective Enforcement - Occupant Protection	20.602	K2-2013-53165-4880	3,927	
Selective Enforcement - Alcohol	20.607	154AL-2014-54033-5281	-	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				1,574,680
U.S. DEPARTMENT OF HOMELAND SECURITY				
Pass Through Payments:				
Department of Emergency Management				
Emergency Management Performance Grant	97.042	2010-EP-EO-0039	1,825	
Disaster Grants - Public Assistance	97.036	179-99179-00	123,601	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				125,426
U.S. DEPARTMENT OF TREASURY				
Direct Payments:				
QSCB Interest	Unknown	not applicable		64,583
GRAND TOTAL FEDERAL FINANCIAL ASSISTANCE				**$ 4,969,354**

See notes to the schedule of expenditures of federal awards

Note 1. Significant Accounting Policies

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Stafford County under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Stafford County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Stafford County.

Federal Financial Assistance – The Singe Audit Act Amendments of 1996 (Public Law 104-156) and the Uniform Guidance 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 the Uniform Guidance 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.

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.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Stafford County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

County of Stafford, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

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 2 CFR 200.516(a)?	✓	Yes		No

Identification of major federal programs:

CFDA Number	Program Name or Cluster
10.561	State Adminstrative Matching Grants for the Supplemental Nutrition Assistance Program
93.778	Medical Assistance
93.667	Social Services Block Grant
20.205	Highway Planning and Construciton

Dollar threshold used to distinguish between type A and type B programs	$ 750,000			
Auditee qualified as low-risk auditee?		Yes	✓	No

(Continued)

Section II - Financial Statement Findings

Finding 2016-001

Material Weakness in Internal Control - Accounts Payable Cutoff

Criteria:	The County should have policies and procedures such that payables are fairly stated
Condition and context:	During our testing of disbursements subsequent to the June 30, 2016 year end from the Capital Projects fund, we noted one payment for $798,000 for a fiscal year 2016 invoice that was not properly accrued into accounts payable.
Effect:	Accounts payable was understated and fund balance of the Capital Projects Fund was overstated by $798,000, while expenditures were understated. Capital Assets were understated at the Governemental Activities level
Cause:	Failure of the County's open invoice review resulted in a valid payable not being recorded. The invoice contained an acceptance clause that automatically triggered acceptance after 90 days if the County had not confirmed or rejected the items received. The department considered the contract open, however the 90 day automatic acceptance lapsed prior to June 30, resulting in a valid payable.
Recommendation:	We recommend the County adhere to their open invoice review policy and provide training for appropriate personnel to provide reasonable assurance that the review control will identify and prevent potential misstatements.
Views of Responsible Officials & Planned Corrective Actions:	The equipment was part of a radio communication system that had not been accepted until August 2016. The County's policy is not to make final payment until the project is accepted. The County reviewed the above but did not make the accrual because of its policy. Also the amount was open in the County's purchase order system so the commitment was accounted for.

Section II - Financial Statement Findings (Continued)

Finding 2016-002

Material Weakness in Internal Control - Review of Capital Asset Journal Entries

Criteria:	Internal control policies and procedures should be in place to fairly present the balance of capital assets in the Water Sewer Fund.
Condition and context:	During our testing of business-type capital assets, we noted a journal entry to reclassify construction in process into capital assets erroneously credited an expense account rather than construction in process.
Effect:	Capital assets and net position were overstated by $3,036,783 and repairs & maintenance expenses were understated by $3,036,783.
Cause:	Staff did not adhere to the County's journal entry review policies and procedures.
Recommendation:	We recommend responsible employees adhere to the prescribed review policies to provide reasonable assurance that the journal entry review process will identify and prevent potential misstatements.
Views of Responsible Officials & Planned Corrective Actions:	Beginning with FY14 asset entry and disposals for the proprietary funds changed the offset to a contra account. The County records construction in progress over the fiscal years the project is under construction, when the project is complete the construction in progress assets are disposed and a new asset is placed into service and depreciated over its useful like. The pre FY14 treatment of crediting an investment in fixed assets account and not the contra account was made in error. This entry would have been discovered by management during financial statement presentation.

