



STAFFORD COUNTY, VIRGINIA COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR 2013
(July 1, 2012 - June 30, 2013)**

Prepared by Stafford County, Virginia Finance Department



*George Washington's
Boyhood Home*



Anthony J. Romanello, County Administrator
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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, 2013**

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	Page 7
Organizational Chart	14
Principal Officials	15
Certificate of Achievement for Excellence in Financial Reporting	17

FINANCIAL SECTION

Independent Auditors' Report	19
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Management's Discussion and Analysis	22
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Basic Financial Statements

Government-wide Financial Statements

Exhibit I	Statement of Net Position	37
Exhibit II	Statement of Activities	38

Fund Financial Statements

Governmental Funds Financial Statements

Exhibit III	Balance Sheet – Governmental Funds	40
Exhibit IV	Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	41
Exhibit V	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	42
Exhibit VI	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	43

Proprietary Funds Financial Statements

Exhibit VII	Statement of Net Position – Proprietary Fund	44
Exhibit VIII	Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	45
Exhibit IX	Statement of Cash Flows – Proprietary Fund	46

Fiduciary Funds Financial Statements

Exhibit X	Statement of Fiduciary Net Position – Fiduciary Funds	47
Exhibit XI	Statement of Changes in Fiduciary Net Position – Post-employment Trust Fund	48

FINANCIAL SECTION (continued)

Notes to Financial Statements	49
Required Supplementary Information other than Management's Discussion and Analysis	
Budgetary Comparison Schedules	
Exhibit XII Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	91
Exhibit XIII Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Transportation Fund	93
Pension Schedules	
Exhibit XIV Schedule of Funding Progress – Pension Plan	94
Exhibit XV Schedule of Funding Progress – Other Post-employment Benefits Plan	95
Notes to Required Supplementary Information	96
Other Supplementary Information	
Combining Schedules	
Schedule I Combining Balance Sheet Nonmajor Governmental Funds	98
Schedule II Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	100
Schedule III Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Nonmajor Governmental Funds	102
Schedule IV Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Capital Projects Fund	106
Schedule V Combining Statement of Fiduciary Net Position – Fiduciary Funds	108
Schedule VI Combining Statement of Changes in Fiduciary Net Position	109

STATISTICAL SECTION

Statistical Section Overview	111
Table S-1 Net Position by Component	112
Table S-2 Changes in Net Position	113
Table S-3 Fund Balances, Governmental Funds	117
Table S-4 Changes in Fund Balances, Governmental Funds	118
Table S-5 Assessed Value and Actual Value of Taxable Real Property	120
Table S-6 Direct and Overlapping Tax Rates	121
Table S-7 Principal Property Tax Payers	122
Table S-8 Property Tax Levies and Collections	123
Table S-9 Ratios of General Bonded Debt Outstanding, Direct Debt Ratios	124
Table S-10 Ratios of General Bonded Debt Outstanding, Direct and Overlapping Debt Ratios	125
Table S-11 Direct and Overlapping Governmental Activities Debt	126
Table S-12 Debt Margin Information	127
Table S-13 Pledged Revenue Coverage: Water and Sewer Fund	130
Table S-14 Demographic and Economic Statistics	131
Table S-15 Comparative Demographic and Economic Statistics	132
Table S-16 Principal Employers	133
Table S-17 Full-Time Equivalent County Government Employees by Function	134
Table S-18 Operating Indicators by Function	135
Table S-19 Capital Asset Statistics by Function	138

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	141
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	143
Schedule of Expenditures of Federal Awards	145
Notes to Schedule of Expenditures of Federal Awards	149
Schedule of Findings and Questioned Costs with Responses	150



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

Board of Supervisors

Jack R. Cavalier, Chairman
Gary F. Snellings, Vice Chairman
Meg Bohmke
Paul V. Milde, III
Laura A. Sellers
Cord A. Sterling
Robert "Bob" Thomas, Jr.

Anthony J. Romanello, ICMA-CM
County Administrator

January 30, 2014

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) 2013 in compliance with Section 15.2-2511 of the *Code of Virginia* (1950), as amended. The County has used professionally accepted standards to prepare its financial statements. The report is designed to present fairly the financial position and results of financial operations of the County in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure so that the reader may gain maximum understanding of the County's financial affairs.

The Finance and Budget Department has prepared this report in accordance with the following standards:

- Accounting principles generally accepted in the United States of America (GAAP), which are uniform minimum standards and guidelines for financial accounting and reporting.
- Governmental accounting and financial reporting statements and interpretations issued by the Governmental Accounting Standards Board (GASB) and;
- Uniform financial reporting standards for counties, cities and towns issued by the Commonwealth of Virginia's Auditor of Public Accounts (APA).

The responsibility for the accuracy, completeness and fairness of the data presented in the report, including all disclosures, rests with the County.

McGladrey LLP, a firm of licensed certified public accountants, audited the County's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2013, 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, 2013, 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 135,311 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 an elected school board consisting of seven members elected by district. The School Board appoints a superintendent to administer its policies. The County's audit firm, McGladrey LLP, also performs an audit for the School Board. The School Board issues a separate annual financial report.

Higher Education

Multiple opportunities for higher education exist in the County. The University of Mary Washington's graduate school campus is located in Stafford County. It offers a variety of career advancement and professional development programs for working adults. More than 1,000 students were enrolled in these programs during 2012-2013. 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 provides 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. The resolution places legal restrictions on expenditures at the department level. Budget-to-actual comparisons are provided in this document in the sections labeled "Required Supplementary Information" and "Other Supplementary Information".

The Code of Virginia requires the school superintendent to submit a School Board approved budget to the County Board of Supervisors. When the School Board adopts its budget it is forwarded to the County Administrator. The County Board of Supervisors reviews the School Board's budget and determines the level of local funding.

Internal Control

In developing and maintaining the County's overall accounting and financial management system, adequacy of internal accounting controls has been considered. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss and the reliability of financial records. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management. In this regard, we believe that the County's internal accounting controls are adequate. In addition, the external auditors evaluate these controls during the course of the annual audit. We are committed to deriving the maximum benefits from this review process and will continue to actively pursue implementation of all recommended policy and procedural changes which are deemed practicable.

Accounting System

The County operates a fully automated accounting and financial management information system. This system is the foundation required to support the "central accounting" function and represents a cooperative effort by both County and School Board financial staffs. Budgetary control is maintained primarily at the fund level and at the department level by the encumbrance of estimated purchases. Purchase orders are reviewed for adequate appropriations prior to release to vendors. Open encumbrances, which represent commitments for the purchase of goods or services in a future period, are reported as restrictions, commitments or assignments of fund balances at the end of the fiscal year.

Relevant Financial Policies

The Board's financial policy, *Principles of High Performance Financial Management*, was adopted in FY 2005 and updated in FY 2013 per policy guidelines. The policy defines the fund balance levels for the General Fund and sets debt capacity parameters in order to provide for overall stability and flexibility for financial planning purposes. It is reviewed and updated every two years, at a minimum. One of the Board's goals for FY 2013 was to continue strengthening its financial position through a commitment to fiscal discipline and accountability. The revised policy sets the minimum unrestricted, unassigned fund balance for the General Fund at twelve percent (12%) of General Fund revenues. Use of unassigned fund balance is restricted to significant unexpected declines in revenues or unanticipated emergencies. This policy was met; at June 30, 2013 unassigned fund balance in the General Fund was \$30.5 million or 12% of revenues. The Board also reaffirmed previously established fund balance commitments:

- Revenue Stabilization Fund – one half of one percent of general fund revenue – to be used during times of economic downturns when reduced revenues create fiscal stress.
- Capital Projects Reserve – a minimum of \$1.5M for capital needs to reduce reliance on debt.
- Stafford Opportunity Fund – \$0.5M to enhance and promote economic development opportunities.
- Reserve for healthcare costs - equal to the estimated Incurred But Not Reported (IBNR) plus 10% of annual claims.

All commitments were fully funded according to policy guidelines for FY 2013. See the Notes to Financial Statements, Summary of Significant Accounting Policies, Note 1, Section N – Net Position and Fund Balance Classification – for a detailed discussion of this policy.

The Board's financial policy limits general obligation debt to no more than 3.5% of the assessed value of taxable real property, with a goal to reach 3% by July 1, 2015. General obligation debt as a percentage of taxable real property assessed value for FY 2013 was 2.90%. General Fund debt service expenditures for the County and its Component Unit School Board are not to exceed 11% of general government and schools operating budgeted expenditures, with a goal to reach 10% by July 1, 2015. Debt service expenditures were 9.46% of budgeted expenditures for FY 2013. 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 2013-2022 CIP totaled \$928.5 million with \$469.0 million for County projects, \$260.7 million for school projects and \$198.8 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 non-bond portion of the projects totaled \$440.6 million - \$308.2 million for County projects, \$21.7 million for school projects and \$110.7 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 2013. Overall the growth rate was 2%. Stafford County's location offering superior suburban conveniences, a strong educational system and exceptional quality of life continue to make it an attractive, vital community. Initiatives undertaken in the areas of economic development, business retention and redevelopment continue to enhance the County's position as economic conditions improve.

According to the Bureau of Labor Statistics, Stafford's unemployment rate at June 30, 2013 (through the second quarter of 2013) was 4.7%, while the State of Virginia and national rates were 5.5% and 7.6% respectively. This comparatively low unemployment rate is due to a relatively high skilled and educated labor force and continued business growth in the County. There are more than 2,300 businesses located in Stafford, employing more than 38,000 people. The professional and business services and health care industries have contributed significantly to that growth. Nearly 500,000 square feet of commercial space is under construction. There are numerous commercial projects in various stages of development. These key economic indicators have made Stafford a leader in the Commonwealth:

- 5th highest job growth rate for localities in Virginia, 2007 - 2012
- 7th highest business growth rate for localities with more than 2000 establishments, 2007 - 2012
- 12th highest median family income among U.S. counties and the 6th highest ranked County in Virginia for median family income, 2012.

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 that address the Board's Ten-Point Economic Development Plan which defines and memorializes the County's commitment to creating a better business climate in the County through expansion of job opportunities, workforce development, leveraging local and regional partnerships, a reduction of business regulation and taxes, and stronger efforts dedicated to business retention
- Advancing projects consistent with the Master Redevelopment Plan areas to provide opportunities for business development and expansion
- Increasing educational opportunities offered to local defense and high-tech employees through a partnership with Germanna Community College, the University of Mary Washington and George Mason University and the University of Maryland University College at the Stafford Technology and Research Center
- Multiple regional workshop offerings for the business community focusing on business development and planning for the impact of Federal sequestration

Recognizing that most new jobs and investment in the community come from existing businesses, Stafford continues to focus considerable energy and staff resources on business retention and expansion. Economic Development staff visit many County businesses to seek feedback on the local business climate. A formal survey is also conducted every other year to gauge outreach opportunities and identify business concerns. The community has also identified expanded retail and data center attractions as a priority. Staff participated in several retail marketing and data center attraction events that promoted the County as a target expansion area.

The County is also focusing on redevelopment activities in several of Stafford's key gateways. These areas include commercial and industrial properties in the northern, central and southern sectors of the County. The northern area is located near the Marine Corps Base Quantico (MCBQ) at Boswell's Corner. BRAC redeployments have attracted additional defense and high-tech related contractors. Additional office space has been constructed and is fully occupied. Support service enterprises (hotel, retail and food service) have located or have plans to locate in the area. A joint land use study is underway with neighboring counties and MCBQ.

The central Courthouse area includes a variety of retail, government and health care facilities. The historic Courthouse area has been masterplanned as a pedestrian-friendly community center with both retail and cultural facilities. Significant new infrastructure is in engineering and design, including the multimillion dollar streetscape improvement project. Stafford Hospital Center, a full service, 100-bed acute care facility, is also located in the Courthouse area. Future development, enhanced by transportation improvements, is expected to generate supporting businesses for the area.

The Falmouth area in south Stafford provides an opportunity to preserve and enhance an historic riverfront community. Access to Falmouth is currently via a congested portion of US Route 1. A redesign of the Route 1 – Route 17 intersection has been completed and construction is slated to begin in 2014. Bike and pedestrian trails have been constructed as a means of linking the area to historic and recreation sites. A grant to implement a Master Interpretive Plan has been secured. Several legacy businesses have renovated facilities and purchased land to expand their operations.

The southern business corridor, "Southern Gateway" is located near the I-95 and Route 17 interchange. Adjacent retail centers are anchored by nationally recognized businesses, serving both business and residential populations located in the area. Anticipated construction of traffic flow improvements (slated to begin in 2014) has attracted additional retail development in the area. Greencore Group, a leading international producer of convenience foods, has announced (with Virginia's Governor) a major expansion of its processing facility in this area of the County. The expansion will bring more than 300 new jobs to Stafford County. McLane Mid-Atlantic, support services (transportation) for Greencore product, is also expanding its facilities and operations.

Transportation issues continue to be addressed in all areas of the County. In North Stafford, Federal Highways has completed preliminary design of Route 1 widening improvements at Boswell's Corner – at Quantico's back gate. A defense access road improvement project has also been fully funded and is underway at the intersection of Telegraph Road and Route 1. Construction that will widen a major transportation corridor (Rt. 610) is underway. In June, the County secured voter-backed bond funds for its contribution to the project. The reconfiguration of the I-95 interchange at Exit 140 in central Stafford is in the design phase, and this fully funded \$160 million project will be underway in 2015. 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.

In south Stafford, construction will begin in 2014 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.

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

In April, the County's Civil War Park opened to the public. Restoration of this historic Union encampment site was a cooperative effort involving the County, the Civil War Preservation Trust, the Friends of Stafford Civil War Sites and the VA Army and Air National Guard.

MAJOR INITIATIVES

The Finance and Budget staff continues its efforts to keep the Board apprised of the County's financial operations through a variety of efforts. A monthly financial report compares budget to actual results, in dollars and percentage, for major revenue sources and departmental expenditures; a short narrative explains variances. There is also a quarterly presentation at a Board worksession during which financial results are reviewed and projections are presented as well as plans to deal with them.

When the FY 2013 budget was adopted in April 2012, 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 2014 as well.

Financial policies were reviewed and updated to maintain and enhance the County's bond rating. In May, County staff made presentations to the ratings agencies. Standard and Poor's and FitchRatings upgraded the County's rating to AA+. Moody's affirmed its Aa2 rating, adding a positive outlook.

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 through the County's participation in the State Revenue Sharing Program. In June, the County issued \$5.3 million in General Obligation Bonds for improvements to Garrisonville Road and \$2.5 million for improvements to Courthouse Road. Other projects are in the planning phase.

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. The County issued \$18 million in General Obligation Bonds to begin development and construction of Chichester Park in South Stafford, a rectangular fields complex in Central Stafford, and renovations to the pool at Curtis Park.

Construction of the Chichester Courthouse Annex began in the fall of 2011. The \$3.5 million project was completed in January 2013. The building houses court services functions – the Commonwealth's Attorney offices and district court offices. Space vacated by these functions in the County Courthouse is currently being renovated for use by Circuit Court judges. These projects are financed with the proceeds of the 2008 lease revenue bonds.

The Board has been committed to improving the planning and permitting process for developers and citizens. Planning and design of a combined Community Development Services Center began during FY 2012. Existing space was renovated and agency personnel were reallocated to bring together related activities and streamline the process. The next phase of this project includes upgrades to the software system which tracks the progress and status of planning and zoning applications and developer/citizen permits.

The Belmont-Ferry Farm Trail System is a multi-phase project to connect Stafford's parks and historical resources via a paved pathway along the Rappahannock River. During FY 2013 the County began work on phase 4 of the project. Future phases will extend the trail to George Washington's Boyhood Home at Ferry Farm. Grants from the Federal Highways Administration and Va. Department of Transportation – Transportation Enhancement Program partially fund the project.

The County's Water and Sewer Utility Fund solicited bids, awarded contracts and continued construction of the Rocky Pen Run Reservoir. The project includes a compacted concrete dam, an intake pump station, a treatment facility, a pipeline to connect to the existing water distribution system and wetlands/stream mitigation. When full, the 503 acre reservoir is expected to hold 5.3 billion gallons of water and will meet water demands for approximately 50 years. The project is expected to be completed in 2014. \$53.4 million dollars in revenue bonds were issued to finance this project.

2014 will mark the 350th anniversary of Stafford County. A blue-ribbon committee of distinguished citizens and staff was appointed to plan and organize commemorative activities. Many events have been scheduled and the planning committee has coordinated numerous community partnerships and sponsorships.

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, 2012. This was the County's thirty-first 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.

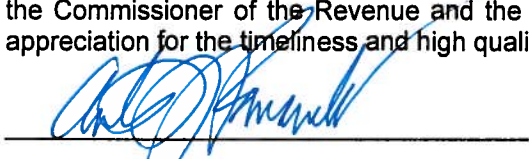
Distinguished Budget Presentation Award - The GFOA has also awarded the County its Distinguished Budget Award for the last twenty-four years, including the 2013 fiscal year budget. In order to receive this award, a governmental unit must publish a budget document that is an exceptional policy document, operations guide, financial plan and communications medium.

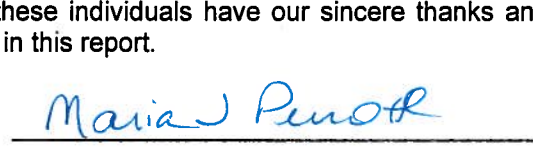
For an overview of the County's financial condition and financial highlights for FY2013, please refer to the Management's Discussion and Analysis, located in the Financial Section of this document.

ACKNOWLEDGEMENTS

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

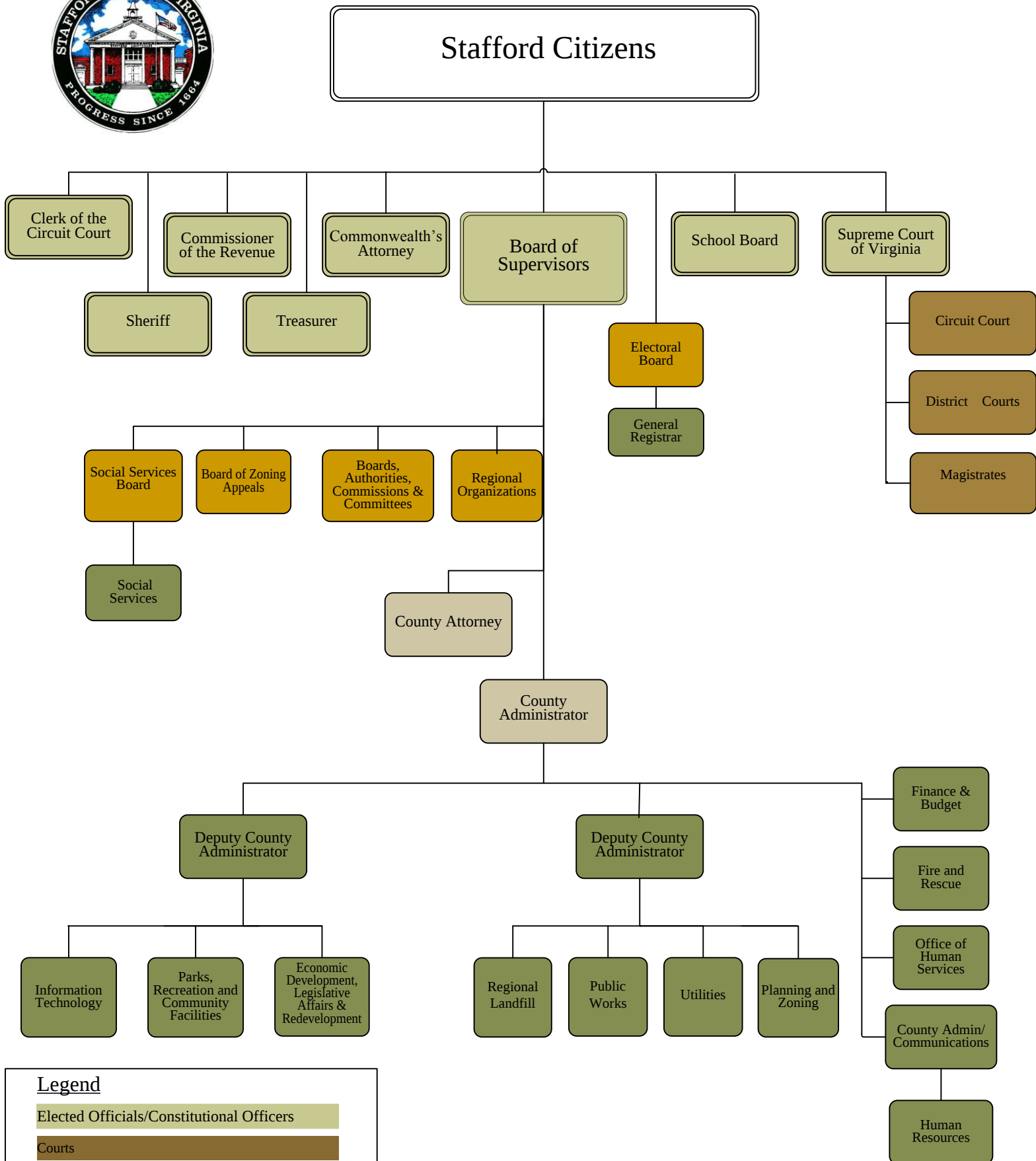
Preparation of the Comprehensive Annual Financial Report was made possible by the dedicated and professional staff of the County Finance and Budget Department, the School Board Financial Services staff, the Commissioner of the Revenue and the Treasurer. All of these individuals have our sincere thanks and appreciation for the timeliness and high quality of work reflected in this report.



Anthony J. Romanello
County Administrator

Maria J. Perrotte
Chief Financial Officer

COUNTY OF STAFFORD, VIRGINIA



Legend

Elected Officials/Constitutional Officers

Courts

Appointed by the Board of Supervisors

Boards and Commissions

Agencies and Departments

COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS

BOARD OF SUPERVISORS

Susan B. Stimpson, Chairman	Falmouth District
Robert "Bob" Thomas, Vice Chairman	George Washington District
Jack R. Cavalier	Griffis-Widewater District
Paul V. Milde, III	Aquia District
Ty A. Schieber	Garrisonville District
Gary F. Snellings	Hartwood District
Cord A. Sterling	Rock Hill District

CONSTITUTIONAL OFFICERS

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

COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS
(continued)

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
Harry L. Critzer	Director of Public Utilities
Jeffrey A. Harvey	Director of Planning and Community Development
J. Mark Lockhart	Fire Chief
Michael J. Muse	Director of Social Services
David W. Noel	Director of Information Technology
Maria J. Perrotte	Chief Financial Officer
Jamie B. Porter	Director of Parks, Recreation and Community Facilities
Michael T. Smith	Director of Public Works
Catherine L. Vollbrecht	Director of Communications
Shannon L. Wagner	Human Resources Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Stafford County
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork



Independent Auditor's Report

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, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Restatement of prior year net position due to a change in accounting principle

As discussed in Note 16 of the notes to the basic financial statements, the County adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 65, *Items Previously Reported as Assets and Liabilities*, for the fiscal year ended June 30, 2013. The adoption of this standard requires items, such as bond issuance costs, which were previously deferred and amortized, to be written off by restating prior periods in the year of adoption and to expense these issuance costs in the period in which they occur. The restatement due to the adoption of GASB Statement No. 65 impacted both the governmental activities and business-type activities of the County.

Restatement of prior year net position due to an error

As discussed in Note 16 of the notes to the basic financial statements, the County restated beginning net position due to an error in the prior year statements. The restatement due to the correction of the error only impacted the governmental activities of the County.

Restatement of Component Unit net position

As discussed in Note 16 of the basic financial statements, Stafford County Public Schools, a discretely presented component unit of the County, restated beginning net position due to an error in the prior year statements. The restatement due to the correction of the error only impacted the component unit of the County.

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, and Other Post-Employment Benefits information on pages 22–35 and 91–96 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 basic financial statements of the County. The combining and individual nonmajor fund statements, budgetary schedules, combining fiduciary statements, and the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund statements, budgetary schedules, combining fiduciary statements, and 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 and individual nonmajor fund statements, budgetary schedules, combining fiduciary statements, 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 January 30, 2014, 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.

A handwritten signature in cursive script that reads "McGladrey LLP".

New Bern, North Carolina
January 30, 2014

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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the transmittal letter, financial statements, and the accompanying notes.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$186.9 million (*net position*).
- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$106.1 million. Of the \$106.1 million, \$30.4 million is available for spending in accordance with the County's financial policies (*unassigned fund balance*).
- The County's net general government debt increased by \$34.8 million during the current fiscal year. The net increase was the result of new debt less principal payments made during the year. New debt consisted of \$30.0 million of VPSA debt for school renovation and construction projects and \$24.1 million in general obligation bonds for parks and road improvement projects.
- Financial policies were reviewed and updated to enhance the County's bond rating. Staff made presentations to the ratings agencies. Standard and Poor's and FitchRatings upgraded the County's rating to AA+. Moody's affirmed its Aa2 rating, adding a positive outlook.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary and statistical information in addition to the basic financial statements.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the County's assets and liabilities, with the difference between the two 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 five fiduciary funds – Widewater Fund, Celebrate Virginia North Fund, Lake Arrowhead Sanitary District Fund, George Washington Regional Commission Fund and the Retired Employees Health Insurance Plan Trust Fund. Separate statements of fiduciary net 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 exceeded liabilities by \$186.9 million at the close of fiscal year 2013. By far, the largest portion of the County's net position (\$346.4 million) reflects its investment in capital assets net of depreciation (e.g., land, buildings, vehicles, distribution and collections systems, and equipment); less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to its citizens (e.g., law enforcement, fire and emergency medical services, libraries, water and wastewater services). Consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the related debt must be provided by other sources since the capital assets cannot be used to liquidate the liabilities (the assets are not generally sold or otherwise disposed of during their useful life).

An additional portion of the County's net position (\$16.6 million) represents resources that are subject to external restrictions on how they may be used. These restrictions include debt service, construction and maintenance, grants and Federal drug enforcement constraints.

Another significant point to note regarding school assets and their related debt is that in the State of Virginia, school boards cannot issue debt; however, they hold title to the assets acquired through debt issued by their respective primary governments. They are custodians of the assets and maintain the property. Therefore, the County reports a significant liability for debt related to school property and equipment. Of the \$131.6 million governmental net position deficit, \$271.4 million is related to debt for school property and equipment.

The net \$17.6 million increase in business-type activities net position is largely due to capital contributions (donated infrastructure, developer contributions and State Department of Environmental Quality grants).

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, 2013 and 2012 (\$ in millions)								
	Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total Primary			
	2013	2012 As restated	2013	2012 As restated	2013	2012 As restated	2013	2012 As restated
Assets:								
Current and other assets	\$ 184.7	\$ 156.3	\$ 78.8	\$ 105.7	\$ 263.5	\$ 262.0	\$ 108.2	\$ 96.0
Capital assets (net)	<u>190.7</u>	<u>184.1</u>	<u>356.4</u>	<u>303.2</u>	<u>547.1</u>	<u>487.3</u>	<u>385.4</u>	<u>379.6</u>
Total assets	<u>375.4</u>	<u>340.4</u>	<u>435.2</u>	<u>408.9</u>	<u>810.6</u>	<u>749.3</u>	<u>493.6</u>	<u>475.6</u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities:								
Other liabilities	94.6	84.3	25.9	14.2	120.5	98.5	53.4	54.2
Long-term liabilities	<u>407.4</u>	<u>369.9</u>	<u>90.8</u>	<u>93.8</u>	<u>498.2</u>	<u>463.7</u>	<u>28.9</u>	<u>31.9</u>
Total liabilities	<u>502.0</u>	<u>454.2</u>	<u>116.7</u>	<u>108.0</u>	<u>618.7</u>	<u>562.2</u>	<u>82.3</u>	<u>86.1</u>
Total deferred inflows of resources	<u>5.0</u>	<u>.5</u>	<u>-</u>	<u>-</u>	<u>5.0</u>	<u>.5</u>	<u>-</u>	<u>-</u>
Net position:								
Investment in capital assets	83.0	81.9	263.4	216.0	346.4	297.9	383.7	377.8
Restricted	2.6	2.6	14.0	51.2	16.6	53.8	22.0	17.5
Unrestricted	<u>(217.2)</u>	<u>(198.8)</u>	<u>41.1</u>	<u>33.7</u>	<u>(176.1)</u>	<u>(165.1)</u>	<u>5.6</u>	<u>(5.8)</u>
Total net position	<u>\$(131.6)</u>	<u>\$(114.3)</u>	<u>\$ 318.5</u>	<u>\$ 300.9</u>	<u>\$ 186.9</u>	<u>\$ 186.6</u>	<u>\$ 411.3</u>	<u>\$ 389.5</u>

Statement of Activities

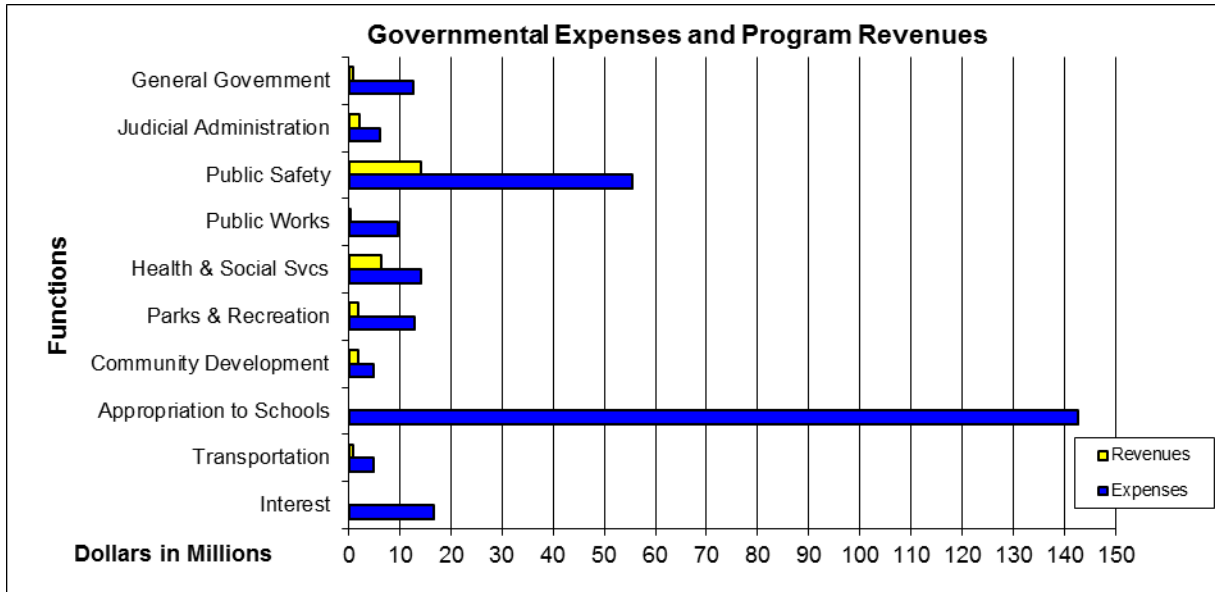
Governmental Activities

The decrease in net position attributable to the County's governmental activities totaled \$17.3 million for fiscal year 2013. Generally, the change in net position is the difference between revenues and expenses. For fiscal year 2013 governmental revenues were \$262.4 million and expenses were \$279.7 million. A summary of key elements follows:

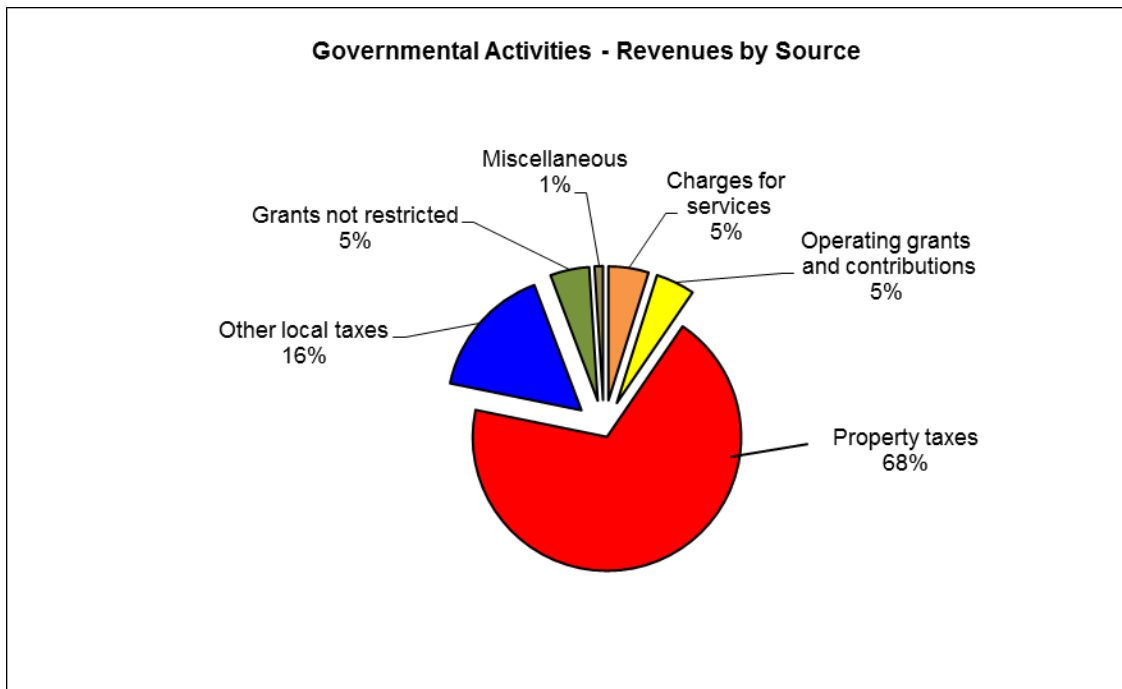
- Revenues increased \$2.3 million due to increased real estate tax collections, personal property valuation (newer vehicles), development fees and year over year increases in retail sales and meals taxes.
- Operating grants and contributions decreased \$2.0 million. The decrease was due to completion of projects that were funded over multiple years.
- Capital grants and contributions increase of \$.2 million reflects a revenue sharing agreement for local road improvement projects.
- Investment earnings continued to decline, reflecting continued low interest rates.
- Expenses for governmental activities recorded a net increase of \$28.2 million compared to the prior year. The public safety function recorded \$5.4 million of this increase, attributed to depreciation accruing on the communications system. The Public Works function increased \$1.7 due completion of construction of the courthouse annex building. The local appropriation to schools recorded a net increase of \$19.7 million. This appropriation is in two parts, operations support and proceeds from

borrowings for capital improvements. Operations support increased \$10.2 million, while capital improvements increased \$9.5 million.

