



STAFFORD COUNTY, VIRGINIA COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR 2012
(July 1, 2011 - June 30, 2012)**

Prepared by Stafford County, Virginia Finance Department



*George Washington's
Boyhood Home*



Anthony J. Romanello, County Administrator
Maria J. Perrotte, Chief Financial Officer
Shelley K. Carmichael, Controller
Mickey A. Kwiatkowski, Accounting Manager
Carol J. Atkinson, Risk Manager
Sherryl L. Lilly, Accountant



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

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Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

INTRODUCTORY SECTION

STAFFORD *Virginia*

Board of Supervisors

Susan B. Stimpson, Chairman
Cord A. Sterling, Vice Chairman
Jack R. Cavalier
Paul V. Milde, III
Ty A. Schieber
Gary F. Snellings
Robert "Bob" Thomas, Jr.

Anthony J. Romanello, ICMA-CM
County Administrator

November 30, 2012

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of Stafford, Virginia (County) for Fiscal Year (FY) 2012 in compliance with Section 15.2-2511 of the *Code of Virginia* (1950), as amended. The County has used professionally accepted standards to prepare its financial statements. The report is designed to present fairly the financial position and results of financial operations of the County in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure so that the reader may gain maximum understanding of the County's financial affairs.

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

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

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

Cherry, Bekaert & Holland, LLP, a firm of licensed certified public accountants, audited the County's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2012, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based on their audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.



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

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

PROFILE OF STAFFORD COUNTY

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

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

The government of the County serves a population of 132,133 residents and provides a full range of local government services. These include general administration, judicial administration, public safety, public works, health and welfare, parks, recreation, and community facilities, education, and community and economic development. Funds required to support these services are reflected in this report.

Public Schools

Stafford County is financially accountable for a legally separate school district which is reported within the government-wide financial statements as a discrete component unit. Stafford County Public Schools (education) is the largest service provided by the County. The school system is operated by an elected school board consisting of seven members elected by district. The School Board appoints a superintendent to administer its policies. The County's audit firm, Cherry, Bekaert & Holland, LLP, also performs an audit for the School Board. The School Board issues a separate annual financial report.

Higher Education

Multiple opportunities for higher education exist in the County. The University of Mary Washington's graduate school campus is located in Stafford County. It offers a variety of career advancement and professional development programs for working adults. More than 1,000 students were enrolled in these programs during 2011-2012. Germanna Community College operates its Stafford County Center for Workforce and Community Education in the northern section of the County. The center was opened as a partnership with the County's Economic Development Authority and serves approximately 1,000 local students.

In addition there are two regional partnerships that address continuing education needs for area employers. Stafford Workforce and Education Partnership (SWEP) is a partnership between Stafford County Economic Development, Stafford County Public Schools, Germanna Community College, The University of Mary Washington and the private sector. This group conducted four group workshops with more than 30 businesses. The result of this effort was the creation of new curriculum at Germanna and better relationships among partners on workforce development efforts.

A partnership between the Stafford County Board of Supervisors, Stafford County Economic Development, The University of Mary Washington, Germanna Community College and George Mason University created and developed Stafford Technology and Research Center. There are numerous government agencies (defense,

Federal and local) and high-tech contractors located in the area. This center provides local employees working in the professional and scientific sectors with specialized high-tech training and research opportunities.

Budgetary Control

The annual budget serves as the foundation for the County's financial planning and control. County departments and agencies begin their budget preparation each year in October. Appropriation requests are submitted in December for the fiscal year beginning the following July 1st. The County Administrator submits a proposed operating and capital budget to the Board of Supervisors in March of each year. The budget includes proposed expenditures and the revenue to support them. Work sessions are scheduled to refine the proposal and align it with goals and objectives. Public hearings are conducted to obtain citizen comments on the proposed budget and tax rates. Property tax rates are set by passage of a resolution. Prior to June 30th, the budget is legally enacted through passage of an appropriations resolution. This resolution places legal restrictions on expenditures at the department level. Budget-to-actual comparisons are provided in this document in the sections labeled "Required Supplementary Information" and "Other Supplementary Information".

