

Stafford County Public Schools

Comprehensive Annual Financial Report

(A Component Unit of Stafford County, Virginia)



Inspiring Excellence and Life-Long Learning

Fiscal Year 2010
(July 1, 2009— June 30, 2010)

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2010



Members of the Stafford County Board of Supervisors

Mr. L. Mark Dudenhefer, Garrisonville District – Chairman
Mr. Paul V. Milde III, Aquia District – Vice-Chairman
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Members of the School Board

Ms. Dana Reinbolt, Griffis-Widewater District – Chairman
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Mrs. Meg G. Bohmke, Falmouth District
Mr. Ty A. Scheiber, Garrisonville District
Ms. Patricia Mancini, George Washington District
Ms. Doreen Phillips, Hartwood District

Officials of Stafford County Public Schools

Dr. Randy Bridges, Superintendent
Dr. Andre Nougaret, Interim (and Deputy) Superintendent
Chris Quinn, Assistant Superintendent of Instruction
Wayne C. Carruthers, CPA, Assistant Superintendent of Financial Services & CFO
G. Scott Horan, Chief Facilities Officer
David Mirra, Chief Technology Officer
Daryl Nelson, Executive Director of Administrative and Legal Services
Rick Fitzgerald, Executive Director of Human Resources
Valerie Cottongim, Public Information Officer

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2010

2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2010
(July 1, 2009 – July 30, 2010)

Prepared By:

Department of Financial Services

Lance W. Wolff, CPA
Director of Finance & Accounting

Andrea Light
Assistant Director of Accounting

Eileen Leonard, CPA
Accounting Manager



"To challenge each student to achieve excellence in a global society."

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Transmittal Letter	i
Organization Chart	viii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
<i>Government-wide Financial Statements</i>	
Statement of Net Assets (Exhibit A)	12
Statement of Activities (Exhibit B)	13
<i>Fund Financial Statements</i>	
Governmental Funds Financial Statements	
Balance Sheet (Exhibit C)	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Exhibit C-1)	15
Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit D)	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit D-1)	17
Proprietary Funds Financial Statements	
Statement of Net Assets (Exhibit E)	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets (Exhibit F)	19
Statement of Cash Flows (Exhibit G)	20
Fiduciary Fund Financial Statement	
Statement of Fiduciary Net Assets (Exhibit H)	21
Statement of Changes in Fiduciary Net Assets – OPEB Trust Fund (Exhibit I)	22
Statement of Changes in Fiduciary Net Assets – Scholarship Trust Fund (Exhibit J)	23
Statement of Changes in Fiduciary Net Assets – Endowment Trust Fund (Exhibit K)	24
Notes to the Basic Financial Statements	25
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Exhibit L)	46
Schedule of Funding Progress for Defined Pension Benefit Plan, Other Post- employment Benefits Medical Plan and VRS Health Insurance Credit OPEB Plan (Exhibit M)	47
Notes to Required Supplementary Information	48
Other Supplementary Information	
Combining Statements for Non-major Governmental Funds: Special Revenue Funds	
Combining Balance Sheet (Exhibit N)	49
Combining Balance Sheet for Non-major Governmental Grants Fund (Exhibit O)	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit P)	51

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2010

TABLE OF CONTENTS (continued)

	<u>Page</u>
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances For Grants Fund (Exhibit Q)	52
Combining Statements for Proprietary Funds: Internal Service Funds	
Combining Statement of Net Assets (Exhibit R)	53
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets (Exhibit S)	54
Combining Statement of Cash Flows (Exhibit T)	55
Fiduciary Funds	
Statement of Changes in Fiduciary Net Assets - Agency Fund (Exhibit U)	56
STATISTICAL SECTION	
Statistical Section Overview	57
Financial Trends	
Net Assets by Component (Table S-1)	58
Changes in Net Assets by Component (Table S-2)	59
Fund Balances – Governmental Funds (Table S-3)	60
Changes in Fund Balances – Governmental Funds (Table S-4)	61
Demographic Information	
General Information (Table S-5)	62
Full-time Equivalent Employees (Contracted) (Table S-6)	63
Numbers of Schools (Table S-7)	64
Division-wide Enrollment (Table S-8)	65
Operating Information	
Various operating indicators (Table S-9)	66
Transportation operating indicators (Table S-10)	67
Food and Nutrition Services operating indicators (Table S-11)	68
Fleet Services operating indicators (Table S-12A – Table S-12B)	69
Technology and Information Services Data (Table S-13)	71
Property Data (Table S-14)	72
Energy Savings (Table S-15)	73
Average SAT scores (Table S-16)	74
Standards of Learning Test Passing Rates (Table S-17A – Table S-17D)	75
School Accreditation and Adequate Yearly Progress (Table S-18)	79
COMPLIANCE SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	80
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	82
Schedule of Expenditures of Federal Awards	84
Notes to the Schedule of Expenditures of Federal Awards	85
Schedule of Findings and Questioned Costs	86
Summary Schedule of Prior Year Findings	87

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2010

INTRODUCTORY SECTION



STAFFORD COUNTY PUBLIC SCHOOLS

Department of Financial Services

31 Stafford Avenue

Stafford, Virginia 22554-7246

Phone: (540) 658-6000

Fax: (540) 658-6600

Web site: <http://stafford.schoolfusion.us>

Wayne C. Carruthers, CPA
Assistant Superintendent
Chief Financial Officer
Department of Financial Services

The mission of Stafford County Public Schools is to challenge each student to achieve excellence in a global society.

December 10, 2010

Members of the Stafford County School Board
County of Stafford, Virginia

We hereby submit the Comprehensive Annual Financial Report (CAFR) of Stafford County Public Schools (SCPS, or the division) for the fiscal year ended June 30, 2010. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of SCPS. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities and funds of SCPS.

Overview of the Comprehensive Annual Financial Report

This CAFR is divided into four sections: (1) Introductory, (2) Financial, (3) Statistical, and (4) Compliance. The Introductory section includes this Letter of Transmittal, a list of SCPS' School Board members and principal officials, and an organizational chart. The Financial section, prepared in accordance with the Governmental Accounting Standards Board's Statement No. 34 (GASB 34), includes the independent auditors' report, Management's Discussion and Analysis (MD&A), the basic financial statements plus the accompanying notes to the financial statements, and Required Supplementary Information (RSI). In addition, the Financial section contains other supplementary information, including the combining financial statements. The MD&A is management's narrative overview and analysis of the basic financial statements, which should be read in conjunction with this Letter of Transmittal. The Statistical section contains selected financial and demographic information generally presented on a multi-year basis. The final section is the Compliance section, which includes information with respect to the Single Audit Act (see below).

Independent Audit

SCPS' financial statements have been audited by the accounting firm of Robinson, Farmer, Cox Associates, PLLC (RFCA) and earned an unqualified opinion. RFCA examined, on a test basis, documents supporting the amounts and disclosures in the financial statements, assessed the accounting principles used and significant estimates made by management, and evaluated the overall financial statement presentation. The independent auditors' report is included as the first document in the Financial section of this report. RFCA did not report any audit findings for fiscal year 2010.

Single Audit Act

SCPS is required to undergo an annual single audit in conformity with the provision of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including a Schedule of Expenditures of Federal Awards, the independent auditors' report on internal control and compliance with applicable laws, regulations, contracts and grants, and a Schedule of Findings and Questioned Costs, if any, are included in the compliance section of CAFR. We are pleased to report RFCA did not report any findings or management comments related to Single Audit Act compliance for fiscal year 2010.

Profile of the County of Stafford and Stafford County Public Schools

The County of Stafford

Historical sites as well as cultural and recreational opportunities abound for residents of the County of Stafford (County) which is located only forty miles south of Washington, D.C. and fifty-five miles north of Richmond, VA. To our south are the popular vacation destinations of Virginia Beach and Colonial Williamsburg, and to the west lie the panoramic Blue Ridge Mountains.

Stafford's rich history of over 330 years is evident in places like Ferry Farm, George Washington's boyhood home, Chatham, an 18th century manor house, and Belmont, artist Gari Melcher's estate and gallery. Because of its close proximity to the richness of historical Virginia, the cultural attributes of Washington, D.C., and the recreational opportunities of the Atlantic Ocean, Chesapeake Bay, and the Blue Ridge Mountains, Stafford is one of the most attractive counties in the state. It is a family-oriented suburban community with plenty of rural countryside.

According to the Weldon Cooper Center for Public Service at the University of Virginia, for the period from 2001 to 2008, the County experienced increases in population and was the sixth fastest-growing locality in Virginia. An American Community Survey Data Profile (Survey) provides information about this increase in population. During the period from 2001 to 2006, this Survey showed the County population became more diversified, including a doubling of the Latino population from 3.6% to 7.6%.

The Survey provides additional insight into the County. Approximately 88.6% of the County's residents were high school graduates in 2008 as compared to 89% in 2000. The average for 2008 for Virginia was 81.5%, which decreased from 82% in 2000. Stafford residents also have a slightly longer commute to their work destination than residents of other locales in the state, according to the report. The mean travel time to work for Stafford residents was 37.7 minutes in 2008, while the statewide average travel time to work was 27.0 minutes for the same period.

Stafford County Public Schools

The citizens of Stafford County expect and support a quality educational system. Our students score above the state and national averages on standardized tests and earn awards at the regional, state and national levels. More than 82% of our graduates plan to continue their education at college or trade/technical schools.

Programs and policies of SCPS are established by an elected seven-member School Board representing the following districts: Aquia, Falmouth, Garrisonville, George Washington, Griffis-Widewater, Hartwood, and Rockhill. The School Board itself has no power to levy and collect taxes, or to increase the budget. Since the County Board of Supervisors appropriates all funds (other sources of revenue for SCPS include state and federal funds as well as grants) to SCPS for educational expenditures, plus levies taxes and issues debt on behalf of SCPS.

The School Board employs a superintendent of schools to administer the public school system. As of September 30, 2010, a full range of public educational services are provided to 26,758 students from grades kindergarten through 12th grade at 31 main school sites, including Head Start. The school enrollment for the 2010-2011 school year was projected in the School Board's adopted budget to be 26,737.

Economic Outlook

Median Household Income

Median household income for the County ranked in the top 20 communities in the U.S. according to figures published by the U.S. Census Bureau in August 2008. The County's median household income was \$86,865, which is a 2% increase from \$85,014 in 2007. As of 2005, the County was ranked 11th in the nation and 4th in Virginia, behind Fairfax, Loudoun and Arlington counties. Over 795 counties and cities with populations of 65,000 or more in the U.S. and Puerto Rico were reviewed by the U.S. Census Bureau.

Despite the economic slowdown, the business sector in Stafford is experiencing stability. In calendar year 2008 a total of 947,478 square feet of new commercial space was added, and at the beginning of calendar year 2009 new construction totaled 572,833 square feet, with site plan submissions totaling 3,271,494 square feet of commercial space. Quantico Marine Corps Base straddles both Stafford County and Prince William County. The proximity of the military base strongly influences where high-paying employers locate, and as a result, many defense contractors are choosing office space in the County. In addition, the Fredericksburg Regional Alliance taps into Stafford's rising income levels to attract businesses to the region as a whole.

Also, higher incomes mean more discretionary income. Recent trends include luxury retailers establishing an unprecedented foothold in Stafford. As an example, Aquia Towne Center located on U.S. 1 is being transformed to offer boutiques, restaurants and other retail establishments that appeal to a higher-end customer.

Higher household incomes bring an increased demand for bigger homes in communities offering up-scale amenities. Single-family structures over 2,500 square feet were developed by such affinity developers as Augustine Homes. Once the housing sector recovers, growth in the student population will follow the increased housing development.

Composite Index

The Commonwealth of Virginia computes an index figure for each locality, known as the Composite Index of Local Ability-to-Pay (Composite Index). The calculation for the Composite Index is very complex but is summarized in *Management's Discussion & Analysis*. The Composite Index determines how much the required local match contribution to state funding for the standards of learning (SOQ) programs, incentive programs, and the lottery funded programs.

Impact of State Funding

The composite index as discussed above attempts to bring equity across the State. State funds are disbursed based on this index. As a locality acquires greater wealth, the State adjusts the index upward which reduces State funding and increases the locality's funding responsibility.

- The State is currently experiencing flat revenues as the country has entered a slow recovery. The Governor and the General Assembly may continue to face budgetary challenges as a result of the economy and it is possible K12 education may again face lower appropriations from the State.
- As authorized in Chapter 872, 2010 Acts of the General Assembly, the County will carry forward \$.6 million of unexpended state sales tax revenue received as a result of reducing its operating transfer to SCPS and will re-appropriate these funds, which must be used for public education, to SCPS in fiscal year 2011.

Major Initiatives and Accomplishments

HeatherEmpfield Day School and Transition Center

At the conclusion of the 2008-2009 school year, renovations and upgrades totaling \$390,453 were made at Drew Middle School to establish a new day school and transition center. The facility was completed at the start of the 2009-2010 school year and was dedicated on November 5, 2009. The day school is a new program created in response to the disproportionate increase in students with autism, intellectual disabilities and emotional disabilities requiring specialized services. These services are provided under an agreement with the County on a cost reimbursement basis. Providing a local day school reduces the County's overall program cost.

North Stafford High School Print Shop

In fiscal year 2009, North Stafford High School expanded its Print Shop to address division-wide needs as part of the Graphic Imaging Technology program. The shop added donated equipment and purchased new equipment at a cost of \$210,912. The Print Shop has the capability to professionally execute large print jobs subject to lead time and is managed by a full-time teacher using students in the printing classes to perform and complete the print jobs. The program has just recently received the PrintEd certification.

Before and After School Child Care Program

Beginning with school year 2006-2007, the Rappahannock Area YMCA was authorized to offer a Before and After School Child Care program at 5 elementary schools as a pilot program for pre-K and school-age children. In school year 2008-2009, the successful program expanded to all 17 elementary schools. In addition, at the conclusion of the 2009-2010 school year (for the 2010 summer season), a summer program was started at two of the elementary schools that may possibly be expanded in future years.

JROTC Program

During fiscal year 2009, new U.S. Navy JROTC programs began at both Stafford High School and Brooke Point High School, which expanded the overall program sites from two to four of the five high schools.

International Baccalaureate Program

In fiscal year 2010, the International Baccalaureate Program expansion from the initial site at Mountain View High School to Brooke Point High School was completed for fiscal year 2011.

Energy Efficiency Program

In fiscal year 2009, SCPS consumed less energy for a net cost savings of \$1,215,804, the equivalent to energy costs for operating 4 elementary schools, 3 middle schools, and 1 new high school. SCPS is exercising environmental stewardship and reducing costs by emitting 60,089,933 less pounds of carbon dioxide (CO₂) into the atmosphere.

Recycling Program

On July 1, 2008, SCPS initiated a comprehensive recycling program. Recyclables were identified and each office or classroom has a small recycling bin. Recycling coordinators are responsible for motivating students, faculty and staff to recycle while also promoting the involvement of student leadership. Custodial staff and contractors collect all recyclables on a daily basis from 32-gallon bins maintained at various convenient-use locations division-wide.

Copier Program

In fiscal year 2009, SCPS completed a review of its existing copier fleet, which began in fiscal year 2008. Ricoh, one of various copier vendors, proposed to consolidate and replace the existing copier fleet at a lower cost. SCPS contracted with Ricoh at an estimated cost savings of \$864,804 over 4 years, which is still on track to be realized.

Telephone Study

SCPS began a comprehensive review of its existing telephone equipment, lines and services in fiscal year 2009, and \$15,539 of total annualized cost savings were realized. Additional credits for overcharges of \$16,225 and service package savings of \$57,672 were also realized in fiscal year 2010. Furthermore, SCPS' telephone provider service will be reviewed during the second half of fiscal year 2011.

Substitute Calling System

In fiscal year 2009, a contract was executed with eSchool Solutions, Inc. for the purchase of an automated employee management system, Smartfind Express, at a cost of \$19,785. The system automatically calls to cover classes with substitute teachers. Implementation was completed in October 2009. Fiscal year 2010 is the first year of operation.

Technology

Through wireless Wide Area Network (WAN) technologies, SCPS has leveraged the use of free space on two privately owned cell towers to provide high bandwidth data services to 16 of 30 division sites, which enables the division to save on monthly fees for service from 3rd party providers. In addition, implementation of the School Interoperability Framework (SIF) standard in the School Nutrition Accountability Program (SNAP) software has improved efficiency with one-time data entry of student information, resulting in a lower error rate, automation of manual processes, and real-time transmittal of student information to cafeterias. The cyclic replacement of mobile laptop computer laboratory carts has placed current technology in the hands of students at elementary and middle schools within the division, as the division participated in a vendor buy-back program to save dollars and ensure obsolete equipment is replaced in accordance with its technology plan.

SCPS continues to experience explosive growth in the information services and instructional technology arenas. Over the last 5-6 years, demand for Internet bandwidth has increased more than 10-fold. The majority of existing connectivity is provided via either leased lines or the WAN, while the district begins installing a fiber optic network to connect all school sites and support facilities. In fiscal year 2009, the first fiber optic link was established, which has already resulted in increased capacity and longevity. Although leased lines offer finite bandwidth for a fixed price with incremental annual recurring price increases for additional capacity, owning a fiber optic network offers virtually limitless capacity, which can be increased by switching out equipment on each end of a strand of fiber. The division still hopes to complete more installation of the fiber optic network at the conclusion of fiscal year 2011.

Fleet Services

Fleet Services' most important responsibility is to ensure the school fleet is ready for safe and efficient operation throughout the school year. During the summer months, preventive maintenance and inspections is completed on the fleet of 388 vehicles to ensure their operational readiness. Fleet Services also provides maintenance for all County vehicles, mostly sheriff cars, fire trucks and rescue vehicles.

Globally, fuel prices continued to rise this past year. Since SCPS consumes approximately 542,000 gallons of fuel annually, controlling this cost is critical. Given past volatility in fuel prices, the responsibility for monitoring fuel costs was re-assigned to Fleet Services. All bus fueling information is downloaded daily into the fleet maintenance system in order to analyze usage and monitor fuel efficiency. Efforts continue to investigate the feasibility of other types of vehicles and fuels, including the use of hybrid vehicles, natural gas, and bio-diesel.

In fiscal year 2008, Fleet Services was awarded a \$130,000 grant for which the contract was executed in fiscal year 2009 to retro-fit the oxygen catalysts on the buses in fiscal year 2010. \$82,925 was spent in fiscal year 2010. Also, Fleet Services contracted with CCG Systems, Inc. to purchase a fleet maintenance system, FASTER, plus laptops and parts at a total cost of \$95,825. The system, fully implemented on October 7, 2009, improves fleet maintenance decision-making, customer service, service levels, competition, communication, and data reliability and timeliness. October 2010 will provide the first 12 month period of data.