The following graph compares the County's fiscal year 2013 expenses by function to associated program revenues for governmental activities.



The following graph illustrates the County's fiscal year 2013 governmental revenues by source.



Business-type Activities

The increase in net position attributable to the County's business-type activities totaled \$17.6 million for fiscal year 2013. 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 2013, resulting in a net loss before contributions of \$4.1 million, primarily due to user fees failing to keep pace with operating costs. The net asset increase was primarily due to non-operating contributions (availability fees, pro-rata fees and state grants) and donated capital assets. The following is a summary of relevant financial results for fiscal year 2013:

- The Water and Sewer Fund implemented a rate increase of 8% in fiscal 2013 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 \$26.1 million, which were \$2.0 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 \$11.0 million which is a \$3.9 million increase compared to the prior year. Availability and pro-rata fees are paid by the developer of a subdivision and then passed on to the new homeowner.
- State grants for wastewater facility upgrades totaled \$0.2 million.
- Donated capital assets (infrastructure completed by developers and dedicated to the County) totaled \$10.4 million, a \$0.4 million increase compared to the prior year.
- Expenses totaled \$30.5 million, a net \$0.8 million decrease over the prior year. Personnel services increased \$0.3 million, contractual service increased \$0.2 million, materials and supplies decreased \$0.5 million and depreciation expense decreased \$0.7 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, 2013 and 2012 (\$ in millions)								
	Primary Government						Component Unit School Board	
	Governmental Activities		Business-Type Activities		Total Primary			
	2013	2012 As restated	2013	2012 As restated	2013	2012 As restated		
Revenues:								
Program revenues:								
Charges for services	\$ 12.6	\$ 10.5	\$ 26.1	\$ 24.1	\$ 38.7	\$ 34.6	\$ 18.0	\$ 16.4
Operating grants and contributions	14.9	16.9	.3	1.0	15.2	17.9	124.7	125.4
Capital grants and contributions	.9	.7	21.4	17.1	22.3	17.8	34.1	-
General revenues:								
General property taxes	176.3	175.6	-	-	176.2	175.6	-	-
Other local taxes	41.8	40.4	-	-	41.8	40.4	25.5	23.7
Grants not restricted	14.9	14.9	-	-	14.9	14.9	108.6	98.6
Investment earnings	-	.1	.3	.4	.3	.5	-	-
Miscellaneous	.9	.6	.1	.2	1.0	.8	1.6	.4
Transfers	.1	-	(.1)	-	-	-	-	-
Total revenues	<u>\$ 262.4</u>	<u>\$ 259.7</u>	<u>\$ 48.1</u>	<u>\$ 42.8</u>	<u>\$ 310.5</u>	<u>\$ 302.5</u>	<u>\$ 312.5</u>	<u>\$ 264.5</u>
Expenses:								
General government	\$ 12.7	\$ 12.6	\$ -	\$ -	\$ 12.7	\$ 12.6	\$ -	\$ -
Judicial administration	6.1	6.8	-	-	6.1	6.8	-	-
Public safety	55.4	50.0	-	-	55.4	50.0	-	-
Public works	9.6	7.9	-	-	9.6	7.9	-	-
Health and social services	13.9	14.1	-	-	13.9	14.1	-	-
Parks, recreation and cultural	12.8	12.0	-	-	12.8	12.0	-	-
Community development	4.9	4.8	-	-	4.9	4.8	-	-
Appropriation to schools	142.8	123.1	-	-	142.8	123.1	290.7	285.2
Transportation	4.8	4.0	-	-	4.8	4.0	-	-
Interest	16.7	16.2	-	-	16.7	16.2	-	-
Water and sewer	-	-	30.5	31.3	30.5	31.3	-	-
Total expenses	<u>\$ 279.7</u>	<u>\$ 251.5</u>	<u>\$ 30.5</u>	<u>\$ 31.3</u>	<u>\$ 310.2</u>	<u>\$ 282.8</u>	<u>\$ 290.7</u>	<u>\$ 285.2</u>
Change in net position	<u>\$ (17.3)</u>	<u>\$ 8.1</u>	<u>\$ 17.6</u>	<u>\$ 11.5</u>	<u>\$.3</u>	<u>\$ 19.6</u>	<u>\$ 21.8</u>	<u>\$ 3.9</u>
Net position (deficit) beginning, as previously reported	(114.3)	(116.6)	300.9	290.1	186.6	173.5	389.5	388.1
Effect of restatement -see Note 16	-	(1.6)	-	(0.7)	-	(2.3)	-	(2.5)
Net position (deficit) beginning, as restated	<u>(114.3)</u>	<u>(118.2)</u>	<u>300.9</u>	<u>289.4</u>	<u>186.6</u>	<u>171.2</u>	<u>389.5</u>	<u>385.6</u>
Effect of restatement -see Note 16	-	(4.2)	-	-	-	(4.2)	-	-
Net position (deficit) ending	<u>\$ (131.6)</u>	<u>\$ (114.3)</u>	<u>\$ 318.5</u>	<u>\$ 300.9</u>	<u>\$ 186.9</u>	<u>\$ 186.6</u>	<u>\$ 411.3</u>	<u>\$ 389.5</u>

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, the 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 \$106.1 million, an increase of \$18.3 million in comparison with the prior year. Of the \$106.1 million, \$2.6 million is restricted for grant programs, drug enforcement activities and debt service requirements. Committed and assigned portions of its fund balances are established to indicate plans for use of financial resources. The County reserves portions of its unrestricted fund balances as commitments for specific purposes, such as capital needs, economic development and risk management (\$48.7 million). Commitments include policies and contractual obligations of the governing body (the Board of Supervisors). Assignments (\$24.4 million) represent management's plans for future expenditures and the intent to liquidate purchase orders (encumbrances) of the prior fiscal year. The unassigned portion of fund balance, (\$30.4 million) is available for spending at the County's discretion. The Fund Balance section of Note 1, Summary of Significant Accounting Policies, presents details of the County's governmental fund balance classifications.

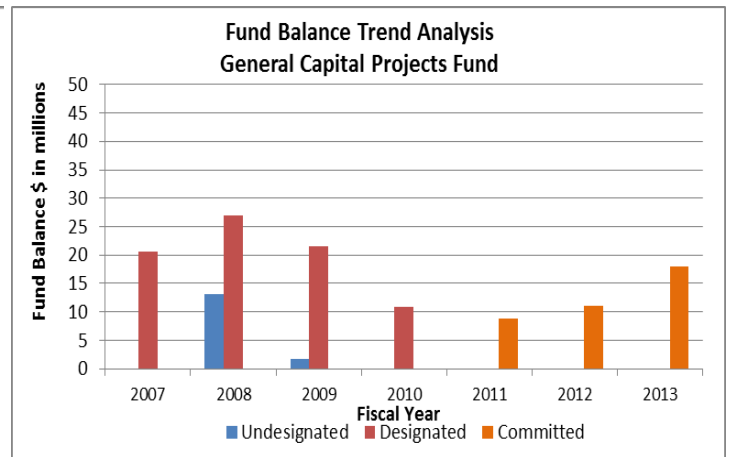
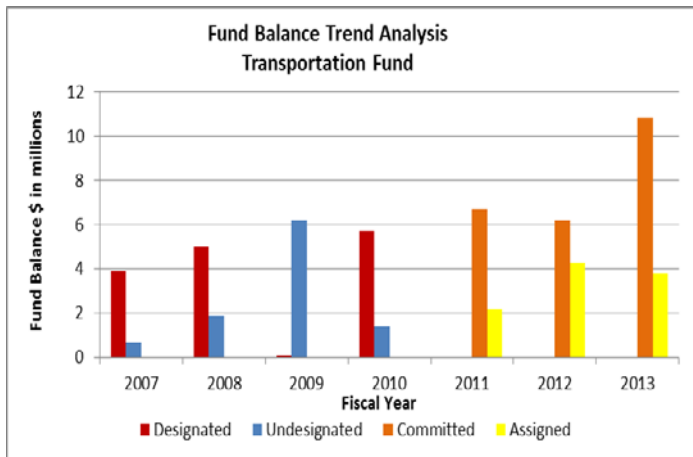
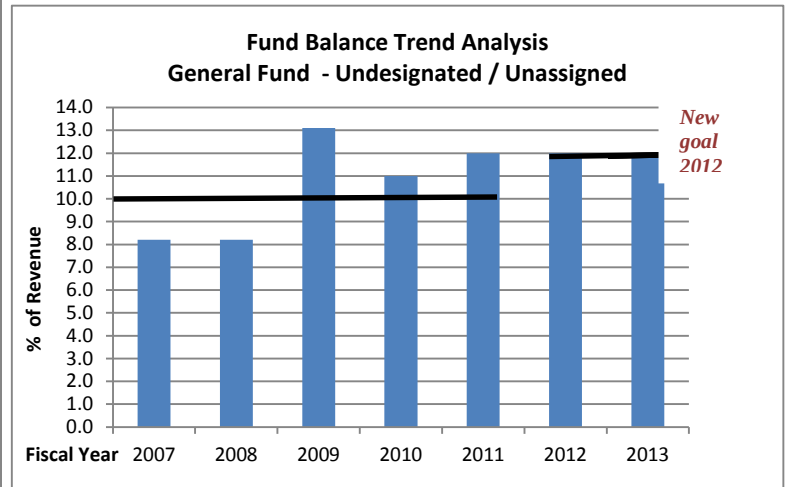
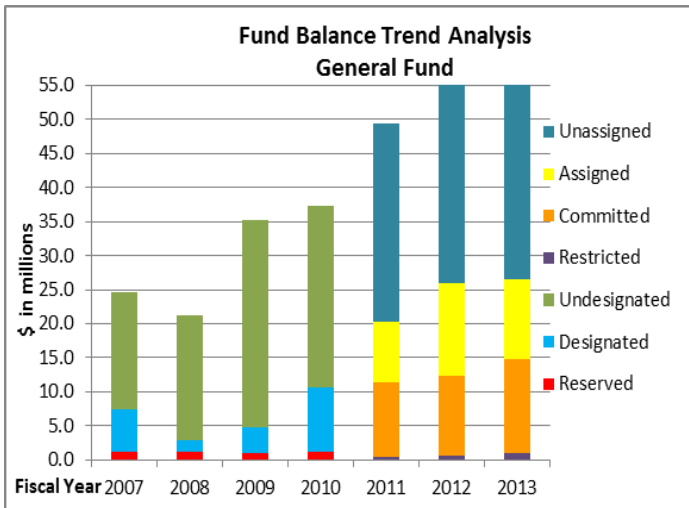
The General Fund is the primary operating fund of the County. The total fund balance of the County's General Fund increased \$1.5 million during fiscal year 2013. This was due primarily to management's commitment to maintain unassigned fund balance at or above stated policy levels frequent, in-depth analysis of revenue collection and expenditure patterns, and conservative budgeting. Of the \$57.1 million, \$0.9 million is restricted for grants programs, \$13.9 million is committed, \$11.9 million is assigned and \$30.4 million is unassigned.

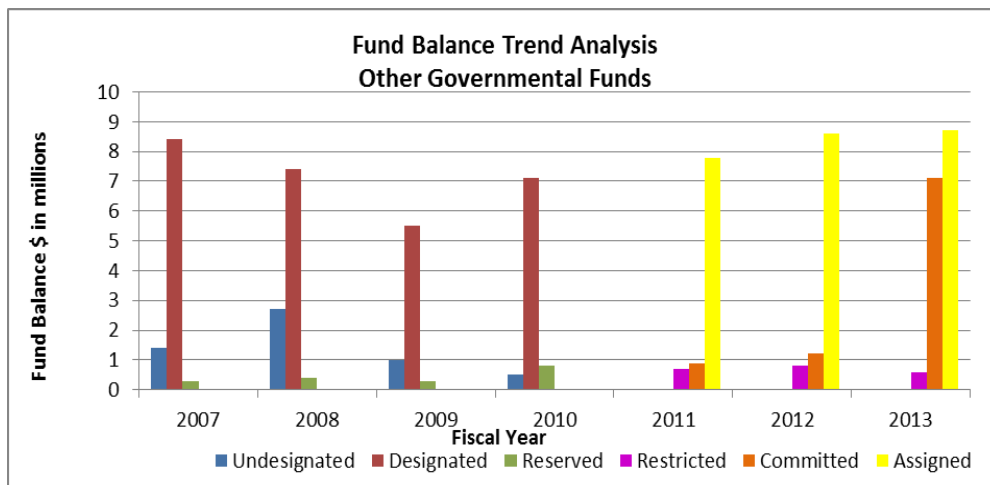
In addition to the General Fund the County has two major governmental funds, the Transportation Fund and the General Capital Projects Fund. Total fund balance for the Transportation Fund at year end was \$14.6 million, an increase of \$ 4.0 million compared to the prior year. Of the \$14.6 million, \$ 10.8 million is committed and \$3.8 million is assigned for specific road improvement projects. The increase in fund balance is attributed to an increase in revenue from fuels taxes, revenue sharing agreements dedicated to road improvements and \$2.8 million in general obligation bonds issued for the County's share of a road improvement project.

Total fund balance for the General Capital Projects Fund at year end was \$18.0 million. The County issued general obligation bonds to finance construction of parks facilities. The entire fund balance is committed for capital projects.

The County also has nine non-major governmental funds. In total, fund balance is \$16.5 million, a \$5.9 million increase compared to prior year. Of the \$16.5 million, \$0.6 million is restricted for debt service and drug enforcement activities, \$7.1 million is committed for contractual obligations related to each fund's purpose (\$5.9 million of this amount is related to general obligation bonds issued for the Garrisonville Road Service District road widening project), and \$8.7 million is assigned for the various fund purposes.

The following graphs illustrate fund balance trends for the County's governmental funds for fiscal years 2007 through 2013.





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 \$17.6 million during fiscal year 2013. Capital assets, net of depreciation and related debt increased \$47.4 million. Restricted net position decreased by \$ 37.2 million and unrestricted net position increased by \$7.4 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 \$21.8 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 \$16.5 million between the original budget and the final budget. Major budget amendments included in this amount:

- \$6.3 million in re-appropriated encumbrances and incomplete commitments to allow completion of ongoing projects.
- \$3.9 million for Component Unit School Board one-time capital expenditures.
- \$2.8 million for various state and federal grants..
- \$0.9 million for temporary funding from capital reserves for parks projects.
- \$0.7 million for software upgrades.
- \$0.4 million for 350th Anniversary Celebration seed money.

General Fund revenues, excluding transfers, increased \$6.1 million over the prior year amount. General property taxes increased \$3.6 million due to increased personal property valuation (vehicles). While there was growth in real estate tax receipts, it was offset by a reduction in the tax rate. Other local taxes had a net increase of \$ 1.1 million led by increases in sales tax receipts (\$0.8 million), and meals tax receipts (\$0.01 million). Use of money and property category reflects the downward trend of investment earnings. The "other" category includes several miscellaneous items. The largest among them are recovered costs (\$1.9 million) and fines and forfeitures (\$0.8 million). The intergovernmental category includes grants from state and federal sources.

General Fund expenditures, excluding transfers, recorded a net increase of \$ 11.5 million compared to the prior year amount. Highlights that contributed to the net increase include:

- The County Attorney function within General Government incurred expenditures for outside legal counsel due to staffing issues.
- The Public Safety function includes regional joint activities for the jail and juvenile detention center. These regional facilities allocate a percentage of their costs to participant localities based on average census.
- Overall, the local support for the school system was appropriated at \$10.8 million more than the prior year. However, at year-end, the schools turned back \$1.2 million in unspent funds to be reappropriated in the subsequent year for one-time expenditures.
- Capital outlay expenditures were for replacement public safety vehicles.
- Debt service expenditures decreased due to retirement of master lease obligations in the prior fiscal year.

The following table compares General Fund revenues and expenditures for fiscal year 2013 with the previous fiscal year.

General Fund Comparison Revenues and Expenditures FY 2012 – FY 2013 (\$ in millions)			
	FY 2013	FY 2012	Increase (Decrease)
<u>Revenues:</u>			
General property taxes	\$ 178.2	\$ 174.6	\$ 3.6
Other local taxes	33.8	32.7	1.1
Licenses and permits	4.3	3.2	1.1
Use of money and property	.3	.3	-
Charges for services	6.2	5.8	.4
Other	4.6	3.9	.7
Intergovernmental	27.7	28.5	(.8)
Total revenues	<u>\$ 255.1</u>	<u>\$ 249.0</u>	<u>\$ 6.1</u>
<u>Expenditures:</u>			
General government	\$ 12.1	\$ 11.8	\$.3
Judicial administration	6.9	6.4	.5
Public safety	50.8	46.8	4.0
Public works	5.0	4.8	.2
Health and social services	13.4	13.7	(.3)
Parks, recreation and cultural	11.3	10.5	.8
Community development	4.0	4.1	(.1)
Education	109.4	98.6	10.8
Capital outlay	2.1	.7	1.4
Debt service	36.4	42.5	(6.1)
Total expenditures	<u>\$ 251.4</u>	<u>\$ 239.9</u>	<u>\$ 11.5</u>

Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$547.1 million, net of accumulated depreciation. This represents an increase of \$59.8 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 land – completion of the Civil War Park.
- Governmental activities construction in progress/land improvements/buildings/equipment – reclassification of the completed courthouse annex building and the interoperable gateway communications system in the 911 center; park construction and improvements, road improvement projects, partial acquisition of SCBA's for emergency personnel.
- Governmental activities – buildings and building improvements included roof replacement at the Government Center.
- Governmental activities – software increases included Computer Assisted Dispatch (CAD) upgrades.
- Governmental activities – replacement vehicles for public safety functions.
- Business-type activities construction in progress – construction of Rocky Pen Run Reservoir.
- Business-type activities distribution and collection systems – acceptance of developer constructed infrastructure.

The following table summarizes the changes in the County's governmental and business-type capital assets for fiscal year 2013. Additional information on the County's capital assets can be found in Note 4.

Change in Capital Assets (\$ in millions)			
	Balance June 30, 2012	Net Additions And Deletions	Balance June 30, 2013
<u>Governmental Activities:</u>			
Land	\$ 44.3	\$.6	\$ 44.9
Other intangible	1.0	-	1.0
Construction in progress	<u>8.0</u>	<u>4.1</u>	<u>12.1</u>
Capital assets not being depreciated	<u>53.3</u>	<u>4.7</u>	<u>58.0</u>
Land improvements	27.5	-	27.5
Buildings and building improvements	96.0	6.2	102.2
Furniture, fixtures and equipment	44.1	4.1	48.2
Vehicles	<u>16.1</u>	<u>1.0</u>	<u>17.1</u>
Capital assets being depreciated	<u>183.7</u>	<u>11.3</u>	<u>195.0</u>
Less accumulated depreciation	<u>(52.9)</u>	<u>(9.4)</u>	<u>(62.3)</u>
Net capital assets being depreciated	<u>130.8</u>	<u>1.9</u>	<u>132.7</u>
Governmental activities capital assets	<u>\$ 184.1</u>	<u>\$ 6.6</u>	<u>\$ 190.7</u>

Change in Capital Assets (\$ in millions)			
	Balance June 30, 2012	Net Additions And Deletions	Balance June 30, 2013
Business-Type Activities:			
Land	\$ 19.0	\$.1	\$ 19.1
Other intangible	4.1	(.1)	4.0
Construction in progress	<u>83.8</u>	<u>50.1</u>	<u>133.9</u>
Capital assets not being depreciated	<u>106.9</u>	<u>50.1</u>	<u>157.0</u>
Land improvements	.5	-	.5
Buildings and building improvements	4.2	-	4.2
Distribution and collection systems	311.4	11.8	323.2
Furniture, fixtures and equipment	13.5	.6	14.1
Vehicles	<u>2.7</u>	<u>.1</u>	<u>2.8</u>
Capital assets being depreciated	<u>332.3</u>	<u>12.5</u>	<u>344.8</u>
Less accumulated depreciation	<u>(136.0)</u>	<u>(9.4)</u>	<u>(145.4)</u>
Net capital assets being depreciated	<u>196.3</u>	<u>3.1</u>	<u>199.4</u>
Business-type activities capital assets	<u>\$ 303.2</u>	<u>\$ 53.2</u>	<u>\$ 356.4</u>

Long-term debt: At the end of the current fiscal year, County governmental activities reported total debt outstanding of \$415.3 million. Of this amount, \$313.3 million is debt backed by the full faith and credit of the County. The remainder of the County's debt is secured by specific revenue sources (i.e. revenue bonds). County governmental activities had a net increase in total debt of \$34.7 million during the fiscal year. Issuances for FY 2013 included \$30.0 million general obligation bonds for school renovation projects and \$24.1 million general obligation bonds for parks and road improvement projects.

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

The County is in compliance with all debt policy requirements as illustrated in Table S-12 in the Statistical Section of this report.

The County's business-type activities reported total debt of \$94.3 million at the end of the current fiscal year. \$62.4 million of that total are revenue bonds secured by water and sewer revenues.

Additional information on the County's long-term debt can be found in Note 5 of this report. The following table compares summarized debt for the primary government for the current year with the prior year.

Summary of Changes in Long-Term Debt (\$ in millions)			
	June 30, 2012 As restated	Net Increase (Decrease)	June 30, 2013
<u>Governmental Activities:</u>			
General obligation bonds, net	\$ 273.9	\$ 39.4	\$ 313.3
Lease revenue bonds	80.7	(3.5)	77.2
Capital leases	7.9	(.9)	7.0
Other	11.7	(.9)	10.8
Compensated absences	6.4	.6	7.0
Total long-term debt	<u>\$ 380.6</u>	<u>\$ 34.7</u>	<u>\$ 415.3</u>
<u>Business-Type Activities:</u>			
Revenue bonds, net	\$ 63.3	\$ (.9)	\$ 62.4
VRA loans	32.3	(1.7)	30.6
Compensated absences	1.2	.1	1.3
Total long-term debt	<u>\$ 96.8</u>	<u>\$ (2.5)</u>	<u>\$ 94.3</u>

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.



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STATEMENT OF NET POSITION
June 30, 2013

	Primary Government			Component Unit
	Governmental	Business-type		School
	Activities	Activities	Totals	Board
ASSETS				
Current assets:				
Cash, cash equivalents and temporary cash investments	\$ 114,160,251	\$ 59,416,937	\$ 173,577,188	\$ 27,279,195
Receivables, net of allowance for uncollectibles	24,683,754	4,289,249	28,973,003	6,668,698
Due from primary government	-	-	-	41,628,020
Internal balances	(418,536)	418,536	-	-
Inventory	4,203	662,503	666,706	716,415
Prepays	23,610	-	23,610	525,298
Total current assets	<u>138,453,282</u>	<u>64,787,225</u>	<u>203,240,507</u>	<u>76,817,626</u>
Noncurrent assets:				
Restricted cash and cash equivalents	40,732,481	14,008,268	54,740,749	31,386,670
Note receivable - Component Unit	1,005,000	-	1,005,000	-
Investment in joint venture	4,458,166	-	4,458,166	-
Capital assets:				
Land	44,887,146	19,053,161	63,940,307	33,044,498
Construction in progress	12,102,627	133,900,228	146,002,855	18,241,613
Other intangible assets	1,039,428	4,035,282	5,074,710	-
Subtotal non-depreciable capital assets	<u>58,029,201</u>	<u>156,988,671</u>	<u>215,017,872</u>	<u>51,286,111</u>
Land improvements	27,469,648	474,603	27,944,251	42,699,604
Buildings and building improvements	102,249,872	4,175,025	106,424,897	428,645,475
Distribution and collection systems	-	323,226,243	323,226,243	635,154
Furniture, fixtures and equipment	7,914,559	13,315,284	21,229,843	8,757,663
Technology infrastructure	34,295,940	610,759	34,906,699	1,297,380
Software	5,987,853	195,574	6,183,427	599,371
Vehicles	17,124,141	2,807,359	19,931,500	21,901,737
Less accumulated depreciation	<u>(62,391,756)</u>	<u>(145,365,981)</u>	<u>(207,757,737)</u>	<u>(170,403,267)</u>
Subtotal depreciable capital assets	<u>132,650,257</u>	<u>199,438,866</u>	<u>332,089,123</u>	<u>334,133,117</u>
Total noncurrent assets	<u>236,875,105</u>	<u>370,435,805</u>	<u>607,310,910</u>	<u>416,805,898</u>
Total assets	<u>375,328,387</u>	<u>435,223,030</u>	<u>810,551,417</u>	<u>493,623,524</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	76,694	33,926	110,620	-
Total deferred outflows of resources	<u>76,694</u>	<u>33,926</u>	<u>110,620</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 6,877,250	\$ 11,204,038	\$ 18,081,288	\$ 4,140,080
Retainage payable	174,450	2,858,129	3,032,579	650,080
Accrued salaries and benefits	1,683,081	163,448	1,846,529	41,998,663
Accrued insurance claims	900,535	49,910	950,445	5,057,482
Accrued interest	7,687,449	891,924	8,579,373	-
Other accrued liabilities	665,881	1,823	667,704	-
Due to component unit	41,612,713	15,307	41,628,020	-
Deposits	11,100,782	7,457,086	18,557,868	-
Current portion of long-term debt	<u>23,893,281</u>	<u>3,325,805</u>	<u>27,219,086</u>	<u>889,887</u>
Total current liabilities	<u>94,595,422</u>	<u>25,967,470</u>	<u>120,562,892</u>	<u>52,736,192</u>
Noncurrent liabilities:				
Noncurrent portion of long-term debt	391,496,709	90,999,375	482,496,084	8,442,983
Noncurrent portion of accrued insurance claims	-	-	-	89,418
Other post-employment benefits	<u>15,907,366</u>	<u>(244,128)</u>	<u>15,663,238</u>	<u>20,367,099</u>
Total noncurrent liabilities	<u>407,404,075</u>	<u>90,755,247</u>	<u>498,159,322</u>	<u>28,899,500</u>
Total liabilities	<u>501,999,497</u>	<u>116,722,717</u>	<u>618,722,214</u>	<u>81,635,692</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	5,039,275	-	5,039,275	647,187
Total deferred inflows of resources	<u>5,039,275</u>	<u>-</u>	<u>5,039,275</u>	<u>647,187</u>
NET POSITION (DEFICIT)				
Net Investment in capital assets	83,012,683	263,389,309	346,401,992	383,728,660
Restricted:				
Debt service	1,142,006	3,900,088	5,042,094	-
Drug enforcement	542,109	-	542,109	-
Construction and maintenance	-	10,108,180	10,108,180	21,932,265
Grants	879,437	-	879,437	41,193
Unrestricted (deficit)	<u>(217,209,926)</u>	<u>41,136,662</u>	<u>(176,073,264)</u>	<u>5,638,327</u>
Total net position (deficit)	<u>\$(131,633,691)</u>	<u>\$ 318,534,239</u>	<u>\$ 186,900,548</u>	<u>\$ 411,340,445</u>

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

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 12,734,773	\$ 242,505	\$ 593,732	\$ -
Judicial administration	6,105,930	371,234	1,775,749	-
Public safety	55,435,338	7,926,496	6,247,021	-
Public works	9,554,439	72,680	-	-
Health and social services	13,856,403	195,762	6,126,643	-
Parks, recreation and cultural	12,784,641	1,900,427	-	-
Community development	4,921,864	1,796,945	101,161	-
Appropriation to School Board:				
School operating	108,700,975	-	-	-
School capital projects	34,050,331	-	-	-
Transportation	4,829,573	44,650	82,849	898,290
Interest	16,736,309	-	-	-
Total governmental activities	<u>279,710,576</u>	<u>12,550,699</u>	<u>14,927,155</u>	<u>898,290</u>
Business-type activities:				
Water and Sewer	<u>30,473,842</u>	<u>26,115,323</u>	<u>-</u>	<u>21,680,417</u>
Total primary government	<u>\$ 310,184,418</u>	<u>\$ 38,666,022</u>	<u>\$ 14,927,155</u>	<u>\$ 22,578,707</u>
Component unit:				
Stafford County School Board	<u>\$ 290,728,443</u>	<u>\$ 17,987,309</u>	<u>\$ 47,320,621</u>	<u>\$ 34,050,331</u>

General revenues:

Taxes:

General property taxes

Other local taxes:

Sales

Fuels

Consumer utility

Motor vehicle decals

Bank stock

Recordation

Occupancy

Meals

Short-term rental

Cable franchise

Road impact fees

Basic aid

Grants and contributions not restricted to specific programs

Investment earnings

Gain on disposal of capital assets

Miscellaneous

Transfers

Total general revenues

Change in net position

Net position (deficit), beginning, as previously reported

Restatement Note 16

Net position (deficit), beginning, as restated

Net position (deficit), ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	School Board
\$ (11,898,536)	\$ -	\$ (11,898,536)	\$ -
(3,958,947)	-	(3,958,947)	-
(41,261,821)	-	(41,261,821)	-
(9,481,759)	-	(9,481,759)	-
(7,533,998)	-	(7,533,998)	-
(10,884,214)	-	(10,884,214)	-
(3,023,758)	-	(3,023,758)	-
(108,700,975)	-	(108,700,975)	-
(34,050,331)	-	(34,050,331)	-
(3,803,784)	-	(3,803,784)	-
(16,736,309)	-	(16,736,309)	-
(251,334,432)	-	(251,334,432)	-
-	17,321,898	17,321,898	-
(251,334,432)	17,321,898	(234,012,534)	-
			\$ (191,370,182)
176,261,594	-	176,261,594	-
11,800,992	-	11,800,992	25,513,251
5,616,151	-	5,616,151	-
8,879,868	-	8,879,868	-
2,344,309	-	2,344,309	-
299,726	-	299,726	-
3,600,473	-	3,600,473	-
1,331,870	-	1,331,870	-
6,400,869	-	6,400,869	-
35,677	-	35,677	-
1,138,149	-	1,138,149	-
263,336	-	263,336	-
-	-	-	77,332,151
14,941,367	-	14,941,367	108,625,975
38,656	282,527	321,183	53,507
-	13,000	13,000	1,069,605
884,870	159,109	1,043,979	567,629
121,100	(121,100)	-	-
233,959,007	333,536	234,292,543	213,162,118
(17,375,425)	17,655,434	280,009	21,791,936
(108,481,690)	301,573,262	193,091,572	391,997,512
(5,776,576)	(694,457)	(6,471,033)	(2,449,003)
(114,258,266)	300,878,805	186,620,539	389,548,509
<u>\$ (131,633,691)</u>	<u>\$ 318,534,239</u>	<u>\$ 186,900,548</u>	<u>\$ 411,340,445</u>