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

Internal Control

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

Accounting System

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

Relevant Financial Policies

The Board's financial policy, *Principles of High Performance Financial Management*, was adopted in FY 2005 and updated in FY 2012 per policy guidelines. The policy defines the fund balance levels for the General Fund and sets debt capacity parameters in order to provide for overall stability and flexibility for financial planning purposes. It is reviewed and updated every two years, at a minimum. One of the Board's goals for FY 2012 was to strengthen its financial position through a commitment to fiscal discipline and accountability. The revised policy sets the minimum unrestricted, unassigned fund balance for the General Fund at twelve percent (12%) of General Fund revenues. Use of unassigned fund balance is restricted to significant unexpected declines in revenues or unanticipated emergencies. This policy was met; at June 30, 2012 unassigned fund balance in the General Fund was \$29.6 million or 12% of revenues. The Board also reaffirmed fund balance commitments established in FY 2009 and FY 2010:

- Revenue Stabilization Fund – one half of one percent of general fund revenue – to be used during times of economic downturns when reduced revenues create fiscal stress.
- Capital Projects Reserve – \$1.5M for capital needs.
- Stafford Opportunity Fund – \$0.5M to enhance and promote economic development opportunities.

All three commitments were fully funded according to policy guidelines for FY 2012.

The Board's financial policy limits general obligation debt to no more than 3.5% of the assessed value of taxable real property, with a goal to reach 3% by July 1, 2015. General obligation debt as a percentage of taxable real property assessed value for FY 2012 was 2.69%. General Fund debt service expenditures for the County and its Component Unit School Board are not to exceed 11% of general government and schools operating budgeted expenditures, with a goal to reach 10% by July 1, 2015. Debt service expenditures were 9.23% of budgeted expenditures for FY 2012. The revised policy reduces reliance on debt to meet capital needs by changing the allowed percentage of capital lease debt service from 2% of the general government budget to 1%.

Other highlights of the updated policy include establishing a reserve for healthcare costs equal to estimated incurred but not reported (IBNR) claims plus 10% of annual claims, dedication of rollback tax revenue in excess of \$80,000 to the County's Purchase of Development Rights program.

Long-Term Financial Planning

The County prepares a Capital Improvement Plan (CIP) annually. The CIP serves as a planning tool to analyze initiatives, formulate service levels and phase-in funding needed for public facilities. On April 19, 2011, the Board adopted the 2012-2017 CIP. It totals \$501.4 million and is comprised of County projects of \$227.4 million, school projects of \$159.4 million and Utilities Fund projects of \$114.6 million. A variety of funding sources including general obligation bonds, revenue bonds, capital leases, grants and General Fund revenues will fund the projects. The non-debt portion of the projects totals \$180.4 million - \$121.3 million for County projects, \$15.1 million for school projects and \$44.0 million for Utilities Fund projects.

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

ECONOMIC CONDITION AND OUTLOOK

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

According to the Bureau of Labor Statistics, Stafford's unemployment rate at June 30, 2012 (through the second quarter of 2012) was 4.9%, while the State of Virginia and national rates were 5.7% and 8.1% respectively. This comparatively low unemployment rate is due to a relatively high skilled and educated labor force and continued business growth in the County. There are more than 2,200 businesses located in Stafford, employing more than 38,000 people. The private sector retail, professional and business services, and health care industries have contributed significantly to that growth. Nearly 500,000 square feet of commercial space is under construction. There are numerous commercial projects in various stages of development. These key economic indicators have made Stafford a leader in the Commonwealth:

- 2nd highest job growth rate for localities in Virginia, 2006 - 2011
- 7th highest business growth rate for localities with more than 2000 establishments, 2006 - 2011
- 13th highest median family income among U.S. counties and the 6th highest ranked County in Virginia for median family income, 2006 - 2011

Stafford County's Department of Economic Development and Tourism, the Economic Development Authority and the County Board of Supervisors have been proactive in promoting the County as a business friendly community. Initiatives during the past year included:

- Adoption the Department of Economic Development's Ten-Point Economic Development Plan which defines and memorializes the Board's commitment to creating a better business climate in the

- County through a consolidated Community Development Services Center, reduction of business regulation and taxes and stronger efforts dedicated to business retention
- Adoption of the Master Redevelopment Plan to provide opportunities for business and recreation through private sector investment and partnerships
 - Continued workforce development through SWEP – making professional training resources available to community businesses
 - Increasing the presence and educational opportunities offered to local defense and high-tech employees through a partnership with Germanna Community College, the University of Mary Washington and George Mason University at the Stafford Technology and Research Center
 - Developing a partnership with the Friends of Stafford Civil War Sites, the Army National Guard and local Boy Scout Troop 949 to construct an access road to a Civil War encampment site at the new Stafford Civil War Park

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

Due to the 2005 Base Realignment and Closure (BRAC) recommendations, Marine Corps Base Quantico (MCBQ) continues to undergo a large expansion. Military investigative agencies relocated approximately 3,000 jobs to a new facility in Stafford County during 2011, and office buildings are being constructed to accommodate the ripple effect.

The County is also focusing on redevelopment activities in several of Stafford's key gateways. These areas include commercial and industrial properties in the northern, central and southern sectors of the County. The northern area, located near the MCBQ at Boswell's Corner, has been planned to attract high-tech related contractors.