Food and Nutrition Services

SCPS' school cafeterias provide a nutritious breakfast and lunch daily to all Stafford County students. In fiscal year 2010, 749,175 breakfasts (daily average of 5,014) and 2,711,281 lunches (daily average of 16,444) lunches were served. In addition, 356,223 free and 61,291 reduced breakfasts plus 626,305 free and 165,071 reduced lunches were served to qualifying students under the National School Lunch and Breakfast Program in fiscal year 2010. Meals are \$1.20 for breakfast, \$2.15 for elementary school lunch, and \$2.25 for middle and high school lunch.

Transportation Services

Our school buses transport children daily in a safe and timely manner throughout the school year. With a fleet of 232 mainstream buses, bus drivers made 23,117 bus stops over 990 bus routes with an average of 20,810 riders daily, including both regular and special program routes. Total miles traveled for fiscal year 2010 was 2.6 million miles. In fiscal year 2009, the construction of a new transportation facility began which was completed and opened in early fiscal year 2010. This new facility provides staff with ample space and state-of-the-art communications to properly schedule and track the bus fleet on a daily basis. GPS devices were also installed in some buses in fiscal year 2010.

Other Post-Employment Benefits (OPEB) Trust Fund

SCPS established an irrevocable trust to invest funds to cover the OPEB liability for current and future retiree health benefit costs. In fiscal year 2010, a second contribution of \$1,158,352 was made to the OPEB Trust Fund. The market value of the investments at June 30, 2010 was \$2,226,736 million. Management has recommended a contribution of \$10,000,000 for fiscal year 2011, which has not yet been approved by the School Board.

Accreditation

For the second consecutive year, 100% of our schools have earned full state accreditation for 2009-2010. In Virginia public school accreditation is based on Standards of Learning (SOL) test results from the previous academic year or may include a three year average of achievement in the academic areas of English, History, Mathematics, and Science. In order to earn full accreditation, a school must meet or exceed minimum benchmarks for SOL passing rates in English, History, Mathematics and Science during the previous school year or cumulatively over the past three school years. Accreditation with Warning means that a school met or exceeded minimum benchmarks in every academic area except the area(s) cited. Accreditation Denied means that the school failed to meet the requirements for full accreditation for four consecutive years. Conditionally Accredited rating can apply to a new school, or a school that fails to meet full accreditation for four consecutive years. Historical accreditation data is also included in the statistical section of this document.

Adequate Yearly Progress (AYP)

For the 2009-2010 school year, 53% of our schools made AYP. However, the school division overall did not achieve AYP. Public schools and school divisions in Virginia are assessed annually by the AYP standard of the No Child Left Behind law. To achieve AYP, a school or school division must meet 29 individual benchmarks as defined by No Child Left Behind. Of these 29 benchmarks, 28 relate to student participation and performance on state reading and mathematics tests from the previous school year. Additionally, schools must meet or exceed the "Other Academic Indicator," defined as graduation rate at the high school level and can be state history, science, or writing test performance or attendance rate at middle and elementary school levels. For each AYP benchmark, a school or school division is rated against an annual measurable objective (AMO).

For the 2009-2010 school year, the AMO for Reading was 81%, while the AMO for Math was 79%. Under the No Child Left Behind law, these AMOs will continue to increase each year until ultimately reaching 100% in 2013-2014. Schools or school divisions utilize the higher of the 2008-09 Standards of Learning test results or the cumulative three-year Standards of Learning test result average (2006-07, 2007-08, 2008-09) for each reporting category, in accordance with No Child Left Behind scoring and reporting guidelines. A school or school division may also make Adequate Yearly Progress in any category, if the failure rate in that category decreased by 10% from the previous school year. This provision is known as "safe harbor."

Financial Information

SCPS continues its sound financial condition as demonstrated by the financial statements and schedules included in this report, operating within the resources available while achieving many of its program goals. Approximately 85% of our operating costs are related to employee compensation and providing competitive compensation and benefits to attract and retain qualified staff. This remains a top priority for SCPS.

SCPS will experience limited growth in state funding in the future. Funding from the Commonwealth of Virginia is expected to increase only in proportion to student growth and modest amounts for inflation, which will be mitigated by the increase in the composite index as the county grows in wealth compared to the rest of the Commonwealth. Appropriations from the County are expected to increase based on the anticipated rise in the composite index and are interdependent on the County's ability to maintain its unreserved general fund balance at 10% of total revenues in tight economic times.

Internal Controls

The internal control system is designed to provide reasonable, but not absolute, assurance that SCPS' management objectives are met. 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 valuation of costs and benefits requires estimates and judgments by management. A component of an internal control system should reduce to a relatively low level the risk that material errors or fraud may occur. Materiality is determined in relation to the financial statements as a whole. The system should ensure any material errors or fraud that occur are detected in a timely manner by employees in the normal course of performing their duties.

Budgetary Controls

SCPS' management maintains budgetary controls to ensure compliance with the annual appropriated budget adopted by the School Board. In accordance with state law, the advertised budget is submitted to the Board of Supervisors (BOS) for appropriation. The BOS determines the level of local funding to be provided to SCPS. Based on that appropriation, the School Board makes changes in its advertised budget and adopts the approved budget in and about the May timeframe. Legal spending control is placed on the individual fund categorical levels with regard to the County appropriations. However, SCPS has established account level control over the budget with functional reporting. The Department of Financial Services ensures that purchase orders and other procurement methods comply with legal purchasing requirements and sufficient budgeted funds are available for the purchases.

SCPS also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Expenditure commitments, including purchase orders and contracts, are encumbered to ensure funds have been reserved and will be available when payment is due. Outstanding encumbrances are reported as a reservation of fund balance in the Operating Fund Balance Sheet.

Risk Management

The risk management program endeavors to minimize or eliminate, when possible, risks that endanger the safety and environmental health of the students, staff, property and financial resources of SCPS. These objectives are met by identifying risk exposures, measuring and analyzing them, and implementing appropriate procedures to correct them. The results are evaluated for effectiveness and revised, as necessary. Liability risk is managed through insurance. SCPS' insurance policies include: property insurance, surety bonds, fiduciary insurance and catastrophic medical insurance for participants in the Virginia High School League. The self-insurance programs cover: health benefits to employees and workers' compensation. SCPS also retains the professional services of Rosenthal Insurance Consulting of Richmond, Virginia to lead and participate in identifying and analyzing areas of concern and providing assistance, ideas and solutions to reduce and control overall risk.

Cash Management


The County is the custodian of all cash and investments of SCPS except certain cash on hand, investments held for certain capital projects, and funds held in local student activity accounts. SCPS' does not report a year-end cash balance as it is County policy to reclassify our year-end cash balances as Due from County. The Treasurers Office has custodial and internal control responsibilities over SCPS cash and cash equivalents, with the exception of the fiduciary funds, which is explained in Note F to the financial statements.

Acknowledgements

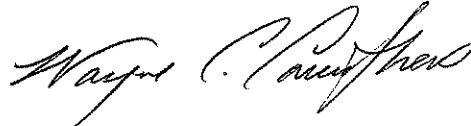
We would like to express our sincere gratitude to all members of the Department of Financial Services who assisted with the preparation of this report. The dedicated finance staff accomplished the major task of preparing this Comprehensive Annual Financial Report recognizing that our goal is to continuously improve financial accountability to the citizens of the County of Stafford.

We would also like to thank the School Board for their interest and support in conducting the financial affairs of SCPS in a responsible and progressive manner, in these challenging economic times. Continuing support is vital to the financial health of the school system and its mission.

Respectfully submitted,



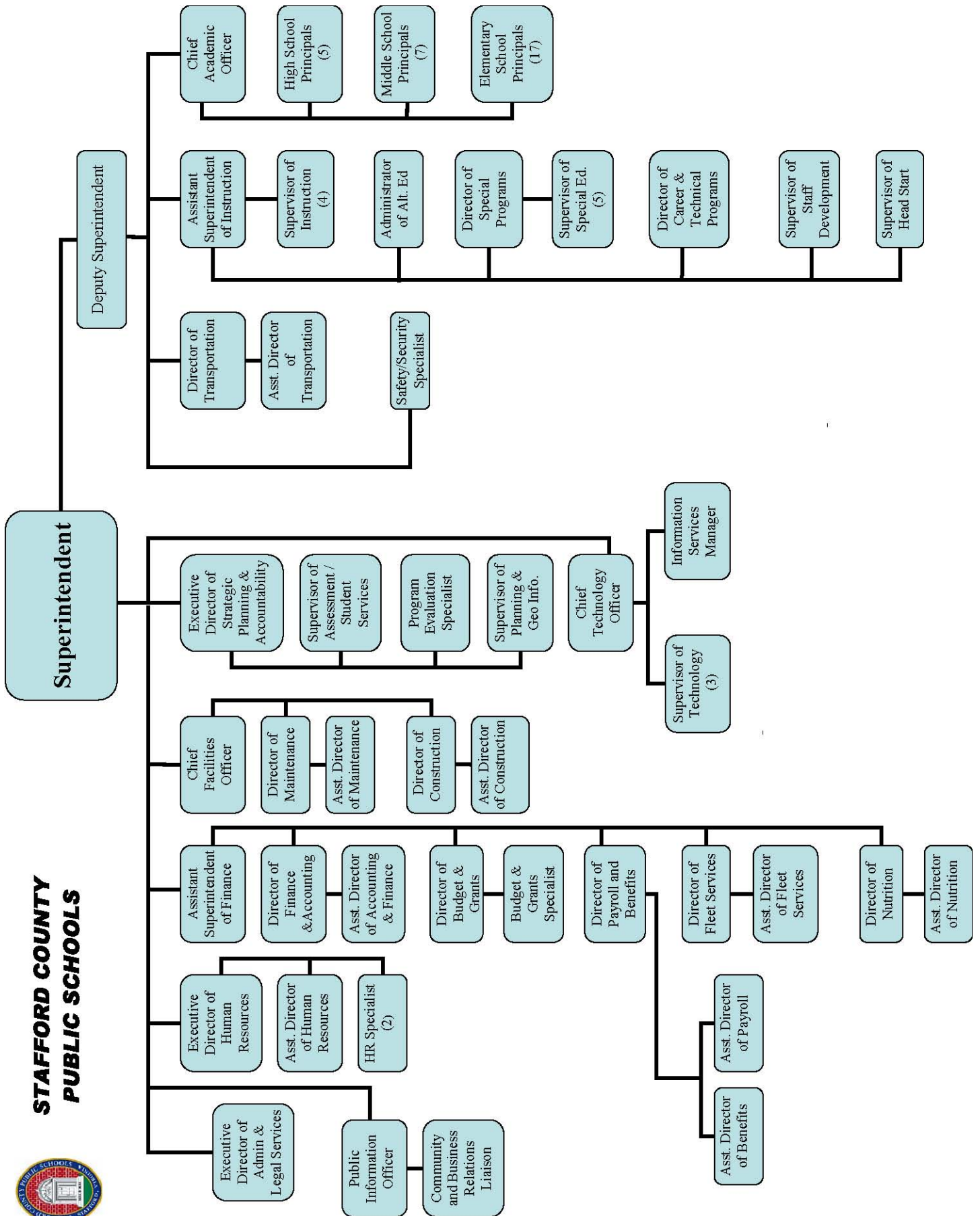
Dr. Randy L. Bridges
Superintendent of Schools



Wayne C. Carruthers, CPA,
Assistant Superintendent of Financial Services and
Chief Financial Officer



STAFFORD COUNTY PUBLIC SCHOOLS



Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2010

FINANCIAL SECTION

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2010

INDEPENDENT AUDITORS' REPORT

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Honorable Members of the School Board
Stafford County Public Schools
Stafford, Virginia

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stafford County Public Schools (a component unit of Stafford County, Virginia), as of and for the year ended June 30, 2010, which collectively comprise the Stafford County Public Schools' basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Stafford County Public School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Stafford County Public Schools, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010, on our consideration of the internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Stafford County Public School's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Stafford County Public Schools. The combining and individual nonmajor fund financial statements, budgetary comparison schedule and the schedule of expenditures of federal awards as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
October 29, 2010

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

**STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

INTRODUCTION

As management of Stafford County Public Schools ("SCPS"), we offer readers an overview and analysis of financial activities for the fiscal year ended June 30, 2010. This section of the Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the overall financial performance of SCPS during the fiscal year ended June 30, 2010. Readers are encouraged to consider this information in conjunction with SCPS' transmittal letter, basic financial statements and notes to the basic financial statements to enhance their understanding and use of the basic financial statements.

FINANCIAL HIGHLIGHTS

SCPS' total net assets (assets less liabilities) on a government-wide basis were \$386.6 million at June 30, 2010, representing a decrease of \$8.2 million or 2.1% percent over June 30, 2009. This decrease was primarily due to the decrease in revenues received from the Commonwealth of Virginia and Stafford County during fiscal year 2010. Noncurrent liabilities increased by \$3.5 million over fiscal year 2009 primarily due to an increase in the long-term portion of the OPEB liability. Current liabilities decreased by \$.4 million over fiscal year 2009 due primarily to the decrease in the current portion of the OPEB liability.

For fiscal year 2010, SCPS' governmental activities expenses of \$275.3 million exceeded program revenues (charges for services plus operating grants and contributions) of \$162.1 million by \$113.2 million. This excess is a 3.8% increase in the \$109.1 million excess reported in fiscal year 2009. General revenues, unreserved funds available for all educational purposes, including contributions from the County and general contributions from the state and federal governments, increased by \$1.8 million, or 1.7%, over fiscal year 2009 to \$105.0 million

SCPS' General Fund (otherwise referred to as the Operating Fund) reported a fund balance of \$3.6 million for the fiscal year ended June 30, 2010. This represents a decrease of \$5.5 million, or 60.5%, from the June 30, 2009 fund balance of \$9.0 million.

OVERVIEW OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

According to the Government Accounting Standards Board (GASB), state and local governments are encouraged to prepare a CAFR "covering all funds and activities of the primary government and providing an overview of all discretely presented component units of a reporting entity – including an Introductory section, Management's Discussion and Analysis (MD&A), basic financial statements, required supplementary information (other than the MD&A), combining and individual fund statements, schedules, narrative explanations, and a statistical section". The GASB has further identified a set of basic financial statements and Required Supplementary Information (RSI) disclosures that are required to be in compliance with Generally Accepted Accounting Principles (GAAP) and the minimum required contents of a governmental financial report, which are as follows:

- Management's Discussion and Analysis (MD&A) as Required Supplementary Information (RSI)
- Basic Financial Statements
 - Government-wide Financial Statements
 - Fund Financial Statements
 - Notes to the Financial Statements
- Required Supplementary Information (RSI) other than MD&A

The CAFR is to include four major sections: (1) Introductory, (2) Financial, (3) Statistical, and (4) Compliance.

Introductory section: The introductory section includes a table of contents, a letter of transmittal, a list of principal officials and an organization chart. This introductory section is unaudited.

Financial section: The financial section includes the auditor's report, MD&A, the basic financial statements (i.e., government-wide, fund and accompanying notes), RSI and other supplementary information (i.e., combining financial statements and supporting schedules).

STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

OVERVIEW OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) (Continued)

Statistical section: The purpose of this section is to provide historical and trend data to help the reader of the financial statements better understand, review and analyze the overall viability of the governmental entity and its economic status. This section presents various tables with 10 year historical information on financial trends, revenue capacity, debt capacity, demographic and economic information and operating data. This section is unaudited.

GASB *Statement No. 44 "Economic Condition Reporting: The Statistical Section"* (May 2004) provided guidance on the content of the statistical section to include five categories: (1) financial trend information, (2) revenue capacity information, (3) debt capacity information, (4) demographic and economic information, and (5) operating information. Sources and assumptions must be described for all statistical information presented. Other information is permissible as long as it supports the goal of improving a user's basic understanding and analysis of the governmental entity's economic condition.

Compliance section: The final section is the compliance section, which includes information with respect to the Single Audit Act (discussed in the Transmittal Letter) as well as the following two auditor's reports: (1) Report on Internal Control over Financial Reporting and on Compliance and Other Matters and (2) Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133. The Schedule of Expenditures of Federal Awards along with the related note disclosures is also included in this section.

THE BASIC FINANCIAL STATEMENTS

There are two types of financial statement presentations, the government-wide (for SCPS as a whole) and the fund financial statements (for each SCPS fund). The government-wide financial statements provide both long-term and short-term information about the SCPS' overall financial status on an economic resource focus. The remaining statements are fund financial statements that focus on a current financial resource basis and individual parts of SCPS' operations in greater depth and detail than the government-wide financial statements.

Also included in the financial statements are *notes* that explain some of the information in the financial statements and provide more detailed financial data and explanations. Following the financial statements is a section of *required supplementary information* that further explains and supports the information in the financial statements.

The following chart summarizes the major features of SCPS' financial statements and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

THE BASIC FINANCIAL STATEMENTS (Continued)

The major features of SCPS' government-wide financial statements and fund financial statements are as follows:

	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire school system	Activities of school system not fiduciary or proprietary, such as Operating, Capital Projects, Food and Nutrition Services and Grants Funds	Activities of school system operating similar to private businesses, such as Fleet Services, Health Benefits and Workers' Compensation Funds	Activities of school system with an agent or trustee overseeing resources, such as OPEB, Scholarship and Endowment Trust and School Activity Agency Funds
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statements of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Agency Fund - cash basis of accounting Trust Fund – accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	Agency Fund - does not contain capital assets nor liabilities Trust Fund – all financial assets and liabilities, short-term and long-term
Type of inflow/outflow information	All revenues earned and expenditures incurred during year, regardless of when cash is received or paid	Revenues when cash is received during or soon after year-end; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues earned and expenses incurred during year, regardless of when cash is received or paid	Agency Fund - all receipts as received and disbursements as paid Trust Fund – all revenues earned and expenses incurred during year

STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

FINANCIAL ANALYSIS OF SCPS AS A WHOLE

Following is a discussion of the major financial highlights in SCPS' government-wide financial statements.

Net Assets

Total net assets at June 30, 2010 decreased by \$8.2 million, or 2.1%, over June 30, 2009. The investment in capital assets, net of related debt, decreased by \$5.7 million, or 1.6%, due to depreciation and assets disposals in excess of asset purchases in fiscal year 2010. The unrestricted net assets decreased by \$2.5 million, or 14.5%, due to the expenditure of the \$4.7 million in state revenues carried over from fiscal year 2009 to fiscal year 2010.

The following table provides a summary of SCPS' net assets as of June 30, 2010 and 2009:

Summary of Net Assets				
As of June 30,				
(In thousands of dollars)				
	Governmental Activities			
	2010	2009	Change	% Change
Assets:				
Current assets	\$ 75,656	\$ 75,105	\$ 551	.7 %
Noncurrent assets:				
Restricted assets	6,616	6,240	376	6.0 %
Capital assets	373,948	379,904	(5,956)	(1.6) %
Total assets	456,220	461,249	(5,029)	(1.1) %
Liabilities:				
Current liabilities	50,037	50,388	(351)	(.7) %
Noncurrent liabilities	19,601	16,068	3,533	22.0 %
Total liabilities	69,638	66,456	3,182	7.2 %
Net assets:				
Invested in capital assets, net of related debt	371,616	377,291	(5,675)	(1.5) %
Unrestricted	14,966	17,502	(2,536)	(14.5) %
Total net assets	\$ 386,582	\$ 394,793	\$ (8,211)	(2.1) %

Changes in Net Assets

Program revenues from the Commonwealth of Virginia decreased as a result of reductions in Basic Aid, VRS Retirement Contributions and Supplemental Payments received during fiscal year 2010 as compared to fiscal year 2009. General revenues increased due to an increase in funds from the County. Program expenses for instruction decreased due to a reclassification of depreciation expense to proper programs and capital outlay also increased due to reclassification of depreciation expense to proper programs.

STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

FINANCIAL ANALYSIS OF SCPS AS A WHOLE (Continued)

The following table provides a summary of SCPS' changes in net assets for the fiscal years ended June 30, 2010 and 2009:

Summary of Changes in Net Assets
For the Fiscal Year Ended June 30,
(In thousands of dollars)

	Governmental Activities			
	<u>2010</u>	<u>2009</u>	<u>Variance</u>	<u>% Variance</u>
Revenues:				
<i>Program revenues:</i>				
Charges for services	\$ 21,993	\$ 17,997	\$ 3,996	22.2 %
Operating grants and contributions	140,145	152,759	(12,614)	(8.3) %
<i>General revenues:</i>				
Unrestricted grants and contributions	103,190	101,194	1,996	2.0 %
Investment earnings	24	411	(387)	(94.2) %
Miscellaneous	1,782	1,632	150	9.2 %
Total Revenues	<u>267,134</u>	<u>273,993</u>	<u>(6,859)</u>	<u>(2.5) %</u>
 <i>Program expenses:</i>				
Education:				
Instruction	168,071	182,213	(14,142)	(7.8) %
Administrative, attendance and health services	39,585	39,694	(109)	(.3) %
Pupil transportation	13,039	13,325	(286)	(2.2) %
Operation and maintenance	19,758	20,532	(774)	(3.8) %
Nutrition services	10,085	10,331	(246)	(2.4) %
Facilities	250	516	(266)	(51.5) %
Technology	11,521	11,439	82	.7 %
Capital outlay	12,929	1,661	11,268	678.4 %
Interest and fiscal charges	107	118	(11)	(9.8) %
Total program expenses	<u>275,345</u>	<u>279,829</u>	<u>(4,484)</u>	<u>(1.6) %</u>
 Change in net assets	(8,211)	(5,836)	(2,376)	(40.7) %
 Beginning net assets	<u>394,793</u>	<u>400,629</u>	<u>(5,836)</u>	<u>1.5 %</u>
Ending net assets	<u><u>\$386,582</u></u>	<u><u>\$394,793</u></u>	<u><u>\$(8,211)</u></u>	<u><u>(2.1) %</u></u>

GENERAL FUND BUDGETARY HIGHLIGHTS

It is the duty of each division superintendent to prepare and submit to the school board the estimate of the amount of money deemed to be needed during the next fiscal year for the support of the school division. The school board, after a public hearing to receive the views of the public, shall submit its estimate of the amount of money deemed to be needed during the next fiscal year for the support of the public schools of the school division to the board of supervisors appropriating funds for the school division, by the 1st day of April. The estimate shall set up the amount of money deemed to be needed for each major classification prescribed by the Board of Education and such other headings or items as may be necessary. The board of supervisors must provide the funding approval for the school board's budget proposal by May 1 of each year or within 30 days after the close of the General Assembly, whichever is later.

STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

Below is a summary of SCPS' operating fund budget for the fiscal year ended June 30, 2010:

Operating Fund Budget Summary
For the fiscal year ended June 30, 2010
(In thousands of dollars)

Operating Activity Category	<u>Budget</u>		<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Total revenues	\$248,380	\$230,253	\$ 226,564	\$ (3,689)
Total expenditures	(248,480)	(235,187)	(227,914)	7,273
Total other financing uses	(100)	(4,096)	(4,114)	(18)
Net change in fund balance	\$ -	\$ (9,030)	\$ (5,464)	\$ (3,566)

CAPITAL ASSETS

Below is a summary of SCPS' net capital assets as of June 30, 2010 and 2009:

Net Capital Assets Summary
As of June 30
(Net of depreciation, in thousands of dollars)

Capital Asset Category	<u>Governmental Funds</u>		<u>Internal Service Funds</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land & improvements	\$ 54,696	\$ 52,910	\$ 802	\$ 849
Building & improvements	299,572	302,291	503	547
Furniture & Equipment	3,401	3,323	72	69
Software	213	206	71	-
Technology Infrastructure	753	62	-	-
Vehicles	8,679	7,810	20	25
Water treatment system	299	635	-	-
Construction in progress	4,868	11,177	-	-
Total net capital assets	\$372,481	\$378,414	\$ 1,468	\$ 1,490

The major transactions comprising the change in net capital assets were as follows:

Governmental Funds

Land improvements increased due to the (a) installation of parking lot lights at Dixon Smith Middle School (\$600,000), (b) sports field improvements and new concession stand at Stafford High School (\$902,000), and (c) soccer field improvements at TB Gayle Middle School (\$132,000).

Vehicles increased due to the purchase of 27 new buses (\$1,722,000) and the deletion of 10 buses.

Construction in progress decreased due the following assets being placed in service: (a) sports field improvements and new concession stand at Stafford High School (\$884,000), parking lot upgrade at Dixon Smith Middle School (\$665,000), (c) new Transportation complex (\$2,205,000), and (d) heating, venting and air conditioning renovations at Hartwood Elementary School, Park Ridge Elementary School and Rockhill Elementary School (\$2,216,000).

Technology infrastructure increased with the installation and operation of the fiber optic network (\$686,000).

Depreciation expense exceeded net additions by \$5,933,000 in fiscal year 2010.

**STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

CAPITAL ASSETS (Continued)

Internal Service Funds

There were no major capital asset transactions other than depreciation expense during fiscal year 2010.

ENERGY PERFORMANCE CAPITAL LEASE

In 2006, SCPS had the foresight to hire an energy manager and embark on a mission to conserve energy by entering into an energy performance contract funded by a lease which paid for modernization of facility building systems. Not only has this proven beneficial but, it has been timely given the volatility of energy costs.

This project was funded in fiscal year 2007 (i.e., the summer of 2006) through an energy performance capital lease obtained from Citicapital. The financing for this project was structured as a tax-exempt municipal lease and qualifies as a capital lease for accounting purposes. Energy savings from the capital improvements will cover the required minimum lease payments. If the energy savings are not achieved, then NORESKO will pay the lease payment (s). The total amount financed was \$3,204,186, including capitalized interest of \$60,289. Unfortunately, SCPS is not always able to retain its operational savings.

In fiscal year 2009, the energy reduction efforts in fiscal year 2008 were finalized. SCPS consumed approximately 60,092,912 million less MBTU's, rendering a savings of approximately \$1,602,712, which when reduced by the \$386,908 capital lease payment, rendered estimated net savings of \$1,215,804. This is equivalent of enough energy to operate seven (7) SCPS middle schools or between three (3) and four (4) high schools. As a result of these efforts, SCPS emitted approximately 296,330,000 less pounds of carbon dioxide (CO2) into the atmosphere. Future plans include retro-commissioning of one (1) high school and continuing the spring break and summer reduction settings.

Through the American Recovery and Reinvestment Act (ARRA) federally subsidized financing for certain public school capital expenditures can be made through the Qualified School Construction Bond. SCPS participated in the bond pool and received \$1,305,000 in July 2010. These bonds have strict requirements that include mandatory three year spend down, Davis-Bacon compliance requirement, and the maximum maturity of 16 years. SCPS will use these funds to further our energy management efforts. At various sites improvements will be made by replacement of existing lighting fixtures with high-efficiency fixtures, the addition of occupancy sensors, the installation of low flush water closets and urinals, the installation of variable frequency drives and the replacement of motors with premium efficiency motors. Rockhill Elementary School is replacing its windows with energy efficient windows.

COMPOSITE INDEX

The Commonwealth of Virginia computes an index figure for each locality, known as the Composite Index of Local Ability-to-Pay (Composite Index). It is comprised of three components:

- ✓ The first component is an index of wealth per student (based on average daily membership)
- ✓ The second component is an index of the wealth per capita (based on population)
- ✓ The third component is the local nominal share of the costs of the Standards of Quality

The sum of the first component and second component is multiplied by the third component - set at .45 each year.

The Composite Index, as developed by the State, is designed to bring equity across the State. State funds are disbursed based on this index. As a locality acquires greater wealth, the State adjusts the index upward, which reduces State funding and increases the locality's funding responsibility. Such is the case in Stafford County. The current Composite Index of .3629 was released in December 2009 for the current biennium covering fiscal years 2011 and 2012. SCPS anticipates that the Governor's proposed Caboose Bill may update the Composite Index once the General Assembly convenes in January 2011.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Since adopting the fiscal year 2011 budget, some factors have surfaced that may impact SCPS' financial operations:

- The economy has slowed down due to the recession and the State may experience a revenue shortfall in fiscal year 2011. The loss of \$16.5 million in Federal stimulus funds in fiscal year 2012, net of the \$5.6 million in new Federal education jobs funds for fiscal year 2011, creates a "funding cliff" of approximately \$10.9 million. As a result, SCPS may face lower Federal, K12 and local appropriations in fiscal year 2012.

STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

- SCPS experienced a \$9 million decrease in fiscal year 2011 in state funding due to the Governor's cut in appropriations for support positions, which was supported by the General Assembly. If this revenue is not restored for fiscal year 2012, SCPS' revenue appropriations from the state will remain \$9 million lower.
- SCPS may still experience an unfavorable variance in the state sales tax revenue during fiscal year 2011, should the economy produce less retail sales. In the Commonwealth of Virginia, 1.125% of the 5% rate levied for sales tax is returned to school districts.
- The real estate market continues to suffer from depressed sales activities, continued foreclosures, and a major decline in the assessed valuation of real property within the County. These trends are expected to continue in fiscal year 2011. For both the Commonwealth and the County, much of their revenue is dependent on the housing/real estate sector of the economy, which in turn impacts appropriations to SCPS.
- New car sales have stabilized since the federal "cash for clunkers" program ended in early 2010. Since then the "big three" U.S. car manufacturers have undergone significant restructuring. For both the Commonwealth and the County, state revenue remains highly dependent on the automotive sector of the economy.
- In fiscal year 2010, the board of supervisors increased the appropriation for the local operating transfer amount by \$4.3 million from \$103.7 million as compared to \$99.4 million in fiscal year 2009. In 2011, the board of supervisors categorized the budget into two sections – instruction, which was appropriated at \$161.2 million, and all other, which was appropriated at \$61.8 million, for a total budget of \$223.0 million.
- Funding SCPS' Other Post Employment Benefits (OPEB) liability is of growing concern, considering the county is one of the two major sources of funding. For fiscal year 2010, the county appropriation was not increased sufficiently to enable annual funding of SCPS' OPEB liability. SCPS' annual required contribution (ARC) for OPEB was approximately \$5.4 million for both fiscal years 2010 and 2009. Management has recommended to the school board a \$10 million contribution for fiscal year 2011 because continuing to only partially fund the ARC for OPEB may adversely impact the County's bond rating.
- The potential for increased energy costs, specifically oil, has a major financial impact on SCPS operations. SCPS consumes approximately 540,000 gallons of fuel annually transporting students and operates 34 facilities that heat and cool approximately 3,977,500 square feet of space, as well as the maintenance of approximately 1,140 acres of school division property. SCPS' magnitude of operations subjects its financial health to volatility in the local, national and global energy marketplaces.
- In spite of the recent recession, growth in the student population for SCPS returned in both fiscal years 2009 and 2010, which increases the State revenues received by SCPS, as the majority of state revenues are driven by the student membership. This growth is mitigated by required increases in expenditures to accommodate the additional students.
- Providing competitive salaries continues to put pressure on SCPS resources as contiguous neighboring counties have exceeded SCPS teacher salaries. This factor inhibits the ability to attract and sustain a quality teacher population, especially in critical expertise areas.
- SCPS continues to experience growing student populations in English as a Second Language (ESL), autism, and children who qualify for free and reduced lunch. These special populations add additional expenses beyond the general education requirements.
- The implementation of Base Realignment & Closure (BRAC) and the impact on Quantico Marine Base and installations just to the north still remains uncertain as to how many new students' families may relocate to Stafford County. SCPS and the County will continue to monitor and assess this situation going forward.

**STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

- The Virginia Retirement Systems net assets have declined due to three factors. First, the current volatility and decline in market value have reduced the investment; secondly the General Assembly did not make a contribution during fiscal year 2010; finally, a premium holiday was given during the fourth quarter of fiscal year 2010. This has resulted in a lower funding level which may impact the VRS' ability to meet the employees and retirees' needs. Therefore, to ensure full funding of retiree programs, localities may be required to increase their contribution in subsequent years. The impact of these increases may begin in fiscal year 2012.

CONTACTING SCPS MANAGEMENT

This financial report is designed to provide citizens, taxpayers, parents and guardians, and creditors with a general overview of SCPS' finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need any additional financial information, please contact Wayne C. Carruthers, CPA, Assistant Superintendent of Financial Services and Chief Financial Officer, Stafford County Public Schools, 31 Stafford Avenue, Stafford, VA 22554, by email at carrutherswc@staffordschools.net or by telephone at 540-658-6584.

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2010

BASIC FINANCIAL STATEMENTS

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2010

Exhibit A

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 28,891,153
Accounts receivable, net of allowance for uncollectibles	8,693,297
Due from primary government	37,407,456
Prepaid insurance	96,820
Inventory	567,767
Total current assets	<u>75,656,493</u>
Noncurrent assets:	
Restricted cash and cash equivalents	6,615,701
Capital assets:	
Land	26,877,316
Land improvements	35,766,598
Construction in progress	4,868,002
Buildings and building improvements	405,153,233
Water treatment system	635,154
Furniture, fixtures and equipment	8,350,212
Technology infrastructure	777,696
Software	432,393
Vehicles	20,305,130
Less: Accumulated depreciation	(129,217,490)
Total noncurrent assets	<u>380,563,945</u>
Total assets	<u>\$ 456,220,438</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 7,634,439
Contract retainage payable	172,284
Accrued salaries and benefits	37,356,493
Accrued insurance claims	4,157,462
Deferred revenue	18,838
Current portion of long-term debt	697,986
Total current liabilities	<u>50,037,502</u>
Noncurrent liabilities:	
Noncurrent portion of accrued insurance claims	88,769
Noncurrent portion of long-term debt	7,077,848
Noncurrent portion of OPEB liability	12,434,140
Total noncurrent liabilities	<u>19,600,757</u>
Total liabilities	<u>69,638,259</u>
NET ASSETS	
Invested in capital assets, net of related debt	371,615,809
Restricted	6,615,701
Unrestricted	8,350,669
Total net assets	<u>386,582,179</u>
Total liabilities and net assets	<u>\$ 456,220,438</u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expenses), Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Education:				
Instruction	\$ (13,450,140)	\$ -	\$ 237,149,781	\$ 250,599,921
Administration, attendance and health	208,494,079	7,128,361	-	(201,365,718)
Pupil transportation	13,371,560	1,053,210	-	(12,318,350)
Operation and maintenance	12,087,966	-	-	(12,087,966)
Food and nutrition services	19,412,982	6,817,209	4,045,609	(8,550,164)
Facilities	10,620,763	-	-	(10,620,763)
Technology	(178,484)	-	-	178,484
Capital outlay	15,605,608	-	-	(15,605,608)
Interest and fiscal charges	280,422	-	-	(280,422)
Total governmental activities	<u>\$ 266,244,756</u>	<u>\$ 14,998,780</u>	<u>\$ 241,195,390</u>	<u>(10,050,586)</u>
General revenues:				
				103,189,962
				662,331
				1,133,814
				<u>104,986,107</u>
				<u>94,935,521</u>
				<u>394,792,991</u>
				<u>\$ 489,728,512</u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

Exhibit C

	Operating Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Pooled cash and investments	\$ 20,838	\$ 1,512,902	\$ 2,520,189	\$ 4,053,929
Restricted cash and investments	-	6,615,701	-	6,615,701
Accounts receivable	264,366	26,292	45,374	336,032
Intergovernmental receivables:				
Federal Government	101,519	-	3,465,148	3,566,667
Commonwealth of Virginia	4,629,793	-	111,740	4,741,533
Due from primary government	37,407,456	-	-	37,407,456
Due from other funds	3,173,361	109	389	3,173,859
Inventory	-	-	203,749	203,749
Total assets	<u>\$ 45,597,333</u>	<u>\$ 8,155,004</u>	<u>\$ 6,346,589</u>	<u>\$ 60,098,926</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 4,743,732	\$ 1,472,368	\$ 261,185	\$ 6,477,285
Contract retainage payable	-	172,284	-	172,284
Accrued salaries and benefits	36,233,247	4,687	\$ 943,293	37,181,227
Deferred revenue	18,838	-	-	18,838
Due to other funds	1,035,150	721	\$ 3,239,164	4,275,035
Total liabilities	<u>42,030,967</u>	<u>1,650,060</u>	<u>4,443,642</u>	<u>48,124,669</u>
Fund balance:				
Reserved for:				
Inventory	-	-	203,749	203,749
Encumbrances	3,566,366	4,581,296	111,508	8,259,170
Grants	-	-	47,115	47,115
Unreserved fund balance	-	1,923,648	1,540,575	3,464,223
Total fund balance	<u>3,566,366</u>	<u>6,504,944</u>	<u>1,902,947</u>	<u>11,974,257</u>
Total liabilities and fund balance	<u>\$ 45,597,333</u>	<u>\$ 8,155,004</u>	<u>\$ 6,346,589</u>	<u>\$ 60,098,926</u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Exhibit C-1

Fund balance - total governmental funds		\$ 11,974,257	
Amounts reported for governmental activities in the statement of net assets are different due to:			
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.			
Governmental capital assets	\$ 500,784,071		
Less accumulated depreciation	<u>(128,303,523)</u>		
Net capital assets			372,480,548
Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.			
Assets	\$ 27,920,891		
Liabilities	<u>(18,145,604)</u>		
Net assets			9,775,287
Long-term liabilities consist of capital leases and compensated absences that are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			
Noresco energy performance capital lease	\$ (2,332,435)		
Compensated absences	<u>(5,315,478)</u>		
Total			(7,647,913)
Net assets of governmental activities			<u><u>\$ 386,582,179</u></u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

Exhibit D

	Operating Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental:				
Stafford County	\$ 103,189,962	\$ 6,189,827	\$ -	\$ 109,379,789
Commonwealth of Virginia	118,932,246	-	400,631	119,332,877
Federal Government	2,138,986	-	18,672,551	20,811,537
Total intergovernmental revenues	224,261,194	6,189,827	19,073,182	249,524,203
Charges for services:				
Tuition and fees	804,273	-	-	804,273
Food sales	-	-	6,817,209	6,817,209
Recovered costs	854,727	106,259	-	960,986
Miscellaneous	643,979	4,450	119,819	768,248
Interest	13	10,459	-	10,472
Total revenues	226,564,186	6,310,995	26,010,210	258,885,391
EXPENDITURES				
Current operating:				
Education:				
Instruction	167,636,573	-	13,884,640	181,521,213
Administration, attendance and health	12,603,158	-	8,736	12,611,894
Pupil transportation	12,279,285	-	-	12,279,285
Operation and maintenance	19,899,243	-	49,817	19,949,060
Food and nutrition services	206,229	-	10,414,534	10,620,763
Facilities	250,290	-	-	250,290
Technology	11,628,683	-	321,314	11,949,997
Capital outlay	3,023,214	5,193,812	1,056,839	9,273,865
Debt service:				
Principal	280,422	-	-	280,422
Interest and fiscal charges	106,486	-	-	106,486
Total expenditures	227,913,583	5,193,812	25,735,880	258,843,275
Excess (deficiency) of revenues over (under) expenditures	(1,349,397)	1,117,183	274,330	42,116
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	100,000	18,434	-	118,434
Transfers to other funds	(4,213,920)	-	(100,000)	(4,313,920)
Total other financing uses	(4,113,920)	18,434	(100,000)	(4,195,486)
Net change in fund balance	(5,463,317)	1,135,617	174,330	(4,153,370)
Fund balance, beginning - July 1, 2009	9,029,683	5,369,327	1,728,617	16,127,627
Fund balance, ending - June 30, 2010	\$ 3,566,366	\$ 6,504,944	\$ 1,902,947	\$ 11,974,257

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Exhibit D-1

Net change in fund balance - total governmental funds \$ (4,153,370)

Amounts reported for governmental activities in the statement of activities are different due to:

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.