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Major Funds			Non Major	Total Governmental Funds
	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Other Governmental Funds	
ASSETS					
Equity in pooled cash and investments	\$ 101,681,322	\$ 2,600,804	\$ -	\$ 9,878,124	\$ 114,160,250
Restricted assets:					
Cash	407,637	-	1,577,701	1,803,592	3,788,930
Cash with fiscal agents	-	10,506,653	20,525,561	5,911,338	36,943,552
Receivables, net of allowance for uncollectibles:					
Property taxes	14,425,680	-	-	64,328	14,490,008
Accounts	3,187,798	475,998	-	132,118	3,795,914
Intergovernmental	4,805,307	1,517,525	-	-	6,322,832
Due from other funds	733,369	-	-	1,695	735,064
Inventory	4,203	-	-	-	4,203
Prepaid expenditures	23,610	-	-	-	23,610
Total assets	<u>\$ 125,268,926</u>	<u>\$ 15,100,980</u>	<u>\$ 22,103,262</u>	<u>\$ 17,791,195</u>	<u>\$ 180,264,363</u>
LIABILITIES					
Liabilities:					
Accounts payable	\$ 3,057,487	\$ 504,293	\$ 3,233,111	\$ 82,361	\$ 6,877,252
Retainage payable	-	14,121	160,329	-	174,450
Deposits	11,100,782	-	-	-	11,100,782
Accrued salaries and benefits	1,667,661	1,773	9,956	3,690	1,683,080
Other accrued liabilities	665,881	-	-	-	665,881
Due to other funds	420,231	17,374	715,995	-	1,153,600
Due to component unit	41,612,713	-	-	-	41,612,713
Total liabilities	<u>58,524,755</u>	<u>537,561</u>	<u>4,119,391</u>	<u>86,051</u>	<u>63,267,758</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	5,799,235	-	-	50,850	5,850,085
Unearned revenue	3,839,967	-	-	1,199,308	5,039,275
Total deferred inflows of resources	<u>9,639,202</u>	<u>-</u>	<u>-</u>	<u>1,250,158</u>	<u>10,889,360</u>
FUND BALANCES					
Nonspendable	27,813	-	-	-	27,813
Restricted	879,437	-	1,080,000	604,115	2,563,552
Committed	13,937,000	10,765,215	16,903,871	7,123,925	48,730,011
Assigned	11,883,767	3,798,204	-	8,726,946	24,408,917
Unassigned	30,376,952	-	-	-	30,376,952
Total fund balances	<u>57,104,969</u>	<u>14,563,419</u>	<u>17,983,871</u>	<u>16,454,986</u>	<u>106,107,245</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 125,268,926</u>	<u>\$ 15,100,980</u>	<u>\$ 22,103,262</u>	<u>\$ 17,791,195</u>	<u>\$ 180,264,363</u>

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

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total fund balances- total governmental funds **\$ 106,107,245**

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	\$ 253,071,214	
Less accumulated depreciation	<u>(62,391,756)</u>	
Net capital assets		190,679,458

Unavailable revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.		5,850,085
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Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Investment in joint venture	4,458,166	
Note Receivable - component unit (non current)	1,005,000	
Note Receivable - component unit (current)	<u>75,000</u>	
		5,538,166

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	(77,195,000)	
General obligation bonds	(297,085,268)	
VRA loan	(7,626,409)	
Literary loans	(3,195,335)	
Capital leases	(7,026,320)	
Compensated absences	(7,006,229)	
Deferred amounts for bond premiums	(16,255,429)	
Deferred loss on refunding	76,694	
Accrued insurance claims	(900,535)	
Interest payable	(7,687,449)	
Net other post-employment benefits obligation	(15,907,366)	
Miscellaneous	<u>1</u>	
		<u>(439,808,645)</u>

Net Position (Deficit) of Governmental Activities		<u>\$ (131,633,691)</u>
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The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	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	\$ 178,214,993	\$ -	\$ -	\$ 666,376	\$ 178,881,369
Other local taxes	33,806,440	5,616,151	-	1,595,206	41,017,797
Permits, privilege fees and regulatory licenses	4,342,575	-	-	-	4,342,575
Fines and forfeitures	784,514	-	-	-	784,514
Use of money and property	312,933	10,210	8,017	16,609	347,769
Charges for services	6,190,936	-	-	2,573	6,193,509
Miscellaneous	3,788,806	11,870	-	83,038	3,883,714
Intergovernmental	27,673,542	1,674,763	-	34,273	29,382,578
Total revenues	<u>255,114,739</u>	<u>7,312,994</u>	<u>8,017</u>	<u>2,398,075</u>	<u>264,833,825</u>
EXPENDITURES					
Current operating:					
General government	12,083,734	-	-	-	12,083,734
Judicial administration	6,914,526	-	-	34,686	6,949,212
Public safety	50,823,964	-	2,422,478	175,479	53,421,921
Public works	5,002,893	-	2,121,279	-	7,124,172
Health and social services	13,435,827	-	-	-	13,435,827
Parks, recreation and cultural	11,310,362	-	3,124,635	10,000	14,444,997
Community development	3,990,022	-	-	805,906	4,795,928
Appropriation to School Board:					
School operating	108,625,975	-	-	-	108,625,975
School capital projects	816,676	-	33,233,655	-	34,050,331
Transportation	-	2,755,906	-	25,855	2,781,761
Capital outlay	2,115,873	3,581,104	61,598	1,191,490	6,950,065
Debt service:					
Principal	20,086,816	-	5,320,000	30,000	25,436,816
Interest and fiscal charges	16,280,072	32,408	363,051	105,449	16,780,980
Total expenditures	<u>251,486,740</u>	<u>6,369,418</u>	<u>46,646,696</u>	<u>2,378,865</u>	<u>306,881,719</u>
Excess (deficiency) of revenues under expenditures	<u>3,627,999</u>	<u>943,576</u>	<u>(46,638,679)</u>	<u>19,210</u>	<u>(42,047,894)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,120,696	271,100	2,768,829	443,000	4,603,625
Transfers out	(3,268,829)	(24,917)	(688,779)	(500,000)	(4,482,525)
Issuance of debt:					
Bonds	-	2,512,655	46,312,345	5,290,000	54,115,000
Bond premiums	-	309,942	5,200,886	652,887	6,163,715
Total other financing sources (uses), net	<u>(2,148,133)</u>	<u>3,068,780</u>	<u>53,593,281</u>	<u>5,885,887</u>	<u>60,399,815</u>
Net change in fund balances	1,479,866	4,012,356	6,954,602	5,905,097	18,351,921
Fund balance, beginning	<u>55,625,103</u>	<u>10,551,063</u>	<u>11,029,269</u>	<u>10,549,889</u>	<u>87,755,324</u>
Fund balance, ending	<u>\$ 57,104,969</u>	<u>\$ 14,563,419</u>	<u>\$ 17,983,871</u>	<u>\$ 16,454,986</u>	<u>\$ 106,107,245</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds **\$ 18,351,921**

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	\$16,817,195	
Less depreciation expense	<u>(10,218,499)</u>	
Excess of capital outlay over depreciation		6,598,696

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

(32,957)

Unavailable revenues in a prior year recognized as revenue in the funds in the current year

(2,619,775)

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 (Public Works)	(325,772)	
Change in note receivable - component unit (School operating)	<u>(75,000)</u>	
		(400,772)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities 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	(54,115,000)	
Bond premium	(6,163,718)	
Principal repayments:		
General obligation debt	24,513,339	
Capital leases	<u>923,477</u>	
		(34,841,902)

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	(632,560)	
Compensated absences	(637,753)	
Accrued insurance claims	(64,797)	
Amortization of premium, financing costs and deferred loss on refunding, net	677,231	
Change in net other post-employment benefits obligation	(3,772,759)	
Miscellaneous	<u>2</u>	
		(4,430,636)

Change in net position of governmental activities **\$ (17,375,425)**

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

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013**

	Business Type Activity - Enterprise Fund
	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Equity in pooled cash and investments	\$ 59,416,937
Receivables, net of allowance for uncollectibles	4,289,249
Due from other funds	418,536
Inventory	662,503
Total current assets	<u>64,787,225</u>
Noncurrent assets:	
Restricted cash and cash equivalents	14,008,268
Capital assets:	
Land	19,053,161
Construction in progress	133,900,228
Other intangible assets	4,035,282
Land improvements	474,603
Buildings and building improvements	4,175,025
Distribution and collection systems	323,226,243
Furniture, fixtures and equipment	13,315,284
Vehicles	2,807,359
Software	195,574
Technology infrastructure	610,759
Less accumulated depreciation	(145,365,981)
Total capital assets (net of accumulated depreciation)	<u>356,427,537</u>
Other post-employment benefits	244,128
Total noncurrent assets	<u>370,679,933</u>
Total assets	<u>435,467,158</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	<u>33,926</u>
LIABILITIES	
Current liabilities:	
Accounts payable	11,204,038
Retainage payable	2,858,129
Accrued salaries and benefits	163,448
Accrued interest	891,924
Other liabilities	67,040
Deposits	7,457,086
Current portion of long-term debt	3,325,805
Total current liabilities	<u>25,967,470</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>90,999,375</u>
Total liabilities	<u>116,966,845</u>
NET POSITION	
Net investment in capital assets	263,389,309
Restricted:	
Debt service	3,900,088
Construction and maintenance	10,108,180
Unrestricted	41,136,662
Total net position	<u>\$ 318,534,239</u>

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, 2013

	Business-Type Activity - Enterprise Fund Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 26,115,323
Miscellaneous	<u>159,109</u>
Total operating revenues	<u>26,274,432</u>
Operating expenses:	
Personnel services	11,261,570
Contractual services	2,263,907
Materials and supplies	3,283,506
Heat, light and power	1,639,390
Telecommunication and internal services	1,676,823
Miscellaneous	452,337
Depreciation	<u>10,189,001</u>
Total operating expenses	<u>30,766,534</u>
Operating loss	<u>(4,492,102)</u>
Nonoperating revenues:	
Interest and investment revenue	282,527
Gain on disposal of capital assets	13,000
Amortization of bond premium and deferred loss, net	<u>292,692</u>
Total nonoperating revenues	<u>588,219</u>
Net Transfers:	<u>(121,100)</u>
Loss before contributions	<u>(4,024,983)</u>
Capital contributions:	
Donated capital assets	10,375,109
State reimbursement for capital projects	276,145
Availability fees	7,922,931
Prorata fees	<u>3,106,232</u>
Total capital contributions	<u>21,680,417</u>
Change in net position	<u>17,655,434</u>
Total net position, beginning as previously reported	301,573,262
Prior period adjustment - change in accounting principle	<u>(694,457)</u>
Total net position, beginning, as restated	<u>300,878,805</u>
Total net position, ending	<u>\$ 318,534,239</u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Business-Type Activity - Enterprise Fund
	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 25,143,796
Other revenues	159,109
Other expenses	(452,337)
Payments to suppliers	2,580,608
Payments to employees	(10,900,396)
Net cash provided by operating activities	<u>16,530,780</u>
CASH FLOWS USED IN NON CAPITAL FINANCING ACTIVITIES	
Transfer to other funds	<u>(121,100)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(49,979,684)
Principal paid on bonds	(2,275,266)
Interest capitalized	(3,189,151)
Proceeds from sale of capital assets	193,069
Other interest and fiscal charges	122,798
State reimbursement	276,145
Availability fees and prorata fees	<u>11,029,163</u>
Net cash used in capital and related financing activities	<u>(43,822,926)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	<u>282,527</u>
Net decrease in cash and cash equivalents	(27,130,719)
Cash and cash equivalents, beginning	<u>100,555,924</u>
Cash and cash equivalents, ending	<u>\$ 73,425,205</u>
Equity in pooled cash and investments	\$ 59,416,937
Restricted cash and cash equivalents	<u>14,008,268</u>
Total cash and cash equivalents	<u>\$ 73,425,205</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	<u>\$ (4,492,102)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	10,189,001
Decrease in OPEB asset	293,763
Change in assets and liabilities:	
Increase in accounts receivable	(218,190)
Increase in inventory	(103,184)
Increase in accounts payable and retainage payable	11,527,493
Increase in other liabilities	19,925
Decrease in accrued liabilities	(3,231)
Decrease in deposits	(753,337)
Increase in compensated absences	<u>70,642</u>
Total adjustments	<u>21,022,882</u>
Net cash provided by operating activities	<u>\$ 16,530,780</u>

Supplemental disclosure of noncash capital and related financing activities:
The Water and Sewer Fund received donated assets in 2013 valued at \$10,375,109.

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Agency Funds</u>	<u>Retired Employees Health Insurance Trust Fund</u>
ASSETS		
Current assets:		
Cash and short-term investments	\$ 2,544,959	\$ 4,196,121
Receivables:		
Property taxes	3,535,006	-
Accounts	268,700	-
Total assets	<u>\$ 6,348,665</u>	<u>4,196,121</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 73,674	1,391
Accrued salaries and benefits	16,712	-
Other liabilities	180,824	-
Reserve for future expenses	1,786,041	-
Reserve for bondholders	4,291,414	-
Total liabilities	<u>\$ 6,348,665</u>	<u>1,391</u>
NET POSITION		
Held in trust for other post-employment benefits		<u>\$ 4,194,730</u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 RETIRED EMPLOYEES HEALTH INSURANCE TRUST FUND
 YEAR ENDED JUNE 30, 2013**

	Retired Employees Health Insurance Trust Fund
ADDITIONS	
Investments:	
Interest	\$ 2
Investment activity	<u>390,648</u>
Net investment earnings	<u>390,650</u>
Total additions	<u>390,650</u>
DEDUCTIONS	
Administration	<u>625</u>
Change in Net Position	390,025
Net Position held in trust for Post-Employment Benefits	
Beginning of year	<u>3,804,705</u>
End of year	<u>\$ 4,194,730</u>

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

COUNTY OF STAFFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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 135,311.

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 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 government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each governmental function. The expense of individual functions is compared to the revenues generated directly by that function, thereby demonstrating the degree to which direct expenses are offset by program revenues.

Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a

given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Fund Financial Statements – The fund financial statements report detailed information about the County's operations. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting by fund type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have an interest in following the actual financial progress of their governments over the course of the year. The County revises its original budget over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component unit for which the government is considered financially accountable. The discretely presented component unit is reported in a separate column in the government-wide statements to emphasize that it is legally separate from the primary government. The component unit discussed below is included in the County's financial report because of the significance of its operational or financial relationship with the County.

Discretely Presented Component Unit:

Discretely presented component units are entities that are legally separate from the primary government, and for which the government is financially accountable, or whose relationship with the government is such that exclusion would cause the government's financial statements to be misleading or incomplete. The component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. The County has one component unit.

County of Stafford School Board

The County of Stafford School Board (School Board) operates the public education system in the County for grades kindergarten through twelve. The County is accountable for all significant fiscal matters - approving the School Board's budget, funding deficits and issuing bonds to finance capital facilities. Also, the School Board provides services, which primarily benefit the citizens of the County. The School Board has separately issued financial statements which may be obtained as follows:

Stafford County School Board
Attention: Lance W. Wolff, CPA
Assistant Superintendent for Finance
31 Stafford Avenue
Stafford, Virginia 22554

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. The focus is on either the County as a whole (within the government-wide statements) or on major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities is reported using the economic resources measurement focus and accrual basis of accounting which reflects both the gross and net cost per functional category (public safety, public

works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants column includes operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's Water and Sewer Fund and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

The fund financial statements emphasize the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column. Each fund is considered to be an independent fiscal accounting entity, with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The governmental fund statements are presented on a current financial resources and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The County's fiduciary funds are presented in the fund financial statements by type (agency or trust). Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities of the government; these funds are not incorporated into the government-wide statements.

The following is a brief description of the specific funds used by the County in fiscal year 2013.

(1) Governmental Funds

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

- a. General Fund** is the primary operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major governmental fund.
- b. Special Revenue Funds** are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The County's Special Revenue Funds include the following:
 - 1. Transportation Fund** – accounts for the receipt and disbursement of the regional two percent motor fuels tax and developer contributions to be used for a variety of County transportation projects. Grants and revenue sharing arrangements are also used to fund project expenditures. The Transportation Fund is a major governmental fund.
 - 2. Road Impact Fee - West Fund** – accounts for impact fee receipts from new development in a designated service area in the western portion of the County. Disbursements from this fund are for road improvements attributable to the new development.
 - 3. Road Impact Fee - South East Fund** – accounts for impact fee receipts from new development in a designated service area in the southeastern portion of the County. Disbursements from this fund are for road improvements attributable to the new development.

4. **Garrisonville Road Service District Fund** – accounts for ad valorem tax receipts from property owners in the district to pay debt service for road improvements in the district.
 5. **Warrenton Road Service District Fund** – accounts for ad valorem tax receipts from property owners in the district to pay debt service for road improvements in the district.
 6. **Asset Forfeiture Fund** – accounts for the receipts and disbursements associated with the County's drug enforcement activities.
 7. **Tourism Fund** – accounts for the receipts of a local five percent transient lodging tax used to fund the promotion of tourist venues in the County.
 8. **Wetlands Fund** – accounts for wetlands mitigation fees and associated disbursements.
 9. **Hidden Lake Dam Fund** – accounts for ad valorem tax receipts from property owners in the Hidden Lake subdivision to pay debt service for replacement of the dam.
 10. **350th Anniversary Fund** – accounts for revenue and expenditures related to the County's 350th Anniversary celebration.
- c. **Capital Projects Funds** are used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by Proprietary Funds).

General Capital Projects Fund – accounts for capital expenditures for land, new structures and the major repair, renovation and maintenance of existing structures. The General Capital Projects Fund is a major governmental fund.

(2) Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those found in the private sector. All assets, liabilities, net position, revenues, and expenses related to the government's business activities are accounted for through proprietary funds. The measurement focus of proprietary funds is on determination of net income, financial position and cash flows. The following is the County's Proprietary Fund type:

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

(3) Fiduciary Funds

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

- a. **Lake Arrowhead Sanitary District Fund (Agency Fund)** - accounts for a special assessment collection used to service a bond issue for road improvements in the District.
- b. **Celebrate Virginia North Fund (Agency Fund)** – accounts for a special assessment collection used to service bonded debt for infrastructure improvements in the assessment district.
- c. **George Washington Regional Commission (Agency Fund)** – accounts for the assets, liabilities, revenues and expenditures associated with a contractual arrangement to process the agency's payroll.
- d. **Widewater Community Development Fund (Agency Fund)** – this fund was originally created by the Board of Supervisors in 1995 as a community development authority to finance the construction of a roadway

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

e. Retired Employees Health Insurance Trust (Trust Fund) – accounts for the activities of the County's other post-employment benefit trust, which provides health insurance coverage for the County's retirees.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using current financial resources. Generally, only current assets and current liabilities are included on the balance sheet for this presentation. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in net current assets for this measurement focus.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the Statement of Net Position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in total net position.

The Statement of Net Position, Statement of Activities, and financial statements of the Proprietary and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes due before June 30, but not collected within 45 days after fiscal year end are reflected as unavailable revenue. Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Certain other intergovernmental revenues and sales and services, other than utility customer receivables, are not susceptible to accrual. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Licenses, permits, fines and rents are recorded as revenue when received. General purpose entitlement revenues are recognized in the period to which the entitlement applies. The County considers all other revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end.

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

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

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

D. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of financial position 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 one item that meets this criterion – a loss resulting from the refunding of debt. The 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.

In addition to liabilities, the statement of financial position 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 property taxes, property taxes not collected within the period of availability 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
Tourism Fund
Hidden Lake Dam Fund
350th Anniversary Fund
General Capital Projects Fund

Component Unit – School Board

School Operating Fund
School Nutrition Fund
School Grant Fund
School Capital Projects Fund
Fleet Services Fund
Health Benefits Fund
Workers' Compensation 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, 2013. 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 2013.
9. At the close of the fiscal year, all appropriations lapse for budget items other than capital projects and grants. Appropriations designated for capital projects and grants remain in effect for the life of the project or grant, or until the Board changes or eliminates the appropriation by an ordinance or resolution.

F. DEPOSITS AND INVESTMENTS

Cash resources of the County, excluding cash held with fiscal agents, in the General Fund, Special Revenue Funds, Capital Projects Funds, Proprietary Fund, and Fiduciary Funds, are combined to form a pool of cash and investments to maximize interest earnings. Investments in the pool consist of municipal bonds, corporate notes and bonds and obligations of the federal government which are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. Investment earnings are allocated to the various funds based on equity in the investment pool.

The fair value of investments is based on quoted market prices; no investments are valued at cost. All investments in external investment pools are reported at fair value.

G. RESTRICTED ASSETS – CASH AND INVESTMENTS

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

Restricted cash in the Transportation Fund represents funds collected from a two percent motor fuel sales tax for Stafford County and held by the Potomac and Rappahannock Transportation Commission as fiscal agent for the County. The funds are used for transportation projects.

Restricted cash in the Asset Forfeiture Fund is used for drug enforcement activities.

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

Restricted cash in the General Capital Projects Fund represents the unspent proceeds from lease revenue bonds issued in June 2008.

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

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

H. INVENTORIES AND PREPAID ITEMS

Primary Government:

The General Fund inventory is stated at cost (first-in, first-out), which approximates market. It consists of small dollar office supplies held for consumption.

The Water and Sewer Fund inventory is stated at cost (first-in, first-out), which approximates market. It consists of operating materials held for consumption.

Component Units:

The School Nutrition Fund carries its inventory on a cost basis (first-in, first-out), which approximates market. The inventory consists of food service supplies and perishable and non-perishable food products.

The Fleet Services Fund carries its inventory on a cost basis (first-in, first-out), which approximates market. It consists of parts, materials and supplies for repairs and maintenance of school and County vehicles.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the consumption method.

I. CAPITAL ASSETS

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

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
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:

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
	<u>Water and Sewer Fund</u>	<u>Fleet Services Fund</u>
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.

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

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 fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 General Government \$131.6 million net position deficit, \$271.4 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 Invested in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component consists of financial statement elements constrained by external third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation.

Unrestricted – This component consists of financial statement elements that do not meet the definition of “net invested in capital assets” and “restricted”.

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

Fund Balance:

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

- **Nonspendable** – This component includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted** – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation may authorize the County to assess, levy, or

otherwise mandate payment of resources (from external sources) and include a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

- Committed – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision making authority (the Board of Supervisors) through adopted resolutions. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the specified use by taking the same type of action (adopted resolution) it employed previously to commit those amounts.
- Assigned – This component consists of amounts that are constrained by the County Management's intent to be used for specific purposes. The authority for assigning fund balance is assigned to the County Administrator and the Chief Financial Officer or their designee(s) as established by Board resolution adopting the County's Principles of High Performance Financial Management - Fund Balance Policy.
- Unassigned – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount.

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

During its review of financial policies in fiscal year 2012 the Board established a goal of a minimum unassigned fund balance of twelve percent of General Fund operating revenues. This threshold must be met before other reserves are funded. The goal was met for fiscal year 2013.

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

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

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

The County operates a Water and Sewer Utilities Fund (business-type enterprise fund). The fund maintains a repair, renewal and rehabilitation reserve based on 150 days of operating and maintenance expenses. Unrestricted net

position is in addition to all other required restrictions.

Fund Balance Classification for Governmental Funds:

	General Fund	Transportation Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Nonspendable					
Prepays	\$ 23,609	\$ -	\$ -	\$ -	\$ 23,609
Inventory	4,204	-	-	-	4,204
Restricted					
Grants	879,167	-	-	-	879,167
Encumbrances	270	-	-	34,520	34,790
Debt service	-	-	1,080,000	62,006	1,142,006
Drug enforcement	-	-	-	507,589	507,589
Committed					
Encumbrances	-	816,647	6,220,416	962,587	7,999,650
Museum Re-payment	-	-	938,293	-	938,293
Stafford Opportunity Fund	538,000	-	-	-	538,000
Capital Projects Reserve	7,674,174	-	-	-	7,674,174
Purchase of Development Rights	525,787	-	-	-	525,787
FY 2014 Budget Contingency	500,000	-	-	-	500,000
Decal holiday	2,400,000	-	-	-	2,400,000
Health Claims Fluctuation Reserve	2,299,039	-	-	-	2,299,039
Other purposes	-	9,948,568	9,745,164	6,161,339	25,855,071
Assigned					
Encumbrances	1,431,845	455,409	-	48,518	1,935,772
CSA Reserve	200,000	-	-	-	200,000
Fuel Reserve	500,000	-	-	-	500,000
Real Estate challenge	1,000,000	-	-	-	1,000,000
Revenue Stabilization Reserve	1,265,706	-	-	-	1,265,706
Risk Management Reserve	1,036,294	-	-	-	1,036,294
Schools One-time Expenditures	1,220,480	-	-	-	1,220,480
Other purposes	5,229,442	3,342,795	-	8,678,427	17,250,664
Unassigned	<u>30,376,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,376,952</u>
Total	<u>\$ 57,104,969</u>	<u>\$ 14,563,419</u>	<u>\$ 17,983,871</u>	<u>\$ 16,454,986</u>	<u>\$ 106,107,245</u>

O. CASH FLOWS

In accordance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, the County has presented a statement of cash flows for the Water and Sewer Fund. The cash amounts used in this statement of cash flows is the equivalent of all demand deposits as well as short-term investments. For purposes of this statement, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less.

P. USE OF ESTIMATES

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

Note 2. DEPOSITS AND INVESTMENTS

DEPOSITS: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the Act) Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral were inadequate to cover the loss, additional amounts would be assessed on a pro rata basis to the members of the collateral pool. Collateral is not specifically identified as security for any one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. With the ability to make additional assessments, the multiple bank collateral pool functions similar to depository insurance. The Commonwealth Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act. Funds deposited in accordance with the requirements of the Act are considered fully secured and are not subject to custodial credit risk.

INVESTMENTS: *Code of Virginia* Sec. 2.2-4501 through 2.2-4513 authorizes 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 the Lease Revenue Bonds-Series 2008, the proceeds of the 2012 VRA bond, and all of the proceeds of the School Board VPSA bonds in the SNAP Fund (the Fund) to ensure compliance with certain arbitrage requirements of the *Internal Revenue Code of 1986*, as amended. The Fund is a professionally managed money market fund which provides Virginia issuers of tax-exempt borrowings investment management, accounting and arbitrage rebate calculation services. The fund invests in qualifying obligations and securities as permitted by Virginia statutes. The fair value of the position in the SNAP external investment pool is the same as the value of the pool's shares, \$1 per share.

The Treasurer also invests in the LGIP, which is not SEC-registered. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share.

Custodial Credit Risk: The County's investments at June 30, 2013 were held by the County or in the County's name by the County's custodial banks.

Credit Risk of Debt Securities: Standard & Poor's and/or an equivalent organization on the Nationally Recognized Statistical Rating Organizations (NRSRO) list rated the County's debt investments as of June 30, 2013 and the ratings are presented below using the Standard & Poor's rating scale.

Note 2. DEPOSITS AND INVESTMENTS (Continued)

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

Investment Type	Value					
	Short Term		Long Term			
Primary Government	AAAm	A-1	AAA	AA	A	BBB
U.S. Securities and Agencies	-	-	\$406,325	\$32,356,948	-	-
Municipal Bonds	-	-	\$166,038	\$1,350,118	-	-
Corporate Notes and Bonds	-	\$3,800,554	\$678,245	\$16,575,951	\$1,264,334	\$53,496
Money Market	\$2,245,582	\$3,296,447	-	\$1,271,035	-	-
LGIP	\$34,545,849	-	-	-	-	-
SNAP	\$33,903,632	-	-	-	-	-
Component Unit						
LGIP	\$4,760,267	-	-	-	-	-
SNAP	\$31,298,670	-	-	-	-	-
Held in County's Name as Fiduciary						
U.S. Securities and Agencies	-	-	-	\$1,901,243	-	-
Municipal Bonds	-	-	-	\$99,880	-	-
Corporate Notes and Bonds	-	\$500,045	-	\$2,834,247	\$250,860	-
Money Market	-	\$224,690	-	\$130,062	-	-

As of June 30, 2013, all investments were in compliance with the State Statutes administering investments of Public Funds. Ratings are purchased by the issuer from Moody's and/or Standard & Poor's. Ratings must comply with the investment policy prior to any purchase.

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with GASB 40, if certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and the issuer. The County's investment policy has adopted more rigorous strategies in their investment policy to reduce this type of risk. For example, state statutes allow 100% of the investment portfolio to be invested in Federal Agencies while the County sets a limit of 35%.

At June 30, 2013, the County had the following investments exceeding 5% of the total investments:

Investment Type	Value	
	Dollars	Percentage of Portfolio
Federal Home Loan Mortgage Corporation	\$ 8,561,058	7.83%
Fannie Mae	16,578,742	15.16%

Interest Rate Risk: Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Due to market conditions, the County's investment policy generally sets a 5-year maximum maturity from the date of purchase. Additionally, the County requires 25% of the liquid funds be invested in over-night funds while the remaining 75% be invested in no longer than 180 days. Furthermore, the core funds are to have a final maturity of no longer than 5 years and a duration requirement not exceeding 3 years to manage portfolio volatility. The County establishes these guidelines to minimize investment risk in the portfolio.

Note 2. DEPOSITS AND INVESTMENTS (Continued)

Investment Type	Fair Value	Investment Maturities (in years)			
Primary Government		Less Than 1 Year	1 - 5 Years	6 - 10 Years	Over 10 Years
U.S. Securities and Agencies	\$32,762,544	\$5,376,972	\$27,178,178	-	\$207,394
Municipal Bonds	\$1,516,155	\$966,815	\$549,340	-	-
Corporate Notes and Bonds	\$22,373,310	\$9,904,038	\$12,239,429	-	\$229,842
Money Market	\$6,813,064	\$6,813,064	-	-	-
LGIP	\$34,545,849	\$34,545,849	-	-	-
SNAP	\$33,903,632	\$33,903,632	-	-	-
Total	\$131,914,554	\$91,510,371	\$39,966,947	-	\$437,236
Component Unit					
LGIP	\$4,760,267	\$4,760,267	-	-	-
SNAP	\$31,298,670	\$31,298,670	-	-	-
Total	\$36,058,937	\$36,058,937	-	-	-
Held in County's Name as Fiduciary					
U.S. Securities and Agencies	\$1,901,243	\$14,975	\$1,886,268	-	-
Municipal Bonds	\$99,880	-	\$99,880	-	-
Corporate Notes and Bonds	\$3,585,152	\$1,562,974	\$2,022,178	-	-
Money Market	\$354,752	\$354,752	-	-	-
Total	\$5,941,026	\$1,932,700	\$4,008,326	-	-

County and School Board OPEB Funds:

As of June 30, 2013, the carrying value of the *County OPEB Fund's* deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Investment in pooled funds	<u>\$ 4,196,121</u>	N/A

As of June 30, 2013, the carrying value of the *School Board OPEB Fund's* deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Investment in pooled funds	<u>\$12,325,983</u>	N/A

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

Note 3. RECEIVABLES

Receivables at June 30, 2013 consist of the following:

Primary Government

	General Fund	Transportation Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Totals
Property taxes	\$ 20,114,465	\$ -	\$ 64,992	\$ -	\$ 20,179,457
Accounts	3,187,798	475,998	132,118	4,792,559	8,588,473
Intergovernmental	<u>4,805,307</u>	<u>1,517,525</u>	<u>-</u>	<u>55,930</u>	<u>6,378,762</u>
Gross Receivables	28,107,570	1,993,523	197,110	4,848,489	35,146,692
Less:					
Allowance for uncollectible accounts	<u>(5,688,785)</u>	<u>-</u>	<u>(664)</u>	<u>(559,240)</u>	<u>(6,248,689)</u>
Net Receivables	<u>\$ 22,418,785</u>	<u>\$ 1,993,523</u>	<u>\$ 196,446</u>	<u>\$ 4,289,249</u>	<u>\$ 28,898,003</u>

Component Unit – Stafford County Public Schools

	Operating Fund	Nutrition Services Fund	Grants Fund	Fleet Services Fund	Totals
Accounts receivable	\$ 252,887	\$ 5,128	\$ 22,903	\$ -	280,918
Intergovernmental	4,790,824	202,208	1,394,748	-	6,387,780
Due from Primary Government	<u>41,561,578</u>	<u>-</u>	<u>-</u>	<u>66,442</u>	<u>41,628,020</u>
Total Receivables	<u>\$ 46,605,289</u>	<u>\$ 207,336</u>	<u>\$ 1,417,651</u>	<u>\$ 66,442</u>	<u>\$48,296,718</u>

Stafford County Public Schools' receivables are considered fully collectible and therefore an allowance for uncollectible accounts is not applicable to these receivables.