The central Courthouse area includes a variety of retail, government and health care facilities. The historic Courthouse area is envisioned as a pedestrian-friendly community center with both retail and cultural facilities. As a first step in advancing redevelopment activities in this area, the County has been awarded four grants, totaling approximately \$2.7 million for streetscaping. Stafford Hospital Center, a full service, 100-bed acute care facility, is also located in the Courthouse area. Future development is expected to generate supporting businesses for the area.

The Falmouth area in south Stafford provides an opportunity to preserve and enhance an historic riverfront community. Access to Falmouth is currently via a congested portion of US Route 1. The Route 1 – Route 17 intersection redesign has been completed and construction is slated to begin in 2013. Bike and pedestrian trails have been constructed as a means of linking the area to historic and recreation sites.

The southern business corridor, "Southern Gateway" is located near the I-95 and Route 17 interchange. A nationally recognized commercial developer is constructing a mixed-use corporate center known as Celebrate Virginia North. Flexible zoning within the campus will accommodate approximately several million square feet of office, light industrial and retail space, helping to provide for employment opportunities in this section of the County. Adjacent retail centers are anchored by nationally recognized businesses, serving both business and residential populations located in the area. The concept for future development and redevelopment of the Southern Gateway is for a town center-style project.

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

Efforts continue to enhance and expand the tourism sector of our economy. Marketing tools include the Stafford Visitor Center, a new tourism website, a comprehensive brochure highlighting the many historical and

recreational venues, and participation in both State and regional tourism activities and organizations. The 350th Blue Ribbon Planning Committee is working on plans to celebrate the County's past, present and future in 2014.

MAJOR INITIATIVES

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

When the FY 2012 budget was adopted in April 2011, 5% of the operating budget for schools and County departments was withheld from appropriation. Only necessary appropriations were made after a comprehensive mid-year review, including revenue projections to support the additional appropriations. This practice is in place for FY 2013 as well.

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

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

In November 2009, Stafford voters approved a local bond referendum for the issuance of a maximum of \$29 million general obligation debt to finance several parks and recreation projects. Project implementation is underway.

Construction of the Chichester Courthouse Annex began in the fall of 2011. When the building is complete in 2013, it will house court services functions – the Commonwealth's Attorney offices and district court offices. This project is financed by the proceeds of the 2008 lease revenue bonds.

The Board has been committed to improving the planning and permitting process for developers and citizens. Planning and design of a combined Community Development Services Center began during FY 2012. Renovation of existing space and reallocation of agency personnel brings together related activities to streamline the process. Technology upgrades are also planned for the next phase.

The Belmont-Ferry Farm Trail System is a multi-phase project to connect Stafford's parks and historical resources via a paved pathway along the Rappahannock River. During FY 2012 the County completed phases 3 and 5 of the project. Future phases will extend the trail to George Washington's Boyhood Home at Ferry Farm. Grants from the Federal Highways Administration and Va. Department of Transportation – Transportation Enhancement Program partially fund the project.

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

OTHER INFORMATION

The Certificate of Achievement for Excellence in Financial Reporting - The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Stafford County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the County's thirtieth consecutive award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish a Comprehensive Annual Financial Report (CAFR) that is easy to read, efficiently organized and whose contents conform to program standards. The CAFR must satisfy accounting principles generally accepted in the United States of America and applicable legal requirements. We believe that our current report continues to conform to the Certificate of Achievement program requirements and will be submitted to GFOA.

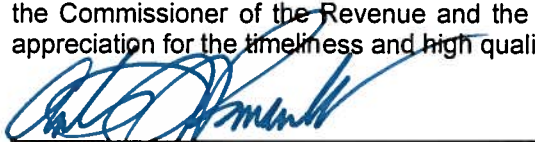
Distinguished Budget Presentation Award - The GFOA has also awarded the County its Distinguished Budget Award for the last twenty-three years, including the 2012 fiscal year budget. In order to receive this award, a governmental unit must publish a budget document that is an exceptional policy document, operations guide, financial plan and communications medium.

For an overview of the County's financial condition and financial highlights for FY2012, please refer to the Management's Discussion and Analysis, located in the Financial Section of this document.