Expenditures for acquisition of capital assets	7,942,190	
Less: Depreciation expense	<u>(13,322,673)</u>	
Excess of depreciation over capital outlay		(5,380,483)

The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals and donations) is to decrease net assets. (553,198)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Assets.

Principal repayments: Noresco energy performance capital lease	280,422
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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 the governmental funds.

Compensated absences	(44,583)
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Internal service funds are used by management to charge the costs of vehicle maintenance and employee benefits to individual funds. The net expense is reported with governmental funds.

Total revenues and transfers from other funds	33,994,144	
Total expenses	<u>(32,353,744)</u>	
		<u>1,640,400</u>

Change in net assets of governmental activities	<u><u>\$ (8,210,812)</u></u>
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The accompanying notes are an integral part of these financial statements.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

Exhibit E

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 24,837,224
Accounts receivable	49,065
Due from other funds	1,106,068
Prepaid insurance	96,820
Inventory	364,018
Total current assets	<u>26,453,195</u>
Noncurrent assets:	
Capital assets:	
Land	37,357
Land improvements	942,970
Buildings and building improvements	1,167,489
Furniture, fixtures and equipment	121,845
Vehicles	33,277
Software	78,725
Less: accumulated depreciation	(913,967)
Total noncurrent assets	<u>1,467,696</u>
Total assets	<u><u>\$ 27,920,891</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,157,154
Accrued salaries and benefits	175,266
Current portion of accrued insurance claims	4,157,462
Due to other funds	4,892
Current portion of compensated absences	10,603
Total current liabilities	<u>5,505,377</u>
Noncurrent liabilities:	
Noncurrent portion of accrued insurance claims	88,769
Noncurrent portion of compensated absences	117,318
Noncurrent portion of OPEB Liability	12,434,140
Total noncurrent liabilities	<u>12,640,227</u>
Total liabilities	<u>18,145,604</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,467,696
Unrestricted	8,307,591
Total net assets	<u>9,775,287</u>
Total liabilities and net assets	<u><u>\$ 27,920,891</u></u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

Exhibit F

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services	\$ 29,798,658
Operating expenses:	
Personnel services	2,167,439
Contractual services	28,566,976
Materials and supplies	1,529,922
Heat, light and power	19,318
Telecommunication and internal services	34,325
Depreciation	102,675
Total operating expenses	32,420,655
Operating income	(2,621,997)
Nonoperating revenues:	
Interest and investment revenue	13,902
Gain (Loss) on disposal of capital assets	(9,726)
Vehicle sales	62,735
Transfers from other funds	4,195,486
Total nonoperating revenues, net	4,262,397
Change in net assets	1,640,400
Total net assets, beginning - July 1, 2009	8,134,887
Total net assets, ending - June 30, 2010	\$ 9,775,287

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

Exhibit G

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Receipts from customers	\$ 29,804,849
Payments to suppliers	(27,475,590)
Payments to employees	(2,188,386)
Net cash provided by operating activities	<u>140,873</u>
Cash flows from noncapital and related financing activities:	
Transfers from other funds, net	<u>4,195,486</u>
Net cash provided by noncapital and related financing activities	<u>4,195,486</u>
Cash flows from capital and related financing activities:	
Proceeds from vehicle sales	62,735
Acquisition and construction of capital assets	(90,677)
Net cash provided by capital and related financing activities	<u>(27,942)</u>
Cash flows from investing activities:	
Interest earned on investments	<u>13,902</u>
Net cash provided by investing activities	<u>13,902</u>
Net increase in cash and cash equivalents	4,322,319
Cash and cash equivalents, beginning - July 1, 2009	20,514,905
Cash and cash equivalents, ending - June 30, 2010	<u><u>\$ 24,837,224</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (2,621,997)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	102,675
Changes in assets and liabilities:	
Decrease in accounts receivable	6,191
Increase in inventory	(13,349)
Increase in prepaid insurance	(96,820)
Increase in accounts payable and accrued expenses	(43,020)
Decrease in compensated absences	(8,076)
Increase in OPEB liability	2,815,269
Total adjustments	<u>2,762,870</u>
Net cash provided by operating activities	<u><u>\$ 140,873</u></u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - TRUST AND AGENCY FUNDS
June 30, 2010

Exhibit H

	OPEB Trust Fund	Trust Funds Scholarship Trust Fund	Endowment Trust Fund	Agency Fund School Activity Funds
ASSETS				
Restricted investments	\$ 2,236,275	\$ 109	\$ 35,940	\$ 2,566,423
LIABILITIES				
Scholarship payables	\$ -	\$ 109	\$ -	\$ -
Reserve for future expenditures	-	-	-	2,566,423
Total liabilities	\$ -	\$ 109	\$ -	\$ 2,566,423
NET ASSETS				
Net assets held for OPEB purposes	\$ 2,236,275	\$ -	\$ -	\$ -
Net assets held for investment purposes	-	-	35,940	-
Total net assets	\$ 2,236,275	\$ -	\$ 35,940	\$ -

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND - OPEB TRUST FUND
For the Fiscal Year Ended June 30, 2010

Exhibit I

	Trust Fund			
	OPEB Trust Fund			
	Fiduciary Net Assets - July 1, 2009	Additions	Deductions	Fiduciary Net Assets - June 30, 2010
ASSETS				
Restricted investments:				
Beginning balance	\$ 959,471	\$ -	\$ -	\$ 959,471
Contributions from employer	-	1,158,352	-	1,158,352
Investment gains (losses)	-	121,248	-	121,248
Investment interest income	-	25	-	25
Investment expenses	-	-	(2,821)	(2,821)
Ending balance	<u>\$ 959,471</u>	<u>\$ 1,279,625</u>	<u>\$ (2,821)</u>	<u>\$ 2,236,275</u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS				
Net assets held for OPEB purposes	<u>\$ 959,471</u>	<u>\$ 1,279,625</u>	<u>\$ (2,821)</u>	<u>\$ 2,236,275</u>

See accompanying independent auditors' report.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND - SCHOLARSHIP TRUST FUND
For the Fiscal Year Ended June 30, 2010

Exhibit J

	Trust Fund			
	Scholarship Fund			
	Fiduciary Net Assets - July 1, 2009	Additions	Deductions	Fiduciary Net Assets - June 30, 2010
ASSETS				
Restricted investments:				
Contributions from donors	\$ -	\$ 22,309	\$ -	\$ 22,309
Scholarships paid	-	-	(22,200)	(22,200)
Ending balance	\$ -	\$ 22,309	\$ (22,200)	\$ 109
LIABILITIES				
Scholarships payable	\$ -	\$ 22,309	\$ (22,200)	\$ 109
NET ASSETS				
Net assets held for scholarships	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditors' report.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND - ENDOWMENT TRUST FUND
For the Fiscal Year Ended June 30, 2010

Exhibit K

	Trust Fund			
	Endowment Fund			
	Fiduciary Net Assets - July 1, 2009	Additions	Deductions	Fiduciary Net Assets - June 30, 2010
ASSETS				
Restricted investments:				
Contributions from donors	\$ -	\$ 35,828	\$ -	\$ 35,828
Investment interest income	-	112	-	112
Ending balance	\$ -	\$ 35,940	\$ -	\$ 35,940
LIABILITIES	\$ -	\$ -	\$ -	\$ -
NET ASSETS				
Net assets held for investment purposes	\$ -	\$ 35,940	\$ -	\$ 35,940

See accompanying independent auditors' report.

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2010

NOTES TO THE BASIC FINANCIAL STATEMENTS

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stafford County Public Schools (SCPS or “the division”) is a corporate body operating under the constitution of the Commonwealth of Virginia and the Code of Virginia, and provides elementary and secondary education for the County of Stafford (County). The seven voting members of the School Board of Stafford County Public Schools (Board) are elected by the citizens of the County to serve 4-year terms. Each of the County’s seven districts has a Board member who represents its constituents. The Board is responsible for setting the educational policies of SCPS and appoints a superintendent to implement the Board’s policies and serve as the chief administrative officer of the division, providing leadership and direct management of the division in accordance with policies adopted by the Board.

The following is a summary of SCPS’ significant accounting policies:

A. THE FINANCIAL REPORTING ENTITY

A financial reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the basic financial statements are not misleading. The primary government for SCPS includes all funds and departments that are not legally separate from SCPS. SCPS is not financially accountable for any legally separate organizations; therefore, it has no component units. However, because SCPS is fiscally dependent on the County and SCPS’ operations are funded by payments from the County’s general fund, SCPS is considered a component unit of the County. Other significant determining factors also include: the County approves SCPS’ budget, the County funds any deficits, and the County issues bonds and contracts debt to finance capital projects for SCPS. Also, SCPS provides services, which primarily benefit the citizens of the County.

The accompanying financial statements presented for SCPS 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 GASB is the standard setting body for establishing governmental accounting and financial reporting principles.

B. FUND ACCOUNTING

Financial transactions and accounts of SCPS are maintained on the basis of fund accounting. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts. Each fund reports cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of SCPS are financed. The acquisition, use and balances of SCPS’ expendable financial resources and the related liabilities are accounted for through these funds. SCPS has two major governmental funds and two non-major governmental funds as follows:

Major Governmental Funds

- **General Fund (hereafter referred to as the Operating Fund):** The Operating Fund is SCPS’ primary fund to account for the assets, liabilities, fund balance, revenues and expenditures associated with SCPS’ public school system operations, including financial resources not required to be accounted for in another fund.
- **Capital Projects Fund:** This fund accounts for the assets, liabilities, fund balance, revenues and expenditures associated with SCPS’ capital projects, including the acquisition, construction and equipping of new schools and the renovation, improvement and repairing of existing schools.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

B. FUND ACCOUNTING (Continued)

Non-major Governmental Funds

- **Special Revenue Funds:** The special revenue funds are used to account for proceeds of specific revenue sources, other than major capital projects, in which expenditures are restricted for a specific purpose. SCPS has three special revenue funds:
 - ***Food and Nutrition Services Fund*** - accounts for the assets, liabilities, fund balance, revenues and expenditures associated with the provision of food and nutrition services within SCPS' school cafeterias.
 - ***Grants Fund*** - accounts for the revenues and expenditures associated with grants (other than grants accounted for in the State Fiscal Stabilization Fund) received and used by SCPS to supplement operations.
 - ***State Fiscal Stabilization Fund*** - accounts for the revenues and expenditures associated with the American Recovery and Reinvestment Act (ARRA) grants received and used by SCPS to supplement operations.

PROPRIETARY FUNDS

Proprietary funds are used to account for activities similar to those often engaged in by profit-seeking businesses. These funds account for the provision of services to other funds of SCPS and the County on a cost reimbursement basis. Operating revenues include charges for services and operating expenses include the cost of services.

Enterprise Funds

This type of proprietary fund accounts for services provided to the general public on a user-charge basis. SCPS does not have any enterprise funds.

Internal Service Funds

Activities that produce goods or services to be provided to other departments or other governmental units on a cost-reimbursement basis are accounted for by internal service funds. SCPS has three internal service funds:

- ***Fleet Services Fund*** - accounts for the assets, liabilities, net assets, revenues and expenses associated with the provision of vehicle maintenance services on a cost reimbursement basis to the departments and agencies of the County and SCPS.
- ***Health Benefits Fund*** - accounts for the assets, liabilities, net assets, revenues and expenses associated with the provision of health benefits to the enrolled employees and retirees of SCPS under a comprehensive health benefits self-insurance program.
- ***Workers' Compensation Fund*** - accounts for the assets, liabilities, net assets, revenues and expenses associated with the administration of the worker's compensation self-insurance program and the provision of workers' compensation benefits to the injured employees of SCP.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by a government acting as a trustee or agent for entities external to the governmental unit: individuals, organizations or other governmental units. There are four types of fiduciary funds: agency funds; private-purpose trust funds; investment trust funds; and pension and other employee benefit trust funds. SCPS has three trust funds and one agency fund as follows:

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

B. FUND ACCOUNTING (Continued)

- ***OPEB Trust Fund*** - accounts for the assets, liabilities, net assets and change in net assets (additions and deletions) associated with the investment of funds contributed into an irrevocable trust and used to cover current and future retiree health benefit costs.
- ***Scholarship Trust Fund*** - account for the assets, liabilities, net assets and changes in net assets (additions and deletions) associated with scholarship programs administered by SCPS.
- ***Endowment Trust Fund*** - account for the assets, liabilities, net assets and changes in net assets (additions and deletions) associated with endowment programs administered by SCPS.
- ***School Activity Funds*** - account for the cash, cash receipts and cash disbursements associated with the various activities conducted at the individual school sites in connection with student athletics, classes, clubs, and various fundraising activities and private donations. In addition, each school also has a faculty activity fund and there is also a division-wide activity fund. SCPS is liable if any school is unable to meet its obligations with respect to these funds.

C. BASIS OF FINANCIAL STATEMENT PRESENTATION

GASB has established the accounting requirements and reporting model to be used in the annual financial reports of state and local governments. The reporting model was developed to make the Comprehensive Annual Financial Report (CAFR) easier to understand and more useful to the people who use governmental financial information to make decisions.

The basic financial statements consist of the government-wide statements, including the statement of net assets and the statement of activities; fund financial statements, which provide more detailed financial information; and notes to the basic financial statements which provide detailed narrative information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements (the statement of net assets and the statement of activities) present financial information about SCPS as a whole. These statements include the financial activity of the SCPS primary government, except the fiduciary funds. In accordance with GASB reporting requirements, activities are reported in these statements as either governmental or business-type. SCPS does not have any business-type activities.

The statement of net assets presents the overall financial condition of SCPS at fiscal year-end. Presence and size of the net asset balance is an indication of SCPS' ability to cover its cost and continue to provide services in the future.

The statement of activities reports the expenses and revenues of SCPS in a format that focuses on the cost of SCPS' major functions, while net revenue or expenses indicate whether a function is self-supporting or relies on general revenue funding sources. Direct expenses are those that are clearly identifiable to particular functions. Program revenues include: (1) charges for services (e.g., tuition and fees), (2) operating grants and contributions, and (3) capital grants and contributions. Revenues not directly related to a program are reported as general revenues, including SCPS' portion of property tax revenues received from the County and other unrestricted amounts received from the Commonwealth of Virginia and the Federal government. SCPS does not allocate indirect expenses.

The effect of inter-fund activity has been eliminated from the government-wide financial statements.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

C. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

FUND FINANCIAL STATEMENTS

In order to provide budgetary controls and maintain legal compliance, SCPS records transactions in separate funds rendering a more detailed level. SCPS' General Fund (hereafter referred to as the Operating Fund) and Capital Projects Fund are deemed to be major governmental funds; therefore, they are separately reported in the governmental fund statements. All of SCPS' special revenue funds are aggregated in the column entitled non-major governmental funds. The internal service funds are presented in the proprietary fund statements; SCPS has three internal service funds. There are four fiduciary funds, an agency fund and three trust funds. The agency fund comprises activity funds at all 30 schools and one division-wide activity fund, which is purely custodial (i.e., assets equal liabilities) and does not involve the measurement of operations. The trust funds are comprised the OPEB (Other Post-Employment Benefits) Trust Fund, an irrevocable trust, and involves the measurement of OPEB plan operations, a Scholarship trust fund, a fund involves in the collection of donations for the distribution of scholarships to students and an Endowment trust fund, a fund involves in the collection of donations used for investment purposes and whose earnings are then distributed as scholarships.

D. MEASUREMENT FOCUS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are presented using an economic resources measurement focus. All assets and liabilities are shown in the statement of net assets, which includes capital assets (i.e., land, buildings, improvements, and other capital assets) as well as long-term liabilities (i.e., capital lease obligations, compensated absences, accrued insurance claims and OPEB liability) are included in this statement.

Presented by the statement of activities is the degree to which expenses are offset by program revenues for a specific program or function of SCPS. Program revenues include charges for services, operating grants and contributions and capital grants and contributions. Grants and contributions from the County, the Commonwealth of Virginia, and the Federal Government, which are not restricted for specific purposes, are presented as general revenues. Revenue from the use of money is also presented as general revenues.

FUND FINANCIAL STATEMENTS

Governmental Funds

All governmental funds are accounted for using a current financial resources measurement focus, whereby only current assets and current liabilities are included in the balance sheet. The operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current financial resources. Since governmental fund statements are presented on a different measurement focus than government-wide statements, a reconciliation of the total fund balance to total net assets is presented which briefly explains the adjustments made to reconcile the governmental activities reflected in the governmental fund financial statements to the government-wide statements.

Proprietary Funds

All proprietary funds are accounted for on the economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net assets. Proprietary fund equity (i.e., net total assets) is segregated into unrestricted assets and those invested in capital assets. The proprietary fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The operating revenue is charges for services; the cost to provide these services is reported as operating expenses. Non-operating revenue is generated from financing and investing type activities.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

D. MEASUREMENT FOCUS (Continued)

The statement of cash flows reflects how SCPS finances the cash requirements of its proprietary activities. In preparing the financial statements of the proprietary funds, SCPS has elected not to apply the option of paragraph 7 of GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting."* Therefore, SCPS has applied all Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Fiduciary Funds

The agency fiduciary fund has no measurement focus and reports only assets and related liabilities to SCPS student groups. The trust fiduciary funds are accounted for on the economic resources measurement focus.