Note 4. CAPITAL ASSETS

The following is a summary of changes in capital assets for the Primary Government's governmental activities for the fiscal year ended June 30, 2013:

PRIMARY GOVERNMENT Governmental Activities

	Balance June 30, 2012	Increases	Decreases	Reclassifications	Balance June 30, 2013
Capital assets not being depreciated:					
Land	\$ 44,315,268	\$ 144,548	\$ (41,022)	\$ 468,352	\$ 44,887,146
Intangible Asset – Other	980,028	58,300	-	1,100	1,039,428
Construction in progress	8,059,197	11,794,846	(37,835)	(7,713,581)	12,102,627
Total capital assets not being depreciated	<u>53,354,493</u>	<u>11,997,694</u>	<u>(78,857)</u>	<u>(7,244,129)</u>	<u>58,029,201</u>
Capital assets being depreciated:					
Land improvements	27,461,836	7,812	-	-	27,469,648
Buildings and building improvements	95,960,896	622,132	(8,578)	5,675,422	102,249,872
Furniture, fixtures and equipment	7,305,445	496,622	-	112,492	7,914,559
Intangible Asset - Software	4,216,003	1,771,850	-	-	5,987,853
Technology Infrastructure	32,582,151	257,574	-	1,456,215	34,295,940
Vehicles	16,123,561	1,736,542	(735,962)	-	17,124,141
Total capital assets being depreciated	<u>183,649,892</u>	<u>4,892,532</u>	<u>(744,540)</u>	<u>7,244,129</u>	<u>195,042,013</u>
Less accumulated depreciation for:					
Land improvements	(9,591,686)	(1,190,142)	-	-	(10,781,828)
Buildings and building improvements	(21,129,863)	(3,327,386)	6,862	-	(24,450,387)
Furniture, fixtures and equipment	(4,250,725)	(660,765)	-	-	(4,911,490)
Intangible Asset - Software	(3,928,743)	(309,852)	-	-	(4,238,595)
Technology Infrastructure	(2,608,692)	(3,389,870)	-	-	(5,998,562)
Vehicles	(11,380,957)	(1,340,484)	710,547	-	(12,010,894)
Total accumulated depreciation	<u>(52,890,666)</u>	<u>(10,218,499)</u>	<u>717,409</u>	<u>-</u>	<u>(62,391,756)</u>
Total capital assets being depreciated, net	<u>130,759,226</u>	<u>(5,325,967)</u>	<u>(27,131)</u>	<u>7,244,129</u>	<u>132,650,257</u>
Total capital assets, governmental activities	<u>\$ 184,113,719</u>	<u>\$ 6,671,727</u>	<u>\$ (105,988)</u>	<u>\$ -</u>	<u>\$ 190,679,458</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 433,516
Judicial administration	131,275
Public safety	4,975,789
Public works	2,866,954
Parks, recreation and cultural	1,500,014
Community development	77,237
Transportation	233,714
Total	<u>\$ 10,218,499</u>

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for Primary Government's business-type activities for the fiscal year ended June 30, 2013:

PRIMARY GOVERNMENT

Business-type Activities

Water and Sewer Fund

	Balance June 30, 2012	Increases	Decreases	Reclassifications	Balance June 30, 2013
Capital assets not being depreciated:					
Land	\$ 18,976,061	\$ -	\$ (121,100)	\$ 198,200	\$ 19,053,161
Intangible Asset - Other	4,094,252	-	(58,970)	-	4,035,282
Construction in progress	83,840,946	52,321,904	-	(2,262,622)	133,900,228
Total capital assets not being depreciated	<u>106,911,259</u>	<u>52,321,904</u>	<u>(180,070)</u>	<u>(2,064,422)</u>	<u>156,988,671</u>
Capital assets being depreciated:					
Land improvements	465,743	8,860	-	-	474,603
Buildings and building improvements	4,175,025	-	-	-	4,175,025
Distribution and collection systems	311,351,966	10,516,100	-	1,358,177	323,226,243
Furniture, fixtures and equipment	12,826,905	488,338	-	41	13,315,284
Intangible Asset – Software	195,574	-	-	-	195,574
Technology Infrastructure	610,759	-	-	-	610,759
Vehicles	2,715,921	208,743	(117,305)	-	2,807,359
Total capital assets being depreciated	<u>332,341,893</u>	<u>11,222,041</u>	<u>(117,305)</u>	<u>1,358,218</u>	<u>344,804,847</u>
Less accumulated depreciation for:					
Land improvements	(273,967)	(12,547)	-	-	(286,514)
Buildings and building improvements	(1,792,223)	(118,061)	-	-	(1,910,284)
Distribution and collection systems	(121,671,638)	(9,385,676)	-	706,204	(130,351,110)
Furniture, fixtures and equipment	(9,540,968)	(458,737)	-	-	(9,999,705)
Intangible Asset – Software	(189,974)	(1,600)	-	-	(191,574)
Technology Infrastructure	(298,683)	(47,424)	-	-	(346,107)
Vehicles	(2,233,037)	(164,956)	117,306	-	(2,280,687)
Total accumulated depreciation	<u>(136,000,490)</u>	<u>(10,189,001)</u>	<u>117,306</u>	<u>706,204</u>	<u>(145,365,981)</u>
Total capital assets being depreciated, net	<u>196,341,403</u>	<u>1,033,040</u>	<u>1</u>	<u>2,064,422</u>	<u>199,438,866</u>
Total capital assets, business-type activities	<u>\$ 303,252,662</u>	<u>\$ 53,354,944</u>	<u>\$ (180,069)</u>	<u>\$ -</u>	<u>\$ 356,427,537</u>

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets, except for fleet services fund, for Stafford County Public Schools' governmental activities for the fiscal year ended June 30, 2013:

COMPONENT UNIT – Stafford County Public Schools Governmental Activities

	Balance June 30, 2012	Increases	Decreases	Reclassifications	Balance June 30, 2013
Capital assets not being depreciated:					
Land	\$ 33,038,347	\$ -	\$ (31,206)	\$ -	\$ 33,007,141
Assets not placed in service	81,905	600,909	-	(48,181)	634,633
Construction in progress	<u>5,675,201</u>	<u>17,465,950</u>	<u>(113,518)</u>	<u>(5,628,839)</u>	<u>17,388,794</u>
Total capital assets not being depreciated	<u>38,795,453</u>	<u>18,066,859</u>	<u>(144,724)</u>	<u>(5,687,020)</u>	<u>51,030,568</u>
Capital assets being depreciated:					
Land improvements	38,665,635	528,024	(9,253)	2,572,228	41,756,634
Buildings and building improvements	423,287,816	1,238,190	(1,523,932)	4,078,351	427,080,425
Furniture, fixtures and equipment	9,155,190	462,042	(48,502)	(946,939)	8,621,791
Vehicles	20,899,679	1,456,524	(476,342)	(37,166)	21,842,695
Software	512,378	8,268	-	-	520,646
Technology infrastructure	1,276,834	-	-	20,546	1,297,380
Distribution and collection systems	<u>635,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>635,154</u>
Total capital assets being depreciated	<u>494,432,686</u>	<u>3,693,048</u>	<u>(2,058,079)</u>	<u>5,687,020</u>	<u>501,754,726</u>
Less accumulated depreciation for:					
Land improvements	(10,936,996)	(2,062,327)	3,014	748,851	(12,247,458)
Buildings and building improvements	(125,518,322)	(11,511,612)	1,183,061	-	(135,846,873)
Furniture, fixtures and equipment	(5,818,147)	(673,779)	37,317	(711,685)	(7,166,294)
Vehicles	(12,088,660)	(1,161,721)	431,238	(37,166)	(12,856,309)
Software	(306,541)	(78,951)	-	-	(385,492)
Technology infrastructure	(117,942)	(64,446)	-	-	(182,388)
Distribution and collection systems	<u>(410,447)</u>	<u>(33,304)</u>	<u>-</u>	<u>-</u>	<u>(443,751)</u>
Total accumulated depreciation	<u>(155,197,055)</u>	<u>(15,586,140)</u>	<u>1,654,630</u>	<u>-</u>	<u>(169,128,565)</u>
Total capital assets being depreciated, net	<u>339,235,631</u>	<u>(11,893,092)</u>	<u>(403,399)</u>	<u>5,687,020</u>	<u>332,626,160</u>
Total capital assets, governmental activities	<u>\$ 378,031,084</u>	<u>\$ 6,173,767</u>	<u>\$ (548,123)</u>	<u>\$ -</u>	<u>\$ 383,656,728</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 409,644
Administration, attendance and health	34,196
Pupil transportation	1,043,318
Operation and maintenance	488,556
Food and nutrition services	85,286
Facilities	12,997,081
Technology	<u>528,059</u>
Total	<u>\$ 15,586,140</u>

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for Stafford County Public Schools' proprietary fund for the fiscal year ended June 30, 2013:

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

Proprietary Fund - Fleet Services	Balance June 30, 2012	Increases	Decreases	Reclassifications	Balance June 30, 2013
Capital assets not being depreciated:					
Land	\$ 37,357	\$ -	\$ -	\$ -	\$ 37,357
Construction in progress	<u>225,366</u>	<u>218,186</u>	<u>-</u>	<u>(225,366)</u>	<u>218,186</u>
Total assets not being depreciated	<u>262,723</u>	<u>218,186</u>	<u>-</u>	<u>(225,366)</u>	<u>255,543</u>
Capital assets being depreciated:					
Land improvements	942,970	-	-	-	942,970
Buildings and building improvements	1,225,255	114,429	-	225,366	1,565,050
Furniture, fixtures and equipment	135,872	-	-	-	135,872
Vehicles	33,277	25,765	-	-	59,042
Software	<u>78,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,725</u>
Total capital assets being depreciated	<u>2,416,099</u>	<u>140,194</u>	<u>-</u>	<u>225,366</u>	<u>2,781,659</u>
Less accumulated depreciation for:					
Land improvements	(273,756)	(47,514)	-	-	(321,270)
Buildings and building improvements	(739,564)	(54,826)	-	-	(794,390)
Furniture, fixtures and equipment	(67,929)	(9,029)	-	-	(76,958)
Vehicles	(21,207)	(5,770)	-	-	(26,977)
Software	<u>(39,362)</u>	<u>(15,745)</u>	<u>-</u>	<u>-</u>	<u>(55,107)</u>
Total accumulated depreciation	<u>(1,141,818)</u>	<u>(132,884)</u>	<u>-</u>	<u>-</u>	<u>(1,274,702)</u>
Total capital assets being depreciated, net	<u>1,274,281</u>	<u>7,310</u>	<u>-</u>	<u>225,366</u>	<u>1,506,957</u>
Total capital assets, business-type activities	<u>\$ 1,537,004</u>	<u>\$ 225,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,762,500</u>

Note 5. LONG-TERM DEBT

A. PRIMARY GOVERNMENT – GOVERNMENTAL ACTIVITIES

The following is a summary of long-term liability activity of the primary government for the year ended June 30, 2013:

	Amounts Payable at June 30, 2012, As restated	Increases	Decreases	Amounts Payable at June 30, 2013	Amounts Due within One Year
Bonds Payable:					
General obligation bonds	\$ 263,130,098	\$ 54,115,000	\$ (20,159,830)	\$ 297,085,268	\$ 15,664,735
Lease revenue Bonds	80,685,000	-	(3,490,000)	77,195,000	3,530,000
Plus amounts for bond premiums	10,782,718	6,163,718	(691,007)	16,255,429	-
Bonds payable including amounts for bond premiums	354,597,816	60,278,718	(24,340,837)	390,535,697	19,194,735
Literary loans	3,661,484	-	(466,149)	3,195,335	466,149
VRA loan	8,023,769	-	(397,360)	7,626,409	420,460
Capital leases	7,949,797	-	(923,477)	7,026,320	953,495
**Compensated absences	6,368,476	5,283,841	(4,646,088)	7,006,229	2,858,442
Governmental activities long-term liabilities	<u>\$ 380,601,342</u>	<u>\$ 65,562,559</u>	<u>\$ (30,773,911)</u>	<u>\$ 415,389,990</u>	<u>\$ 23,893,281</u>

** The following governmental funds, wherein associated payroll expenditures are recorded, are used to liquidate their portion of the liability for compensated absences: General Fund, Tourism Fund, Capital Projects Fund.

Annual 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		Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 15,664,735	\$ 13,108,652	\$ 3,530,000	\$ 3,716,550
2015	17,369,044	12,927,230	3,570,000	3,574,689
2016	17,196,219	12,081,643	3,615,000	3,405,831
2017	17,377,122	11,215,187	3,650,000	3,260,203
2018	17,203,499	10,340,923	3,695,000	3,112,336
2019-2023	78,122,977	39,616,447	19,380,000	12,892,640
2024-2028	75,786,672	21,698,829	13,230,000	8,734,016
2029-2033	55,395,000	5,529,407	15,480,000	5,066,893
2034-2037	2,970,000	60,566	11,045,000	1,197,656
Total	<u>\$ 297,085,268</u>	<u>\$ 126,578,884</u>	<u>\$ 77,195,000</u>	<u>\$ 44,960,814</u>

Year Ending June 30,	Literary Loans	
	Principal	Interest
2014	\$ 466,149	\$ 95,860
2015	466,149	81,876
2016	466,149	67,891
2017	466,149	53,907
2018	466,149	39,922
2019-2022	864,590	64,844
Total	<u>\$ 3,195,335</u>	<u>\$ 404,300</u>

Note 5. LONG-TERM DEBT (Continued)

Year Ending June 30,	Capital Leases		VRA Loan	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 953,495	\$ 209,038	\$ 420,460	\$ 184,487
2015	937,149	178,006	441,736	163,211
2016	966,636	148,519	451,954	152,993
2017	997,051	118,104	462,409	142,538
2018	1,028,423	86,732	473,106	131,842
2019-2023	2,143,566	109,868	2,534,840	489,897
2024-2028	<u>-</u>	<u>-</u>	<u>2,841,904</u>	<u>182,833</u>
Total	<u>\$ 7,026,320</u>	<u>\$ 850,267</u>	<u>\$ 7,626,409</u>	<u>\$ 1,447,801</u>

Note 5. LONG-TERM DEBT (Continued)

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
<i>Governmental Activities</i>					
<u>General Obligation Bonds</u>					
County:					
Public Improvements (Refunding)	6/13/2012	10/1/2021	3.43 – 5.13%	\$ 4,810,000	\$ 4,810,000
Public Improvements	6/27/2013	7/1/2033	3.13%	<u>24,075,000</u>	<u>24,075,000</u>
Total General Obligation - County				28,885,000	28,885,000
Schools:					
VPSA Series 1993B	11/18/1993	12/15/2013	4.70 – 5.00%	6,260,000	35,000
VPSA Series 1994A	5/5/1994	7/15/2013	6.10 – 6.30%	7,880,000	405,000
VPSA Series 1994B	11/22/1994	7/15/2014	6.10 – 6.60%	4,615,000	350,069
VPSA Series 1994C	11/22/1994	7/15/2014	6.10 – 6.60%	2,794,068	460,000
VPSA Series 1995A	5/18/1995	7/15/2015	5.40 – 5.98%	650,000	90,000
VPSA Series 1995B-1	12/21/1995	7/15/2015	5.10 – 6.10%	2,805,000	420,000
VPSA Series 1995B-2	12/21/1995	7/15/2015	5.10 – 6.10%	2,096,324	363,796
VPSA Series 1996A	5/2/1996	7/15/2016	5.30 – 6.10%	6,370,000	1,280,000
VPSA Series 1996B	11/14/1996	7/15/2016	5.10 – 6.10%	6,585,000	1,305,000
VPSA Series 1997A	5/30/1997	7/15/2017	5.35 – 6.10%	5,280,000	1,170,000
VPSA Series 1997B	11/20/1997	1/15/2018	4.60 – 5.35%	8,450,000	2,100,000
VPSA Series 1998A	4/30/1998	7/15/2018	4.35 – 5.30%	11,560,000	3,450,000
VPSA Series 1998B-1	11/19/1998	7/15/2018	4.35 – 5.10%	4,345,729	1,415,092
VPSA Series 1998B-2	11/19/1998	7/15/2018	4.35 – 5.10%	9,845,000	2,940,000
VPSA Series 1999A	5/13/1999	7/15/2019	4.10 – 5.23%	18,000,000	6,300,000
VPSA Series 1999B	11/18/1999	7/15/2019	5.10 – 6.10%	9,805,170	3,697,775
VPSA Series 2000A	5/18/2000	7/15/2020	5.10 – 5.60%	9,240,000	3,680,000
VPSA Series 2000B	11/16/2000	7/15/2020	4.98 – 5.85%	4,260,000	1,680,000
VPSA Series 2001A	5/17/2001	7/15/2021	4.85 – 5.60%	10,135,000	4,545,000
VPSA Series 2001B	11/15/2001	7/15/2021	3.10 – 5.35%	9,257,513	4,360,680
VPSA Series 2002A	5/16/2002	7/15/2022	5.10 – 5.60%	2,685,000	1,335,000
VPSA Series 2002B	11/7/2002	7/15/2022	4.10 – 5.10%	1,815,000	900,000
VPSA Series 2003A	5/15/2003	7/15/2023	3.10 – 5.35%	6,905,000	3,795,000
VPSA Series 2003B	11/1/2003	7/15/2028	3.10 – 5.35%	54,070,000	41,860,000
VPSA Series 2003C	11/1/2003	7/15/2023	3.10 – 5.35%	5,494,768	3,232,856
VPSA Series 2004A	5/13/2004	7/15/2029	4.85 – 5.10%	8,470,000	6,815,000
VPSA Series 2004B	11/10/2004	7/15/2029	4.1 – 5.6%	9,700,000	7,785,000
VPSA Series 2005A	5/12/2005	7/15/2030	4.1 – 5.1%	17,895,000	14,845,000
VPSA Series 2005B	11/10/2005	7/15/2030	4.35 – 5.1%	9,810,000	8,145,000
VPSA Series 2006A	5/12/2006	7/15/2031	4.10 – 5.1%	41,035,000	35,225,000
VPSA Series 2006B	11/9/2006	7/15/2032	4.225 – 5.1%	6,310,000	5,390,000
VPSA Series 2007A	5/10/2007	7/15/2032	4.1 – 5.1%	13,620,000	12,060,000
VPSA Series 2007B	11/8/2007	1/15/2033	4.4 – 5.1%	10,600,000	9,400,000
VPSA Series 2008A	5/19/2008	7/15/2033	4.1 – 5.1%	11,500,000	10,480,000
VPSA Series 2008B	12/11/2008	7/15/2033	4.1 – 5.4%	1,700,000	1,550,000
VPSA Series 2010A	5/13/2010	7/15/2025	3.05 – 5.05%	5,740,000	5,170,000
Qualified School Construction Bonds	7/8/2010	7/15/2031	5.31%	1,305,000	1,080,000
VPSA Series 2010C	11/10/2010	7/15/2030	2.05 – 3.55%	2,305,000	2,150,000
VPSA Series 2011A	5/5/2011	7/15/2031	2.05 – 4.30%	5,625,000	5,445,000
VPSA Series 2011B	11/9/2011	7/15/2031	2.05 – 5.05%	9,845,000	9,590,000
VPSA Series 2012A	5/10/2012	7/15/2032	2.55 – 5.05%	11,860,000	11,860,000
VPSA Series 2012B	11/15/2012	7/15/2032	2.15 – 5.05%	16,220,000	16,220,000
VPSA Series 2013A	5/9/2013	7/15/2033	3.05 – 5.05%	13,820,000	<u>13,820,000</u>
Total General Obligation - Schools					268,200,268
Lease Revenue Bonds:					
Public Safety Improvements	6/27/2006	8/1/2036	4.00 – 5.25%	47,030,000	42,605,000
Public Improvements	3/20/2008	4/1/2033	4.00 – 5.00%	45,165,000	33,900,000
Hidden Lake Dam	6/19/2008	10/1/2028	3.00 – 4.93%	800,000	<u>690,000</u>
Total Lease Revenue Bonds					77,195,000
Total Bonds Payable					<u>\$374,280,268</u>

NOTE 5. LONG TERM DEBT (Continued)

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
<u>State Literary Fund Loans</u>					
Winding Creek Elementary School	11/1/1997	11/1/2017	3.0%	\$ 5,000,000	\$ 1,250,000
Rocky Run Elementary School	8/15/2001	8/15/2021	3.0%	4,322,974	<u>1,945,335</u>
Total State Literary Fund Loans					\$ 3,195,335
<u>Virginia Resources Authority Loan</u>					
Public Improvements	4/18/2008	4/1/2028	3.0%	\$ 9,500,000	<u>\$ 7,626,409</u>
<u>Capital Leases</u>					
Public Improvements	2/23/1999	6/30/2014	5.4%	\$ 478,000	\$ 44,933
Public Improvements	3/29/2011	4/10/2021	3.11%	8,707,998	<u>6,981,387</u>
Total Capital Leases					<u>\$ 7,026,320</u>

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Land	\$ 59,386
Building	478,000
Equipment	8,707,998
Less: Accumulated depreciation	<u>(1,432,552)</u>
Total	<u>\$ 7,812,832</u>

In June 2006, the County was a participant in the Virginia Municipal League/Virginia Association of Counties (VML/VACO) Finance Program. In this transaction, the Industrial Development Authority of the County of Stafford and the City of Staunton sold bonds totaling \$59,490,000. The County's share of this transaction was \$47,030,000 in Lease Revenue bonds for the purpose of constructing a new Public Safety Building and two (2) Fire Stations. The bonds sold at a premium, yielding an additional \$1,993,987 for construction purposes.

In March 2008, the Economic Development Authority of Stafford, Virginia issued \$45,165,000 in Lease Revenue bonds to finance various public facility projects, including the acquisition and construction of new courthouse facilities, the construction of the Falls Run library, and the acquisition and installation of an emergency radio communications system. The bonds sold at a premium, yielding an additional \$381,934 for project purposes.

In June, 2008, the County obtained \$800,000 Lease Revenue financing on behalf of the homeowners of the Hidden Lake Subdivision for dam renovations through the Virginia Resources Authority. Homeowners are assessed an ad valorem tax of \$0.22 per \$100 of assessed valuation, with collections designated for debt service on the financing. These bonds sold at a premium, yielding an additional \$35,348 for project purposes.

The County has moral obligation pledges as follows:

- \$750,000 Virginia Resources Authority loan secured by the Stafford Regional Airport to fund various site improvements;
- \$2,500,000 over the next 20 years to the Rappahannock Area YMCA for the new North Stafford branch YMCA.

Note 5. LONG-TERM DEBT (Continued)

B. PRIMARY GOVERNMENT – BUSINESS-TYPE ACTIVITIES

	Amounts Payable at June 30, 2012	Increases	Decreases	Amounts Payable at June 30, 2013	Amounts Due within One Year
Bonds Payable:					
Revenue bonds	\$ 54,985,000	\$ -	\$ (550,000)	\$ 54,435,000	\$ 1,355,000
VRA Loans	32,292,322	-	(1,725,266)	30,567,056	1,452,677
Plus amounts for bond premiums	8,379,755	-	(309,655)	8,070,100	-
Total Bonds payable including amounts for bond premiums/ (discounts)	95,657,077	-	(2,584,921)	93,072,156	2,807,677
Compensated absences	1,182,379	1,034,037	(963,392)	1,253,024	518,128
Business-type activities long-term liabilities	<u>\$ 96,839,456</u>	<u>\$ 1,034,037</u>	<u>\$ (3,548,313)</u>	<u>\$ 94,325,180</u>	<u>\$ 3,325,805</u>

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		VRA Loans	
	Principal	Interest	Principal	Interest
2014	\$ 1,355,000	\$ 2,642,528	\$ 1,452,677	\$ 652,715
2015	1,380,000	2,584,914	1,483,487	621,905
2016	885,000	2,531,847	1,515,059	590,332
2017	930,000	2,489,462	1,547,416	557,974
2018	975,000	2,444,772	1,580,580	524,810
2019-2023	5,630,000	11,464,044	8,430,284	2,096,673
2024-2028	7,185,000	9,907,466	9,394,720	1,132,234
2029-2033	9,145,000	7,945,352	5,162,833	166,477
2034-2038	11,775,000	5,312,053	-	-
2039-2043	15,175,000	1,919,815	-	-
Total	<u>\$ 54,435,000</u>	<u>\$ 49,242,253</u>	<u>\$ 30,567,056</u>	<u>\$ 6,343,120</u>

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
<i>Business-Type Activities</i>					
Revenue Bonds:					
Public Improvements (Refunding)	11/23/2010	10/1/2014	2.34 – 4.20%	\$ 2,195,000	\$ 1,080,000
Public Improvements	6/13/2012	10/1/2042	3.43 – 5.13%	53,355,000	53,355,000
Total Revenue Bonds					<u>\$ 54,435,000</u>
Virginia Resources Authority Loans:					
Public Improvements	7/8/2009	3/1/2031	3.35%	\$ 23,681,363	\$ 21,784,965
Public Improvements	7/27/2009	3/1/2031	2.34 – 4.20%	9,606,478	8,782,091
Total Virginia Resources Authority					<u>\$ 30,567,056</u>

Note 5. LONG-TERM DEBT (Continued)

C. COMPONENT UNIT – Stafford County Public Schools

The following is a summary of long-term liability activity of the Component unit- SCPS for the year ended June 30, 2013:

	Amounts Payable at June 30, 2012	Increases	Decreases	Amounts Payable at June 30, 2013	Amounts Due within One Year
Governmental Activities					
Capital lease	\$ 1,734,786	\$ -	\$ (318,292)	\$ 1,416,494	\$ 332,020
Compensated absences **	6,288,537	539,452	(410,566)	6,417,423	443,119
Note payable	<u>1,155,000</u>	<u>-</u>	<u>(75,000)</u>	<u>1,080,000</u>	<u>75,000</u>
Total governmental type long-term liabilities	<u>\$ 9,178,323</u>	<u>\$ 539,452</u>	<u>\$ (803,858)</u>	<u>\$ 8,913,917</u>	<u>\$ 850,339</u>

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

	Amounts Payable at June 30, 2012	Increases	Decreases	Amounts Payable at June 30, 2013	Amounts Due within One Year
Business-Type Activities					
Capital lease	\$ -	\$ 300,500	\$ (26,426)	\$ 274,074	\$ 27,173
Compensated absences	<u>142,357</u>	<u>11,294</u>	<u>(8,772)</u>	<u>144,879</u>	<u>12,575</u>
Total business type long-term liabilities	<u>\$ 142,357</u>	<u>\$ 311,794</u>	<u>\$ 35,198</u>	<u>\$ 418,953</u>	<u>\$ 39,748</u>

Note 6. DEFINED BENEFIT PENSION PLAN

A. PLAN DESCRIPTION

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

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

- Members hired before July 1, 2010 and who 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)

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. FUNDING POLICY

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period 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. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2013 was 11.35% of annual covered payroll.

Stafford County Public Schools' contribution rate for professional and non-professional employees for the fiscal year ended 2013 was 11.66% and 9.65% respectively, of annual covered payroll.

Total contributions to the VRS State Teachers Pool for the years ended June 30, 2011, June 30, 2012 and June 30, 2013 were \$12.5 million, \$15.9 million and \$23.3 million respectively, representing 8.9%, 11.3% and 16.66% respectively, of the covered payroll for the three years then ended.

NOTE 6. BENEFIT PENSION PLAN (Continued)**C. ANNUAL PENSION COST**

For fiscal year 2013, the County's annual pension cost of \$5,297,720 was equal to the County's required and actual contributions. The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 was 29 years.

Trend Information for Stafford County is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of Required Contribution</u>	<u>Net Pension Obligation</u>
June 30, 2011	5,913,343	100.00%	-
June 30, 2012	5,985,362	100.00%	-
June 30, 2013	5,297,720	100.00%	-

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

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of Required Contribution</u>	<u>Net Pension Obligation</u>
June 30, 2011	9,106,473	100.00%	-
June 30, 2012	6,569,000	100.00%	-
June 30, 2013	1,223,981	100.00%	-

D. FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2012, the most recent actuarial valuation date, the County plan was 72.22% funded. For the County the actuarial accrued liability for benefits was \$146,164,965, and the actuarial value of the assets was \$105,558,499 resulting in an unfunded actuarial accrued liability (UAAL) of \$40,606,466. The covered payroll (annual payroll for active employees covered by the plan) was \$42,327,716, and the ratio of the UAAL to the covered payroll was 95.93%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board's plan was 74.30% funded. For the Schools the actuarial accrued liability for benefits was \$25,105,138, and the actuarial value of the assets was \$18,653,192, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,451,946. The covered payroll (annual payroll for active employees covered by the plan) was \$8,451,315, and the ratio of the UAAL to the covered payroll was 76.34%.

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

Schedule of Funding Progress for Stafford County

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	97,256,875	127,832,328	30,575,453	76.08%	41,834,084	73.09%
June 30, 2011	102,812,951	135,949,344	33,136,393	75.63%	41,253,517	80.32%
June 30, 2012	105,558,499	146,164,965	40,606,466	72.22%	42,327,716	95.93%

Schedule of Funding Progress for Component Unit Stafford County Public Schools

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	17,171,281	22,318,924	5,147,643	76.94%	9,204,760	55.92%
June 30, 2011	18,125,118	23,521,671	5,396,553	77.06%	8,852,954	62.37%
June 30, 2012	18,653,192	25,105,138	6,451,946	74.30%	8,451,315	76.34%

Note 7. OTHER POST-EMPLOYMENT BENEFITS

Primary Government:

A. Plan Description

Name of Plan: Stafford County Retired Employees Health Insurance Plan (SCREHIP)
 Identification of Plan: Single-Employer Defined Benefit Plan
 Administering Entity: Stafford County

The County provides post-employment healthcare insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, employee/retiree contributions and employer contributions are determined by the County through its personnel compensation plan. They may be amended by action of the governing body – the Board of Supervisors. The plan does not issue a separate financial report. Required supplementary information and trend information are included in the Exhibit XV.

B. Benefits Provided

All retiree healthcare benefits are provided through the County's self-insured health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services, mental and nervous care, vision care, dental care and prescriptions. To be eligible for benefits, an employee must qualify for retirement under the Virginia Retirement System (VRS).

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

C. Membership

At June 30, 2012 membership consisted of:

Retirees and beneficiaries currently receiving benefits	127
Terminated employees entitled to benefits but not yet receiving them	2
Active employees	<u>849</u>
Total	<u>978</u>

D. Funding Policy

The County's employee and retiree healthcare contribution rates are set as policy by the Board of Supervisors. Beginning July 1, 2009, the County offered a choice of health care options for its active and retired employees. The options differ based on level of coverage. All plan participants, active and retirees, are required to pay a portion of the monthly premium. The monthly premium is based on 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)	\$ 4,745,000
Amortization of NOO	(495,000)
Interest on NOO	522,000
Gains on plan assets	<u>(335,421)</u>
Annual OPEB Cost (AOC)	<u>\$ 4,436,579</u>
NOO, beginning of year	\$ 11,596,716
Current year AOC	4,436,579
Contribution made	<u>(370,057)</u>
NOO, end of year	<u>\$ 15,663,238</u>

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>	Actuarial Accrued <u>Liability</u>	Funded <u>Ratio</u>
June 30, 2013	\$ 4,436,579	8.34%	\$ 15,663,238	\$ 46,236,000	7.12%
June 30, 2012	4,461,000	19.33%	11,596,716	42,334,000	6.37%
June 30, 2011	3,508,000	24.04%	7,998,021	32,530,000	6.89%
June 30, 2010	2,305,998	80.15%	5,446,418	19,400,000	10.82%
June 30, 2009	2,765,000	63.01%	4,988,844	19,400,000	5.41%

E. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 5.75% 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 \$57,286,000, and the actuarial value of plan assets was \$3,291,000 (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 \$53,995,000. The covered payroll (annual payroll of active employees covered by the plan was \$41,970,466, and the ratio of the UAAL to covered payroll was 128.65%.

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, 2012 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, 2013 was 25 years. Amortization periods used are closed.