Section II - Financial Statement Findings (Continued)

Finding 2016-003

Material Weakness in Internal Control - Identification of Grant Reimburseable Expenditures

Criteria:	Internal control policies and procedures should be in place such that transactions related to grant reimbursements are fairly stated in the financial statements.
Condition and context:	During testing of the Highway Planning and Construction grant program, we noted that the only reimburseable expenditures that had been accured for as revenue for reimbursement were the expenditures for which reimbursement had already been requested.
Effect:	Revenues and fund balance were understated in the Transportation Fund by $495,370
Cause:	The current review process is not sufficiently designed to identify and accrue grant reimbursement receivables from all grants the County has been awarded.
Recommendation:	We recommend the County's current month end review process that identifies reimburseable expenditures be expanded and stregnthened to record all corresponding grant revenues and receivables.
Views of Responsible Officials & Planned Corrective Actions:	The County's reimbursement process consists of a review of applicable expenditures in which management decides which expenditures to submit for reimbursement. Management was aware of the expenses, the reimbursement had not been requested. Personnel have now been assigned to review the expenditures and submit reimbursement requests quarterly. Reimbursement requests will be reviewed by management prior to submittal.

Section II - Financial Statement Findings (Continued)

Finding 2016-004

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 water-sewer 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 fiscal year 2016, the County implemented the policy that there must be an additional person present during the receving of inventory, however one individual is responsible for ordering, receiving, monitoring and releasing inventory from the warehouse in the system. There is also no review of price inputs for items purchased due to this process.
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. A keying error resulted in inventory valuation being overstated by a known $1,184 and if similar errors exist accross all inentory, projects to a total of $27,401.
Cause:	Overall level of staffing in the inventory shipping and receiving department precludes adequate segregation of duties making detection and correction of errors less likely.
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 & Planned Corrective Actions:	We have modified our standard procedures regarding all processes related to inventory including ordering, receiving, and payments. Presently management believes the cost to add additional staff would exceed the benefit. These processes now go through four areas, one person orders and tracks the supplies, another person receives and enters requisition for purchasing and a finance makes payment.

Section II - Financial Statement Findings (Continued)

Finding 2016-005

Material Weakness in Internal Control - Preparation of the Schdule of Expenditures of Federal Awards

Criteria:	Internal control policies and procedures should be in place to provide reasonable assurance that the Schedule of Expenditures of Federal Awards is accurate.
Condition and context:	During our testing of the Schedule of Expenditures of Federal Awards, we noted that 3 months of reimbursement amounts that had passed through the State of Virginia were double counted, 2 programs were not included on the schedule, and $495,370 of federal expendiutres were omitted from a program on the schedule.
Effect:	The Schedule of Expenditures of Federal Awards was materially incorrect prior to auditor identified corrections.
Cause:	The review of the Schedule of Expenditures of awards failed to identify 2 missing programs and an understatement of $495,370 of Federal Expenditures.
Recommendation:	We recommend the County's policy of reviewing the Schedule of Expenditures of Federal Awards be adhered to in order to provide reasonable assurance that the information presented on the Schedule is accurate.
Views of Responsible Officials & Planned Corrective Actions:	The County conducts a detailed reconciliation of all receipts. In the future management will implement a review of expenditures compared to receipts to identify any expense that should be accrued as a reimbursement or revenue item.