E. BASIS OF ACCOUNTING

The basis of accounting determines when transactions are recorded as financial transactions and reported in the financial statements. The government-wide financial statements are reported using the accrual basis of accounting. All governmental funds use the modified accrual basis of accounting. The proprietary and fiduciary funds use the accrual basis of accounting. The difference in the basis of accounting relates to how revenue is recognized, how unearned revenue is recorded and whether expenses or expenditures are reported.

REVENUES

In the government-wide financial statements, revenue is recorded when earned. In the governmental funds, revenue is recorded on the modified accrual basis, that is, revenue is recorded in the fiscal year in which resources are measurable and expected to be collected by fiscal year end or soon enough thereafter to be used to pay current liabilities. SCPS uses the period 60 days after fiscal year end for its funds availability criteria. Non-exchange transactions, in which SCPS either gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. These revenues are recognized in the fiscal year in which all eligibility requirements have been satisfied. The effect of inter-fund revenue has been eliminated from these statements.

SCPS' primary revenues are unrestricted payments from the County and the Commonwealth of Virginia. These are considered general revenue and are recognized in the period received. Revenue from general-purpose grants is recognized as general revenues in the period to which the grant applies. Special purpose revenue (i.e., federal, state, and other grants) is recognized as program revenue when earned. Revenue from continuing adult and community education classes and the school lunch program is recognized as program revenue at the time that the revenue is earned. Operating revenue in the proprietary funds is revenue that is earned from charges for services provided to other departments on a cost reimbursement basis. The non-operating revenue of these funds does not require a good or service to be delivered. The primary source for non-operating revenue is interest income.

EXPENDITURES/EXPENSES

In the accrual basis of accounting, expenses are recorded when incurred. In the modified accrual basis of accounting, decreases in net financial resources are reported as expenditures rather than expenses. Expenditures are reported in the fiscal year when the related fund liability is incurred, except that certain general long-term obligations, such as compensated absences, are recognized only to the extent they have matured. Depreciation and amortization, which are allocations of cost, are not recorded in the governmental funds.

The operating expenses in the proprietary funds are those costs that relate directly to providing goods and services to the other departments, within the school district, on a cost reimbursement basis. For services which extend over more than one fiscal period, such as insurance, the change in the actuarially determined insurance liability from one year to the next is reported as an operating expense. Any costs incurred as a result of financing and investing activities are reported as non-operating expenses.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

F. CASH AND CASH EQUIVALENTS

Cash on deposit with the Treasurer's Office at the County of Stafford represents the majority of SCPS' available cash throughout the fiscal year. At the close of the fiscal year, all available cash in the Operating Fund is reclassified to Due from County and represents cash available to pay existing liabilities at year-end primarily accrued payroll. The Treasurer's Office has custodial and internal control responsibilities for SCPS' cash including monthly bank reconciliations.

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. In order to maximize investment returns, cash and cash equivalents are maintained in a fully insured or collateralized investment pool administered by the Treasurer's Office of the County of Stafford. At June 30, 2010, all of the County's deposits were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act established a single body of law applicable to the pledge of security as collateral for public funds on deposit in banking institutions so that the procedure for securing public deposits is uniform throughout the Commonwealth. Under the Act, banks holding public deposits must pledge certain levels of collateral and make monthly filings with the State Treasury Board.

RESTRICTED CASH

Cash amounts in the Health Benefits Fund are restricted for health-related benefits for employees. Cash amounts in the Food and Nutrition Services Fund are restricted for free lunches provided to students as a result of restricted cash donations in prior years. The Capital Projects Fund restricted cash represents proceeds from school bonds held by the Virginia State Non-Arbitrage Program and funds held in escrow related to a capital lease obligation (see Note 7).

G. DEPOSITS AND INVESTMENTS

Cash resources of the individual funds, excluding cash held with fiscal agents in the Capital Projects Fund, Proprietary Funds, and Fiduciary Funds, are combined by County policy to form a pool of cash and investments to maximize interest earnings. Investments in the pool consist of repurchase agreements, commercial paper 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 and no investments are valued at cost. All investments in external investment pools are reported at fair value.

H. INVENTORIES

The Food and Nutrition Services Fund (a special revenue fund that is a non-major governmental fund) carries its inventory on a cost basis (first-in, first-out), which is not in excess of market value. This inventory consists of food service supplies and perishable and non-perishable food products.

The Fleet Services Fund (a proprietary fund that is an internal service fund) carries its inventory on a cost basis (first-in, first-out), which is not in excess of market value. It consists of parts, materials and supplies for repairs and maintenance of SCPS and County vehicles, primarily school buses, police cars and fire trucks.

The consumption method of accounting for inventory is used in the government-wide statements as well as in the internal service funds. Under this method, inventory items are expensed as operating supplies and material as consumed. The purchase method of accounting for inventory is used in the governmental funds. Under this method, inventory items are expensed when purchased. In the governmental funds, the inventory of the Food and Nutrition Services Fund, which consists of perishable and non-perishable food products, is fully reserved in the fund balance. The Internal Service inventory is comprised of expendable supplies held for consumption.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

I. CAPITAL ASSETS

Capital assets are reported in the government-wide financial statements and proprietary fund statements and include land, buildings, improvements, furniture and equipment with a cost of \$5,000 or more. Depreciation is recorded on capital assets in the government-wide statements and proprietary fund statements using the straight-line method. 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 of the donation. 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.

Assets acquired through capital lease agreements are recorded at the present value of the minimum lease payments, as stated in the lease's amortization schedule. The interest expense incurred during construction is capitalized.

All reported capital assets except land and construction in progress are depreciated. Accumulated depreciation is recorded as a reduction to capital assets. The straight-line depreciation method is used over the following estimated useful lives:

Land improvements	20 years
Buildings and building improvements	15 – 50 years
Furniture, fixtures and equipment	5 – 15 years
Vehicles and school buses	8 – 14 years

J. COMPENSATED ABSENCES

SCPS employees accumulate vacation time and sick leave depending upon their length of service. SCPS has established accumulated leave balance thresholds for vacation leave. Excess days above the allowed carry-over are converted to sick leave days. 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.

The current and long-term portions of the governmental funds' accumulated vacation, personal and sick leave is recorded as liabilities in the government-wide financial statements. Current and long-term compensated absences liabilities for proprietary funds are recorded in the government-wide and proprietary fund financial statements.

K. ACCRUED LIABILITIES AND LONG-TERM DEBT

All payables, accrued liabilities and long-term debt amounts are reported in the government-wide financial statements and the proprietary fund financial statements. Account payable and accrued liabilities expected to be paid from current financial resources are reported as current liabilities in each applicable fund. Long-term debt is segregated between amounts due within one year (current) and amounts due beyond one year (non-current).

L. NET ASSETS

Net assets represent the difference between assets and liabilities in the government-wide and proprietary fund financial statements. The net assets of SCPS fall into two categories: (1) net assets invested in capital assets, net of related debt and (2) unrestricted net assets. The first category represents the portion of net assets related to capital assets, net of accumulated depreciation, reduced by the outstanding capital lease obligations incurred to acquire these assets. All the remaining net assets are reported as unrestricted.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

L. NET ASSETS (Continued)

By law, the SCPS does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement of capital assets. That responsibility lies with the local governing body that issues the debt on behalf of SCPS. However, the *Code of Virginia* requires SCPS to hold title to the capital assets (buildings and equipment) due to their responsibility for maintenance and insurance.

In the Statement of Net Assets, this scenario presents a dilemma for the County and SCPS. Debt issued on behalf of SCPS is reported along with the County debt as a liability of the primary government, thereby reducing the net assets of the primary government. The corresponding capital assets are reported as assets of SCPS (title holder), the component unit, thereby increasing the net assets of SCPS.

The Virginia General Assembly amended the *Code of Virginia* to allow a tenancy in common with a school division whenever the locality incurs a financial obligation which is payable over more than one fiscal year for the acquisition of any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt. The legislation allows local governments to elect not to acquire a tenancy in common by adopting a resolution to that effect.

The County concluded that while joint tenancy would resolve a deficit in the primary government's net assets, the continual computation process that would be required to allocate principal, interest, asset additions and depreciation between the County and SCPS would be cumbersome and not provide any added benefit to the financial statements. Therefore, the Board of Supervisors of the County adopted a resolution declining tenancy in common for current and future financial obligations.

M. ENCUMBRANCES

SCPS uses encumbrance accounting where purchase orders, contracts and other commitments for the expenditure of funds are reported as a reservation of fund balance. Encumbrances represent the estimated amount of expenditures resulting when open purchase orders and unfinished contracts and commitments are completed in the subsequent fiscal year. The encumbrances for the Capital Projects Fund do not lapse until the projects are completed and are reported as a reservation of fund balance at year-end. Funding for all other encumbrances lapse at year-end and require re-appropriation by the County. These are shown as reservations of fund balance to indicate they may not be available for other financing purposes.

N. USE OF ESTIMATES

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

O. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING

SCPS follows these procedures in establishing the budgetary data reflected in the financial statements.

1. SCPS' Superintendent prepares an annual budget that is presented to the School Board. The School Board then reviews and requests changes be made or approves the Superintendent's Budget and presents it to the County Board of Supervisors.

2. 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.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

O. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING (Continued)

3. Public hearings are conducted by the Board of Supervisors to obtain taxpayer and citizen comments.
4. Prior to June 30, the County's budget, which includes SCPS as a component unit, is legally enacted through passage of a resolution by the Board of Supervisors. The School Board then adopts the budget approved by the County and the following individual fund budgets are legally adopted:

Stafford County Public Schools' Budgets

Governmental Funds:

Operating Fund
Capital Projects Fund
Food and Nutrition Services Fund
Grants Fund
State Fiscal Stabilization Fund

Proprietary Funds – Internal Service Funds:

Fleet Services Fund
Health Benefits Fund
Workers' Compensation Fund

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The budget for the proprietary funds serves as a guide and not as legally binding limitations. 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. For the year ended June 30, 2010, there were no expenditures in excess of budgetary appropriations.

The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare actual revenue and expenditures with budgeted amounts as originally adopted, and as amended by the Board of Supervisors through June 30, 2010. Individual amendments were not material in relation to the original appropriations.

Note 2. DEPOSITS AND INVESTMENTS

DEPOSITS

All cash of the School Board is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

INVESTMENTS

Statutes authorize the School Board 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 and the State Treasurer's Local Government Investment Pool (LGIP).

CUSTODIAL CREDIT RISK

The School Board's investments at June 30, 2010 were held by the School Board or in the School Board's name by the School Board's custodial banks.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Note 2. DEPOSITS AND INVESTMENTS (Continued)

CREDIT RISK OF DEBT SECURITIES

Stafford County Public Schools' debt investments as of June 30, 2010 were rated by Standard & Poor's and/or an equivalent national rating organization. The ratings using Standard & Poor's rating scale are presented below:

	<u>AAAm</u>	<u>AAA</u>	<u>A1</u>
VACo/VML Pooled OPEB Trust	\$ 2,236,275	\$ -	\$ -
LGIP	4,739,291	-	-
SNAP	6,615,701	-	-
Total	<u>\$13,591,267</u>	<u>\$ -</u>	<u>\$ -</u>

EXTERNAL INVESTMENT POOLS

The fair value of the positions in the external investment pools (LGIP and the VACo/VML Pooled OPEB Trust) are the same as the value of the pool shares. As these pools are not SEC-registered, regulatory oversight of the pools rests with the Virginia State Treasury.

Note 3. DUE FROM STAFFORD COUNTY (PRIMARY GOVERNMENT)

The receivable due from Stafford County at June 30, 2010 represents SCPS' ending cash balance, excluding the balance reported as "Pooled cash and investments", which was reclassified at year-end to "Due from primary government" in the Operating Fund.

Note 4. DUE FROM COMMONWEALTH OF VIRGINIA AND FEDERAL GOVERNMENT

Significant amounts of intergovernmental receivables due from other governments at June 30, 2010 were as follows:

	Governmental Funds - Operating Fund	Nonmajor Governmental Funds - Food and Nutrition Services Fund	Nonmajor Governmental Funds - Grants Funds	Governmental Funds Total
<i>Intergovernmental Receivables:</i>				
Commonwealth of Virginia	\$ 4,629,793	\$ -	\$ 111,740	\$ 4,741,533
Federal Government	101,519	234,333	3,230,815	3,566,667
Total	<u>\$ 4,731,312</u>	<u>\$ 234,333</u>	<u>\$ 3,342,555</u>	<u>\$ 8,308,200</u>

The receivable from the Commonwealth of Virginia is primarily attributed to state sales taxes due to the school system. The Virginia Retail Sales and Use Tax Act requires one and one-eighth cents out of every five cents collected in State Sales Tax be distributed to school divisions based on school-age population. The receivable from the Commonwealth of Virginia also includes SCPS' allocation of the Virginia Public School Authority Educational Technology note proceeds. These proceeds are available to school divisions for qualified technology expenditures.

Amounts due from the federal government in the Operating Fund are attributed primarily to Medicaid, FAMIS and JROTC reimbursements. Amounts due from the federal government in the Food and Nutrition Services Fund are attributed solely to the free and reduced breakfast and lunch programs. The Grants Fund federal receivable consist of Title I and Title II Part A programs that enhance the instruction for disadvantaged children and the state fiscal stabilization fund.

SCPS' receivables are considered fully collectible and therefore an allowance for uncollectible accounts is not applicable to these receivables.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Note 5. INTERFUND TRANSFERS

In the fiscal year ended June 30, 2010, the majority of the inter-fund transfers made were from the Operating Fund to the Health Benefits Fund. During the fiscal year, each fund accounted for healthcare premium payments to the Health Benefits Fund totaling \$22,555,707, which was classified as administrative, attendance and health expenditures. The inter-fund transfers made during the year ended June 30, 2010 were, as follows:

		Food and Nutrition	
<i>Transfer from:</i>	Operating Fund	Services Fund	Total
<i>Transfer to:</i>			
Operating Fund	\$ -	\$ 100,000	\$ 100,000
Capital Projects Fund	18,434	-	18,434
Health Benefits Fund	4,195,486	-	4,195,486
Total	<u>\$ 4,213,920</u>	<u>\$ 100,000</u>	<u>\$ 4,313,920</u>

Note 6. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term liability activity of SCPS for the year ended June 30, 2010:

	Amounts Payable at 7/1/09	Increases	Decreases	Amounts Payable at 6/30/10	Amounts Due within One Year
<i>Governmental Activities:</i>					
General Long-Term Debt:					
Capital Lease	\$ 2,612,857	\$ -	\$ 280,422	\$ 2,332,435	\$ 292,517
Compensated Absences *	5,270,895	44,583	-	5,315,478	394,866
<i>Internal Service Funds:</i>					
Compensated Absences	135,997	-	8,076	127,921	10,603
Total	<u>\$ 8,019,749</u>	<u>\$ 44,583</u>	<u>\$ 288,498</u>	<u>\$ 7,775,834</u>	<u>\$ 697,986</u>

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

Note 7. CAPITAL LEASE OBLIGATIONS

SCPS contracted to perform a detailed energy audit to determine the energy savings potential from an energy savings contract. The results indicated that such a contract would reduce the energy and operating costs of SCPS, while updating or replacing building system equipment.

The financing for this project was structured as a Tax-exempt Municipal Lease and qualifies as a capital lease for accounting purposes. The total amount financed was \$3,204,186, including capitalized interest of \$60,289, and \$2,332,435 is outstanding as of June 30, 2010.

For the year ended June 30, 2010, interest expense totaled \$106,486.

The maturities of future minimum lease payments and the net present value of capitalized lease obligations as of June 30, 2010 are as follows:

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Note 7. CAPITAL LEASE OBLIGATIONS (Continued)

<u>Fiscal year ending June 30:</u>	<u>Amount</u>
2011	\$386,909
2012	386,909
2013	386,909
2014	386,909
2015	386,909
2016 - 2019	<u>773,816</u>
Total future minimum lease payments	2,708,361
Less: interest included in total future minimum lease payments	<u>375,926</u>
Net present value of capitalized lease obligations	<u>\$2,332,435</u>

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Note 8. CAPITAL ASSETS

The following is a summary of the changes in *Total capital assets, net - governmental activities* for the fiscal year ended June 30, 2010:

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Note 8. CAPITAL ASSETS (Continued)

The following is a summary of the changes in *Total capital assets, business-type activities* (i.e., for SCPS' Fleet Services Fund, an internal service fund) for the fiscal year ended June 30, 2010:

	Balance July 1, 2009	Increases	Decreases	Re- classifications	Balance June 30, 2010
<i>Business-type activities:</i>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 37,357	\$ -	\$ -	\$ -	\$ 37,357
Total non-depreciable capital assets	37,357	-	-	-	37,357
<u>Depreciable capital assets:</u>					
Land improvements	942,970	-	-	-	942,970
Buildings & building improvements	1,200,740	-	(33,251)	-	1,167,489
Furniture, fixtures & equipment	109,893	11,952	-	-	121,845
Vehicles	33,277	-	-	-	33,277
Software	-	78,725	-	-	78,725
Total depreciable capital assets	2,286,880	90,677	(33,251)	-	2,344,306
<u>Less accumulated depreciation for:</u>					
Land improvements	(131,212)	(47,515)	-	-	(178,727)
Buildings & building improvements	(653,389)	(34,664)	23,525	-	(664,528)
Furniture, fixtures & equipment	(41,488)	(8,464)	-	-	(49,952)
Vehicles	(8,728)	(4,160)	-	-	(12,888)
Software	-	(7,872)	-	-	(7,872)
Total accumulated depreciation	(834,817)	(102,675)	23,525	-	(913,967)
Total depreciable capital assets, net	1,452,063	(11,998)	(9,726)	-	1,430,339
Total capital assets, net					
- business-type activities	\$ 1,489,420	\$ (11,998)	\$ (9,726)	\$ -	\$ 1,467,696

Note 9. CONSTRUCTION COMMITMENTS

At June 30, 2010, SCPS had contractual commitments of \$3.6 million in the Capital Projects Fund for construction of various projects.

Note 10. RELATED PARTIES

With the exception of the County, which funds a large portion of the SCPS budget and is the custodian of the majority of SCPS' cash and cash equivalents, the school system has no significant related parties.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Note 11. DEBT SERVICE RESPONSIBILITY

The Code of Virginia prohibits SCPS from having borrowing or taxing authority. The County issues and services the general obligation debt to finance the purchase or construction of school facilities. The debt is not secured by the assets purchased or constructed but by the full faith and credit and taxing authority of the County. Since SCPS is not obligated to repay principal or interest on any general obligation debt incurred on SCPS' behalf, the debt is recorded in the County's government-wide financial statements.

Note 12. RISK MANAGEMENT

SCPS is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

SCPS is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing. Each Association member jointly and severally agrees to assume, pay and discharge any liability. SCPS pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

SCPS carries commercial insurance for all risks of loss, except for workers' compensation. Like the County, SCPS participates in the VML public entity risk pool. Settled claims have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year. The total estimated workers' compensation insurance claims payable as of June 30, 2010 was \$239,916, of which \$151,147 was estimated to be current claims payable.