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Length of Service Awards Program for Fire and Rescue Volunteers:

Plan Description:

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

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

Benefits:

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

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

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

Membership:

Membership details as of January 1, 2013 were:

Active members	41	(33 vested)
Inactive members	<u>10</u>	
Total	51	

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	\$ 20,712
Contribution made	\$ 20,712
Funded ration	100%
Value of assets at January 1, 2013	\$312,987

Component Unit – Stafford County Public Schools:

A. Plan Description

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

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

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

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

B. Funding Policy

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

C. Annual OPEB Costs and Net OPEB Obligation

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

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

Annual required contribution (ARC)	\$ 5,387,406
Amortization of NOO	(1,495,982)
Interest on NOO	<u>1,870,576</u>
Annual OPEB Cost (AOC)	<u>\$ 5,762,000</u>
NOO, beginning of year	\$ 23,382,201
Current year AOC	5,762,000
Contribution made	<u>(8,777,102)</u>
NOO, end of year	<u>\$ 20,367,099</u>

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013, 2012 and 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Actuarial Accrued Liability	Funded Ratio
June 30, 2013	\$ 5,762,000	152.33%	\$ 20,367,099	\$ 55,269,000	21.48%
June 30, 2012	6,569,000	54.64%	23,382,201	50,489,000	9.30%
June 30, 2011	9,106,473	12.50%	20,402,575	96,984,000	2.79%

Note 8. INTERFUND AND COMPONENT UNIT RECEIVABLE / PAYABLE

Individual fund receivable and payable balances at June 30, 2013 are summarized as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>				<u>Total Payable</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Component Unit Stafford County Public Schools</u>	
<u>Primary Government</u>					
General Fund	\$ -	\$ 1,695	\$ 418,536	\$ 41,612,713	\$ 42,032,944
Transportation Fund	17,374	-	-	-	17,374
General Capital Projects Fund	715,995	-	-	-	715,995
Water and Sewer Fund	-	-	-	15,307	15,307
Total Receivable	<u>\$ 733,369</u>	<u>\$ 1,695</u>	<u>\$ 418,536</u>	<u>\$ 41,628,020</u>	<u>\$ 42,781,620</u>

The interfund payable from the General Fund to Nonmajor Governmental Funds was a transfer due to the Asset Forfeiture Fund based on results of operations in FY 2013.

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

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

The interfund payables from the Transportation Fund and the General Capital Projects Fund to the General Fund are reimbursements for project-related issue costs related to the 2013 General Obligation Bonds.

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:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General Fund)	\$ -	\$ 2,245,681
Ground lease (General Fund)	-	1,594,286
Asset forfeiture (Nonmajor Governmental Funds)	-	1,199,308
Property tax receivable (net) (General Fund)	5,799,235	-
Property tax receivable (net) (Nonmajor Governmental Funds)	<u>50,850</u>	<u>-</u>
	<u>\$ 5,850,085</u>	<u>\$ 5,039,275</u>

Note 10. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the County totaled \$179,824,746 for fiscal year 2013. Sources of these revenues were as follows:

	<u>Commonwealth</u>	<u>Federal</u>
Primary Government		
Governmental Funds:		
General Fund	\$ 23,459,012	\$ 4,214,530
Transportation Fund	1,244,199	430,564
Asset Forfeiture Fund	<u>33,166</u>	<u>1,107</u>
Total Governmental Funds	<u>24,736,377</u>	<u>4,646,201</u>
Proprietary Fund:		
Water and Sewer Fund	<u>166,175</u>	<u>109,970</u>
Total Primary Government	<u>24,902,552</u>	<u>4,756,171</u>
 Component Unit – Stafford County Public Schools		
Governmental Funds:		
School Operating Fund	133,170,102	2,071,309
School Nutrition Fund	218,554	5,180,412
School Grants Fund	<u>88,093</u>	<u>9,437,553</u>
Total Component Unit	<u>133,476,749</u>	<u>16,689,274</u>
 Total	<u>\$ 158,379,301</u>	<u>\$ 21,445,445</u>

Note 11. INTERFUND TRANSFERS

A summary of interfund transfer activity for the year ended June 30, 2013 is presented as follows:

	<u>Transfer From Fund</u>					
	General Fund	Transportation Fund	General Capital Projects Fund	Non major Governmental Funds	Water and Sewer Fund	Total Transferred In
Transfer To Fund:						
General Fund	\$ -	\$ 24,917	\$ 595,779	\$ 500,000	\$ -	\$ 1,120,696
Transportation Fund	150,000	-	-	-	121,100	271,100
General Capital Projects Fund	2,768,829	-	-	-	-	2,768,829
Tourism Fund	-	-	93,000	-	-	93,000
350 th Anniversary Fund	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>
Total Transferred Out	<u>\$ 3,268,829</u>	<u>\$ 24,917</u>	<u>\$ 688,779</u>	<u>\$ 500,000</u>	<u>\$ 121,100</u>	<u>\$ 4,603,625</u>

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

The transfer from the General Fund to the 350th Anniversary Fund was a contribution toward the County celebration.

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.

Note 11. INTERFUND TRANSFERS (Continued)

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

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

The transfer from the General Capital Projects Fund to the General Fund was reimbursement of temporary funding for Parks projects.

The transfer from the General Capital Projects Fund to the Tourism Fund in support of the virtual museum.

The transfer from the Water and Sewer Fund to the Transportation Fund was proceeds from the sale of property to be used for commuter lot upgrades.

Note 12. COMMITMENTS, CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

At June 30, 2013 the County had contractual commitments of \$22.8 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, 2013 will not be material to the County's financial position.

On November 4, 2008, Stafford County voters authorized the Board of Supervisors to seek general obligation bond financing for transportation related projects in an amount not to exceed \$70 million. As of June 30, 2013, \$7.8 million in bonds have been issued. Staff is seeking estimates for several proposed projects in preparation for seeking bonded funding.

On November 3, 2009, Stafford County voters authorized the Board of Supervisors to seek general obligation bond financing for parks and recreation related projects in an amount not to exceed \$29 million. As of June 30, 2013, \$16.2 million in bonds have been issued. Staff is seeking estimates for several proposed projects in preparation for seeking bonded funding.

On October 1, 2013, the Stafford County Board of Supervisors authorized participation in the Fall 2013 and Spring 2014 Virginia Public School Authority issuance and sale of General Obligation School Bonds, in a principal amount of \$30.9 million. Proceeds of these issues will be used to finance construction of a replacement high school and building renovations for several schools.

At June 30, 2013, the Component Unit – Stafford County Public Schools had contractual commitments of \$19.8 million for the Capital Projects Fund for construction of various projects.

Note 13. JOINT VENTURES

A. RAPPAHANNOCK REGIONAL SOLID WASTE MANAGEMENT BOARD

The Rappahannock Regional Solid Waste Management Board (the Board) is a joint venture of the County and the City of Fredericksburg (the City). The Board was formed under an agreement dated December 9, 1987, for the purpose of operating and maintaining the Regional Landfill for the use and benefit of the citizens of the County and the City. The Board is administered by a six-member board currently comprised of three members from the County and three members from the City made up as follows:

- The County Administrator of the County of Stafford
- Two members of the County of Stafford, Board of Supervisors, to be appointed by the Board of Supervisors
- The City Manager of Fredericksburg
- Two members of the City Council of Fredericksburg, to be appointed by the City Council

The Board adopts an annual operating budget and sets user fees for the landfill. The Board has the authority to enter into written agreements with any contracting party for the operation and maintenance of the landfill. The Board has entered into an operating agreement with the County of Stafford, which will expire December 31, 2024. The County and the City fund operating deficits equally. The title to all real property acquired, held or leased is also allocated equally between the County and City, except for 30 acres owned by Stafford County. The County's equity interest as of June 30, 2013 was \$4,458,166.

State and federal laws and regulations require the Board to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting the waste, the Board reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each financial statement date. The \$6.2 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2013 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 2013. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Both Stafford County and the City of Fredericksburg have demonstrated financial assurance for these costs.

Complete financial statements for the Board can be obtained from the Director of Solid Waste Management, Rappahannock Regional Solid Waste Management Board, P.O. Box 339, Stafford, Virginia 22555-0339.

B. RAPPAHANNOCK REGIONAL JAIL AUTHORITY

The Rappahannock Regional Jail Authority (Authority) was created in January 1995, to share the cost of operating the existing Security Center and constructing, equipping, maintaining and operating a new regional facility. Member jurisdictions are the City of Fredericksburg, and the Counties of Stafford, Spotsylvania and King George. A twelve-member board consisting of three representatives from each of the member jurisdictions, as follows, governs the Authority:

- The Sheriff of each jurisdiction
- A member of each jurisdiction's governing body
- A representative from each member jurisdiction, appointed by their governing body

Before the Authority was created, the jail facility was operated by Stafford County. In November 1996, a transitional agreement between the Authority and Stafford County was signed. This agreement transferred operation of the Stafford County Jail to the Authority from January 1997, until the date the new regional facility opened, when Stafford's prisoners would be housed in the joint facility. The Rappahannock Regional Jail is located in Stafford County and opened in June 2000.

Note 13. JOINT VENTURES (Continued)

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, 2013 totaled \$6,421,116.

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

C. CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

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

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

The Regional Library Board is empowered to budget and expend funds and to execute contracts. Eighty percent of the Library's operating revenues are derived from annual appropriations by the participating jurisdictions. The remaining twenty percent is derived from fines, fees, donations and State grants. For the year ended June 30, 2013, Stafford County's appropriation to the Regional Library was \$4,967,212.

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.

At June 30, 2013, the Water and Sewer Fund recorded a liability for the estimate of an unsettled claim (\$426,000). It is the County's best estimate based on available information.

Note 14. RISK MANAGEMENT (Continued)

The County has chosen to partially retain the risk associated with the employees' health and dental insurance plan. Risk is retained up to the limits based on monthly claims paid per employee and a 115% aggregate stop loss for total claims paid during the year. The risk financing is accounted for in the General Fund. Premiums are paid for all full-time employees of the County to a claims administrator, which processes all claims. Any excess

funds at the end of the year are deposited in a reserve account with the claims administrator. This reserve account is used to fund losses in future years. At June 30, 2013, the account had a balance of \$ 2,065,744.

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

	<u>2013</u>	<u>2012</u>
Unpaid claims, beginning	\$ 872,928	\$ 945,028
Incurred claims (including IBNR)	9,831,635	9,471,035
Claim payments	<u>(9,754,118)</u>	<u>(9,543,135)</u>
Unpaid claims, ending	<u>\$ 950,445</u>	<u>\$ 872,928</u>

COMPONENT UNIT – Stafford County Public Schools

Stafford County Public Schools carries commercial insurance for all risks of loss, except for workers' compensation. Like the County, it participates in the VML public entity risk pool. Settled claims have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year. The total estimated workers' compensation insurance claims payable as of June 30, 2013 was \$638,702, of which \$549,284 was estimated to be current claims payable.

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

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

	<u>2013</u>	<u>2012</u>
Unpaid claims, beginning	\$ 4,439,458	\$ 4,260,708
Incurred claims (including IBNR)	24,943,096	24,338,084
Claim payments	<u>(24,874,356)</u>	<u>(24,159,334)</u>
Unpaid claims, ending	<u>\$ 4,508,198</u>	<u>\$ 4,439,458</u>

Note 15. OPERATING LEASES

Stafford County leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases were \$1,168,034 for the year ended June 30, 2013. The future minimum lease payments for these leases are as follows:

Year Ending June 30	General <u>Government</u>	Water and <u>Sewer Fund</u>
2014	\$ 360,857	\$ 108,233
2015	70,877	111,480
2016	65,758	114,824
2017	67,731	78,454
2018	69,763	-
2019-2023	<u>145,866</u>	<u>-</u>
	<u>\$ 780,852</u>	<u>\$ 412,991</u>

During FY 2010 Stafford County entered into a lessor arrangement with a local non-profit for use of its Chatham Office Building. The initial term of the lease is one year with the option for annual renewals. Annual rental revenue for FY 2013 was \$15,600.

Note 16. RESTATEMENTS

Adoption of New Accounting Standard

During 2013, the County adopted GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Implementation required the reclassification of "net assets" to "net position". It also required the reclassification of deferred outflows and inflows on deferred losses on refunding transactions into a new category called "deferred outflows" on the statement of net position.

In 2013, the County early adopted GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The financial statements for 2012 have been retroactively restated for the change, which resulted in an increase in deficit revenues over expenditures for 2012 of \$2,306,033 due to the write-off of debt issuance costs which were previously capitalized and amortized. Net position as of July 1, 2012, has been decreased by \$2.3 million for the effect of retroactive application of the new standard related to recognition of bond issuance costs.

Note 16. RESTATEMENTS (Continued)

Correction of an error in prior year statements

In addition to the change in accounting standard that was adopted the County restated the prior year beginning net position to correct an error in the prior year statements. The balance sheet reflected a payment to the County's general obligation bonds of \$5,320,000 that did not occur until the fiscal year 2013. The beginning governmental obligation debt balance in Note 5 has been restated by this amount to reflect the County's debt obligation at June 30, 2012. In addition the reconciliation from the governmental funds balance sheet to the statement of net position did not include the note receivable to the component unit that was shown on the statement of net position in the amount of \$1,155,000. This amount was previously shown as a reconciliation from the change in fund balance of the governmental funds to the statement of activities for the governmental activities. The impact of these two is an increase to the County's deficit net position of \$4,165,000 as shown below. In addition the debt shown in Note 5 has been restated to reflect the debt payment that was originally shown as being made in a prior year that was actually paid in the current year.

The following is the total impact to the Governmental Activities and Business-Type activities related to the restatement of both the adoption of the new accounting standard and correction of an error.

	<u>Governmental Activities</u>	<u>Business-type</u>	<u>Total</u>
Net Position, beginning of year, as previously reported	\$ (108,481,690)	\$ 301,573,262	\$193,091,572
Restatement due to change in accounting principle	(1,611,576)	(694,457)	(2,306,033)
Restatement due to correction of an error	<u>(4,165,000)</u>	<u>-</u>	<u>(4,165,000)</u>
Net Position, beginning of year, as restated	<u>\$ (114,258,266)</u>	<u>\$ 300,878,805</u>	<u>\$186,620,539</u>

COMPONENT UNIT – Stafford County Public Schools

Correction of an error in prior year statements

The net position of Stafford County Public Schools as of June 30, 2012 was overstated by \$ 2,449,003 due to:

1. Prepaid service contracts were not properly recorded as a prepaid asset as of June 30, 2012 and
2. The accrual of health benefits for 10- and 11- month employees was not properly recorded as expenditures, in fiscal year 2012.

	<u>Governmental Activities</u>
Net Position, beginning of year, as previously reported	\$391,997,512
Effect of recording prepaid service contracts	490,227
Effect of recording accrued health benefit	<u>(2,939,230)</u>
Net Position, beginning of year, as restated	<u>\$ 389,548,509</u>

Note 17. PENDING GASB STATEMENTS

In March 2012, GASB issued Statement No. 66, *Technical Corrections 2012 – an amendment of GASB Statements No. 10 and 62*. This statement provides clarifying guidance on fund classifications and the accounting for operating leases with scheduled rent increases. The statement is effective for reporting periods beginning after December 15, 2012. The county has not implemented this statement.

In June 2012, GASB issued Statements No. 67 *Financial Reporting for Pension Plans* and No. 68, *Accounting and Reporting for Pensions*. Statement No. 67 addresses financial reporting for state and local government pension plans. Statement No. 68 establishes standards for measuring and recognizing the liabilities and expenses related to the employer's pension plan. Statement No. 67 is effective for fiscal years beginning after June 15, 2013, and Statement No. 68 will take effect for employers in fiscal years beginning after June 15, 2014. The County will implement Statement No. 68 in FY 2015.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement No. 69 establishes accounting and reporting standards related to disclosure of government combinations (acquisitions, mergers, transfers) and disposals of operations. The statement is effective for reporting periods beginning after December 15, 2013. The County has not implemented this statement.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Statement No. 70 requires revenue and liability recognition for nonexchange financial guarantees and specifies related disclosures. The statement is effective for reporting periods beginning after June 15, 2013. The County has not implemented this statement.

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
General property taxes	\$ 174,617,243	\$ 174,817,243	\$ 178,214,993	\$ 3,397,750
Other local taxes	32,533,992	32,533,992	33,806,440	1,272,448
Permits, privilege fees and regulatory licenses	2,949,550	3,201,560	4,342,575	1,141,015
Fines and forfeitures	776,700	776,700	784,514	7,814
Use of money and property	364,204	364,204	312,933	(51,271)
Charges for services	5,222,987	5,222,987	6,190,936	967,949
Miscellaneous	3,484,214	4,062,164	3,788,806	(273,358)
Intergovernmental	26,291,418	29,051,821	27,673,542	(1,378,279)
Total revenues	<u>246,240,308</u>	<u>250,030,671</u>	<u>255,114,739</u>	<u>5,084,068</u>
Expenditures				
Current operating:				
General government:				
Board of Supervisors	607,066	691,277	598,301	92,976
Clerk of the Board	149,078	161,515	161,515	-
County Administrator	583,052	604,393	592,165	12,228
Public Information	299,218	333,410	307,701	25,709
County Attorney	1,039,238	1,192,031	1,050,678	141,353
Human Resources	378,983	440,107	330,418	109,689
Commissioner of the Revenue	2,576,931	2,649,197	2,594,387	54,810
Treasurer	1,911,088	1,968,797	1,840,488	128,309
Finance	1,087,378	1,125,776	1,099,304	26,472
Budget	389,064	402,962	402,250	712
Computer Services	1,531,952	1,906,865	1,859,821	47,044
Geographic Information Systems	590,694	601,355	597,232	4,123
Electoral Board and Registrar	422,574	649,490	649,474	16
	<u>11,566,316</u>	<u>12,727,175</u>	<u>12,083,734</u>	<u>643,441</u>
Judicial administration:				
Circuit Court	262,959	269,720	261,641	8,079
General District Court	102,556	103,356	84,324	19,032
Juvenile and Domestic Relations District Court	68,223	68,223	51,822	16,401
Clerk of the Circuit Court	1,456,220	1,838,903	1,457,261	381,642
Magistrate	9,328	9,328	6,156	3,172
Commonwealth Attorney	2,864,733	2,917,464	2,866,000	51,464
Court Deputies	2,162,643	2,227,041	2,187,322	39,719
	<u>6,926,662</u>	<u>7,434,035</u>	<u>6,914,526</u>	<u>519,509</u>
Public safety:				
Policing and investigating	19,813,206	23,919,906	22,700,772	1,219,134
Emergency management	14,105,451	16,162,828	14,845,742	1,317,086
Volunteer rescue squads	153,611	152,922	133,040	19,882
Volunteer fire departments	698,833	708,191	659,546	48,645
Care and confinement of prisoners	6,421,116	6,421,116	6,421,116	-
15th District Court Unit	415,087	455,729	389,925	65,804
Rappahannock Juvenile Detention	1,397,930	1,397,930	1,177,668	220,262
Code compliance	3,559,886	4,333,229	3,590,375	742,854
Animal control	882,804	941,730	905,780	35,950
	<u>47,447,924</u>	<u>54,493,581</u>	<u>50,823,964</u>	<u>3,669,617</u>
Public works:				
Engineering	466,760	471,403	412,980	58,423
Maintenance of general buildings and grounds and general properties	<u>4,169,881</u>	<u>4,841,022</u>	<u>4,589,913</u>	<u>251,109</u>
	<u>4,636,641</u>	<u>5,312,425</u>	<u>5,002,893</u>	<u>309,532</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Health and social services:				
Local health department	\$ 535,937	\$ 535,937	\$ 535,938	\$ (1)
Public assistance	11,286,003	11,611,700	10,971,550	640,150
Other	3,919,556	4,112,453	1,928,339	2,184,114
	<u>15,741,496</u>	<u>16,260,090</u>	<u>13,435,827</u>	<u>2,824,263</u>
Parks, recreation and cultural:				
Administration	3,338,537	3,761,712	3,761,713	(1)
Community programs	553,869	519,236	507,931	11,305
Sports programs	458,194	499,967	469,625	30,342
Gymnastics program	724,412	717,322	697,550	19,772
Pool program	806,156	714,963	714,963	-
Senior citizens	105,704	115,298	115,298	-
Cultural programs	76,070	76,070	76,070	-
Regional library	4,967,212	4,967,213	4,967,212	1
	<u>11,030,154</u>	<u>11,371,781</u>	<u>11,310,362</u>	<u>61,419</u>
Community development:				
Planning and community development	1,928,015	2,275,839	2,136,793	139,046
Planning commission	112,700	112,700	85,939	26,761
Zoning board	522,126	393,203	29,198	364,005
Economic development	696,070	1,191,857	925,952	265,905
Other	596,960	687,563	639,063	48,500
Cooperative extension program	169,064	175,434	173,077	2,357
	<u>4,024,935</u>	<u>4,836,596</u>	<u>3,990,022</u>	<u>846,574</u>
Appropriation to School Board:				
School operating	106,518,774	109,846,455	108,625,975	1,220,480
School capital projects	-	816,676	816,676	-
	<u>106,518,774</u>	<u>110,663,131</u>	<u>109,442,651</u>	<u>1,220,480</u>
Capital outlay	<u>2,865,782</u>	<u>3,664,577</u>	<u>2,115,873</u>	<u>1,548,704</u>
Debt service:				
Principal	20,044,185	20,087,165	20,086,816	349
Interest and fiscal charges	16,139,073	16,561,318	16,280,072	281,246
	<u>36,183,258</u>	<u>36,648,483</u>	<u>36,366,888</u>	<u>(281,595)</u>
Total expenditures	<u>246,941,942</u>	<u>263,411,874</u>	<u>251,486,740</u>	<u>11,925,134</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(701,634)</u>	<u>(13,381,203)</u>	<u>3,627,999</u>	<u>17,009,202</u>
Other Financing Sources (Uses)				
Proceeds of indebtedness	-	2,349,069	-	(2,349,069)
Transfers in	551,634	551,634	1,120,696	569,062
Transfers out	-	(3,268,829)	(3,268,829)	-
Total other financing sources (uses), net	<u>551,634</u>	<u>(368,126)</u>	<u>(2,148,133)</u>	<u>(1,780,007)</u>
Net change in fund balance	(150,000)	(13,749,329)	1,479,866	15,229,195
Fund balance, beginning	<u>500,000</u>	<u>13,335,116</u>	<u>55,625,103</u>	<u>42,289,987</u>
Fund balance, ending	<u>\$ 350,000</u>	<u>\$ (414,213)</u>	<u>\$ 57,104,969</u>	<u>\$ 57,519,182</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
Revenues				
Other local taxes - fuel sales tax	\$ 5,240,779	\$ 5,240,779	\$ 5,616,151	\$ 375,372
Use of money	2,500	2,500	10,210	7,710
Miscellaneous	-	-	11,870	11,870
Intergovernmental	715,000	7,074,760	1,674,763	(5,399,997)
Total revenues	<u>5,958,279</u>	<u>12,318,039</u>	<u>7,312,994</u>	<u>(5,005,045)</u>
Expenditures				
Current operating:				
General government	2,799,256	3,158,829	2,755,906	402,923
Capital outlay	6,509,000	22,301,676	3,581,104	18,720,572
Debt service:				
Interest and fiscal charges	-	-	32,408	(32,408)
Total expenditures	<u>9,308,256</u>	<u>25,460,505</u>	<u>6,369,418</u>	<u>19,091,087</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,349,977)</u>	<u>(13,142,466)</u>	<u>943,576</u>	<u>14,086,042</u>
Other Financing Sources (Uses)				
Transfers in	-	150,000	271,100	121,100
Transfers out	(40,000)	(40,000)	(24,917)	15,083
Issuance of debt:				
Bonds	-	-	2,512,655	2,512,655
Bond premiums	-	-	309,942	309,942
Total other financing sources (uses)	<u>(40,000)</u>	<u>110,000</u>	<u>3,068,780</u>	<u>2,958,780</u>
Net change in fund balance	(3,389,977)	(13,032,466)	4,012,356	17,044,822
Fund balance, beginning	<u>3,389,977</u>	<u>13,032,466</u>	<u>10,551,063</u>	<u>(2,481,403)</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,563,419</u>	<u>\$ 14,563,419</u>

SCHEDULE OF FUNDING PROGRESS

Virginia Retirement System

For the Primary Government:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll**	UAAL as a Percentage of Covered Payroll
June 30, 2010	\$ 97,256,875	\$ 127,832,328	\$ 30,575,453	76.08%	\$ 41,834,084	73.09%
June 30, 2011	102,812,951	135,949,344	33,136,393	75.63%	41,253,517	80.32%
June 30, 2012	105,558,499	146,164,965	40,606,466	72.22%	42,327,716	95.93%

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

For the Component Unit School Board:

June 30, 2010	17,171,281	22,318,924	5,147,643	76.94%	9,204,760	55.92%
June 30, 2011	18,125,118	23,521,671	5,396,553	77.06%	8,652,954	62.37%
June 30, 2012	18,653,192	25,105,138	6,451,946	74.30%	8,451,315	76.34%

SCHEDULE OF FUNDING PROGRESS

Other Post-Employment Benefit Plan

For the Primary Government:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry-Age Normal	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	\$ -	\$ 37,174,000	\$ 37,174,000	0.00%	\$ 41,017,681	90.63%
July 1, 2009	2,100,000	19,400,000	17,300,000	10.82%	41,519,138	41.67%
July 1, 2010	2,241,000	32,530,000	30,289,000	6.89%	42,387,750	71.46%
July 1, 2011	2,698,000	42,334,000	39,636,000	6.37%	42,338,337	93.62%
July 1, 2012	3,291,000	46,236,000	42,945,000	7.12%	41,970,466	102.32%
July 1, 2013	3,291,000	57,286,000	53,995,000	5.75%	41,970,466	128.65%

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

For Component Unit School Board:

July 1, 2007	-	7,967,000	7,967,000	0.00%	103,300,000	7.71%
e Plan Design Change:						
July 1, 2008	1,058,479	50,636,479	49,578,000	2.09%	106,020,819	46.76%
July 1, 2010	2,236,000	89,408,000	87,172,000	2.50%	102,349,123	85.17%
July 1, 2011	2,700,962	96,984,000	94,283,038	2.78%	104,195,744	90.49%
July 1, 2012	4,697,715	50,489,000	45,791,285	9.30%	104,507,089	43.82%
July 1, 2013	11,874,000	55,269,000	43,395,000	21.48%	103,582,553	41.89%

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

COUNTY OF STAFFORD, VIRGINIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013**

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 May 1, 2012, 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, 2013.

COMBINING SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Road Impact Fee – West Fund

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

Road Impact Fee – South East Fund

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

Garrisonville Road Service District Fund

Accounts for ad valorem tax receipts from property owners in the district to pay debt service for road improvements in the district.

Warrenton Road Service District Fund

Accounts for ad valorem tax receipts from property owners in the district to pay debt service for road improvements in the district.

Asset Forfeiture Fund

Accounts for the revenues and expenditures associated with the County's drug enforcement activities.

Tourism Fund

Accounts for the revenues and expenditures associated with promoting tourist venues in the County.

Wetlands Fund

Accounts for wetlands mitigation fees and associated disbursements.

Hidden Lake Dam Fund

Accounts for ad valorem tax receipts from property owners in the Hidden Lake subdivision to pay debt service for replacement of the dam.

350th Anniversary Fund

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue				
	Road Impact Fee - West Fund	Road Impact Fee - SE Fund	Garrisonville Rd Service District Fund	Warrenton Rd Service District Fund	Asset Forfeiture Fund
ASSETS					
Equity in pooled cash and investments	\$ 2,707,864	\$ 912,225	\$ 2,171,785	\$ 2,800,652	\$ -
Restricted assets:					
Cash	-	-	-	-	1,741,586
Cash w/ fiscal agents	-	-	5,911,338	-	-
Receivables, net of allowance for uncollectibles:					
Property taxes	-	-	32,382	23,580	-
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	-	-	1,695
Total assets	<u>\$ 2,707,864</u>	<u>\$ 912,225</u>	<u>\$ 8,115,505</u>	<u>\$ 2,824,232</u>	<u>\$ 1,743,281</u>
LIABILITIES					
Liabilities:					
Accounts payable	\$ 18,492	\$ -	\$ 40,736	\$ -	\$ 1,864
Accrued salaries and benefits	-	-	694	-	-
Total liabilities	<u>18,492</u>	<u>-</u>	<u>41,430</u>	<u>-</u>	<u>1,864</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	27,196	16,101	-
Unearned revenue	-	-	-	-	1,199,308
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>27,196</u>	<u>16,101</u>	<u>1,199,308</u>
FUND BALANCES					
Restricted	-	-	-	-	542,109
Committed	662,391	-	5,911,338	3,475	-
Assigned	<u>2,026,981</u>	<u>912,225</u>	<u>2,135,541</u>	<u>2,804,656</u>	<u>-</u>
Total fund balances	<u>2,689,372</u>	<u>912,225</u>	<u>8,046,879</u>	<u>2,808,131</u>	<u>542,109</u>
Total liabilities deferred inflows of resources and fund balances	<u>\$ 2,707,864</u>	<u>\$ 912,225</u>	<u>\$ 8,115,505</u>	<u>\$ 2,824,232</u>	<u>\$ 1,743,281</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue				Total Nonmajor Governmental Funds
	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	350th Anniversary Fund	
ASSETS					
Equity in pooled cash and investments	\$ 800,339	\$ 9,372	\$ 56,368	\$ 419,519	\$ 9,878,124
Restricted assets:					
Cash	-	-	62,006	-	1,803,592
Cash w/ fiscal agents	-	-	-	-	5,911,338
Receivables, net of allowance for uncollectibles:					
Property taxes	-	-	8,366	-	64,328
Accounts receivable	132,118	-	-	-	132,118
Due from other funds	-	-	-	-	1,695
Total assets	<u>\$ 932,457</u>	<u>\$ 9,372</u>	<u>\$ 126,740</u>	<u>\$ 419,519</u>	<u>\$ 17,791,195</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 16,072	\$ -	\$ 5,197	\$ -	\$ 82,361
Accrued salaries and benefits	<u>2,897</u>	<u>-</u>	<u>99</u>	<u>-</u>	<u>3,690</u>
Total liabilities	<u>18,969</u>	<u>-</u>	<u>5,296</u>	<u>-</u>	<u>86,051</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	7,553	-	50,850
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,199,308</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>7,553</u>	<u>-</u>	<u>1,250,158</u>
Fund Balances:					
Restricted	-	-	62,006	-	604,115
Committed	546,721	-	-	-	7,123,925
Assigned	<u>366,767</u>	<u>9,372</u>	<u>51,885</u>	<u>419,519</u>	<u>8,726,946</u>
Total fund balances	<u>913,488</u>	<u>9,372</u>	<u>113,891</u>	<u>419,519</u>	<u>16,454,986</u>
Total liabilities and fund balances	<u>\$ 932,457</u>	<u>\$ 9,372</u>	<u>\$ 126,740</u>	<u>\$ 419,519</u>	<u>\$ 17,791,195</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	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	\$ -	\$ -	\$ 533,358	\$ 24,479	\$ -
Other local taxes	258,165	5,171	-	-	-
Use of money and property	4,282	1,494	4,459	4,547	1,695
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	1,284
Intergovernmental	-	-	-	-	34,273
Total revenues	<u>262,447</u>	<u>6,665</u>	<u>537,817</u>	<u>29,026</u>	<u>37,252</u>
EXPENDITURES					
Current operating:					
Judicial administration	-	-	-	-	34,686
Public safety	-	-	-	-	175,479
Parks, recreation and cultural	-	-	-	-	-
Community development	-	-	-	-	-
Debt service	-	-	72,388	-	-
Transportation	-	25,855	-	-	-
Capital outlay	<u>176,986</u>	<u>-</u>	<u>914,917</u>	<u>5,025</u>	<u>-</u>
Total expenditures	<u>176,986</u>	<u>25,855</u>	<u>987,305</u>	<u>5,025</u>	<u>210,165</u>
Excess (deficiency) of revenues over (under) expenditures	<u>85,461</u>	<u>(19,190)</u>	<u>(449,488)</u>	<u>24,001</u>	<u>(172,913)</u>
OTHER FINANCING SOURCES (USES)					
Financing Proceeds	-	-	5,942,887	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,942,887</u>	<u>-</u>	<u>-</u>
Net change in fund balances	85,461	(19,190)	5,493,399	24,001	(172,913)
Fund balance, beginning	<u>2,603,911</u>	<u>931,415</u>	<u>2,553,480</u>	<u>2,784,130</u>	<u>715,022</u>
Fund balance, ending	<u>\$ 2,689,372</u>	<u>\$ 912,225</u>	<u>\$ 8,046,879</u>	<u>\$ 2,808,131</u>	<u>\$ 542,109</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue				Total Nonmajor Governmental Funds
	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	350th Anniversary Fund	
REVENUES					
Property taxes	\$ -	\$ -	\$ 108,539	\$ -	\$ 666,376
Other local taxes	1,331,870	-	-	-	1,595,206
Use of money and property	-	-	132	-	16,609
Charges for services	-	2,573	-	-	2,573
Miscellaneous	2,235	-	-	79,519	83,038
Intergovernmental	-	-	-	-	34,273
Total revenues	<u>1,334,105</u>	<u>2,573</u>	<u>108,671</u>	<u>79,519</u>	<u>2,398,075</u>
EXPENDITURES					
Current operating:					
Judicial administration	-	-	-	-	34,686
Public safety	-	-	-	-	175,479
Parks, recreation and cultural	-	-	-	10,000	10,000
Community development	777,762	-	28,144	-	805,906
Debt service	-	-	63,061	-	135,449
Transportation	-	-	-	-	25,855
Capital outlay	<u>94,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,191,490</u>
Total expenditures	<u>872,324</u>	<u>-</u>	<u>91,205</u>	<u>10,000</u>	<u>2,378,865</u>
Excess (deficiency) of revenues over (under) expenditures	<u>461,781</u>	<u>2,573</u>	<u>17,466</u>	<u>69,519</u>	<u>19,210</u>
OTHER FINANCING SOURCES (USES)					
Financing Proceeds	-	-	-	-	5,942,887
Transfers in	93,000	-	-	350,000	443,000
Transfers out	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>
Total other financing sources (uses)	<u>(407,000)</u>	<u>-</u>	<u>-</u>	<u>350,000</u>	<u>5,885,887</u>
Net change in fund balances	54,781	2,573	17,466	419,519	5,905,097
Fund balance, beginning	<u>858,707</u>	<u>6,799</u>	<u>96,425</u>	<u>-</u>	<u>10,549,889</u>
Fund balance, ending	<u>\$ 913,488</u>	<u>\$ 9,372</u>	<u>\$ 113,891</u>	<u>\$ 419,519</u>	<u>\$ 16,454,986</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
PRIMARY GOVERNMENT				
Special Revenue Funds:				
Road Impact Fee - West				
Revenues:				
Other local taxes	\$ -	\$ -	\$ 258,165	\$ 258,165
Use of money	-	-	4,282	4,282
Total revenues	-	-	262,447	262,447
Expenditures				
Current operating:				
Capital outlay	-	1,278,543	176,986	1,101,557
Excess (deficiency) of revenues over (under) expenditures	-	(1,278,543)	85,461	1,364,004
Net change in fund balance	-	(1,278,543)	85,461	1,364,004
Fund balance, beginning	-	1,278,543	2,603,911	1,325,368
Fund balance, ending	\$ -	\$ -	\$ 2,689,372	\$ 2,689,372
 Garrisonville Road Service District Fund:				
Revenues:				
Property taxes	\$ 537,500	\$ 537,500	\$ 533,358	\$ (4,142)
Use of money	-	-	4,459	4,459
Revenue Sharing - State	-	6,900,000	-	(6,900,000)
Total revenues	537,500	7,437,500	537,817	(6,899,683)
Expenditures				
Current operating:				
Debt Service	-	-	72,388	(72,388)
Capital outlay	1,870,000	15,962,581	914,917	15,047,664
	1,870,000	15,962,581	987,305	14,975,276
Excess (deficiency) of revenues over (under) expenditures	(1,332,500)	(8,525,081)	(449,488)	8,075,593
Other Financing Sources				
Issuance of debt - bonds	-	5,800,395	5,942,887	142,492
Net change in fund balance	(1,332,500)	(2,724,686)	5,493,399	8,218,085
Fund balance, beginning	1,332,500	2,724,686	2,553,480	(171,206)
Fund balance, ending	\$ -	\$ -	\$ 8,046,879	\$ 8,046,879