Section II - Financial Statement Findings (Continued)

Finding 2016-006

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 water-sewer inventory we noted a lack of physical security over inventory held at 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 projected overstatement of inventory of approximately $40,000
Cause:	Inadequate control procedures over the monitoring and tracking of physical inventory.
Recommendation:	We recommend policies and procedures be put in place 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 to provide reasonable assurance that inventory is not misappropriated and is fairly stated.
Views of Responsible Officials & Planned Corrective Actions:	Inventory Physical control – The inventory yard and warehouse are located within a fenced area that is secured 24 hours a day. The area is only available to all select personnel. In order to make the warehouse items more secure, areas have been fenced off and locked with a limited number of employees approved for access and security cameras have been installed. Those employees will administer and record the issuance of supplies. The gated area covers 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 reviews annual inventory to determine which items are most at risk for loss by identifying those with the largest discrepancies. 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 III - Findings and Questioned Costs for Federal Awards

Finding 2016-007

Compliance Finding and Material Weakness in Internal Control Over Compliance - Highway Planning and Construction Reporting 20.205

Criteria:	Internal control policies and procedures should be in place to provide reasonable assurance that expenditures are reported and reimbursement requests in the Highway Planning and Construction program are filed timely.
Condition and context:	During our testing of the Highway Planning and Costruction grant program, we noted that insufficient monitoring of the grant reporting requirements resulted in 93 of 94 expenditures eligible for reimbursement for the fiscal year not being requested within 90 days of the date of the expenditures as required by the grant agreements and the Viginia Department of Transportation's Guide to Locally Adminstered Programs Manual.
Effect:	There were $1,543,683 in eligible expenses not requested timely which could result in denial of payment and indicate a process with at least a reasonable chance of overlooking reimbursement requests altogther.
Cause:	The review of grant requirements failed to identify and caused expenditures to be reported within of the 90 day requirement.
Recommendation:	We recommend the county adhere to their prescribed policy of reviewing grant agreements for reporting requirements in order to provide reasonable assurance that expenditures are reported and requested for reimbursement per program requirements.
Views of Responsible Officials & Planned Corrective Actions:	The person responsible for requesting reimbursement was out for an extended period. Staff is cross training to allow additional personnel the ability to invoice for these awards. Staff works with the grantor regarding reimbursement requests and timing allowed, and they have shown flexibility and paid requests that were past 90 days.

Section III - Findings and Questioned Costs for Federal Awards (Continued)

Finding 2016-008

Compliance Finding and Significant Deficiency in Internal Control Over Compliance - Medical Assistance Eligibility 93.778

Criteria:	The County should have policies and procedures in place to(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 for FY 2016, we noted that the participant tracking process did not result in adequate monitoring of the electronic Medical Assistance case files. This resulted in (a) 3 instances (of 65 case files tested) where renewals of client eligibility were not performed within the prescribed 12 months and (b) 1 instance where a client file could not be located. The determination/re-determination process is made more difficult due to limitations of the resources available to (1) maintain physical records/case files and (2) a file locator system and participant tracking process to monitor timely and accurate eligibility determinations and re-determinations.
Effect:	3 out of 65 cases reviewed were overdue for renewal and 1 case file could not be located
Cause:	Insufficient participant tracking policies and procedures during transition to the County's new physical filing system resulting in inadequate monitoring of eligibility case files.
Recommendation:	We recommend the County complete their filing system implementation and process imporvements to prevent overdue renewals of Medical Assitance recipients. The improvements include (1) implementing an electronic participant tracking process with integrated participant key date (e.g. benefit determination and re-determination dates) alert functions, (2) obtaining additional staff resources to finish "catching 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.
Views of Responsible Officials & Planned Corrective Actions:	Stafford County Department of Social Services (DSS) concurs with the finding. Despite significant increases to the Medicaid caseload over the last three years, 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. Over the past year, DSS has: • Purchased and installed a rolling file system. • Begun implementation of a quality assurance measure of filing “check out” controls. • Improved the timeliness of processing by reducing the number of overdue Medicaid renewals by 96% (from fiscal year 2015). • 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. • Added one new Benefit Programs Specialist position for FY 2017. DSS will continue to strive for excellence, but as the caseload continues to grow additional staff will be needed to keep up with the demand.