Beginning in fiscal year 2002, SCPS 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 of the SCPS 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:

Fiscal Year Ended June 30,	2010	2009
Unpaid claims, beginning of fiscal year	\$3,434,279	\$3,487,522
Incurred claims (including IBNR)	22,083,764	21,352,766
Claims payments	(21,511,727)	(21,406,009)
Unpaid claims, end of fiscal year	<u>\$4,006,316</u>	<u>\$3,434,279</u>

Note 13. LITIGATION AND CONTINGENT LIABILITIES

SCPS is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. It is the opinion of SCPS' management, based on advice from legal counsel, that any losses incurred as a result of claims existing as of June 20, 2010 will not be material to the financial statements.

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010**

Note 13. LITIGATION AND CONTINGENT LIABILITIES (Continued)

Federal programs in which the School Board participates were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by our audit, the Federal Government may subject grant programs to additional compliance test which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

Note 14. DEFINED BENEFIT PENSION PLAN

A. PLAN DESCRIPTION

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

All full-time, salaried permanent employees of SCPS must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service or at age 50 with 30 years of service, if elected by the employer, which is payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/publications/2009-annual-report.pdf> or obtained by writing to the System'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% of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. In addition, SCPS is required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The SCPS contribution rate for professional and non-professional employees for the fiscal year ended 2010 was 13.81% and 14.54%, respectively, of annual covered payroll.

Total contributions to the VRS State Teachers Pool for the fiscal years ended June 30, 2007 through June 30, 2010 were \$18,209,670, \$20,463,048, \$18,967,991 and \$15,704,158, respectively, representing 14.2%, 15.3%, 13.81% and 11.24%, respectively, of the annual covered payroll for the four fiscal years then ended.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Note 14. DEFINED BENEFIT PENSION PLAN (Continued)

C. ANNUAL PENSION COST

For fiscal year 2010, SCPS' actual annual pension cost of \$1,323,860 was equal to its required contribution.

Four-year Pension Trend Information for SCPS:

Fiscal Year Ending	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
June 30, 2010	\$1,323,860	100.00%	-
June 30, 2009	\$1,348,849	100.00%	-
June 30, 2008	\$1,322,906	100.00%	-
June 30, 2007	\$1,295,417	100.00%	-

The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.5% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officer, firefighters, and sheriffs and (c) a COLA of 2.50% per year. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the SCPS 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. SCPS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

D. FUNDED STATUS AND FUNDING PROGRESS

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

The schedule of funding progress, presented as required supplemental information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 15. OTHER POST-EMPLOYMENT BENEFITS (OPEB) MEDICAL PLAN

A. PLAN DESCRIPTION

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

RETIREMENT BENEFITS

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010**

Note 15. OTHER POST-EMPLOYMENT BENEFITS (OPEB) MEDICAL PLAN (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.

DISABILITY BENEFITS

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

SURVIVOR BENEFITS

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

MEDICARE COVERAGE OPTIONS

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

ACTUARIAL METHODS AND ASSUMPTIONS

Cost Method

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.

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

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Note 15. OTHER POST-EMPLOYMENT BENEFITS (OPEB) MEDICAL PLAN (Continued)

Interest Assumptions

The actuarial assumptions of the plan as of June 30, 2010 are as follows:

• Discount rate	5.75%
• VRS retiree credit increase	4.0%
• Payroll growth	4.0%

B. FUNDING POLICY

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

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

For the fiscal year ended June 30, 2010, the School Board implemented Statement No. 45 of the Governmental Accounting Standards Board (GASB) – “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Benefits”. In the first year of implementation, the annual cost of other post employment benefits (OPEB) is equal to the annual required contribution (ARC), an amount actuarially determined in accordance with the accounting and financial reporting requirements of GASB Statement No. 45.

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

The School Board’s annual OPEB cost (expense) for the year ended June 30, 2010 was \$5,552,873 (comprised of the ARC of \$5,418,000 plus interest on the beginning net OPEB obligation of \$553,085 less an ARC adjustment of \$418,212), the total medical claims paid was \$1,579,252, and the total contribution paid into the OPEB Trust Fund was \$1,158,352, yielding an unfunded ARC of \$2,680,396. The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for fiscal years 2010, 2009 and 2008 are as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2010	\$5,552,873	49.30%	\$12,434,140
June 30, 2009	\$5,517,873	54.76%	\$ 9,618,871
June 30, 2008	\$8,258,000	13.75%	\$ 7,122,704

D. FUNDED STATUS AND PROGRESS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for plan benefits.

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010**

Note 16. VRS HEALTH INSURANCE CREDIT OPEB PLAN

A. PLAN DESCRIPTION

Stafford County Public Schools (SCPS) participates in the state's post-employment Health Insurance Credit (HIC) Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost-sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS).

The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

An employee of SCPS retiring under the VRS (the "System") with at least 15 years of total creditable service in the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the employee. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the costs of such credits in the applicable employer rate pursuant to § 51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 14.

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 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 included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cost Method

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.5% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2009 was 27 years.

B. FUNDING POLICY

As a participating local political subdivision, SCPS is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. SCPS' contribution rate effective for the upcoming fiscal year is .26% of annual covered payroll.

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC) determined for each fiscal year. SCPS is required to contribute the 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 years.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Note 16. VRS HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

For 2010, SCPS' contribution of \$37,386 was equal to the ARC and OPEB cost. SCPS' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for 2010 and 2009 are as follows:

Fiscal Year Ending	OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2010	\$ 37,386	100.00%	-
6/30/2010	34,606	100.00%	-

D. FUNDED STATUS AND FUNDING PROGRESS

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 and reflect a long-term perspective. 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, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. PROFESSIONAL EMPLOYEES

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.04% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2010, 2009, and 2008 were \$1,170,804, \$1,340,203, and \$1,646,742, respectively and equaled the required contributions for each year.

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2010

REQUIRED SUPPLEMENTARY INFORMATION (unaudited)

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

Exhibit L

	Budget		Actual	Variance from
	Original	Final	(Budget Basis)	Final Budget Over (Under)
REVENUES				
Intergovernmental:				
Stafford County	\$107,436,533	\$103,808,533	\$ 103,189,962	\$ (618,571)
Commonwealth of Virginia	128,706,861	123,254,703	118,932,246	(4,322,457)
Federal Government	10,425,043	1,450,000	2,138,986	688,986
Total intergovernmental revenues	246,568,437	228,513,236	224,261,194	(4,252,042)
Charges for services:				
Tuition and fees	877,500	877,500	804,273	(73,227)
Recovered costs	184,150	174,431	854,727	680,296
Miscellaneous	750,000	687,379	643,992	(43,387)
Total revenues	248,380,087	230,252,546	226,564,186	(3,688,360)
EXPENDITURES				
Current operating:				
Instruction	181,273,909	170,294,525	167,636,573	(2,657,952)
Administration, attendance and health	13,711,799	13,430,406	12,603,158	(827,248)
Pupil transportation	14,149,935	12,907,885	12,279,285	(628,600)
Operation and maintenance	22,619,576	21,472,365	19,899,243	(1,573,122)
Food and nutrition services	198,570	209,303	206,229	(3,074)
Facilities	300,000	439,108	250,290	(188,818)
Technology	14,753,638	12,650,789	11,628,683	(1,022,106)
Capital outlay	1,085,750	3,395,462	3,023,214	(372,248)
Debt service:				
Principal	280,423	280,423	280,422	(1)
Interest and fiscal charges	106,487	106,487	106,486	(1)
Total expenditures	248,480,087	235,186,753	227,913,583	(7,273,170)
Excess of revenues over expenditures	(100,000)	(4,934,207)	(1,349,397)	3,584,810
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds, net	100,000	(4,095,486)	(4,113,920)	(18,434)
Net change in fund balance	\$ -	\$ (9,029,693)	(5,463,317)	\$ 3,566,376
Fund balance, beginning - July 1, 2009			9,029,683	
Fund balance, ending - June 30, 2010			\$ 3,566,366	

See the accompanying notes to required supplementary information and independent auditors' report.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF FUNDING PROGRESS FOR DEFINED PENSION BENEFIT PLAN, OTHER POST-EMPLOYMENT BENEFITS MEDICAL PLAN, AND VRS HEALTH INSURANCE CREDIT OPEB PLAN
Last Five Fiscal Years

Exhibit M

A. Virginia Retirement System

For Non-professional Employees:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage Covered Payroll {(b) - (a)} / (c)
June 30, 2009	16,407,925	19,741,420	3,333,495	83.11%	9,355,749	35.63%
June 30, 2008	15,105,330	18,143,961	3,038,631	83.25%	9,423,081	32.25%
June 30, 2007	12,924,290	16,463,072	3,538,782	78.50%	9,275,202	38.15%
June 30, 2006	10,838,222	13,684,813	2,846,591	79.20%	7,927,683	35.91%
June 30, 2005	9,665,736	12,288,811	2,623,075	78.65%	5,354,505	48.99%

B. Other Post-Employment Benefits (OPEB) Medical Plan

For Professional and Non-professional Employees:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as of a Percentage of Covered Payroll {(b) - (a)} / (c)
Before Plan Design Change						
July 1, 2007	-	7,967,000	7,967,000	0.00%	103,300,000	7.71%
After Plan Design Change						
July 1, 2008	1,058,479	50,636,479	49,578,000	2.90%	106,020,819	46.76%

C. VRS Health Insurance Credit OPEB Plan

For Non-professional Employees:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as of a Percentage of Covered Payroll {(b) - (a)} / (c)
September 30, 2009	102,886	260,568	157,682	39.49%	9,355,749	1.69%
September 30, 2008	101,971	303,765	201,794	33.57%	9,423,081	2.14%
September 30, 2007	73,627	417,967	344,340	17.62%	9,275,502	3.71%

See accompanying notes to required supplementary information and independent auditors' report.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2010

A. BUDGETS AND BUDGETARY ACCOUNTING

SCPS follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent prepares an annual budget that is presented to the School Board, usually in January of each year. Budget schedules and deadlines are developed annually.
2. Following public hearing on the Superintendent's Proposed Budget and School Board discussions, the School Board adopts its annual budget and forwards it to the governing body, the County of Stafford's Board of Supervisors, for consideration. This usually takes place in March of each year.
4. Prior to April 1, the County Administrator submits a proposed budget including SCPS as a component unit of the primary government to the Board of Supervisors for the fiscal year commencing the following July 1. This budget includes proposed obligations and means of financing them, which embodies estimates of specific revenue sources. Public hearings are conducted by the Board of Supervisors to obtain taxpayer and citizen comments on the budget.
5. Prior to June 30, the County's annual budget is legally enacted through passage of a resolution by the Board of Supervisors. The School Board adopts the budgets approved by the County, thereby legally adopting these budgets:

Stafford County Public Schools

Governmental Funds:

Operating Fund
Capital Projects Fund
Food and Nutrition Services Fund
Grants Fund
State Fiscal Stabilization Fund

Proprietary Funds – Internal Service Funds:

Fleet Services Fund
Health Benefits Fund
Worker's Compensation Fund

6. The budget for the proprietary funds serves as a guide and not as legally binding limitations. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. 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.
8. An encumbrance system is used to monitor purchases and contractual commitments during the fiscal year. Any outstanding (open) encumbrances at year-end are reported as a reservation of fund balance. Encumbrances do not constitute expenditures of the current fiscal year. Appropriations with outstanding commitments or encumbrances are carried forward to the following fiscal year.
9. Unexpended, unencumbered appropriations lapse (except for the Capital Projects Fund) and are closed to the proper fund balances at the end of each fiscal year (June 30). However, the Operating Fund's net assets balance (i.e., total assets less total liabilities) not reserved or designated at June 30 for outstanding encumbrances, inventory, prepaid expenses, and future expenditures, revert to the County before closing the fiscal year. Appropriations for the subsequent fiscal year are increased to cover the outstanding encumbrances at June 30 via a re-appropriation of funds by the County. Encumbered appropriations are liquidated through expenditures in the subsequent fiscal year.

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2010

OTHER SUPPLEMENTARY INFORMATION

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT OF STAFFORD COUNTY, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

Exhibit N

	Special Revenue Funds		
	Food and Nutrition Services Fund	Grants Fund	Total Nonmajor Governmental Funds
ASSETS			
Pooled cash and investments	\$ 2,461,043	\$ 59,146	\$ 2,520,189
Accounts receivable	40,422	4,952	45,374
Intergovernmental receivables:			
Federal Government	234,333	3,230,815	3,465,148
Commonwealth of Virginia	-	111,740	111,740
Due from other funds	377	12	389
Inventory	203,749	-	203,749
Total assets	<u>\$ 2,939,924</u>	<u>\$ 3,406,665</u>	<u>\$ 6,346,589</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 74,996	\$ 186,189	\$ 261,185
Accrued salaries and benefits	943,293	-	943,293
Due to other funds	65,803	3,173,361	3,239,164
Total liabilities	<u>1,084,092</u>	<u>3,359,550</u>	<u>4,443,642</u>
Fund Balance:			
Reserved for:			
Inventory	203,749	-	203,749
Encumbrances	111,508	-	111,508
Grants	-	47,115	47,115
Unreserved fund balance	1,540,575	-	1,540,575
Total fund balance	<u>1,855,832</u>	<u>47,115</u>	<u>1,902,947</u>
Total liabilities and fund balance	<u>\$ 2,939,924</u>	<u>\$ 3,406,665</u>	<u>\$ 6,346,589</u>

See accompanying independent auditors' report.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT OF STAFFORD COUNTY, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL GRANTS FUNDS
June 30, 2010

Exhibit O

	<u>Special Revenue Funds</u>		
	State Stablization Fund	Grants Fund	Total Nonmajor Governmental Grants Funds
ASSETS			
Pooled cash and investments	\$ -	\$ 59,146	\$ 59,146
Accounts receivable	-	4,952	4,952
Intergovernmental receivables:			
Federal Government	1,868,575	1,362,240	3,230,815
Commonwealth of Virginia	-	111,740	111,740
Due from other funds	-	12	12
Total assets	<u>\$ 1,868,575</u>	<u>\$ 1,538,090</u>	<u>\$ 3,406,665</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 155,210	\$ 30,979	\$ 186,189
Due to other funds	1,713,365	1,459,996	3,173,361
Total liabilities	<u>1,868,575</u>	<u>1,490,975</u>	<u>3,359,550</u>
Fund Balance:			
Reserved for:			
Grants	-	47,115	47,115
Total fund balance	-	47,115	47,115
Total liabilities and fund balance	<u>\$ 1,868,575</u>	<u>\$ 1,538,090</u>	<u>\$ 3,406,665</u>

See accompanying independent auditors' report.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

Exhibit P

	Special Revenue Funds		
	Food and Nutrition Services Fund	Grants Fund	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental:			
Commonwealth of Virginia	\$ 174,982	\$ 225,649	\$ 400,631
Federal Government	3,870,627	14,801,924	18,672,551
Total intergovernmental revenues	4,045,609	15,027,573	19,073,182
Charges for services:			
Food sales	6,817,209	-	6,817,209
Miscellaneous	-	119,819	119,819
Total revenues	10,862,818	15,147,392	26,010,210
EXPENDITURES			
Current operating:			
Education:			
Instruction	-	13,884,640	13,884,640
Administration, Attendance and Health	-	8,736	8,736
Operation and maintenance	476	49,341	49,817
Food and nutrition services	10,414,534	-	10,414,534
Technology	110,806	210,508	321,314
Capital outlay	109,787	947,052	1,056,839
Total expenditures	10,635,603	15,100,277	25,735,880
Excess of revenues over expenditures	227,215	47,115	274,330
OTHER FINANCING USES			
Transfers to other funds	(100,000)	-	(100,000)
Net change in fund balance	127,215	47,115	174,330
Fund balance, beginning - July 1, 2009	1,728,617	-	1,728,617
Fund balance, ending - June 30, 2010	\$ 1,855,832	\$ 47,115	\$ 1,902,947

See accompanying independent auditors' report.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL GRANTS FUNDS
For the Fiscal Year Ended June 30, 2010

Exhibit Q

	Special Revenue Funds		
	State Fiscal Stablization Fund	Grants Fund	Total Nonmajor Governmental Grants Funds
REVENUES			
Intergovernmental:			
Commonwealth of Virginia	\$ -	\$ 225,649	\$ 225,649
Federal Government	3,475,042	11,326,882	14,801,924
Total intergovernmental revenues	3,475,042	11,552,531	15,027,573
Miscellaneous	-	119,819	119,819
Total revenues	3,475,042	11,672,350	15,147,392
EXPENDITURES			
Current operating:			
Education:			
Instruction	3,221,215	10,663,425	13,884,640
Administration, Attendance and Health	5,383	3,353	8,736
Operation and maintenance	49,341	-	49,341
Technology	199,103	11,405	210,508
Capital outlay	-	947,052	947,052
Total expenditures	3,475,042	11,625,235	15,100,277
Excess of revenues over expenditures	-	47,115	47,115
OTHER FINANCING USES			
Transfers to other funds	-	-	-
Net change in fund balance	-	47,115	47,115
Fund balance, beginning - July 1, 2009	-	-	-
Fund balance, ending - June 30, 2010	\$ -	\$ 47,115	\$ 47,115

See accompanying independent auditors' report.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

Exhibit R

	Internal Service Funds			Total
	Fleet Services Fund	Health Benefits Fund	Workers' Compensation Fund	Proprietary Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 772,287	\$ 21,879,405	\$ 2,185,532	\$ 24,837,224
Accounts receivable	592	48,473	-	49,065
Due from other funds	1,016	1,105,052	-	1,106,068
Prepaid Insurance	-	96,820	-	96,820
Inventory	364,018	-	-	364,018
Total current assets	1,137,913	23,129,750	2,185,532	26,453,195
Noncurrent assets:				
Capital assets:				
Land	37,357	-	-	37,357
Land improvements	942,970	-	-	942,970
Buildings and building improvements	1,167,489	-	-	1,167,489
Furniture, fixtures and equipment	121,845	-	-	121,845
Vehicles	33,277	-	-	33,277
Software	78,725	-	-	78,725
Less accumulated depreciation	(913,967)	-	-	(913,967)
Total noncurrent assets	1,467,696	-	-	1,467,696
Total assets	\$ 2,605,609	\$ 23,129,750	\$ 2,185,532	\$ 27,920,891
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 51,403	\$ 1,105,751	\$ -	\$ 1,157,154
Accrued salaries and benefits	161,286	8,835	5,145	175,266
Current portion of accrued insurance claims	-	4,006,315	151,147	4,157,462
Due to other funds	4,837	-	55	4,892
Current portion of compensated absences	10,603	-	-	10,603
Total current liabilities	228,129	5,120,901	156,347	5,505,377
Noncurrent liabilities:				
Noncurrent portion of accrued insurance claims	-	-	88,769	88,769
Noncurrent portion of compensated absences	117,318	-	-	117,318
Noncurrent portion of OPEB liability	-	12,434,140	-	12,434,140
Total noncurrent liabilities	117,318	12,434,140	88,769	12,640,227
Total liabilities	345,447	17,555,041	245,116	18,145,604
NET ASSETS				
Invested in capital assets, net of related debt	1,467,696	-	-	1,467,696
Unrestricted	792,466	5,574,709	1,940,416	8,307,591
Total net assets	2,260,162	5,574,709	1,940,416	9,775,287
Total liabilities and net assets	\$ 2,605,609	\$ 23,129,750	\$ 2,185,532	\$ 27,920,891