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2013**

PRIMARY GOVERNMENT	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
Special Revenue Funds:				
Warrenton Road Service District Fund:				
Revenues:				
Property taxes	\$ -	\$ -	\$ 24,479	\$ 24,479
Use of money	-	-	4,547	4,547
Total revenues	-	-	29,026	29,026
Expenditures				
Current operating:				
Capital outlay	776,000	776,000	5,025	770,975
Excess (deficiency) of revenues over (under) expenditures	(776,000)	(776,000)	24,001	800,001
Net change in fund balances	(776,000)	(776,000)	24,001	800,001
Fund balance, beginning	776,000	776,000	2,784,130	2,008,130
Fund balance, ending	\$ -	\$ -	\$ 2,808,131	\$ 2,808,131
Asset Forfeiture Fund:				
Revenues				
Use of money and property	\$ -	\$ -	\$ 1,695	\$ 1,695
Miscellaneous	-	-	1,284	\$ 1,284
Intergovernmental	-	-	34,273	34,273
Total revenues	-	-	37,252	37,252
Expenditures				
Current operating:				
Judicial administration	90,000	90,000	34,686	55,314
Public safety	210,000	420,000	175,479	244,521
Total expenditures	300,000	510,000	210,165	299,835
Excess (deficiency) of revenues over (under) expenditures	(300,000)	(510,000)	(172,913)	337,087
Net change in fund balance	(300,000)	(510,000)	(172,913)	337,087
Fund balance, beginning	300,000	510,000	715,022	205,022
Fund balance, ending	\$ -	\$ -	\$ 542,109	\$ 542,109

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2013**

PRIMARY GOVERNMENT	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
Special Revenue Funds:				
Tourism Fund:				
Revenues				
Other local taxes	\$ 1,274,759	\$ 1,274,759	\$ 1,331,870	\$ 57,111
Miscellaneous	-	-	2,235	2,235
Intergovernmental	5,000	5,000	-	(5,000)
Total revenues	1,279,759	1,279,759	1,334,105	54,346
Expenditures				
Current operating:				
Community development	879,759	1,234,341	777,762	456,579
Capital outlay	-	95,322	94,562	760
	879,759	1,329,663	872,324	457,339
Excess (deficiency) of revenues over (under) expenditures	400,000	(49,904)	461,781	511,685
Other financing sources (uses)				
Transfers in	-	93,000	93,000	-
Transfers out	(500,000)	(500,000)	(500,000)	-
	(500,000)	(407,000)	(407,000)	-
Net change in fund balance	(100,000)	(456,904)	54,781	511,685
Fund balance, beginning	100,000	456,904	858,707	401,803
Fund balance, ending	\$ -	\$ -	\$ 913,488	\$ 913,488
Hidden Lake Dam Fund:				
Revenues:				
Property taxes	\$ 105,400	\$ 105,400	\$ 108,539	\$ 3,139
Use of money	49	49	132	83
Total revenues	105,449	105,449	108,671	3,222
Expenditures:				
Current operating:				
Community development	41,822	41,822	28,144	13,678
Capital outlay	-	-	-	-
Debt service:				
Principal	30,000	30,000	30,000	-
Interest and fiscal charges	33,627	33,627	33,061	566
Total expenditures	105,449	105,449	91,205	14,244
Excess (deficiency) of revenues over (under) expenditures	-	-	17,466	17,466
Net change in fund balance	-	-	17,466	17,466
Fund balance, beginning	-	-	96,425	96,425
Fund balance, ending	\$ -	\$ -	\$ 113,891	\$ 113,891

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2013**

PRIMARY GOVERNMENT	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
Special Revenue Funds:				
350th Anniversary Fund:				
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 79,519	\$ 79,519
Expenditures				
Current operating:				
Parks, recreation and cultural	-	350,000	10,000	(340,000)
Excess (deficiency) of revenues over (under) expenditures	-	(350,000)	69,519	419,519
Other Financing Sources				
Transfers-In	-	350,000	350,000	-
Net change in fund balance	-	-	419,519	419,519
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ 419,519	\$ 419,519

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2013**

	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	\$ 8,017	\$ (11,983)
Total revenues	20,000	20,000	8,017	(11,983)
Expenditures				
Current operating:				
Public safety	-	4,123,425	2,422,478	1,700,947
Public works	300,237	3,468,848	2,121,279	1,347,569
Parks, recreation and cultural	110,505	24,733,899	3,124,635	21,609,264
Capital Outlay	119,648	485,479	61,598	423,881
Debt service:				
Principal	-	-	5,320,000	(5,320,000)
Interest and fiscal charges	-	157,687	363,051	(205,364)
Appropriation to School Board:				
School capital projects	-	33,225,000	33,233,655	(8,655)
Total expenditures	530,390	66,194,338	46,646,696	19,547,642
Deficiency of revenues under expenditures	(510,390)	(66,174,338)	(46,638,679)	19,535,659
Other financing sources (uses)				
Transfers in	-	2,768,829	2,768,829	-
Transfers out	-	(93,000)	(688,779)	(595,779)
Issuance of debt:				
Bonds	-	55,005,000	46,312,345	(8,692,655)
Bond premiums	-	-	5,200,886	5,200,886
Bond premiums	-	3,677,328	-	(3,677,328)
Total other financing sources (uses)	-	61,358,157	53,593,281	(7,764,876)
Net change in fund balance	(510,390)	(4,816,181)	6,954,602	11,770,783
Fund balance, beginning	510,390	4,816,181	11,029,269	6,213,088
Fund balance, ending	\$ -	\$ -	\$ 17,983,871	\$ 17,983,871

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.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Agency Funds				
	Widewater	Celebrate Virginia North	Lake Arrowhead Sanitary District	George Washington Regional Commission	Totals
ASSETS					
Current assets:					
Cash and short-term investments	\$ 1,260,267	\$ 854,597	\$ 430,095	\$ -	\$ 2,544,959
Receivables:					
Property taxes	-	3,439,327	95,679	-	3,535,006
Accounts	-	-	-	268,700	268,700
Total assets	<u>\$ 1,260,267</u>	<u>\$ 4,293,924</u>	<u>\$ 525,774</u>	<u>\$ 268,700</u>	<u>\$ 6,348,665</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 73,674	\$ 73,674
Accrued salaries and benefits	-	-	-	16,712	16,712
Other liabilities	-	2,510	-	178,314	180,824
Reserve for future expenditures	1,260,267	-	525,774	-	1,786,041
Reserve for bondholders	-	4,291,414	-	-	4,291,414
Total liabilities	<u>\$ 1,260,267</u>	<u>\$ 4,293,924</u>	<u>\$ 525,774</u>	<u>\$ 268,700</u>	<u>\$ 6,348,665</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<u>Widewater Fund</u>				
ASSETS				
Cash and short-term investments	\$ 1,260,267	\$ -	\$ -	\$ 1,260,267
LIABILITIES				
Reserve for future expenditures	\$ 1,260,267	\$ -	\$ -	\$ 1,260,267
<u>Celebrate Virginia North Fund</u>				
ASSETS				
Cash and short-term investments	\$ 831,941	\$1,644,055	\$ (1,621,399)	\$ 854,597
Property taxes receivable	2,516,566	1,734,508	(811,747)	3,439,327
Total assets	<u>\$ 3,348,507</u>	<u>\$3,378,563</u>	<u>\$ (2,433,146)</u>	<u>\$ 4,293,924</u>
LIABILITIES				
Other liabilities	\$ 2,510	\$ -	\$ -	\$ 2,510
Reserve for bondholders	3,345,997	3,378,562	(2,433,145)	4,291,414
Total liabilities	<u>\$ 3,348,507</u>	<u>\$3,378,562</u>	<u>\$ (2,433,145)</u>	<u>\$ 4,293,924</u>
<u>Lake Arrowhead Sanitary District Fund</u>				
ASSETS				
Cash and short-term investments	\$ 425,700	\$ 4,395	\$ -	\$ 430,095
Property taxes receivable	95,911	917	(1,149)	95,679
Total assets	<u>\$ 521,611</u>	<u>\$ 5,312</u>	<u>\$ (1,149)</u>	<u>\$ 525,774</u>
LIABILITIES				
Reserve for future expenditures	\$ 521,611	\$ 6,572	\$ (2,409)	\$ 525,774
<u>George Washington Regional Commission</u>				
ASSETS				
Accounts receivable	\$ 202,909	\$ 268,701	\$ (202,910)	\$ 268,700
LIABILITIES				
Accounts payable	\$ 132,967	\$ 73,674	\$ (132,967)	\$ 73,674
Accrued salaries and benefits	16,416	16,712	(16,416)	16,712
Other liabilities	53,526	255,596	(130,808)	178,314
	<u>\$ 202,909</u>	<u>\$ 345,982</u>	<u>\$ (280,191)</u>	<u>\$ 268,700</u>
<u>Totals - All Fiduciary Agency Funds</u>				
ASSETS				
Cash and short-term investments	\$ 2,517,908	\$1,648,450	\$ (1,621,399)	\$ 2,544,959
Property taxes receivable	2,612,477	1,735,425	(812,896)	3,535,006
Accounts receivable	202,909	268,701	(202,910)	268,700
Total assets	<u>\$ 5,333,294</u>	<u>\$3,652,576</u>	<u>\$ (2,637,205)</u>	<u>\$ 6,348,665</u>
LIABILITIES				
Accounts payable	\$ 132,967	\$ 73,674	\$ (132,967)	\$ 73,674
Accrued salaries and benefits	16,416	16,712	(16,416)	16,712
Other liabilities	56,036	255,596	(130,808)	180,824
Reserve for future expenditures	1,781,878	6,572	(2,409)	1,786,041
Reserve for bondholders	3,345,997	3,378,562	(2,433,145)	4,291,414
Total liabilities	<u>\$ 5,333,294</u>	<u>\$3,731,116</u>	<u>\$ (2,715,745)</u>	<u>\$ 6,348,665</u>



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

STATISTICAL SECTION

(unaudited)

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

Contents

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

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

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

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

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

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

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

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

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

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

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

NET POSITION BY COMPONENT

Fiscal Years 2004 - 2013

(accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Primary government:										
Governmental activities:										
Net investment in capital assets	\$ 28,107,367	\$ 36,936,581	\$ 6,822,858	\$ 32,895,897	\$ 10,604,891	\$ 29,631,901	\$ 63,339,727	\$ 73,303,969	\$ 81,905,153	\$ 83,012,683
Restricted	1,614,704	1,545,450	1,318,218	1,379,409	1,484,829	256,965	777,238	2,540,231	2,585,376	2,563,552
Unrestricted (deficit)	(173,293,436)	(179,309,524)	(194,432,777)	(226,391,509)	(216,822,496)	(211,061,627)	(210,589,191)	(192,423,702)	(192,972,219)	(217,209,926)
Total governmental activities net position	<u>\$ (143,571,365)</u>	<u>\$ (140,827,493)</u>	<u>\$ (186,291,701)</u>	<u>\$ (192,116,203)</u>	<u>\$ (204,732,776)</u>	<u>\$ (181,172,761)</u>	<u>\$ (146,472,226)</u>	<u>\$ (116,579,502)</u>	<u>\$ (108,481,690)</u>	<u>\$ (131,633,691)</u>
Business-type activities:										
Net investment in capital assets	\$ 123,056,793	\$ 137,964,096	\$ 150,066,102	\$ 183,788,210	\$ 208,473,170	\$ 224,899,611	\$ 214,291,000	\$ 243,840,540	\$ 215,975,340	\$ 263,389,309
Restricted	-	11,065,752	11,396,183	11,695,567	11,912,732	12,002,547	12,165,547	14,293,655	51,224,071	14,008,268
Unrestricted	76,283,039	69,560,456	80,458,112	64,474,149	52,270,192	39,658,707	54,892,613	32,052,353	34,373,851	41,136,662
Total business-type activities net position	<u>\$ 199,339,832</u>	<u>\$ 218,590,304</u>	<u>\$ 241,920,397</u>	<u>\$ 259,957,926</u>	<u>\$ 272,656,094</u>	<u>\$ 276,560,865</u>	<u>\$ 281,349,160</u>	<u>\$ 290,186,548</u>	<u>\$ 301,573,262</u>	<u>\$ 318,534,239</u>
Total Primary government										
Net investment in capital assets	\$ 151,164,160	\$ 174,900,677	\$ 156,888,960	\$ 216,684,107	\$ 219,078,061	\$ 254,531,512	\$ 277,630,727	\$ 317,144,509	\$ 297,880,493	\$ 346,401,992
Restricted	1,614,704	12,611,202	12,714,401	13,074,976	13,397,561	12,259,512	12,942,785	16,833,886	53,809,447	16,571,820
Unrestricted (deficit)	(97,010,397)	(109,749,068)	(113,974,665)	(161,917,360)	(164,552,304)	(171,402,920)	(155,696,578)	(160,371,349)	(158,598,368)	(176,073,264)
Total primary government net position	<u>\$ 55,768,467</u>	<u>\$ 77,762,811</u>	<u>\$ 55,628,696</u>	<u>\$ 67,841,723</u>	<u>\$ 67,923,318</u>	<u>\$ 95,388,104</u>	<u>\$ 134,876,934</u>	<u>\$ 173,607,046</u>	<u>\$ 193,091,572</u>	<u>\$ 186,900,548</u>

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

COUNTY OF STAFFORD, VIRGINIA

Table S-2
Page 1 of 3

CHANGES IN NET POSITION
Fiscal Years 2004 - 2013
(accrual basis of accounting)
(unaudited) (1)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Primary government:										
Expenses										
Governmental activities:										
General government	\$ 9,380,584	\$ 11,537,549	\$ 5,934,279	\$ 14,320,059	\$ 14,985,255	\$ 13,641,852	\$ 12,261,364	\$ 12,719,415	\$ 12,623,568	\$ 12,734,773
Judicial administration	4,051,602	4,575,589	5,484,964	6,259,936	7,134,996	7,087,591	6,703,566	6,735,964	6,839,212	6,105,930
Public safety	27,018,180	31,085,473	36,405,012	40,408,595	47,572,866	44,273,261	45,897,812	45,474,144	49,986,737	55,435,338
Public works	2,658,003	3,666,239	2,050,631	3,375,036	4,925,416	7,437,815	7,326,583	7,674,038	7,851,234	9,554,439
Health and social services	10,860,558	12,172,857	12,534,771	12,853,899	14,279,036	13,527,646	13,664,321	13,783,282	14,070,334	13,856,403
Parks, recreation and cultural	6,980,492	6,364,800	7,898,191	10,117,611	11,386,966	10,750,553	10,096,206	9,659,082	12,034,049	12,784,641
Community development	2,682,723	3,763,355	5,417,064	5,114,537	5,537,404	5,241,060	4,603,445	5,472,934	4,837,754	4,921,864
Appropriation to School Board	135,344,754	102,306,484	153,719,718	117,225,152	124,008,330	101,194,329	109,379,789	107,730,081	123,139,836	142,751,306
Transportation	3,444,264	1,998,682	7,333,030	2,293,299	3,438,628	4,405,170	3,770,803	3,124,991	3,988,075	4,829,573
Interest	10,369,246	11,367,776	11,864,125	15,903,856	16,383,754	19,486,762	16,617,439	13,427,364	16,147,660	16,736,309
Change in equity - joint venture	391,306	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	213,181,712	188,838,804	248,641,785	227,871,980	249,652,651	227,046,039	230,321,328	225,801,295	251,518,459	279,710,576
Total business-type activities expenses	20,237,165	21,402,265	23,528,349	25,694,334	28,186,943	30,617,305	31,035,605	30,216,044	31,324,423	30,473,842
Total primary government expenses	\$ 233,418,877	\$ 210,241,069	\$ 272,170,134	\$ 253,566,314	\$ 277,839,594	\$ 257,663,344	\$ 261,356,933	\$ 256,017,339	\$ 282,842,882	\$ 310,184,418
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 160,199	\$ 405,787	\$ 214,435	\$ 184,244	\$ 3,619	\$ 965	\$ 1,108	\$ 25,964	\$ 225,028	\$ 242,505
Judicial administration	905,839	1,077,149	1,218,732	728,369	482,221	388,935	277,479	335,598	304,592	371,234
Public safety	5,724,699	6,159,315	7,469,813	6,505,497	5,772,896	6,143,041	6,691,261	6,549,245	6,693,587	7,926,496
Public works	-	-	-	-	-	67,927	70,097	71,817	68,888	72,680
Health and social services	80,625	72,088	72,325	50,120	34,375	310,308	292,027	175,902	140,145	195,762
Parks, recreation and cultural	1,306,205	1,421,089	1,465,902	1,428,532	1,370,845	1,642,351	1,754,006	1,806,643	1,840,751	1,900,427
Community development	380,965	684,653	915,784	919,603	2,207,172	1,550,465	1,077,860	1,343,065	1,237,301	1,796,945
Transportation	-	-	-	-	-	500	28,890	37,455	36,450	44,650
Operating grants and contributions										
General government	514,665	529,116	549,804	604,780	681,802	659,751	591,090	563,978	571,979	593,732
Judicial administration	1,035,082	1,197,742	1,471,532	1,914,556	1,737,551	1,959,943	1,697,023	1,890,125	1,619,250	1,775,749
Public safety	4,377,325	4,488,873	5,053,688	5,106,827	5,231,094	5,109,088	5,795,343	6,940,239	6,341,182	6,247,021
Public works	-	272,722	-	-	-	-	-	-	-	-
Health and social services	6,705,538	6,804,248	7,324,716	7,650,173	7,960,391	7,742,158	7,752,214	7,472,568	7,246,818	6,126,643
Parks, recreation and cultural	-	31,000	9,000	-	-	2,220	-	-	39,496	-
Community development	13,983	5,000	5,000	104,382	84,908	448,890	579,847	1,111,018	75,348	101,161
Transportation	-	1,117,486	-	716,564	452,413	41,940	10,729	139,175	1,031,384	82,849
Capital grants and contributions										
General government	-	1,312,406	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	601,983	49,327	-	-
Parks, recreation and cultural	-	1,016,158	-	-	-	-	16,453,700	-	-	-
Transportation	-	-	-	-	-	-	-	-	685,812	898,290
Total governmental program revenues	21,205,125	26,594,832	25,770,731	25,913,647	26,019,287	26,068,482	43,674,657	28,512,119	28,158,011	28,376,144

COUNTY OF STAFFORD, VIRGINIA

CHANGES IN NET POSITION
Fiscal Years 2004 - 2013
(accrual basis of accounting)
(unaudited) (1)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities:										
Charges for services	\$ 15,882,524	\$ 16,349,586	\$ 18,908,872	\$ 20,457,137	\$ 21,204,730	\$ 21,816,692	\$ 22,675,662	\$ 23,348,476	\$ 24,085,502	\$ 26,115,323
Operating grants and contributions	87,713	-	15,000	65,702	1,857,407	-	3,496,906	2,914,691	1,037,356	276,145
Capital grants and contributions	16,463,535	22,302,622	24,254,354	18,775,970	14,462,419	10,434,253	8,644,800	11,958,913	17,037,061	21,404,272
Total business-type activities										
program revenues	32,433,772	38,652,208	43,178,226	39,298,809	37,524,556	32,250,945	34,817,368	38,222,080	42,159,919	47,795,740
Total primary government program revenues	\$ 53,638,897	\$ 65,247,040	\$ 68,948,957	\$ 65,212,456	\$ 63,543,843	\$ 58,319,427	\$ 78,492,025	\$ 66,734,199	\$ 70,317,930	\$ 76,171,884
Net (expense)/revenue (2)										
Governmental activities	\$ (191,976,587)	\$ (162,243,972)	\$ (222,871,054)	\$ (201,958,333)	\$ (223,633,364)	\$ (200,977,557)	\$ (186,646,671)	\$ (197,289,176)	\$ (223,360,448)	\$ (251,334,432)
Business activities	12,196,607	17,249,943	19,649,877	13,604,475	9,337,613	1,633,640	3,781,763	8,006,036	10,835,496	17,321,898
Total primary government net expense	\$ (179,779,980)	\$ (144,994,029)	\$ (203,221,177)	\$ (188,353,858)	\$ (214,295,751)	\$ (199,343,917)	\$ (182,864,908)	\$ (189,283,140)	\$ (212,524,952)	\$ (234,012,534)
General revenues and other changes in net assets										
Governmental activities:										
Taxes										
General property taxes	\$ 102,313,689	\$ 112,385,362	\$ 119,255,939	\$ 134,602,576	\$ 154,022,352	\$ 165,287,706	\$ 168,106,174	\$ 172,389,860	\$ 175,603,509	\$ 176,261,594
Other local taxes	29,694,805	35,434,590	40,352,470	37,760,751	37,621,091	35,845,372	36,866,175	38,933,477	40,345,254	41,711,420
Unrestricted grants and contributions	12,903,423	12,925,795	14,141,680	13,133,856	12,918,794	14,707,388	15,599,795	15,019,020	14,911,207	14,941,367
Investment earnings	442,784	1,151,048	1,849,825	5,014,147	2,960,670	1,449,560	205,052	116,813	46,162	38,656
Miscellaneous	2,072,290	3,138,769	5,340,574	5,622,502	3,507,598	709,672	570,010	722,730	552,128	884,870
Gain (loss) on sale of property	-	-	-	-	-	-	-	-	-	-
Transfers	146,428	(47,720)	-	-	(13,713)	282,448	-	-	-	121,100
Extraordinary items	-	-	336,580	-	-	-	-	-	-	-
Total governmental activities	147,573,419	164,987,844	181,277,068	196,133,832	211,016,792	218,282,146	221,347,206	227,181,900	231,458,260	233,959,007
Business-type activities										
Investment earnings	796,090	1,751,827	3,061,335	3,735,172	3,266,902	2,473,329	964,691	514,145	377,663	282,527
Gain on disposal of capital assets	-	-	-	-	-	-	-	-	5,122	13,000
Miscellaneous	159,771	200,982	200,344	697,882	79,940	80,250	41,841	317,207	168,433	159,109
Transfers	(146,428)	47,720	-	-	13,713	(282,448)	-	-	-	(121,100)
Total business-type activities	809,433	2,000,529	3,261,679	4,433,054	3,360,555	2,271,131	1,006,532	831,352	551,218	333,536
Total primary government	\$ 148,382,852	\$ 166,988,373	\$ 184,538,747	\$ 200,566,886	\$ 214,377,347	\$ 220,553,277	\$ 222,353,738	\$ 228,013,252	\$ 232,009,478	\$ 234,292,543
Change in net position										
Primary government:										
Governmental activities	\$ (44,403,168)	\$ 2,743,872	\$ (41,593,986)	\$ (5,824,502)	\$ (12,616,573)	\$ 17,304,588	\$ 34,700,535	\$ 29,892,724	\$ 8,097,812	\$ (17,375,425)
Business-type activities	13,006,040	19,250,472	22,911,556	18,037,529	12,698,168	3,904,771	4,788,295	8,837,388	11,386,714	17,655,434
Total primary government	\$ (31,397,128)	\$ 21,994,344	\$ (18,682,430)	\$ 12,213,027	\$ 81,595	\$ 21,209,359	\$ 39,488,830	\$ 38,730,112	\$ 19,484,526	\$ 280,009
Total primary government										
Net position, beginning (3), (4), (5), (6)	\$ 87,538,631	\$ 56,141,503	\$ 78,135,847	\$ 55,628,696	\$ 67,841,723	\$ 74,178,745	\$ 95,388,104	\$ 134,876,934	\$ 173,607,046	\$ 186,620,539
Net position, ending	\$ 56,141,503	\$ 78,135,847	\$ 59,453,417	\$ 67,841,723	\$ 67,923,318	\$ 95,388,104	\$ 134,876,934	\$ 173,607,046	\$ 193,091,572	\$ 186,900,548

COUNTY OF STAFFORD, VIRGINIA

Table S-2
Page 3 of 3

CHANGES IN NET POSITION
Fiscal Years 2004 - 2013
(accrual basis of accounting)
(unaudited) (1)

- (1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
- (2) Net (expense) revenue is the difference between the expenses and program revenues. A positive number indicates that the program can be supported by program revenues. A negative number indicates that general revenues are needed to support or supplement the program.
- (3) In 2006, the beginning net position balance was restated to exclude road construction projects from the County's fixed asset balance. These road projects will eventually be turned over to the State to maintain.
- (4) In 2009 the beginning net position balance for the General Government was restated to reflect an adjusted prior year transfer from the Component Unit-School Board.
- (5) In 2012 the beginning net position balance for the governmental activities was restated to reflect an adjusted prior year transfer of a land asset to the Component Unit School Board.
- (6) In 2013 the beginning net position balance for the governmental activities was restated to reflect a change in accounting principle and a restatement of an error



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FUNDS BALANCES, GOVERNMENTAL FUNDS

Fiscal Years 2004-2013

(modified accrual basis of accounting)

(unaudited) (1)

	Pre-GASB 54 (2)						
	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
General Fund							
Reserved	\$ 4,254,360	\$ 3,222,625	\$ 1,368,198	\$ 1,118,262	\$ 2,843,111	\$ 926,214	\$ 1,237,328
Unreserved							
Designated	6,457,203	12,703,770	12,292,979	6,407,832	416,833	3,813,606	9,514,224
Undesignated (4)	19,224,667	25,639,124	19,189,249	23,430,256	24,644,447	30,538,661	26,268,217
Total General Fund	29,936,230	41,565,519	32,850,426	30,956,350	27,904,391	35,278,481	37,019,769
All Other Governmental Funds							
Reserved	1,674,452	1,710,935	257,039	261,148	295,985	315,533	810,531
Unreserved							
Designated							
Special revenue funds	4,669,633	3,873,957	3,015,288	6,492,813	9,075,142	5,419,558	12,813,595
Capital projects funds	5,857,033	544,868	47,616,579	26,377,422	44,354,683	21,744,145	10,852,158
Undesignated							
Special revenue funds	1,444,164	1,670,990	1,093,257	2,147,618	3,881,091	7,173,911	1,919,703
Capital projects funds	243,988	415,620	609,177	-	-	1,670,369	-
Total all other government funds	13,889,270	8,216,370	52,591,340	35,279,001	57,606,901	36,323,516	26,395,987
Total fund balances	\$43,825,500	\$49,781,889	\$85,441,766	\$ 66,235,351	\$85,511,292	\$71,601,997	\$63,415,756
Post-GASB 54 (3)							
	Fiscal Year						
	2010	2011	2012	2013			
General Fund							
Nonspendable	\$ 937,328	\$ 38,977	\$ 39,554	\$ 27,813			
Restricted	-	569,745	652,293	879,437			
Committed	4,806,242	9,588,558	11,846,432	13,937,000			
Assigned	5,007,982	10,219,883	13,496,185	11,883,767			
Unassigned	26,268,217	29,129,794	29,590,639	30,376,952			
Total General Fund	37,019,769	49,546,957	55,625,103	57,104,969			
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			
Committed							
Special Revenue	4,842,360	7,648,876	6,220,896	10,765,215			
Capital Projects	10,852,158	8,946,013	9,874,269	16,903,871			
Other Governmental Funds	-	-	1,152,847	7,123,925			
Assigned							
Special Revenue	9,869,676	10,027,309	4,330,167	3,798,204			
Other Governmental Funds	-	-	8,618,960	8,726,946			
Total all other government funds	26,395,987	28,592,684	32,130,221	49,002,276			
Total fund balances	\$63,415,756	\$78,139,641	\$87,755,324	\$ 106,107,245			

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

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

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

(4) The General Fund Undesignated fund balance was re-stated in fiscal year 2009 for fiscal years 2007 and 2008.