County of Stafford, Virginia

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Finding 2015-001	
Material Weakness in Internal Control - Review of Year-End Inventory	
Status	Corrective Action Implemented
Finding 2015-002	
Material Weakness in Internal Control - Segregation of Duties related to Inventory	
Status	The County is has not yet implemented appropriate control policies to remediate the finding. The finding is repeated as finding 2016-004
Finding 2015-003	
Significant Deficiency in Internal Control -Physical Controls over Inventory	
Status	The County is has not yet implemented appropriate control policies to remediate the finding. The finding is repeated as finding 2016-005
Finding 2015-004	
Significant Deficiency in Internal Control - Recording of Donated Assets	
Status	Corrective Action Implemented
Finding 2015-005	
Material Weakness in Internal Control Over Compliance - Medical Assistance Eligibility 93.778	
Status	The County is in the process of implementing appropriate control remediations for the material weakness. The Couny's efforts resulted in a downgrade to significant deficiency noted as finding 2016-008 in the current year.

County of Stafford, VA

Corrective Action Plan
For the Year Ended June 30,2016

Section II – Financial Statement Findings

Finding 2016-001 – Accounts Payable Cutoff

Corrective Action: The equipment was part of a radio communication system that had not been accepted until August 2016. The County's policy is not to make final payment until the project is accepted. The County reviewed the above but did not make the accrual because of its policy. Also the amount was open in the County's purchase order system so the commitment was accounted for.

Finding 2016-002 – Review of Capital Asset Journal Entries

Corrective Action: Beginning with FY14 asset entry and disposals for the proprietary funds changed the offset to a contra account. The County records construction in progress over the fiscal years the project is under construction, when the project is complete the construction in progress assets are disposed and a new asset is placed into service and depreciated over its useful like. The pre FY14 treatment of crediting an investment in fixed assets account and not the contra account was made in error. This entry would have been discovered by management during financial statement presentation.

Finding 2016-003 – Identification of Grant Reimbursable Expenditures

Corrective Action: The County's reimbursement process consists of a review of applicable expenditures in which management decides which expenditures to submit for reimbursement. Management was aware of the expenses, the reimbursement had not been requested. Personnel have now been assigned to review the expenditures and submit reimbursement requests quarterly. Reimbursement requests will be reviewed by management prior to submittal.

Finding 2016-004 – Segregation of Duties related to Inventory

Corrective Action: We have modified our standard procedures regarding all processes related to inventory including ordering, receiving, and payments. Presently management believes the cost to add additional staff would exceed the benefit. These processes now go through four areas, one person orders and tracks the supplies, another person receives and enters requisition for purchasing and a finance makes payment.

Finding 2016-005 – Preparation of the Schedule of Expenditures of Federal Awards

Corrective Action: The County conducts a detailed reconciliation of all receipts. In the future management will implement a review of expenditures compared to receipts to identify any expense that should be accrued as a reimbursement or revenue item.

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Finding 2016-006 – Physical Controls over Inventory

Corrective Action: Inventory Physical control – The inventory yard and warehouse are located within a fenced area that is secured 24 hours a day. The area is only available to all select personnel. In order to make the warehouse items more secure, areas have been fenced off and locked with a limited number of employees approved for access and security cameras have been installed. Those employees will administer and record the issuance of supplies. The gated area covers 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 reviews annual inventory to determine which items are most at risk for loss by identifying those with the largest discrepancies. 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 III – Findings and Questioned Costs for Federal Awards

Finding 2016-007 – Highway Planning and Construction Reporting – 20.205

Corrective Action: The person responsible for requesting reimbursement was out for an extended period. Staff is cross training to allow additional personnel the ability to invoice for these awards. Staff works with the grantor regarding reimbursement requests and timing allowed, and they have shown flexibility and paid requests that were past 90 days.

Finding 2016-008 – Medical Assistance Eligibility – 93.778

Corrective Action: Stafford County Department of Social Services (DSS) concurs with the finding. Despite significant increases to the Medicaid caseload over the last three years, 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. Over the past year, DSS has:

- Purchased and installed a rolling file system.
- Begun implementation of a quality assurance measure of filing “check out” controls.
- Improved the timeliness of processing by reducing the number of overdue Medicaid renewals by 96% (from fiscal year 2015).
- 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.
- Added one new Benefit Programs Specialist position for FY 2017.

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