See accompanying independent auditors' report.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

Exhibit S

	Internal Service Funds			Total
	Fleet Services Fund	Health Benefits Fund	Workers' Compensation Fund	Proprietary Funds
Operating revenues:				
Charges for services	\$ 3,540,032	\$ 24,946,120	\$ 1,312,506	\$ 29,798,658
Operating expenses:				
Personnel services	1,863,901	231,887	71,651	2,167,439
Contractual services	48,855	27,981,334	536,787	28,566,976
Materials and supplies	1,529,922	-	-	1,529,922
Heat, light and power	19,318	-	-	19,318
Telecommunication and internal services	34,325	-	-	34,325
Depreciation	102,675	-	-	102,675
Total operating expenses	3,598,996	28,213,221	608,438	32,420,655
Operating income (loss)	(58,964)	(3,267,101)	704,068	(2,621,997)
Nonoperating revenues:				
Interest and investment revenue	-	13,902	-	13,902
Gain (Loss) on disposal of capital assets	(9,726)	-	-	(9,726)
Vehicle sales	62,735	-	-	62,735
	53,009	13,902	-	66,911
Non-operating income (loss) before transfers from other funds	(5,955)	(3,253,199)	704,068	(2,555,086)
Transfers from other funds, net	-	4,195,486	-	4,195,486
Change in net assets	(5,955)	942,287	704,068	1,640,400
Net assets, beginning - July 1, 2009	2,266,117	\$ 4,632,422	1,236,348	8,134,887
Net assets, ending - June 30, 2010	\$ 2,260,162	\$ 5,574,709	\$ 1,940,416	\$ 9,775,287

See accompanying independent auditors' report.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

Exhibit T

	Internal Service Funds			Total
	Fleet Services Fund	Health Benefits Fund	Workers' Compensation Fund	Proprietary Funds
Cash flows from operating activities:				
Receipts from customers	\$ 3,543,467	\$ 24,948,876	\$ 1,312,506	\$ 29,804,849
Payments to suppliers	(1,673,817)	(24,741,577)	(1,060,196)	(27,475,590)
Payments to employees	(1,884,020)	(232,404)	(71,962)	(2,188,386)
Net cash provided by operating activities	(14,370)	(25,105)	180,348	140,873
Cash flows from noncapital financing activities:				
Transfers from other funds	-	4,195,486	-	4,195,486
Net cash provided by noncapital financing	-	4,195,486	-	4,195,486
Cash flows from capital and related financing activities:				
Proceeds from vehicle sales	62,735	-	-	62,735
Acquisition and construction of capital assets	(90,677)	-	-	(90,677)
Net cash provided by capital and related financing activities	(27,942)	-	-	(27,942)
Cash flows from investing activities:				
Interest on investments	-	13,902	-	13,902
Net cash provided by investing activities	-	13,902	-	13,902
Net increase in cash and cash equivalents	(42,312)	4,184,283	180,348	4,322,319
Cash and cash equivalents, beginning July 1, 2009	814,599	17,695,122	2,005,184	20,514,905
Cash and cash equivalents, ending June 30, 2010	\$ 772,287	\$ 21,879,405	\$ 2,185,532	\$ 24,837,224
Reconciliation of operating loss to net cash provided by operating activities:				
Operating loss	\$ (58,964)	\$ (3,267,101)	\$ 704,068	\$ (2,621,997)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation expense	102,675	-	-	102,675
Changes in assets and liabilities:				
Decrease (increase) in accounts receivables	3,435	2,756	-	6,191
Increase in inventory	(13,349)	-	-	(13,349)
Decrease (increase) in prepaid insurance	-	(96,820)	-	(96,820)
Increase (decrease) in accounts payable and accrued expenses	(40,091)	520,791	(523,720)	(43,020)
Decrease in compensated absences	(8,076)	-	-	(8,076)
Increase in OPEB liability	-	2,815,269	-	2,815,269
Total adjustments	44,594	3,241,996	(523,720)	2,762,870
Net cash provided by operating activities	\$ (14,370)	\$ (25,105)	\$ 180,348	\$ 140,873

See accompanying independent auditors' report.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND - AGENCY FUND
For the Fiscal Year Ended June 30, 2010

Exhibit U

	Agency Fund			
	School Activity Funds			
	Beginning Balance - July 1, 2009	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance - June 30, 2010
ASSETS				
Cash and cash equivalents	\$ 2,556,118	\$ 6,078,120	\$ (6,067,815)	\$ 2,566,423
LIABILITIES				
Reserve for future expenditures	\$ 2,556,118	\$ 6,078,120	\$ (6,067,815)	\$ 2,566,423
NET ASSETS				
Net assets held for other purposes	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditors' report.

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2010

STATISTICAL SECTION (unaudited)

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATISTICAL SECTION
June 30, 2010

The statistical section of the CAFR presents detailed information as a context for understanding what the financial information presented in the basic financial statements, notes to the basic financial statements, and required and other supplementary information means regarding the overall financial health of SCPS. It includes financial trends, demographic information, and operating indicators and data for the division.

No information on revenue capacity is presented, since SCPS has no taxing authority. SCPS is primarily fiscally dependent on appropriations from the Commonwealth of Virginia and the County of Stafford. Similarly, no information on debt capacity is presented, since SCPS has no debt issuance authority. The only debt carried by SCPS is in the form of an energy-performance lease that qualifies as a capital lease.

The following information included in this statistical section is unaudited.

<u>Contents</u>	<u>Table</u>
<i>Financial Trends</i>	
Net Assets by Component	S-1
Changes in Net Assets by Component	S-2
Fund Balances – Governmental Funds	S-3
Changes in Fund Balances – Governmental Funds	S-4
<i>Demographic Information</i>	
General Information	S-5
Full-time Equivalent Employees (Contracted)	S-6
Number of Schools in the Division	S-7
Division-wide Enrollment	S-8
<i>Operating Indicators and Data</i>	
Various Operating Indicators	S-9
Transportation Operating Indicators	S-10
Food and Nutrition Services Operating Indicators	S-11
Fleet Services Operating Indicators	S-12A-B
Technology and Information Services Data	S-13
Property Data	S-14
Energy Management – Utility Savings Data	S-15
Average SAT Scores	S-16
Standards of Learning Test Passing Rates	S-17A-D
School Accreditation and Adequate Yearly Progress	S-18

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NET ASSETS BY COMPONENT
Fiscal Years 2006 - 2010
(Accrual Basis of Accounting)

Table S-1

	2006	2007	June 30, 2008	2009	2010
NET ASSETS:					
Invested in capital assets, net of related debt	\$ 328,150,928	\$ 360,219,807	\$ 372,811,891	\$ 377,290,792	\$ 371,615,809
Restricted, construction and maintenance	21,388	843	-	-	-
Unrestricted	45,517,698	26,411,900	27,817,509	17,502,199	15,584,941
Total net assets	\$ 373,690,014	\$ 386,632,550	\$ 400,629,400	\$ 394,792,991	\$ 387,200,750

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data is unavailable, but will be accumulated going forward.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
CHANGES IN NET ASSETS BY COMPONENT

Fiscal Years 2006 - 2010

(Accrual Basis of Accounting)

Table S-2

	For the Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Expenses				
Governmental activities	\$ 239,085,262	\$ 254,849,234	\$ 269,258,983	\$ 279,829,235
Program revenues				
Charges for services	10,253,513	12,905,290	10,738,470	17,996,927
Operating grants and contributions	125,172,680	140,951,314	146,067,195	152,758,520
Total program revenues	135,426,193	153,856,604	156,805,665	170,755,447
Net expenses	(103,659,069)	(100,992,630)	(112,453,318)	(109,073,788)
General revenues				
Unrestricted grants and contributions	153,719,718	110,969,860	124,008,330	101,194,329
Investment earnings	1,123,206	1,635,750	954,628	411,486
Miscellaneous	516,691	1,151,800	1,487,210	1,631,563
Total general revenues	155,359,615	113,757,410	126,450,168	103,237,378
Net change in net assets	\$ 51,700,546	\$ 12,764,780	\$ 13,996,850	\$ (5,836,410)
				\$ (7,592,241)

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data is unavailable, but will be accumulated going forward.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS
Fiscal Years 2006 - 2010
(Modified Accrual Basis of Accounting)

Table S-3

	June 30,			
	2006	2007	2008	2009
Operating Fund:				
Reserved	\$ 6,453,593	\$ 5,797,867	\$ 9,189,151	\$ 4,329,683
Designated	-	-	1,792,849	4,700,000
Fund balance - general fund	6,453,593	5,797,867	10,982,000	9,029,683
				4,184,937
All Other Governmental Funds:				
Reserved:				
Capital Projects Fund	23,646,442	18,667,695	9,916,007	1,822,581
Food and Nutrition Services Fund	17,872	136,083	340,048	353,134
School Construction, Renovation and Maintenance Fund	800	843	-	-
Grants Fund	-	-	-	558,638
	23,665,114	18,804,621	10,256,055	2,734,353
				4,943,668
Unreserved:				
Capital Projects Fund	12,659,776	(2,801,008)	8,655,320	3,546,746
Food and Nutrition Services Fund	1,518,252	1,606,927	1,240,709	1,375,483
Grants Fund	-	-	-	(558,638)
	14,178,028	(1,194,081)	9,896,029	4,363,591
				3,464,223
Fund balance - other governmental funds	37,843,142	17,610,540	20,152,084	7,097,944
				8,407,891
Total fund balance	\$ 44,296,735	\$ 23,408,407	\$ 31,134,084	\$ 16,127,627
				\$ 12,592,828

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data is unavailable, but will be accumulated going forward.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Fiscal Years 2006 - 2010
(Modified Accrual Basis of Accounting)

Table S-4

	For the Fiscal Year Ended June 30,				
	2006	2007	2008	2009	2010
REVENUES:					
Intergovernmental:					
Stafford County	\$ 153,719,718	\$110,969,860	\$ 124,008,330	\$ 101,194,329	\$ 109,998,360
Commonwealth of Virginia	112,576,745	127,676,745	132,608,495	138,721,700	119,332,877
Federal Government	12,595,935	13,274,571	13,458,700	14,036,820	20,811,537
Total intergovernmental revenues	<u>278,892,398</u>	<u>251,921,176</u>	<u>270,075,525</u>	<u>253,952,849</u>	<u>250,142,774</u>
Charges for services:					
Tuition and fees	882,554	469,534	448,696	646,368	804,273
Food sales	6,286,732	6,849,080	6,948,489	7,124,957	6,817,209
Recovered costs	-	728,878	1,217,023	1,199,174	960,986
Miscellaneous	516,691	399,420	124,779	396,412	768,248
Interest	937,846	1,386,795	742,760	331,375	10,472
Total revenues	<u>287,516,221</u>	<u>261,754,883</u>	<u>279,557,272</u>	<u>263,651,135</u>	<u>259,503,962</u>
EXPENDITURES:					
Education:					
Instruction	157,321,292	165,233,993	184,897,493	182,434,351	181,521,213
Administration, attendance and health	10,838,707	12,895,864	16,360,660	13,411,457	12,611,894
Pupil transportation	9,961,980	11,187,407	13,001,603	12,363,412	12,279,285
Operation and maintenance	16,701,941	17,960,887	20,624,177	21,287,639	19,949,060
Food and nutrition services	8,655,391	9,165,532	10,666,907	10,848,880	10,620,763
Facilities	4,555,802	401,980	73,908	524,866	250,290
Technology	-	-	-	12,005,015	11,949,997
Capital outlay	58,510,774	48,922,976	24,902,092	18,306,903	9,273,865
Debt service:					
Principal	228,562	556,414	322,495	268,828	280,422
Interest and fiscal charges	48,994	138,833	110,444	118,081	106,486
Total expenditures	<u>266,823,443</u>	<u>266,463,886</u>	<u>270,959,779</u>	<u>271,569,432</u>	<u>258,843,275</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,692,778</u>	<u>(4,709,003)</u>	<u>8,597,493</u>	<u>(7,918,297)</u>	<u>660,687</u>
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	-	100,000	100,000	100,000	118,434
Transfers to other funds	(15,586,903)	(19,483,531)	(2,764,665)	(5,395,311)	(4,313,920)
Total other financing uses, net	<u>(15,586,903)</u>	<u>(19,383,531)</u>	<u>(2,664,665)</u>	<u>(5,295,311)</u>	<u>(4,195,486)</u>
Net change in fund balance	<u>\$ 5,105,875</u>	<u>\$ (24,092,534)</u>	<u>\$ 5,932,828</u>	<u>\$ (13,213,608)</u>	<u>\$ (3,534,799)</u>

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data is unavailable, but will be accumulated going forward.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
GENERAL INFORMATION
June 30, 2010

Table S-5

Stafford County	
Independent county:	September 27, 1664
Form of government:	Traditional Board of Supervisors
Area - square miles:	277 square miles

Stafford County Public Schools			
Number of Schools:		Fall Membership: (1)	
Early childhood centers	1	Elementary schools	11,265
Elementary schools	17	Middle schools	6,301
Middle schools	8	High schools	9,494
High schools	5	Total	<u>27,060</u>
Alternative schools	<u>2</u>		
	<u>33</u>		
Contracted Employees:			
	2,125		
Licensed Instructional	<u>2,424</u>		
Other Employees	<u>4,549</u>		

Source: County of Stafford website and Superintendent's Annual Report.

(1) Fall membership is defined as the number of students in public school on September 30 of each year. This information is as of September 30, 2007.

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data is available, but only current year data is provided.

Table S-6

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION
Fiscal Years 2001 - 2010**

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Employees:										
Licensed Instructional	1,635	1,711	1,818	1,907	1,993	2,013	2,015	2,079	2,125	2,186
Other Employees	1,232	1,281	1,352	1,357	1,455	1,464	1,419	2,537	2,424	1,603
Total	<u>2,867</u>	<u>2,992</u>	<u>3,170</u>	<u>3,264</u>	<u>3,448</u>	<u>3,477</u>	<u>3,434</u>	<u>4,616</u>	<u>4,549</u>	<u>3,789</u>

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NUMBER OF SCHOOLS IN THE DIVISION
Fiscal Years 2001 - 2010

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of Schools:										
Elementary Schools	13	13	14	15	15	16	17	17	17	17
Secondary/										
Elementary Schools	6	6	6	6	6	6	7	7	8	8
High Schools	4	4	4	4	4	5	5	5	5	5
Total	23	23	24	25	25	27	29	29	30	30

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR.

Table S-8

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
DIVISION-WIDE ENROLLMENT
Fiscal Years 2001 - 2010

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Student Membership:										
September 30 membership	21,124	22,295	23,678	24,590	25,399	25,927	26,171	26,387	26,638	26,758
Average daily membership as of March 31	21,109	22,332	23,698	24,639	25,419	25,871	26,181	26,109	26,350	26,648
End-of-year membership	21,020	22,251	23,561	24,541	25,423	25,733	25,934	26,142	26,384	N/A
Students enrolled in special education programs	2,440	2,589	2,596	2,725	2,655	2,543	2,415	2,346	2,410	2,391
Students enrolled in English as a Second Language (ESL) program	214	270	317	414	697	791	1,040	1,036	1,036	996
Students enrolled in grades K-3	5,986	6,708	7,031	7,169	7,303	7,181	7,273	7,186	7,320	7,416

N/A - Not available.

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
VARIOUS OPERATING INDICATORS

Table S-9

Fiscal Years 2001 - 2010

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Operating Statistics:										
Average per pupil expenditures	\$ 6,742	\$ 6,539	\$ 6,939	\$ 7,028	\$ 7,562	\$ 8,496	\$ 8,639	\$ 9,335	\$ 9,531	N/A
Average teacher salary	\$ 41,751	\$ 43,812	\$ 43,109	\$ 44,161	\$ 46,212	\$ 49,068	\$ 51,383	\$ 52,251	\$ 52,202	\$ 51,341
Composite index (1)	0.3429	0.3429	0.3296	0.3296	0.3274	0.3274	0.3503	0.3503	0.3698	0.3629

(1) The composite index uses various factors to measure the County's wealth. The higher the index, the less money the County receives (per pupil) from the state. See Management's Discussion and Analysis for a summary discussion of the composite index.

N/A - Not available.

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR.

Table S-10

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
TRANSPORTATION OPERATING INDICATORS
Fiscal Years 2001 - 2010**

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Transportation Statistics:										
Average Ridership (Regular)	14,752	15,877	15,947	15,419	17,749	18,844	18,619	19,404	17,997	19,950
Average Ridership (Special Needs)	538	660	615	598	429	412	607	497	532	576
Average Ridership (Head Start)	N/A	N/A	N/A	N/A	185	222	224	225	250	284
Buses Operated Daily (Regular)	144	143	152	171	171	157	165	168	166	154
Buses Operated Daily (Special Needs)	26	32	38	36	35	39	53	43	41	53
Buses Operated Daily (Head Start)	N/A	N/A	N/A	N/A	10	10	11	11	11	14
Special Trip Assignments	2,550	2,580	2,600	3,564	2,703	2,365	3,100	2,587	2,600	2,132
Miles Traveled (Regular)	1,557,882	1,513,298	1,451,965	1,574,528	2,133,408	2,494,260	2,336,706	2,889,000	1,479,400	1,612,567
Miles Traveled (Special Needs)	453,270	504,726	435,150	519,668	573,440	1,141,920	1,272,132	1,324,920	685,040	1,053,310

N/A - Not available.

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR.