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 2004-2013

(modified accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
General property taxes	\$ 101,258,961	\$ 111,353,798	\$ 121,622,651	\$ 135,859,852	\$ 152,946,964	\$ 164,927,068	\$ 168,767,569	\$ 172,389,860	\$ 175,603,509	\$ 178,881,369
Other local taxes	29,694,805	34,543,355	38,312,276	35,490,473	35,761,003	33,933,856	34,883,967	38,218,971	39,638,192	41,017,797
Permits, privilege fees and regulatory licenses	4,431,676	5,847,703	7,174,717	6,277,427	5,011,135	4,646,243	4,058,796	3,368,355	3,165,460	4,342,575
Fines and forfeitures	833,105	772,566	867,114	905,693	729,448	691,102	729,490	904,319	730,433	784,514
Use of money and property	442,784	1,151,048	1,849,825	5,014,147	3,159,009	1,668,970	465,207	429,386	334,240	347,769
Charges for services	3,293,751	4,090,615	4,349,136	4,147,093	5,226,955	5,362,710	4,993,840	5,218,433	5,817,807	6,193,509
Miscellaneous	2,072,290	3,138,769	5,675,388	5,390,303	3,270,803	2,992,369	4,777,219	3,456,531	3,139,690	3,883,714
Intergovernmental	25,550,016	27,099,260	29,563,403	29,987,465	29,830,631	29,485,490	30,386,436	31,783,161	31,186,940	29,382,578
Total revenues	167,577,388	187,997,114	209,414,510	223,072,453	235,935,948	243,707,808	249,062,524	255,769,016	259,616,271	264,833,825
Expenditures										
Current operating:										
General government	10,282,188	11,444,218	13,065,292	15,286,072	17,603,620	17,131,984	15,796,367	15,118,921	16,048,880	12,083,734
Judicial administration	4,002,419	4,525,802	5,419,062	6,167,640	6,961,844	6,873,685	6,485,676	6,489,706	6,459,754	6,949,212
Public safety	27,021,222	30,125,219	33,323,162	39,192,264	44,007,441	41,799,586	44,816,171	45,841,713	48,822,682	53,421,921
Public works	2,265,499	2,805,045	3,304,353	3,501,246	4,019,189	3,988,036	4,382,841	5,221,699	7,167,438	7,124,172
Health and social services	10,859,186	12,132,314	12,549,758	13,039,756	13,968,888	13,302,169	13,564,781	13,597,282	13,684,536	13,435,827
Parks, recreation and cultural	6,601,474	7,780,027	8,483,121	10,873,546	15,340,188	11,865,961	10,079,702	10,875,709	11,314,097	14,444,997
Community development	2,698,930	3,513,087	5,064,579	5,160,842	5,211,654	5,861,420	4,521,530	5,272,457	4,723,822	4,795,928
Appropriation to school board:										
School operation	71,114,803	72,932,530	89,547,690	95,985,884	100,817,432	99,474,959	103,189,962	99,323,620	98,599,339	108,625,975
School capital projects	64,229,951	29,373,954	64,172,028	21,239,268	23,190,898	1,719,370	6,189,827	8,406,461	24,540,497	34,050,331
Transportation	-	-	-	-	-	-	-	-	-	2,781,761
Capital outlay	8,508,047	9,650,094	22,666,254	26,678,955	31,769,630	16,706,600	14,460,024	12,305,815	4,854,714	6,950,065
Debt service										
Principal	20,078,351	15,438,223	16,233,105	20,274,620	18,820,682	22,360,830	22,461,779	22,295,756	25,714,726	25,436,816
Interest and fiscal charges	8,859,992	12,045,756	12,142,734	14,945,078	16,334,633	19,168,869	17,839,981	17,604,636	16,932,891	16,780,980
Total expenditures	236,522,062	211,766,269	285,971,138	272,345,171	298,046,099	260,253,469	263,788,641	262,353,775	278,863,376	306,881,719
Excess of revenues over (under) expenditures	(68,944,674)	(23,769,155)	(76,556,628)	(49,272,718)	(62,110,151)	(16,545,661)	(14,726,117)	(6,584,759)	(19,247,105)	(42,047,894)
Other Financing Sources (Uses)										
Issuance of debt	-	27,595,000	100,590,000	20,359,366	78,744,286	1,704,853	6,189,827	9,585,984	26,515,000	54,115,000
Issuance of capital leases	-	1,102,700	8,434,211	3,451,690	2,655,519	649,060	350,054	8,707,998	-	-
Bond premium	2,620,702	1,075,564	2,949,267	-	-	-	-	-	3,577,788	6,163,715
Transfers in	348,385	390,109	927,731	8,529,884	11,133,536	4,854,932	2,060,019	1,710,869	4,011,416	4,603,625
Transfers out	(201,957)	(437,829)	(927,731)	(8,529,884)	(11,147,249)	(4,572,484)	(2,060,019)	(1,710,869)	(4,011,416)	(4,482,525)
Other miscellaneous non-operating revenue	-	-	-	-	-	-	-	3,089,662	-	-
Proceeds from indebtedness	68,034,768	-	-	-	-	-	-	-	-	-
Proceeds from capital leases	1,188,607	-	-	-	-	-	-	-	-	-
Loan to Component Unit	-	-	-	-	-	-	-	(1,305,000)	-	-
Total other financing sources (uses)	71,990,505	29,725,544	111,973,478	23,811,056	81,386,092	2,636,361	6,539,881	20,078,644	30,092,788	60,399,815
Net change in fund balances	3,045,831	5,956,389	35,416,850	(25,461,662)	19,275,941	(13,909,300)	(8,186,236)	13,493,885	10,845,683	18,351,921
Fund balance, beginning (3)	40,779,669	43,825,500	50,024,916	85,441,766	66,235,351	85,511,292	71,601,992	63,415,756	76,909,641	87,755,324
Fund balance, ending (3)	\$ 43,825,500	\$ 49,781,889	\$ 85,441,766	\$ 66,235,351	\$ 85,511,292	\$ 71,601,992	\$ 63,415,756	\$ 76,909,641	\$ 87,755,324	\$ 106,107,245

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 2004-2013

(modified accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total debt service	\$ 28,938,343	\$ 27,483,979	\$ 28,375,839	\$ 35,219,698	\$ 36,576,441	\$ 41,529,699	\$ 40,301,760	\$ 39,900,392	\$ 42,647,617	\$ 42,217,796
Total expenditures	\$ 236,522,062	\$ 211,766,269	\$ 285,971,138	\$ 272,345,171	\$ 298,046,099	\$ 260,253,469	\$ 263,788,641	\$ 262,353,775	\$ 278,863,376	\$ 306,881,719
Less: Capital outlay	7,484,816	10,768,840	26,514,511	29,508,946	38,200,394	20,488,695	17,834,948	19,148,190	13,202,826	16,817,195
Non-capital expenditures	\$ 229,037,246	\$ 200,997,429	\$ 259,456,627	\$ 242,836,225	\$ 259,845,705	\$ 239,764,774	\$ 245,953,693	\$ 243,205,585	\$ 265,660,550	\$ 290,064,524
Debt service as a percentage of noncapital expenditures	12.63%	13.67%	10.94%	14.50%	14.08%	17.32%	16.39%	16.41%	16.05%	14.55%

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

(2) The amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.

(3) In 2006, the beginning fund balance was restated. See Footnote 15 of the Financial Statements for 2006.
In 2009, the beginning fund balance was restated for 2007 and 2008. See Footnote 14 of the Financial Statements for 2009.

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Calendar Years 2004 - 2013

(unaudited) (1)

Calendar Year	Real Property				Personal Property							Total Taxable Assessed Value	Total Direct Tax Rate (4)
	Residential Real Property	Commercial and Industrial Real Property	Agricultural Real Property	Total Real Property (5)	Personal Property	Merchants Capital	Machinery & Tools	Mobile Homes	Aircraft (3)	Recreational Vehicles/ Trailers; Watercraft & Business Property	Total Personal Property		
2004 (2)	7,530,691,700	1,233,804,100	446,627,300	8,920,052,900	523,109,260	128,661,620	20,558,300	22,346,150	649,060	111,755,180	807,079,570	9,727,132,470	1.08
2005	8,008,477,670	1,311,858,550	451,249,400	9,499,678,248	577,596,000	154,583,360	26,896,500	23,713,450	2,309,520	118,288,960	903,387,790	10,403,066,038	1.08
2006 (2)	13,787,026,663	1,998,640,060	1,136,810,550	16,293,674,473	600,054,740	166,899,420	32,242,860	22,991,170	2,909,180	128,315,180	953,412,550	17,247,087,023	0.72
2007	14,334,990,827	2,123,204,227	1,019,445,450	16,913,237,529	593,950,230	172,227,860	33,666,130	24,005,890	2,700,660	139,618,480	966,169,250	17,879,406,779	0.79
2008 (2)	12,992,885,100	2,785,332,869	1,183,223,200	16,226,491,762	588,508,390	172,169,510	39,404,460	21,580,810	2,829,910	151,149,900	975,642,980	17,202,134,742	0.92
2009	13,207,302,880	2,806,328,239	1,101,805,900	16,313,534,929	525,381,390	175,881,250	42,843,200	22,562,060	-	148,909,350	915,577,250	17,229,112,179	0.94
2010 (2)	9,850,345,400	2,514,103,100	634,355,800	12,555,580,113	585,711,380	174,917,430	35,020,440	21,025,020	-	156,031,145	972,705,415	13,528,285,528	1.21
2011	10,021,541,300	2,540,176,800	611,053,100	12,719,091,716	580,866,160	180,885,340	30,960,430	20,411,060	-	158,134,400	971,257,390	13,690,349,106	1.19
2012 (2)	10,236,576,300	2,623,917,176	517,222,800	13,002,326,118	608,786,840	196,387,420	30,495,880	19,280,860	-	177,549,360	1,032,500,360	14,034,826,478	1.19
2013	10,453,773,090	2,673,373,426	497,992,200	13,262,150,638	632,393,059	186,440,770	-	16,697,240	-	137,968,580	973,499,649	14,235,650,287	1.19

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

(2) The county reassesses real property every two years. Real property is assessed at 100% of the fair market value.

(3) The tax for aircraft was eliminated in Calendar Year 2009.

(4) Total Direct Tax Rates are calculated per \$100 of assessed value, calculated on a weighted average basis. Refer to Table 6.

(5) The assessed value of real property does not include exempt values.

Source: Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA

Table S-6

DIRECT AND OVERLAPPING TAX RATES (1)

Calendar Years 2004 - 2013

(unaudited) (2)

Calendar Year	Real Estate		Personal Property (4)		Merchants Capital		Machinery and Tools		Mobile Homes (5)		Aircraft (7)		Recreational Vehicles/ Trailers; Watercraft & Business Property (6)		Total Direct Tax Rate For each Fiscal Year (8)
	Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied	Tax Rate	Direct Rate Applied	Tax Rate	Direct Rate Applied	
2004 (3)	0.97	0.89	5.49	0.12	0.50	0.01	0.75	-	0.97	-	3.00	-	5.49	0.06	1.08
2005	0.97	0.89	5.49	0.12	0.50	0.01	0.75	-	0.97	-	3.00	-	5.49	0.06	1.08
2006 (3)	0.63	0.60	5.49	0.08	0.50	-	0.75	-	0.63	-	3.00	-	5.49	0.04	0.72
2007	0.70	0.66	5.49	0.08	0.50	0.01	0.75	-	0.70	-	3.00	-	5.49	0.04	0.79
2008 (3)	0.84	0.79	5.49	0.08	0.50	-	0.75	-	0.84	-	3.00	-	5.49	0.05	0.92
2009	0.84	0.80	6.89	0.08	0.50	0.01	0.75	-	0.84	-	-	-	5.49	0.05	0.94
2010 (3)	1.10	1.02	6.89	0.12	0.50	0.01	0.75	-	1.10	-	-	-	5.49	0.06	1.21
2011	1.08	1.00	6.89	0.12	0.50	0.01	0.75	-	1.08	-	-	-	5.49	0.06	1.19
2012 (3)	1.07	0.99	6.89	0.12	0.50	0.01	0.75	-	1.07	-	-	-	5.49	0.07	1.19
2013	1.07	0.99	6.89	0.12	0.50	0.01	-	-	1.07	-	-	-	5.49	0.05	1.19

(1) All the rates listed on this page are direct rates, meaning the primary government has the authority to set, modify or approve.

Although the County does support some regional activities, there are no rates set or charged by any overlapping governmental bodies.

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

(3) Years of General Reassessments. Real estate is assessed at 100% of fair market value. Rates are charged per \$100 of assessed value.

(4) Personal property is assessed at 40% of fair market value. Hence, the effective tax rate is approximately \$2.76 per \$100 of fair market value.

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

(6) Beginning in calendar year 2009, recreational vehicles / trailers, watercraft and business property have a separate rate set.

In years prior to 2009, they were taxed at the personal property rate.

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

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

Source: Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA

Table S-7

PRINCIPAL PROPERTY TAX PAYERS

Calendar Years 2013 vs 2004

(unaudited) (1)

Tax Payer	Type of Business	Calendar Year 2013			Calendar Year 2004		
		Assessed Valuation	Rank	% Total Assessed Valuation	Assessed Valuation	Rank	% Total Assessed Valuation
Virginia Electric & Power Co	Utility	\$ 223,226,073	1	1.7%	\$ 76,175,917	1	0.8%
Silver Companies, Inc	Commercial	85,780,100	2	0.6%	24,524,200	8	0.3%
Verizon	Utility	80,408,972	3	0.6%			
Government Employees Insurance Co	Commercial	76,814,470	4	0.6%	61,956,020	2	0.7%
Stafford Marketplace LLC	Commercial	68,855,600	5	0.5%			
Washington Real Estate Investment Trust	Commercial	63,816,900	6	0.5%			
Wal-Mart	Commercial	60,595,004	7	0.5%	28,159,990	7	0.3%
ACPRE ACS Realty LLC	Commercial	54,918,100	8	0.4%			
Pulte Home Corp	Commercial	52,233,700	9	0.4%			
Garrett Companies	Commercial	46,993,400	10	0.4%	31,228,300	5	0.3%
McLane/Mid-Atlantic Inc, McLane Foods	Commercial				61,204,580	3	0.7%
Lakewood Associates	Commercial				34,899,400	4	0.4%
Route 606 - Reston LLC	Commercial				29,054,200	6	0.3%
Sky Terrace Associates LP							
England Run North Townhomes LP	Commercial				20,659,400	9	0.2%
Park Ridge Townhomes LP							
England Run North Apartments							
England Run North Apartments LP	Commercial				20,313,700	10	0.2%
Totals		<u>\$ 813,642,319</u>		6.1%	<u>\$ 388,175,707</u>		4.2%
Total taxable assessed real property		\$ 13,262,150,638			\$ 9,211,123,100		

(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 2004 - 2013

(unaudited) (1)

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (3)	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2004	81,251,276	2,439,327	83,690,603	80,586,156	99.18%	2,610,825	83,196,981	99.41%
2005	89,366,328	1,869,954	91,236,282	88,671,724	99.22%	2,434,316	91,106,040	99.86%
2006	98,469,052	573,162	99,042,214	94,744,404	96.22%	2,748,351	97,492,755	98.44%
2007	110,625,880	1,193,666	111,819,546	106,471,292	96.24%	3,098,748	109,570,040	97.99%
2008	127,394,700	2,466,572	124,928,128	121,206,262	95.14%	3,283,622	124,489,884	99.65%
2009	136,676,772	1,070,130	135,606,642	131,464,801	96.19%	4,116,333	135,581,134	99.98%
2010 (2)	138,836,401	430,065	138,406,336	133,418,693	96.10%	3,444,841	136,863,534	98.89%
2011	139,719,915	451,617	139,268,298	134,537,353	96.29%	2,072,327	136,609,680	98.09%
2012	139,782,928	475,102	139,307,826	134,446,756	96.18%	1,786,869	136,233,625	97.79%
2013	142,630,008	367,422	142,262,586	136,430,178	95.65%	0	136,430,178	95.90%

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

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

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

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

RATIOS OF OUTSTANDING DEBT BY TYPE

Direct Debt Ratios

Fiscal Years 2004 - 2013

(unaudited) (1)

Fiscal Year	Governmental Activities						Business-Type Activities		Total Direct Debt	Total Direct Debt		
	General Obligation Bonds (2)	Lease Revenue Bonds (2)	Literary Loans	Certificates of Participation	Capital Leases	VRA Loan	General Obligation Bonds (2)	Revenue Bonds (7)	Total Primary Government	Percentage of Assessed Real Property Value (3)	Percentage of Personal Income (4)	Outstanding Debt Per Capita (5)
2004	214,581,437	-	9,190,676	6,180,000	3,276,709	-	-	28,435,000	261,663,822	2.84%	7.10%	2,285
2005	229,012,371	-	8,509,527	5,265,000	3,701,401	-	-	25,145,000	271,633,299	2.78%	6.76%	2,308
2006 (6)	266,483,041	47,030,000	7,678,378	4,310,000	11,062,986	-	-	22,060,000	358,624,405	2.12%	8.36%	2,984
2007	272,722,829	47,030,000	6,922,229	3,310,000	12,401,196	-	-	18,875,000	361,261,254	2.07%	8.03%	2,992
2008	280,101,263	92,995,000	6,241,080	2,260,000	12,687,152	9,500,000	-	15,590,000	419,374,495	2.47%	8.56%	3,445
2009	266,648,806	91,890,000	5,484,931	-	10,601,729	9,147,259	-	12,240,000	396,012,725	2.31%	8.06%	3,225
2010	257,206,940	88,205,000	4,828,782	-	7,978,053	8,783,857	-	42,092,841	409,095,473	3.26%	7.77%	3,172
2011	251,459,634	84,470,000	4,172,633	-	14,138,137	8,409,471	-	38,017,841	400,667,716	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	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	3.60%	8.09%	3,526

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

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

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

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

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

(6) In 2006, \$47M of lease revenue bonds were issued for the construction of public safety projects. \$2.7M was used to pay back commercial paper that was obtained until the \$47M transaction could be executed. Although the \$2.7M of commercial paper was not redeemed until July 2006, it has been excluded from this report so as to provide a more accurate view of the debt ratios.

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

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Fiscal Years 2004 - 2013

(unaudited) (1)

Fiscal Year	General Obligation Bonds (4)	Percentage of Estimated Actual Taxable Value of Property (2)	Outstanding Debt Per Capita (3)
2004	214,581,437	2.48%	1,874
2005	229,012,371	2.49%	1,946
2006	266,483,041	2.60%	2,218
2007	272,722,829	2.30%	2,259
2008	280,101,263	2.05%	2,301
2009	266,648,806	1.95%	2,171
2010	257,206,940	1.86%	1,994
2011	251,459,634	1.83%	1,950
2012	257,810,098	1.85%	1,951
2013	297,085,268	2.09%	2,196

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

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

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

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

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

COUNTY OF STAFFORD, VIRGINIA

Table S-11

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2013

(unaudited) (1)

	Debt Outstanding	Estimated Percentage Applicable (3)	Estimated Share of Direct and Overlapping Debt
Direct debt:			
General Government			
General obligation bonds (2)	\$ 297,085,268	100.0%	\$ 297,085,268
Lease revenue bonds (2)	77,195,000	100.0%	77,195,000
Literary loans	3,195,335	100.0%	3,195,335
Capital leases	7,026,320	100.0%	7,026,320
VRA	7,626,409	100.0%	7,626,409
Total general government direct debt	392,128,332		392,128,332
Overlapping Debt:			
Regional Joint Activities			
Rappahannock Regional Jail	31,917,515	47.6%	15,202,312
Juvenile Detention Center	3,398,000	33.6%	1,141,728
Total regional joint ventures	35,315,515		16,344,040
Total overlapping debt	35,315,515		16,344,040
Total direct and overlapping debt	\$ 427,443,847		\$ 408,472,372

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

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

(3) The estimated percentage applicable of overlapping debt was calculated based on the population.

DEBT MARGIN INFORMATION

Fiscal Years 2004 - 2013

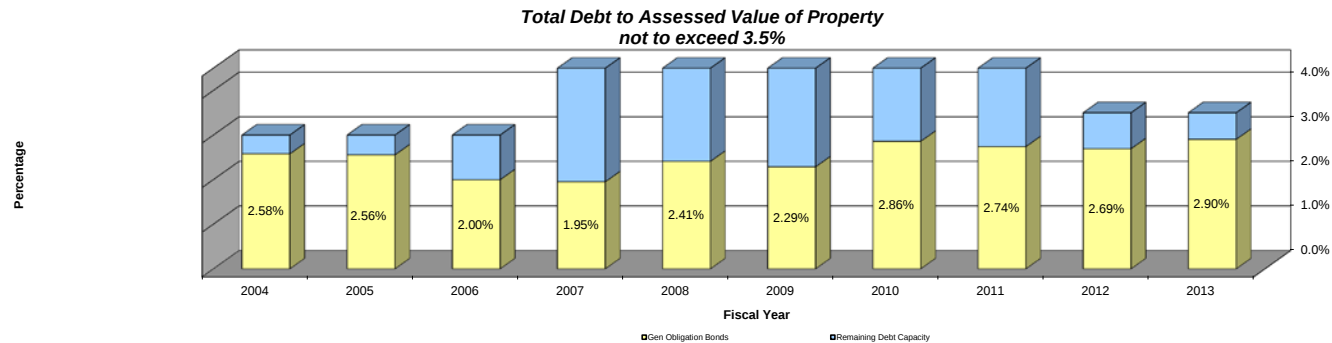
(unaudited) (1)

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

Debt Limitation 1:

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed value of taxable real property	\$ 8,920,052,900	\$ 9,499,678,248	\$ 16,293,674,473	\$ 16,913,237,529	\$ 16,226,491,762	\$ 16,313,534,929	\$ 12,555,580,113	\$ 12,719,091,716	\$ 13,002,326,118	\$ 13,262,150,638
Debt limit, 3.5% of assessed value (4)	\$267,601,587	\$427,485,521	\$733,215,351	\$761,095,689	\$730,192,129	\$734,109,072	\$565,001,105	\$445,168,210	\$455,081,414	\$464,175,272
Tax-supported general obligation debt (2)	\$229,952,113	\$242,786,898	\$325,501,419	\$329,985,058	\$391,097,343	\$373,095,996	\$359,024,579	\$348,511,738	\$350,180,351	\$385,102,012
% of assessed real property	2.58%	2.56%	2.00%	1.95%	2.41%	2.29%	2.86%	2.74%	2.69%	2.90%
Debt margin (3)	\$ 37,649,474	\$ 184,698,623	\$ 407,713,932	\$ 431,110,631	\$ 339,094,786	\$ 361,013,076	\$ 205,976,526	\$ 96,656,472	\$ 104,901,063	\$ 79,073,260



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

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

(2) The tax-supported general obligation debt includes general obligation bonds (including VPSA), lease-revenue bonds (issued for the construction of public safety projects), literary loans, certificates of participation and VRS taxable refunding bonds. Any impact of premiums and/or losses on refunding are excluded from these numbers

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

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

COUNTY OF STAFFORD, VIRGINIA

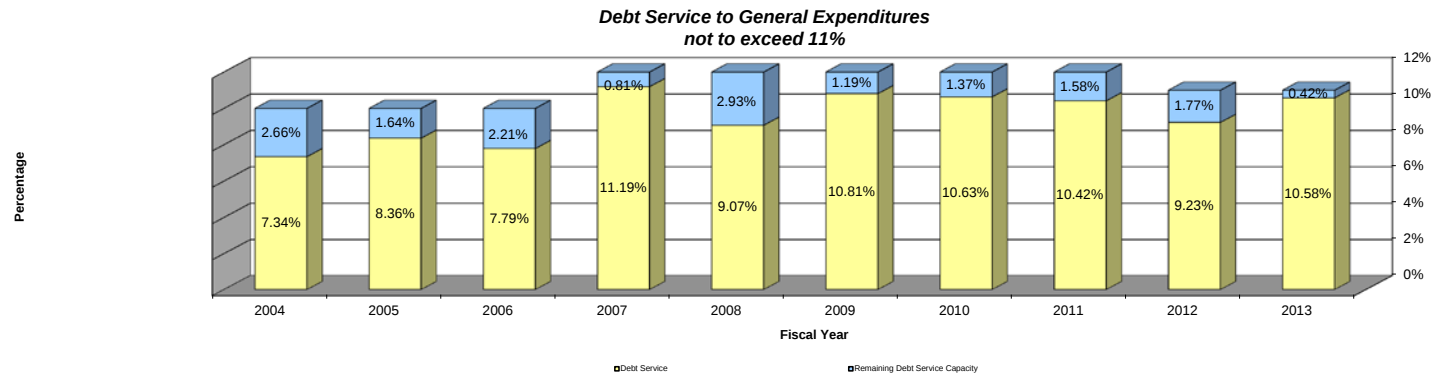
Table S-12
Page 2 of 3

DEBT MARGIN INFORMATION
Fiscal Years 2004 - 2013
(unaudited) (1)

Debt Limitation 2:

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government budget (4)	\$ 278,816,785	\$ 303,822,605	\$ 364,107,872	\$ 314,664,138	\$ 392,970,905	\$ 384,090,478	\$ 381,759,337	\$ 383,015,888	\$ 387,213,980	\$ 399,027,672
Debt limit, 11% of general government budget	\$27,881,679	\$30,382,261	\$43,692,945	\$37,759,697	\$47,156,509	\$46,090,857	\$45,811,120	\$42,131,748	\$42,593,538	\$43,893,044
Debt service expenditure (2)	\$20,475,624	\$25,413,847	\$28,375,839	\$35,219,698	\$35,651,348	\$41,529,699	\$40,585,901	\$39,900,392	\$35,742,589	\$42,217,796
Percentage of the general government budget	7.34%	8.36%	7.79%	11.19%	9.07%	10.81%	10.63%	10.42%	9.23%	10.58%
Debt service margin (3)	\$ 7,406,055	\$ 4,968,414	\$ 15,317,106	\$ 2,539,999	\$ 11,505,161	\$ 4,561,158	\$ 5,225,219	\$ 2,231,356	\$ 6,850,949	\$ 1,675,248



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

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

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

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

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

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

COUNTY OF STAFFORD, VIRGINIA

Table S-12

DEBT MARGIN INFORMATION

Page 3 of 3

Fiscal Years 2004 - 2013

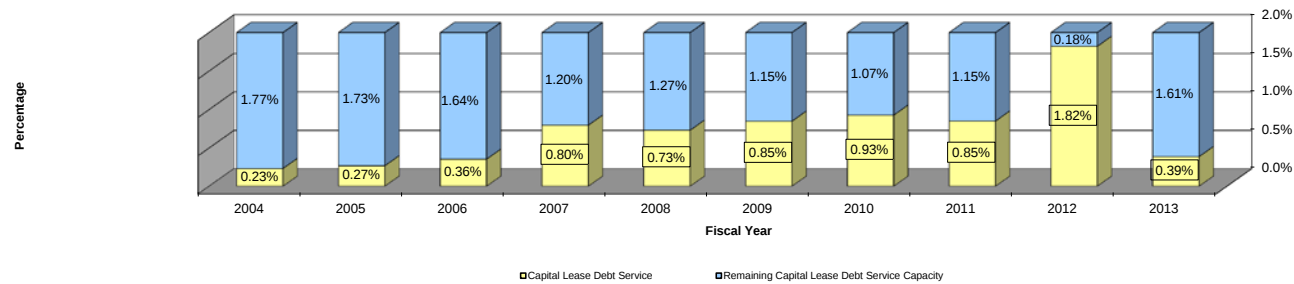
(unaudited) (1)

Debt Limitation 3:

Capital lease debt service shall not exceed 2% of the general government budget, with 2/3 allocated to Schools and 1/3 to the County. (3)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government budget	\$ 278,816,785	\$ 303,822,605	\$ 364,107,872	\$ 314,664,138	\$ 392,970,905	\$ 384,090,478	\$ 381,759,337	\$ 383,015,888	\$ 387,213,980	\$ 399,027,672
Capital lease debt service limit, 2% of general government budget (3)										
County limit	1,858,779	2,025,484	2,427,386	2,097,761	2,619,806	2,560,603	2,545,062	2,553,439	2,581,427	1,330,092
School Board limit	3,717,557	4,050,968	4,854,772	4,195,522	5,239,611	5,121,205	5,090,123	5,106,879	5,162,853	2,660,184
Total debt service limitation	5,576,336	6,076,452	7,282,157	6,293,283	7,859,418	7,681,810	7,635,187	7,660,318	7,744,280	3,990,276
Amount of debt service applicable to limit										
County	650,134	665,675	774,517	877,602	694,586	1,077,855	1,079,087	1,131,079	4,614,092	1,162,643
School Board	-	149,652	519,333	1,635,858	2,186,443	2,186,443	2,466,865	2,133,312	2,440,860	386,909
Total debt service applicable to limit	650,134	815,327	1,293,850	2,513,460	2,881,029	3,264,298	3,545,952	3,264,391	7,054,952	1,549,552
Capital lease debt service as a percentage of general government budget	0.23%	0.27%	0.36%	0.80%	0.73%	0.85%	0.93%	0.85%	1.82%	0.39%
Debt service margin (2)	\$ 4,926,202	\$ 5,261,125	\$ 5,988,307	\$ 3,779,823	\$ 4,978,389	\$ 4,417,512	\$ 4,089,235	\$ 4,395,927	\$ 689,328	\$ 2,440,724

Capital Lease Debt Service to General Government Budget
not to exceed 2%



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

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

(3) Debt service limit was 2% of general expenditures prior to fiscal year 2012; The Board changed this policy to 1% of general government budget and removed the 2/3 Schools and 1/3 County allocation in June 2012 after all debt service transactions had been recorded.

PLEDGED REVENUE COVERAGE: WATER AND SEWER FUND
Fiscal Years 2004 - 2013
(unaudited) (1)

Fiscal Year	Water and Sewer Fund						Coverage (Times) (4)
	Gross Revenue (2)	Less: Expenses (3)	Net Available Revenue	Debt Service			
				Principal	Interest	Total	
2004	28,124,153	12,696,935	15,427,218	3,190,000	950,253	4,140,253	3.73
2005	34,484,411	13,958,320	20,526,091	3,290,000	1,128,783	4,418,783	4.65
2006	33,984,945	15,409,624	18,575,321	3,085,000	1,148,181	4,233,181	4.39
2007	33,940,137	17,499,110	16,441,027	3,185,000	877,635	4,062,635	4.05
2008	30,567,806	19,904,541	10,663,265	3,285,000	747,220	4,032,220	2.64
2009	28,929,847	20,302,405	8,627,442	3,350,000	622,713	3,972,713	2.17
2010	30,500,257	20,306,248	10,194,009	3,435,000	510,034	3,945,034	2.58
2011 (5)	28,805,551	19,454,526	9,351,025	6,270,000	759,468	7,029,468	1.33
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

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

(2) Includes availability fees and any other revenue sources pledged for the retirement of debt which is consistent with Stafford County's Master Bond Covenants.

(3) Total expenses are exclusive of depreciation, amortization and bond interest.

(4) Net revenue coverage required by the covenants is 1.2 times the debt service.

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

COUNTY OF STAFFORD, VIRGINIA

Table S-14

DEMOGRAPHIC AND ECONOMIC STATISTICS

Fiscal Years 2004 - 2013

(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)
2004	114,513	59,459	28,837	2.8%	3,687,891	32,205	8,920,052,900
2005	117,674	62,173	30,398	2.7%	4,021,156	34,172	9,499,678,248
2006	120,170	64,157	32,260	2.4%	4,291,511	35,712	16,293,674,473
2007	120,723	65,002	34,542	2.6%	4,497,535	37,255	16,913,237,529
2008	121,736	66,222	35,037	3.4%	4,897,196	40,228	16,226,491,762
2009	122,800	66,487	34,878	5.4%	4,915,316	40,027	16,313,534,929
2010	128,961	67,677	35,064	5.7%	5,265,160	40,828	12,555,580,113
2011	128,961	68,039	35,484	5.2%	5,405,658	41,917	12,719,091,716
2012	134,352	72,993	37,508	4.9%	5,744,220	42,755	13,002,326,118
2013	135,311	71,569	38,039	5.1%	5,900,913	43,610	13,262,150,638

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

(2) Population figures (2003 - 2010) provided by the U.S. Census Count. 2011 figure is from the 2010 Census as no formal estimates have been released for 2011. 2012 & 2013 figure is from Stafford Economic Development.

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

(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: Stafford Economic Development.

(5) Unemployment Rate is as of July 2012. Source: Stafford Economic Development.

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

(7) Per capita Personal Income figures (2003-2009) provided by the U.S. Bureau of Economic Analysis (BEA).

Per capita personal income figures (2010-2011): Estimate provided by Stafford County Finance Department assuming a growth of 2%.

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

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

COUNTY OF STAFFORD, VIRGINIA

Table S-15

COMPARATIVE DEMOGRAPHIC AND ECONOMIC STATISTICS
Census Years 2000 & 2010
(unaudited) (1)

	2000 Census	2010 Census						
	Stafford County	Stafford County	Virginia			United States		
Population:								
Median age	33.0	34.2	(2)	37.5	(2)	37.2	(2)	
Persons under 18 years old	28.6%	29.2%		23.4%		24.3%		
Persons 19 to 64 years old	65.8%	64.3%		64.4%		62.8%		
Persons 65 years old and over	5.6%	6.5%		12.2%		12.9%		
Persons per square mile	341.9	477.0	(2)	202.1	(2)	87.3	(2)	
Education:								
High school or higher	88.6%	91.3%		85.8%		84.6%		
Bachelor's degree or higher	29.6%	35.5%		33.4%		27.5%		
Income:								
Median household income	\$75,456	\$88,179		\$59,372		\$50,221		
Housing:								
Number persons/household	3.0	3.0		2.5		2.6		
Percent owner occupied	80.6%	79.5%		69.2%		66.9%		
Owner occupied median value	\$156,400	\$364,900		\$247,100		\$185,400		

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

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

Source: US Census, 2000 & 2010.