Table S-11

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FOOD AND NUTRITION SERVICES OPERATING INDICATORS
Fiscal Years 2001 - 2010

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
School Nutrition Program (SNP)										
Statistics:										
Student Membership	21,124	22,295	2,368	24,590	25,399	25,927	26,171	26,387	26,638	26,758
Eligible for Free Lunch	2,229	2,264	2,464	2,412	2,651	2,982	3,091	3,263	3,727	4,632
Percentage	10.55%	10.15%	104.05%	9.81%	10.44%	11.50%	11.81%	12.37%	13.99%	17.31%
Eligible for Reduced Price Lunch	643	745	851	836	849	928	1,042	1,112	1,237	1,281
Percentage	3.04%	3.34%	35.94%	3.40%	3.34%	3.58%	3.98%	4.21%	4.64%	4.79%
Eligible for Free and Reduced Price Lunch - Total	2,872	3,009	3,315	3,248	3,500	3,910	4,133	4,375	4,964	5,913
Percentage	13.60%	13.50%	139.99%	13.21%	13.78%	15.08%	15.79%	16.58%	18.60%	18.60%
Middle and High School Lunch Prices	\$ 1.45	\$ 1.45	\$ 1.55	\$ 1.55	\$ 1.75	\$ 1.85	\$ 1.85	\$ 1.85	\$ 2.10	\$ 2.25
Elementary School Lunch Prices	\$ 1.45	\$ 1.35	\$ 1.45	\$ 1.45	\$ 1.65	\$ 1.75	\$ 1.75	\$ 1.75	\$ 2.10	\$ 2.15

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FLEET SERVICES OPERATING INDICATORS
Fiscal Years 2006 - 2010

Table S-12A

	Fiscal Year						
	2006	2007	2008	2009	2010		
					Average Active	Average Age (2)	Average Mileage
Fleet Vehicles Serviced by Fleet Services:							
Stafford County Public Schools Fleet Vehicles:							
Buses:							
Mainstream	219	229	232	229	232	8.02	21,063
Special Needs	57	64	67	69	67	6.13	26,555
Activity Buses	5	5	5	5	5	5.09	38,489
Less: Salvaged (1)					(5)		
Subtotal Buses	281	298	304	303	299		
Other School Vehicles:							
Administration	2	2	2	2	2	2.5	37,591
Driver's Education	12	12	12	13	13	4.5	48,798
Fleet Services	7	7	8	7	7	8.4	49,644
Head Start	4	4	4	4	4	10.5	34,655
Maintenance	39	42	42	42	46	7.3	75,807
Food and Nutritional Services	1	1	1	1	1	5.1	
Planning & Construction	2	3	4	4	4	4.3	27,655
Security	5	5	5	5	7	4.2	11,910
Transportation	5	6	7	7		3.0	33,671
Subtotal Other Vehicles	77	82	85	85	92		
Total Stafford County Public Schools Fleet Vehicles	358	380	389	388	391		
County of Stafford Fleet Vehicles:							
Fire & Rescue	126	137	143	142	144	9.4	
Sheriff	186	192	190	190	216	5.0	
Utilities	93	96	101	101	103	8.3	
Other	122	129	132	132	127	6.7	
Total County of Stafford Fleet Vehicles	527	554	566	565	590	7.4	
Total Fleet Vehicles	885	934	955	953	981		
Other Vehicles Serviced by Fleet Services:							
Airport Authority Fleet Vehicles	3	2	2	2	2	9.6	
Rappahannock Regional Jail (2)	N/A	N/A	N/A	N/A	31		
Vocational Foundation Fleet Vehicles	1	1	1	1	1	15.0	
Total Other Vehicles	4	3	3	3	34		

Source: Fleet Services internal records.

(1) To be sold at auction

(2) New Customer - Data Incomplete

N/A - Not available.

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data are available, but only five years are presented.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FLEET SERVICES OPERATING INDICATORS
Fiscal Years 2006 - 2010

Table S-12B

	Fiscal Years				
	2006	2007	2008	2009	2010
FLEET OPERATIONS					
Work orders completed	6,485	6,038	6,124	6,394	6,314
Invoices processed	5,546	5,299	5,156	5,303	5,292
Parts transactions	30,317	23,970	25,007	22,140	27,222
	Fiscal Year				
	2010				
FLEET FUEL	<u>Schools</u>	<u>County</u>			
Gallons Purchased	541,583	487,191			
Cost	\$1,236,772	\$1,038,981			
FLEET ACQUISITIONS	<u>Replacement</u>	<u>Additional</u>			
School Buses - Mainstream	16				
- Special Needs	5				
Other School Vehicles	2	1			
	Heavy	Light			
FLEET SHOPS	<u>Duty Shop</u>	<u>Duty Shop</u>			
Vehicles per Technician by Shop	35.60	160			

Source: Fleet Services internal records.

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data is available, but only five years are presented.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Technology and Information Services
Fiscal Years 2009 - 2010

Table S-13

	Fiscal Years	
	2009	2010
Technology Statistics:		
Number of Sites Serviced (Schools and Support Offices)	34	34
Computer Statistics:		
Total Desktop Computers	6,863	6,943
Desktops Computers over 5 years old	608	2,073
Percentage of Desktop Computers over 5 years old	9%	30%
Total Laptop Computer	3,746	3,746
Laptop Computers over 5 years old	31	617
Percentage of Laptop Computers over 5 years old	1%	16%
Connectivity Statistics by Site		
Number of Sites with Wireless LAN connection	5	5
Percentage of Sites with Wireless LAN connection	15%	15%
Number of Sites with Fiber WAN connection	-	9
Percentage of Sites with Fiber WAN connection	0%	26%
Number of Sites with Wireless WAN connection	18	18
Percentage of Sites with Wireless WAN connection	53%	53%
Number of Sites with T1 WAN connection	14	8
Percentage of Sites with T1 WAN connection	41%	24%
Other Technology Statistics		
Number of Sites fully equiped with Mounted Projectors	3	3
Percentage of Sites fully equiped with Mounted Projectors	9%	9%
Number of sites with Interactive White Boards throughout	-	-

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Property Data
As of June 30, 2010

Table S-14

	<u>Year of Construction</u>	<u>Year of Last Renovation</u>	<u>Building - Square Feet</u>	<u>Site - Acreage</u>
High School Data				
Brooke Point HS	1993	-	266,656	52.82
Colonial Forge HS	1999	-	246,082	63.93
Mountain View HS	2005	-	254,854	95.35
North Stafford HS	1981	2003	304,096	88.50
Stafford Senior HS	1975	-	287,836	124.56
Middle School Data				
Edward Drew MS	1951	1998	98,913	15.31
Dixon-Smith MS	2006	-	145,700	36.13
H. H. Poole MS	1995	1998	145,140	36.62
Rodney Thompson MS	2000	-	138,199	43.68
Stafford MS	1991	2007	136,677	37.45
Shirley Heim MS	2008	-	146,770	22.00
T.B. Gayle MS	2002	-	148,221	39.98
A.G. Wright MS and Garrisonville ES (combined campus)	1981	2007	195,099	50.20
Elementary School Data				
Anthony Burns ES	2006	-	88,300	38.57
K. W. Barrett ES	2002	-	87,800	20.51
Conway ES	2005	-	88,300	19.92
Falmouth ES	1967	1997	69,698	41.49
Ferry Farm ES	1957	1992	70,550	18.12
Grafton Village ES	1967	1996	75,718	24.09
Hartwood ES	1963	1993	61,068	29.60
Hampton Oaks ES	1992	1996	80,968	18.76
Margaret Brent ES	2004	-	87,800	22.80
Moncure ES	1966	1997	76,098	18.54
Park Ridge ES	1990	1994	76,431	20.00
Rockhill ES	1989	1994	76,438	23.38
Rocky Run ES	2000	-	87,700	20.00
Stafford ES	1968	1996	70,946	15.87
Widewater ES	1988	1995	77,108	22.44
Winding Creek ES	1997	-	82,016	20.89
Other Property				
Alvin York Bandy Administration Building and and Professional Development Center	1998	2000	74,124	9.55
Gari Melchers Complex	1931	1990	79,887	8.43
Pupil Transportation (Included in Fleet Acreage)	2009	-	7,362	-
Fleet Services	1980	-	16,000	21.54
Maintenance (all buildings condemned)	-	-	-	19.54
Support Services Building (included in Fleet Acreage)	1998	-	25,650	-
Aimee Building (JROTC Office on Stafford Senior HS campus)	1981	-	2,304	-
Land				
High School #6, Clift Farm Road	-	-	-	181.00
Riverbend Subdivision Land	-	-	-	6.00

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR.

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Energy Management - Utilities Savings
Calendar Years 2005 - 2009**

Table S-15

	Calendar Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Utilities Summary of All Schools (by Year):					
Million British Thermal Units (MBTU)	248,639,864	231,703,193	246,594,352	235,724,780	217,896,785
Square Footage	3,242,849	3,242,849	3,674,303	3,820,003	3,966,773
MBTU/Square Footage	76.67	71.45	67.11	61.71	54.93
Utilities Summary by School Level (in MBTU):					
Elementary Schools:					
Electric		63,366,818	78,786,489	15,419,671	
Gas		24,302,700	31,564,633	7,261,933	
Oil		3,467,380	5,903,500	2,436,120	
Propane		442,612	415,299	(27,313)	
Subtotal		91,579,510	116,669,921	25,090,411	
Middle Schools:					
Electric		35,587,991	42,623,896	7,035,905	
Gas		9,135,200	14,171,475	5,036,275	
Oil		4,503,100	2,136,172	(2,366,928)	
Propane		149,224	71,285	(77,939)	
Subtotal		49,375,515	59,002,828	9,627,313	
High Schools:					
Electric		54,699,184	73,827,491	19,128,307	
Gas		9,825,700	18,250,142	8,424,442	
Oil		12,374,740	10,131,559	(2,243,181)	
Propane		42,136	104,777	62,641	
Subtotal		76,941,760	102,313,969	25,372,209	
Total		217,896,785	277,986,718	60,089,933	

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
AVERAGE SAT SCORES
Fiscal Years 2001 - 2010

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Average SAT Scores:										
Math	509	509	520	513	531	511	502	509	504	509
Verbal	522	514	519	521	521	(1)	(1)	(1)	(1)	(1)
Writing	N/A	N/A	N/A	N/A	N/A	494	482	488	484	493
Critical Reading	N/A	N/A	N/A	N/A	N/A	514	508	513	506	516

Source: College Board SAT 2010, College-Bound Seniors District Highlights Report.

(1) - Beginning with Fiscal Year 2006, the SAT now includes scores for Math, Writing and Critical Reading.

N/A - Not applicable.

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR.

Table S-17A

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2007 - 2010**

		STAFFORD COUNTY PUBLIC SCHOOLS				COMMONWEALTH OF VIRGINIA			
Content Area	Grade	2007	2008	2009	2010	2007	2008	2009	2010
Reading	3	77%	81%	83%	86%	80%	84%	86%	83%
Reading	4	87%	86%	88%	88%	87%	88%	89%	88%
Reading	5	85%	88%	89%	91%	87%	89%	92%	90%
Reading	6	88%	84%	86%	89%	84%	85%	86%	88%
Reading	7	86%	89%	90%	92%	86%	86%	88%	89%
Reading	8	86%	87%	90%	92%	80%	83%	87%	90%
Reading	High School	95%	96%	98%	97%	94%	94%	95%	94%
Writing	5	88%	84%	85%	90%	89%	87%	86%	88%
Writing	8	88%	89%	91%	93%	86%	87%	89%	91%
Writing	High School	92%	95%	94%	95%	92%	92%	92%	92%

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data is available, but only four years are presented.

Table S-17B

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2007 - 2010

Content Area	Grade	STAFFORD COUNTY PUBLIC SCHOOLS				COMMONWEALTH OF VIRGINIA			
		2007	2008	2009	2010	2007	2008	2009	2010
History	3	92%	92%	93%	94%	92%	93%	93%	93%
History & Social Science (Alternative Assessment)	High School	N/A	N/A	N/A	95%	N/A	N/A	90%	91%
Virginian and U.S. History	High School	96%	97%	96%	97%	93%	94%	95%	95%
World History I	High School	93%	95%	96%	98%	89%	91%	93%	93%
World History II	High School	96%	96%	97%	97%	92%	92%	93%	92%
World Geography	High School	92%	93%	96%	99%	83%	84%	86%	86%
Virginia Studies	Content Specific	80%	79%	86%	87%	83%	93%	88%	87%
U.S. History to 1877	Content Specific	60%	69%	66%	80%	69%	74%	74%	78%
U.S. History 1877 to present	Content Specific	88%	91%	94%	94%	87%	92%	92%	91%
Civics and Economics	Content Specific	81%	84%	81%	82%	83%	84%	84%	86%

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data is available, but only four years are presented.

Table S-17C

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2007 - 2010**

Content Area	Grade	STAFFORD COUNTY PUBLIC SCHOOLS					COMMONWEALTH OF VIRGINIA				
		2007	2008	2009	2010		2007	2008	2009	2010	
Mathematics	3	88%	88%	88%	93%		89%	89%	89%	92%	
Mathematics	4	81%	81%	84%	88%		81%	84%	86%	88%	
Mathematics	5	86%	86%	87%	94%		87%	88%	90%	92%	
Mathematics	6	70%	70%	76%	83%		60%	68%	73%	77%	
Mathematics	7	71%	71%	66%	68%		56%	65%	71%	75%	
Mathematics	8	85%	85%	90%	89%		77%	83%	85%	87%	
Mathematics (Alternate Assessment)	High School	N/A	85%	91%	95%		88%	80%	81%	80%	
Algebra I	High School	93%	93%	94%	97%		92%	93%	94%	94%	
Geometry	High School	88%	88%	91%	90%		86%	87%	87%	88%	
Algebra II	High School	88%	88%	92%	92%		88%	90%	91%	91%	

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data is available, but only four years are presented.

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2007 - 2010**

Content Area	Grade	STAFFORD COUNTY PUBLIC SCHOOLS				COMMONWEALTH OF VIRGINIA			
		2007	2008	2009	2010	2007	2008	2009	2010
Science	3	87%	88%	88%	91%	88%	89%	89%	91%
Science	5	85%	88%	87%	90%	88%	88%	88%	88%
Science	8	93%	93%	95%	94%	89%	90%	90%	92%
Science (Alternative Assessment)	High School	N/A	85%	100%	86%	N/A	84%	88%	88%
Biology	High School	91%	93%	93%	93%	87%	88%	88%	93%
Chemistry	High School	96%	94%	97%	96%	91%	92%	93%	94%
Earth Science	High School	89%	92%	93%	92%	85%	86%	87%	88%

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data is available, but only four years are presented.

Table S-18

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHOOL ACCREDITATION AND ADEQUATE YEARLY PROGRESS (AYP)
Fiscal Years 2005 - 2010

	Fiscal Year				
	2005	2006	2007	2008	2009
Division-wide Status:					
Schools Fully Accredited	100%	100%	100%	97%	100%
Schools that Made AYP	71%	92%	63%	48%	47%
Division AYP	Did not make AYP	Did not make AYP	Made AYP	Did not make AYP	Made AYP
					Did not make AYP

Source: *Virginia Department of Education School Report Card.*

Note: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data is available, but only six years are presented.

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2010

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

**To the Honorable Members of the School Board
Stafford County Public Schools
Stafford, Virginia**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stafford County Public Schools (a component unit of Stafford County, Virginia), as of and for the year ended June 30, 2010, which collectively comprise the Stafford County Public Schools' basic financial statements and have issued our report thereon dated October 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Stafford County Public Schools in a separate letter dated October 29, 2010.

This report is intended solely for the information and use of the School Board, Stafford County Public School's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
October 29, 2010

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Honorable Members of the School Board
Stafford County Public Schools
Stafford, Virginia

Compliance

We have audited Stafford County Public Schools' 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 Stafford County Public Schools' major federal programs for the year ended June 30, 2010. The Stafford County Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Stafford County Public Schools' management. Our responsibility is to express an opinion on the Stafford County Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. 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 Stafford County Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Stafford County Public Schools' compliance with those requirements.

In our opinion, the Stafford County Public Schools complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Stafford County Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Stafford County Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Stafford County Public Schools' 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the School Board, Stafford County Public Schools' management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
October 29, 2010

**Stafford County Public Schools
Component Unit of the County of Stafford
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010**

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture: Pass Through Payments: Department of Agriculture: Food Distribution	10.555	10.555/2010	628,056
Department of Education: National school breakfast program	10.553	10.553/2010	707,735
National school lunch program	10.555	10.555/2010	2,534,836
Total Department of Agriculture			3,870,627
Department of Commerce: Pass Through Payments: National Oceanic and Atmospheric Administration: Chesapeake Bay Studies	11.457	FNA08NMF4570448	48,435
Total Department of Commerce			48,435
Department of Defense: Direct Payments: JROTC	12.000	-	297,121
Basic and Applied Scientific Research	12.300	-	138,850
Total Department of Defense			435,971
Department of Education: Direct Payments: Impact Aid	84.041	-	1,528,839
Pass Through Payments: Department of Education: Title I Grants to Local Educational Agencies	84.010	S010A90046	887,864
Special Education - Grants to States	84.027	H027A090107	4,205,848
Special Education - Grants to States, Recovery Act	84.391	H391A090107	2,267,270
Career and Technical Education - Basic Grants to States	84.048	V048A090046	194,300
Special Education - Preschool Grants	84.173	H173A090112	64,830
Safe and Drug-Free Schools and Communities - State Grants	84.186	Q186A090048	59,471
Education for Homeless Children and Youth	84.196	S196A090048	6,433
Education for Homeless Children and Youth, Recovery Act	84.387	S387A090048	71,479
Fund for the Improvement of Education	84.215	U215X050108	62,477
Improving Teacher Quality State Grants	84.367	S367A090044	573,000
Education Technology State Grants	84.318	S318X090046	17,039
English Language Acquisition Grant	84.365	S365A090046	116,570
Speical Education-Preschool Grants, Recovery Act	84.392	H392A090112	64,160
School Improvement Grants	84.377	S377A080047	296,324
State Stabilization Fund-Education State Grants, Recovery Act	84.394	S394A090047	3,475,042
Total Department of Education			13,890,946
Department of Health and Human Services: Direct Payments: Head Start Program	93.600	-	1,554,359
ARRA-Heastart	93.708	-	698,649
Pass Through Payments: Department of Social Services: Medical Assistance Program	93.778	93.778/2010	55,973
Children's Health Insurance Program	93.767	93.767/2010	256,577
Total Department Health and Human Services			2,565,558
Total Federal Expenditures of Federal Awards			20,811,537

See accompanying notes to the schedule of expenditures of federal awards

Stafford County Public Schools
Component Unit of the County of Stafford
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Stafford County Public Schools under programs of the federal government for the year ended June 30, 2010. 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*. Because the Schedule presents only a selected portion of the operations of Stafford County Public Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Stafford County Public Schools.

Note 2 - Summary of Significant Accounting Policies

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. Pass-through entity identifying numbers are presented where available.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the School Board's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

School Operating Fund	\$	2,138,986
School Grants Fund		11,326,882
School State Stabilization Fund		3,475,042
School Special Revenue Fund		3,870,627 **
Total federal expenditures per basic financial statements	\$	<u>20,811,537</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u>20,811,537</u>

** Includes non-cash expenditures - value of donated commodities of \$628,056

Stafford County Public Schools
Component Unit of the County of Stafford
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No
Identification of major programs:	

CFDA #	Name of Federal Program or Cluster	
84.394	State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	
93.600 / 93.708	Head Start Cluster	
84.027 / 84.173 / 84.391 / 84.392	Special Education Cluster	
Dollar threshold used to distinguish between Type A and Type B programs		\$624,346
Auditee qualified as low-risk auditee?		Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Stafford County Public Schools
Component Unit of the County of Stafford
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2010

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior audit's Summary Schedule of Prior Audit Findings.