COUNTY OF STAFFORD, VIRGINIA

Table S-16

PRINCIPAL EMPLOYERS

Fiscal Years 2013 vs 2004

(unaudited) (1)

Employer	Industry	Fiscal Year 2013			Fiscal Year 2004		
		Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
Stafford County School System	Education	3,715	1	9.2%	3,264	2	11.3%
GEICO, Government Employees Insurance	Insurance	1000+	2	2.6%	1000+	1	3.5%
FBI Academy (Stafford Facilities)	Government Services	1000+	3	2.6%			
U.S. Department of Defense	Government Services	1000+	4	2.0%			
Stafford County Government	County Government	786	5	2.1%	685	3	2.4%
Stafford Hospital Center	Medical	500-999	6	2.0%			
McLane Mid Atlantic	Retail Distribution	500-999	7	2.0%	500-999	4	2.6%
Intuit	Computer Services	250-499	8	1.0%	250-499	6	2.6%
Market Fare Foods	Food Manufacturing	250-499	9	1.0%	100-249	10	
YMCA	Recreation	250-499	10	1.0%	250-499	7	0.6%
Hilldrup Transfer and Storage, Inc	Van Line Services				250-499	8	0.6%
Fredericksburg Auto Auction	Wholesale Electronic Markets & Agents/Brokers				250-499	5	0.6%
Marconi Technology	Professional Science & Tech Services				100-249	9	0.6%
Total 10 Largest Employers		<u>9251-10,996+</u>		<u>26.0%</u>	<u>6,649-8,442+</u>		<u>24.9%</u>
Total County Employment		<u>38,039</u>			<u>28,837</u>		

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

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

(The data above does not include the 6,700 Marines or 6,900 civilians stationed/employed at the Quantico Marine Corps Base or any retail.)

Source: Virginia Employment Commission.

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION

Fiscal Years 2004 - 2013

(unaudited) (1)

Function/Program Employees:	Full-time Equivalent Employees as of June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Primary Government:										
Governmental activities:										
General government	117	123	131	134	122	116	105	98	99	99
Judicial administration	35	39	46	50	48	48	47	44	46	48
Public safety (2)	219	243	265	302	302	302	314	319	332	338
Public services (4)	14	20	24	19	23	24	-	-	-	-
Health and welfare	52	55	60	60	53	53	51	49	54	51
Parks, recreation and community facilities (3)	25	29	32	32	34	34	56	53	53	51
Community development	59	66	75	83	71	68	67	63	62	67
Transportation (5)	-	1	1	2	5	5	-	-	-	-
Total governmental activities employees	521	576	634	682	658	650	640	626	646	654
Business-type activities:										
Utilities	120	133	134	139	126	141	135	134	136	132
Total business-type activities employees										
Total primary government employees	641	709	768	821	784	791	775	760	782	786
Volunteers:										
Public safety (6)	300	300	250	250	546	634	461	600	550	400

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

(2) Includes E-911 Fund employees.

(3) Does not include seasonal employees.

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

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

(6) The number of Public Safety Volunteers is provided by the Stafford County Fire and Rescue Department.

Source: Stafford Human Resources Department.

OPERATING INDICATORS BY FUNCTION (13)

Fiscal Years 2004 - 2013

(unaudited) (1)

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:										
General government										
Commissioner of Revenue										
Taxpayers assisted at real estate and personal property counters	17,983	23,000	24,000	15,258	12,022	14,890	12,765	12,645	11,262	9,748
Building permits reviewed	3,500	4,000	3,300	2,756	2,177	1,465	1,604	1,609	1,798	1,961
State income tax returns processed	16,082	20,000	18,000	13,295	10,125	12,984	11,160	5,096	2,504	5,570
Personal property records processed	55,000	65,000	65,000	61,528	58,658	61,539	71,453	83,746	87,541	86,054
Finance										
Landfill bills processed	250	300	252	297	351	348	293	310	351	352
Accounts payable transactions processed (8)	64,881	61,501	55,094	42,036	42,215	34,794	42,105	43,980	44,497	45,156
Department of Human Resources										
Number of new hires	264	249	332	373	342	187	206	225	214	249
Number of positions recruited	137	294	264	481	291	192	93	86	94	80
Public Services										
Total facilities maintained (sq ft) (9)	220,335	222,696	225,046	231,999	421,134	427,381	433,427	495,567	495,567	563,271
Registrar										
Voters served at polling places	14,112	45,970	26,497	34,000	25,000	58,493	50,000	35,162	32,965	63,431
Registered Voters Served (12)								77,053	80,572	81,765
Treasurer										
Real estate and personal property bills processed	221,758	237,971	241,148	245,845	249,203	255,801	265,003	267,955	267,546	271,311
Auto decals processed	85,000	115,725	133,249	-	-	-	-	-	-	-
Water and sewer bills processed	320,000	331,703	339,528	361,142	366,941	372,158	377,978	385,619	390,614	395,147
Judicial administration										
Victims' services, both direct & indirect (11)	1,000	805	849	1,076	1,332	1,182	1,345	785	856	957
Public safety										
Requests for law enforcement service (responded)	73,759	70,611	73,390	73,112	72,096	71,464	70,941	68,817	75,457	73,371
Number of arrests	6,764	7,170	6,144	7,451	7,486	7,530	7,216	6,764	6,851	6,194
Number of fire and EMS calls (3)	20,698	21,799	21,806	22,984	23,707	21,734	20,648	22,674	25,660	25,957

COUNTY OF STAFFORD, VIRGINIA

Table S-18
Page 2 of 3

OPERATING INDICATORS BY FUNCTION

Fiscal Years 2004 - 2013

(unaudited) (1)

Function/Program	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Social Services										
Benefit applications received	4,275	4,369	4,597	4,877	5,857	7,329	7,907	7,910	7,853	8,552
CPS complaints investigated (4)	395	395	400	469	501	515	521	542	603	546
Food stamp households served	1,200	1,341	1,413	1,615	1,797	2,203	2,942	3,363	3,701	4,024
Foster care children served	157	140	138	127	143	116	88	79	73	71
Parks, recreational and cultural										
Programs offered: gymnastics	915	1,250	1,210	1,355	1,550	1,630	2,000	2,042	2,230	2,056
Programs offered: senior citizens	90	95	102	103	165	308	376	412	377	260
Programs offered: sports/recreation	325	335	340	494	390	505	1,051	811	915	618
Programs offered: aquatics	531	556	572	696	625	598	550	549	550	630
Acres maintained	906	906	1,000	1,000	1,162	1,162	1,432	1,432	1,432	1,476
Community development										
Public Works										
Permits issued (10)	22,676	21,817	21,396	15,335	11,931	3,405	3,157	3,381	3,567	4,306
Chesapeake bay building permits reviewed (6)	2,560	2,400	3,650	2,402	1,765	1,308	1,558	1,422	1,487	1,744
Building inspections performed	43,306	43,503	53,709	42,302	35,024	24,499	25,740	25,188	26,254	30,708
E&S control inspections performed (5)	14,247	22,709	11,336	16,393	13,004	9,926	7,256	6,276	5,765	6,584
Economic Development/Legislative Affairs										
At-place employment	28,837	30,398	32,260	34,542	35,037	34,878	35,064	35,484	37,508	38,039
Unemployment rate	2.8%	2.7%	2.4%	2.6%	3.4%	5.4%	5.7%	5.2%	4.9%	5.1%
Businesses in the County	1,793	1,948	2,061	2,155	2,248	2,231	2,217	2,234	2,257	2,272
Legislative bills reviewed for action/response	3,108	2,950	3,287	3,069	3,323	2,577	2,964	2,693	2,876	2,575
Planning and Zoning										
Addresses issued (7)	2,558	2,667	2,161	1,748	1,013	1,369	486	308	760	1,666
Subdivision applications processed	416	801	834	726	582	415	205	343	316	442
Site plans processed	153	384	381	367	373	235	145	140	143	160
Zoning site development inspections	377	477	205	571	281	835	152	169	272	265
Zoning enforcement inspections performed	811	965	1,075	958	1,037	887	1,130	987	807	604

OPERATING INDICATORS BY FUNCTION

Fiscal Years 2004 - 2013

(unaudited) (1)

Function/Program	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Business-Type Activities:										
Water & Sewer Utilities										
Billions of gallons of water treated per year	3.361	3.280	3.768	4.080	4.081	3.825	3.504	3.418	3.400	3.944
Water storage (mg)	15.800	15.800	15.800	16.645	16.645	16.645	16.645	16.645	16.645	16.645
Billions of gallons of wastewater treated per year	2.784	2.983	2.973	3.234	3.106	3.079	3.418	2.951	2.994	2.844
Number of customer accounts served	27,745	29,116	30,553	31,314	31,849	32,296	32,803	32,289	32,650	33,240

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

(2) Number of court cases includes Circuit Court, General District Court, Juvenile & Domestic Relations Court and Probation Violation Cases Tried.

(3) EMS = Emergency Medical Services

(4) CPS = Child Protection Services

(5) E&S = Erosion & Sediment

(6) The number of permits received in 2006 increased significantly due to applications for home additions now being reviewed, in addition to new construction.

(7) The number of new addresses decreased in 2010, which reflected an overall slow down in new home starts. The increase in 2013 is due to volume of residential applications.

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

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

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

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

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

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

(13) The data is provided by the applicable Stafford County Departments.

COUNTY OF STAFFORD, VIRGINIA

Table S-19

Page 1 of 2

CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Years 2004 - 2013

(unaudited) (1)

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public services										
Total facilities maintained (sq ft) (4)	220,335	222,696	225,046	231,999	421,134	427,381	433,427	495,567	495,567	563,271
Public safety (2)										
Number of Fire & Rescue Stations	5	5	5	5	6	7	7	7	7	8
Number of Fire Stations	4	4	4	4	4	4	4	4	4	4
Number of Rescue Squads	5	5	5	5	5	5	5	5	5	4
Utilities										
Water Plant Capacity (mgd)	19	19	19	19	19	19	19	19	19	19
Water Lines (miles)	475	484	491	558	571	579	579	584	600	613
Wastewater Plant Capacity (mgd)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	14.5	14.5	14.5
Sewer Lines (miles)	387	400	433	452	462	470	480	481	497	506
Pumping Stations	83	83	82	86	87	88	88	89	89	89
Parks, recreation and cultural										
Number of County parks	11	12	12	12	10	10	13	13	13	18
Acreage of County parks	925	1002	1002	1002	1025	1025	1432	1432	1432	1476
Number of Regional parks (5)	2	2	2	2	3	3	0	0	0	0
Acreage of Regional parks (5)	215	215	215	215	157	157	0	0	0	0
State and National parks (1,184 acres)	1	1	1	1	1	1	2	2	2	2
Playgrounds (county & schools)	24	24	24	24	24	25	25	25	25	25
Athletic fields (county & schools)	72	75	75	80	82	82	82	82	82	93
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	2
Public fishing lakes	3	3	3	2	2	2	2	2	2	2
Public boat ramps	2	2	2	2	3	3	3	3	3	3

COUNTY OF STAFFORD, VIRGINIA

Table S-19

Page 2 of 2

CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Years 2004 - 2013

(unaudited) (1)

Function/Program	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Parks, recreation and cultural (cont.)										
Public marinas	2	2	2	2	2	2	2	2	2	2
Skateboard parks	2	2	2	2	2	2	2	2	2	2
Senior citizens centers	1	1	1	1	1	1	1	1	1	1
Gymnastics training centers	1	1	1	1	1	1	1	1	1	1
Community centers	3	3	3	3	3	3	3	2	2	2
Community development										
Libraries (3)	1	1	1	1	1	1	1	2	2	2

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

(2) Although the County supports the Fire and Rescue stations, not all stations are owned by the County.

(3) The Central Rappahannock Regional Library (CRRL) is a shared facility serving the Central Rappahannock area.

(4) County owned facilities only.

(5) Regional parks & regional acreage was added to county parks & county acreage in fiscal year 2010.

Source: Various Stafford County Departments



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork



**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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 30, 2014.

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 a significant deficiency.

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 as findings 13-1, 13-2, 13-3, and 13-4 in the accompanying Schedule of Findings and Questioned Costs 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 as finding 13-6 in the accompanying Schedule of Findings and Questioned Costs 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 13-5.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

New Bern, North Carolina
January 30, 2014



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

Board of Supervisors
County of Stafford, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Stafford, Virginia's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2013. 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 statement includes the operations of the County of Stafford School Board, a component unit, which received \$ 16,689,274 in federal awards which is not included in the schedule during the year end June 30, 2013. Our audit, described below, did not include the operations of the County of Stafford School Board because the County of Stafford School Board separately engaged us to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Stafford, Virginia complied, in all material respects, with the 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, 2013.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



New Bern, North Carolina
January 30, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

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 0010113-90223 0040113-90104 0040113-90224	\$ 586,942
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 586,942
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass Through Payments:			
Department of Social Services			
Social Services Block Grant	93.667	1000113-90648 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	312,588
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760113-90116 0760113-90117 0760113-90118 0760113-90236 0760113-90237 0760113-90238 0760113-90529	67,643
Administration for Children and Families			
Chafee Education and Training Vouchers Program	93.599	9160112-90353	1,725
Child Welfare Services - State Grants	93.645	0900113-90251	2,157

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

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 0400113-90110 0400113-90111 0400113-90112 0400113-90127 0400113-90229 0400113-90230 0400113-90231 0400113-90232 0400113-90247 0400113-90249 0400113-90365 0400113-90377	\$ 472,200
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113-90623 0500113-90113 0500113-90233	2,516
Low-Income Home Energy Assistance	93.568	0600413-90114 0600413-90115 0600413-90234 0600413-90235	16,886
Foster Care Title IV-E	93.658	1100113-90639 1100113-90658 1100113-90105 1100113-90106 1100113-90147 1100113-90225 1100113-90226 1100113-90227 1100113-90253 1100113-90258 1100113-90267 1100113-90268	254,345
Adoption Assistance	93.659	1120113-90606 1120113-90607 1120113-90228	418,536
Chafee Foster Care Independence Program	93.674	9150113-90254 9150113-90356	8,329
State Children's Insurance Program	93.767	0540113-90102 0540113-90222	13,850
Medical Assistance Program (Medicaid; Title XIX)	93.778	1200113-90101 1200113-90146 1200113-90221 1200112-90266	<u>353,731</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 1,924,506</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures
DEPARTMENT OF DEFENSE			
Direct Payments:			
Office of Economic Adjustment			
Community Economic Adjustment Assistance			
Diversification Planning	12.614	not applicable	\$ 777
Joint Use Land Study	12.610	not applicable	\$ 100,384
Department of the Army			
Payments to States in Lieu of Real Estate Taxes	12.112	not applicable	5,453
TOTAL DEPARTMENT OF DEFENSE			\$ 106,614
U.S. DEPARTMENT OF JUSTICE			
Direct Payments:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	not applicable	66,537
Public Safety Partnership and Community Policing Grant	16.710		20,798
Pass Through Payments:			
Office of Juvenile Justice and Delinquency Prevention			
Juvenile Accountability Block Grants	16.523	13-C2275JB11	56,414
Office for Victims of Crime			
Crime Victim Assistance	16.575	13-P9564VW12	57,481
TOTAL U.S. DEPARTMENT OF JUSTICE			201,230
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Payments:			
Federal Highway Administration			
Highway Planning and Construction	20.205	not applicable	433,868
Pass Through Payments:			
Department of Motor Vehicles			
State and Community Highway Safety (Section 402)	20.600	154AL-2012-52219-4597	39,753
Selective Enforcement - Alcohol	20.601	K8-2013-53164-4879	8,744
Selective Enforcement - Occupant Protection	20.602	K2-2013-53165-4880	3,040
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			485,405
U.S. DEPARTMENT OF TREASURY			
Direct Payments:			
QSCB Interest	Unknown	not applicable	66,281

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures
DEPARTMENT OF HOMELAND SECURITY			
Direct Payments:			
Staffing for Adequate Fire and Rescue Response	97.044	EMW-2010-FH-00962	\$ 445,526
State Homeland Security Grant	97.073	10-A2168HS09 11-A2315HS10	586,694
Interoperable Emergency Communications	97.055	2010CKWX031	130,388
Pass Through Payments:			
Department of Emergency Management			
Emergency Management Performance Grant	97.042	2010-EP-EO-0039	48,588
Pet Sheltering Project Grant	97.073	2009 SHSP	50,536
Disaster Grants - Public Assistance	97.036	179-99179-00	189,427
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>\$ 1,451,159</u>
U.S. ELECTION ASSISTANCE COMMISSION			
Pass Through Payments:			
Help America Vote Act	90.401	132-0701-72302-4003010	<u>53,168</u>
GRAND TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 4,875,305</u>

See notes to the schedule of expenditures of federal awards

COUNTY OF STAFFORD, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2013

Note 1. Significant Accounting Policies

A. BASIS OF PRESENTATION

The accompanying "Schedule of Expenditures of Federal Awards" includes the federal grant activity of the County of Stafford, Virginia, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the "Schedule of Expenditures of Federal Awards." Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the "Schedule of Expenditures of Federal Awards."

Pass Through Payments – Assistance received in a pass through relationship from entities other than the Federal government is classified as pass through payments on the "Schedule of Expenditures of Federal Awards."

Major Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the County of Stafford, Virginia were determined using a risk-based approach in accordance with OMB Circular A-133.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the County of Stafford, Virginia: Child Care.

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

County of Stafford, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(as) identified?

✓

Yes

No

Significant deficiency(ies) identified?

✓

Yes

None Reported

Noncompliance material to financial statements noted?

✓

Yes

No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

Yes

✓

No

Significant deficiency(ies) identified?

Yes

✓

None Reported

Type of auditor's report issued on compliance for
major federal programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with Section 510(a) of
Circular A-133?

Yes

✓

No

Identification of major federal programs:

CFDA Number	Program Name or Cluster
97.044	Assistance to Firefighters Grant - Staffing for Adequate Fire and Emergency Response
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families
93.667	Social Services Block Grant

Dollar threshold used to distinguish between
type A and type B programs

\$ 300,000

Auditee qualified as low-risk auditee?

✓

Yes

No

(Continued)

County of Stafford, Virginia

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

Section II - Financial Statement Findings

Finding 13-1

Material Weakness in
Internal Control - Improper
Accounts Payable Cutoff

Criteria:	Controls should be in place to ensure expenditures are accounted for in the proper accounting period in accordance with generally accepted accounting principles.
Condition and context:	During testing of cash disbursements subsequent to the County's June 30, 2013 fiscal year end, we discovered that a material invoice had not been recorded in the proper fiscal year for items that had been received by the County prior to June 30, 2013. Receipt to of the items before July 1, 2013 established the County's liability, therefore the expenditure and related payable should have been recorded as of June 30, 2013 instead of recognizing the expenditure in fiscal year 2014.
Effect:	General Fund expenditures and accounts payable as of June 30, 2013 were understated by \$1,933,409 before adjustment, therefore resulting in the general fund's ending fund balance being overstated by \$1,933,409. Because these items were items that were also capitalized construction in process at the government-wide level capital assets and accounts payable were also understated by the same \$1,933,409, there would have been no impact to net position at the government-wide level.
Cause:	Miscommunication between the finance department and the Fire & Rescue Department. The finance department was unaware of the outstanding invoice and was also not aware that a majority of the items on the invoice had been received prior to the end of the 2013 fiscal year. This was due to documentation not being provided to the finance office which resulted in insufficient evidence to determine the proper accounting period for invoices received near or after year end.
Recommendation:	The Finance office should be informed of all invoices that are outstanding to be able to encumber such items until the related items have been received. Receiving documentation should be provided to finance once the items have been received to determine the proper accounting period to record accounts payable transactions.
Views of Responsible Officials:	We concur. Encumbrance listings are already sent to each department for review with a schedule of year end and how to facilitate year end cutoff. In the future the Finance Department will send an additional reminder after year end asking if any receipts occurred prior to year end. A memo from Fire & Rescue was sent to the Administration after the situation was identified. A copy of the memo is attached as Exhibit A.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

Section II - Financial Statement Findings (Continued)

Finding 13-2

Material Weakness in
Internal Control - Cash Cutoff
and Reconciliations

Criteria:	Controls should be in place to ensure cash transactions are accounted for in the proper accounting period in accordance with generally accepted accounting principles
Condition and context:	During review of the June 30, 2013 cash reconciliation process we discovered that the general ledger balance from the County's HTE system did not tie to the reconciled cash balance by \$3,113,102. While the reconciling items had been identified, the balance of reconciled cash as reported by the Treasurer's office should be the balance of cash on the County's HTE system at June 30, 2013.
Effect:	Overall cash on the statement of net position would have been understated by \$3,113,102 with the offset being to a multitude of accounts payable, accounts receivable, and revenue accounts.
Cause:	There are multiple contributing factors to the error in cash: 1. The County utilizes a cash billing and collection software in the Treasurer's department that is not fully integrated with the County's general ledger. Therefore, items are at times not received through one system that are received through the other causing additional discrepancies. 2. There are multiple people attempting to complete the reconciliation between the Treasurer's department and the finance department resulting in miscommunication and an inconsistent process. 3. The reconciliations were not being completed timely. The County's cash reconciliation for June 30, 2013 was not able to be completed till mid October. 4. Cash is being reconciled in total versus being reconciled on an individual bank account basis resulting in an overly-complex reconciliation process that has contributed to the reconciliations not being performed timely. 5. Not all client staff were aware that differences between total cash per the County's HTE system and total cash per the Treasurer's cash reconciliation of the Treasurer's cash collection system must agree at year end in order to reflect all cash transactions that either occurred or did not occur in fiscal year 2013 versus fiscal year 2014
Recommendation:	The cash reconciliation process should be broken down to where there is an individual reconciliation for each bank account and the statement should be reconciled all the way through the general ledger. Depending on the items in the reconciliation, the bank accounts should be reconciled within 30 to 45 days after receipt of the statement. If bank reconciliations are to serve as an effect control over the cash accounts, they must be prepared on a timely basis and all reconciling items should be investigated and remedied in a timely manner. The County should also consider utilizing one cash billing and collection software that is fully integrated with the County's general ledger software.
Views of Responsible Officials:	The reconciling items were identified by staff and the timing differences between bank and book were noted. Therefore, we do not believe there was an accuracy issue. Per the auditor's request, book entries were made. With respect to reconciliations being completed in a timely manner, we concur. The Treasurer's cash billing and collections software does interface with the County's HTE general ledger system. The Treasurer's office reconciles to the cash collections system daily. The Treasurer's office and Finance Department will work together to streamline the process and improve timeliness.

County of Stafford, Virginia

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

Section II - Financial Statement Findings (Continued)

Finding 13-3

Material Weakness in
Internal Control - Review of Year-
End Accrual Workpapers

Criteria:	A system of review should be in place to determine that calculations involving year-end accruals are mathematically accurate and are derived from the proper source documentation and recorded in accordance with generally accepted accounting principles.
Condition:	During the audit, there were several instances where workpapers utilized to record year-end accruals had mathematical or logical errors.
Effect:	Accrued interest for the governmental activities was understated by \$493,775 while, in the Water/sewer fund accrued interest was overstated by \$14,237. Net Other Postemployment Benefits (OPEB) obligation in the Water/sewer fund was overstated by \$335,442. General fund deferred revenue was understated by \$262,713.
Cause:	Lack of second-party review of year-end accrual workpapers by persons with the knowledge and understanding of the calculations involved in determining the related accruals. Staffing levels and employee turnover may have also played a role by involving less experienced staff or having staff, trying to perform normal operating tasks plus preparing supporting workpapers for the County's CAFR, not able to commit sufficient time to the financial statement process.
Recommendation:	Assignment for the calculation of accruals should be given to knowledgeable staff and reviewed by supervisory personnel who have the knowledge and skills to adequately confirm that the accrual calculations are correct.
Views of Responsible Officials:	We concur and will task one person to review year end accrual worksheets. This person will not be the same person that creates or completes the worksheet.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

Section II - Financial Statement Findings (Continued)

Finding 13-4

Material Weakness in
Internal Control - Restatement
of Prior Year Financials

Criteria:	Controls should be in place to review that information in the statements and schedules agrees to the amounts shown in the notes to the financial statements and the reconciliation from the fund level statements to the government-wide statements.
Condition and context:	During testing of the capital projects fund beginning fund balance, we noted that a payment that occurred in the 2013 fiscal year in the amount of \$5,320,000 was closed out to the 2012 fiscal year. When preparing the 2012 fiscal year CAFR, this payment also reduced the amount of debt obligations for the 2012 fiscal year even though the payment, shown as an expenditure at the fund level, did not take place in the 2012 fiscal year. In addition, an amount was included in liabilities in the amount of \$1,155,000 which had been shown as a reduction of expenditures at the governmental fund level for which no expenditures at the fund level had been incurred.
Effect:	Debt obligations for the County were understated \$5,320,000 and expenses were also understated by this same amount. Liabilities were also overstated by \$1,155,000 and overstated expenses by the same amount. The total impact was understatement of expenses and net position of the prior year by \$4,165,000.
Cause:	Not having adequate time to review the financial statements to agree amounts at the fund level to the activity in the notes to the financial statements. Staffing levels and employee turnover or retirement may have played a role by involving less experienced staff or having staff, trying to perform normal operating tasks plus preparing supporting workpapers for the County's CAFR, not able to commit sufficient time to the financial statement process.
Recommendation:	The Finance office should review all statements, schedules and amounts used in the reconciliation to government-wide against the amounts shown in the notes to the financial statements. Any differences should be investigated and reconciled.
Views of Responsible Officials:	This issue occurred in FY12. Cherry Bekaert & Holland LLP, the audit firm in FY12, required us to book the entry because the funds had been sent to the trustee even though the physical payoff did not occur until July. Staff continued this approach into FY13. McGladrey LLP, the FY13 audit firm, requested the changes noted above.

County of Stafford, Virginia

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

Section II - Financial Statement Findings (Continued)

Finding 13-5

Auditor of Public Accounts -
Code of Virginia Compliance -
Conflict of Interest Statements

Criteria:	Section 2.2-3115 of the Code of Virginia requires that certain employees, elected officials, and appointed members of local boards complete a conflict of interest statement and/or real estate disclosure form with the County Clerk of Court by January 15 of each year.
Condition and context:	During our testing of Conflict of interest statements, we noted there were 6 instances where individuals, appointed to local boards and required to submit a conflict of interest statement, failed to do so; 5 instances where individuals, appointed to local boards and required to submit a conflict of interest statement, did not do so timely; and 2 instances where individuals, appointed to local boards and required to submit a statement of real estate disclosure, failed to do so.
Effect:	The County is not in compliance with Section 2.2-3115 of the Code of Virginia
Cause:	Lack of appropriate training and emphasis on the importance of completion of the forms as well a lack of follow-up review by those responsible for the collection of the forms.
Recommendation:	Information and training sessions be established for those required to complete the forms as well as system of review to ensure that forms sent to applicable persons are collected in a timely manner.
Views of Responsible Officials:	It is County policy to comply with the provisions of the State and Local Government Conflict of Interest Act. Each year, staff sends necessary forms and website information to all affected individuals. Additionally, email reminders are sent and follow up phone calls are made. No county employee or elected official were late in submitting forms. Regarding specific forms, some individuals resigned at the end of 2012 or were appointed after the beginning of 2013. Additionally, 1 position was vacant for the entire year.

County of Stafford, Virginia

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

Section II - Financial Statement Findings (Continued)

Finding 13-6

Significant Deficiency in Internal
Control - Prepaid Taxes

Criteria:	Per County policy, deferred tax revenue should be recorded in the amount of all prepaid taxes plus the amount of taxes not received within 45 days of year end which is estimated will ultimately be collected. The Treasurer's office should be providing sufficient documentation to the Finance office to properly record deferred revenue at year end.
Condition and context:	During our testing of deferred tax revenue, it was discovered that the deferred tax revenue calculation did not include amounts paid for future tax levies (prepaid taxes). The finance office had not received a report indicating the total tax collections prior to July 1, 2013 applicable to future periods and consequently deferred revenue was understated.
Effect:	Tax revenue in the General Fund was overstated by, and deferred revenue in the general fund was understated by, \$577,925 resulting in fund balance being overstated by the same \$577,925
Cause:	Lack of communication between the Treasurer's office and the Finance office regarding reports needed to determine taxes paid in advance at year-end
Recommendation:	While the amount is not material, and the Finance and Treasury departments each have some unique statutory/administrative responsibilities, the Finance and Treasurer's departments should discuss and create a listing of common processes/documents/reports that overlap between the two departments, and coordinate process execution and document/report preparation, and cross-review information for accuracy and as an internal control.
Views of Responsible Officials:	Finance and Treasurer's Departments have met to ensure that proper information is transmitted.

County of Stafford, Virginia

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

Section III - Findings and Questioned Costs for Federal Awards

None reported.

County of Stafford, Virginia

Corrective Action Plan
Year Ended June 30, 2013

Identifying Number: 13-1

Finding: Gerenal Fund expenditures and accounts payable were understated by \$1,933,409. Due to the items being capitalized, CIP at the government-wide level was understated by \$1,933,409

Corrective Actions Taken: The County made the appropriate adjustments to both the fund and government-wide statements. Going forward additional steps will be taken to ensure payables are properly included at year end

Identifying Number: 13-2

Finding: Cash reconciliations were not being prepared timely resulting in cash being understated by 3,113,102

Corrective Actions Taken: The County made the appropriate entries to adjust the general ledger cash balance to the balance reported per the Treasurer's office. Cash reconciliations will be performed on a timely basis and reconciling items will be adjusted through the general ledger at year end.

Identifying Number: 13-3

Finding: Year-end accrual workpapers were not being reviewed by a second party resulting in multiple accrual balances being misstated at year end.

Corrective Actions Taken: The County made the appropriate entries to adjust the balances to the correct balances per recalculated accrual worksheets. An individual will be assigned for subsequent fiscal years to review all year end accrual workpapers who had no role in the creation or preparation of the workpaper.

Identifying Number: 13-4

Finding: Two transactions that were for fiscal year 2013 were closed into fiscal year 2012 resulting in debt obligations being understated by \$5,320,000 and liabilities being overstated by \$1,155,000.

Corrective Actions Taken: The County made the appropriate entries to adjust the net position and fund balances through a restatement of the prior year financials. The Finance office will assign preliminary and secondary review of statemets to ensure that amounts are being properly disclosed.

County of Stafford, Virginia

Corrective Action Plan (Continued)
Year Ended June 30, 2013

Identifying Number: 13-5

Finding: There were several instances where appointed officials' required conflict of interest statements and/or real estate disclosure statements were not filed or filed timely resulting in noncompliance with Section 2.2-3115 of the Code of Virginia

Corrective Actions Taken: The County will abide by its policies to be in compliance with the Code of Virginia and send additional emails to appointed officials to ensure compliance.

Identifying Number: 13-6

Finding: Prepaid tax information is not being communicated between the Finance Department and Treasurer's office resulting in an understatement of deferred revenue and overstatement of revenue and fund balance of \$577,925.

Corrective Actions Taken: The County made the appropriate entries to adjust revenue, deferred revenue and fund balance to the proper amounts. The Treasurer's office and Finance Department have met and discussed all items needed between the two departments for financial reporting purposes.

County of Stafford, Virginia

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013**

2012.01

Noncompliance: _____

Status	As reported in the current year, the County is still not in compliance with the requirements of Chapter 31 (Section 2.2-3115) of Title 2.2 of the Code of Virginia.
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Stafford County Fire and Rescue Department

Memo

Date: September 27, 2013

To: Anthony Romanello
County Administrator

From: Mark Lockhart, NRP
County Fire Chief

Subject: SCBA Purchase Audit Issue

I have reviewed the SCBA purchase information and documentation. The timeline graphic is attached for reference.

In brief, the order was placed with MES on February 19, 2013. We made one adjustment to the order (facemask style – no monetary change) on May 9, 2013. A partial delivery was received on May 28, 2013 and an invoice for \$367,356.50. That invoice was paid on June 12, 2013. A second partial delivery was made on June 4, 2013 and an invoice for \$5,541.76 was subsequently received on June 13, 2013. That invoice was paid on June 26, 2013. A third partial delivery was received on June 13, 2013. On June 14, a request for payment was being prepared when it was discovered that the shipment had several items on back-order. The decision was made at that time to defer payment due to the back-order. Several conversations with MES indicated that there had been some delays in shipping on the face masks and voice amplifiers. A revised invoice minus the cost of those items was requested but never received. On August 19, 2013, MES contacted our office requesting payment in full and promised the back-ordered items (face masks and voice amplifiers) would ship that week. The final payment of \$2,327,622.97 was entered in the system on August 20, 2013. As of today, we still have not received those items. We remain in constant contact with MES regarding this issue.

All three deliveries were received at the Training and Logistics Center and were entered into the department's inventory control system over the next few weeks. We have been able to account for all items received.

I would be happy to answer any questions that you may have.



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Balance Empowerment Service Teamwork