ACKNOWLEDGEMENTS

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

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

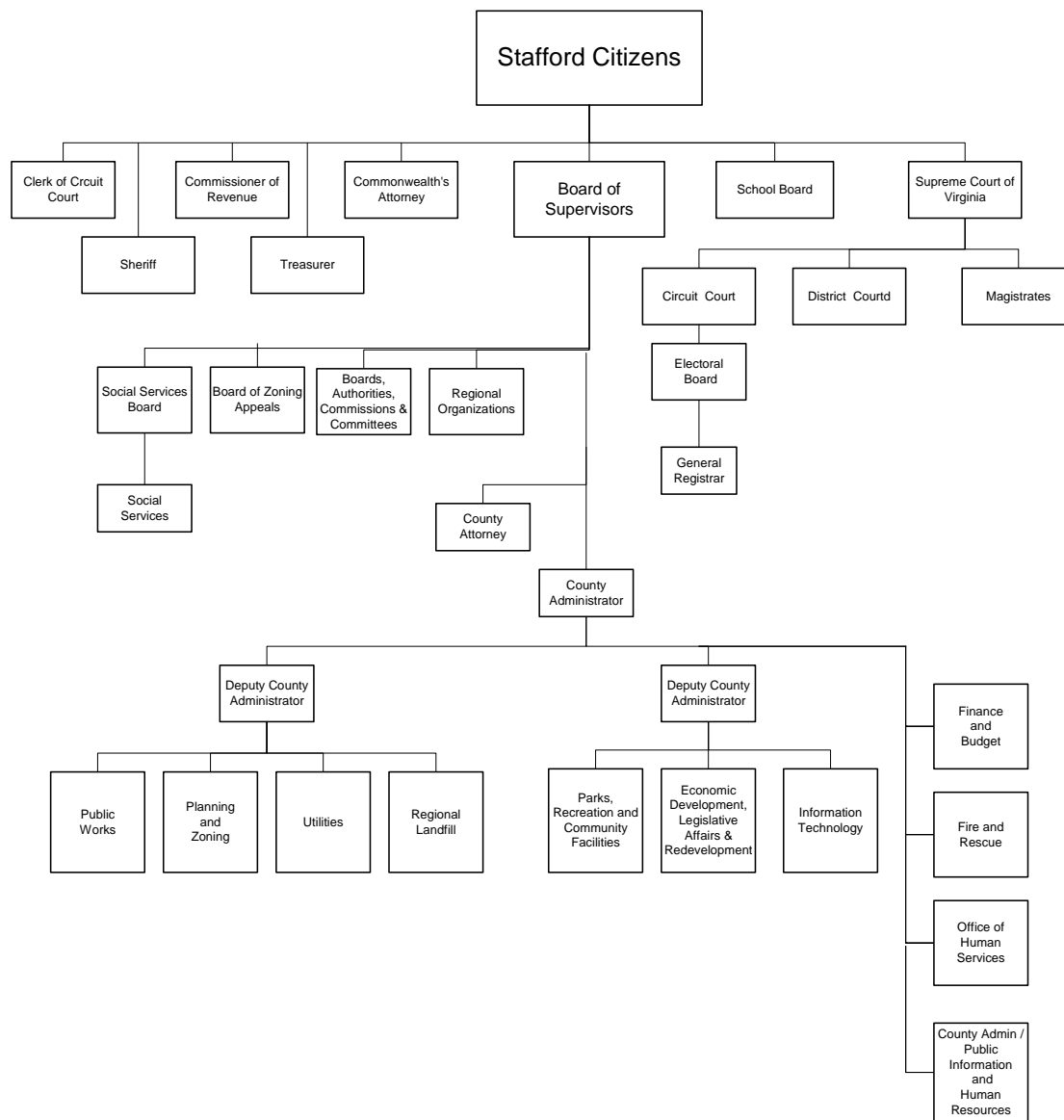


Anthony J. Romanello
County Administrator



Maria J. Perrotte
Chief Financial Officer

COUNTY OF STAFFORD, VIRGINIA



COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS

BOARD OF SUPERVISORS

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

CONSTITUTIONAL OFFICERS

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

COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS
(continued)

COUNTY ADMINISTRATIVE OFFICERS

Anthony J. Romanello	County Administrator
Timothy J. Baroody	Deputy County Administrator Director, Economic Development and Legislative Affairs
Keith C. Dayton	Deputy County Administrator
Charles L. Shumate	County Attorney
Nancy A. Collins	Budget Division Director
Harry L. Critzer	Director of Public Utilities
Jeffrey A. Harvey	Director of Planning and Community Development
Christopher J. Hoppe	Director of Parks, Recreation and Community Facilities
J. Mark Lockhart	Interim Fire Chief
Michael J. Muse	Director of Social Services
Michael P. Neuhard	Interim Human Resources Administrator
David W. Noel	Director of Information Technology
Maria J. Perrotte	Chief Financial Officer
Michael T. Smith	Director of Public Works
Catherine L. Vollbrecht	Director of Communications

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Stafford County
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Linda C. Sandson

President

Jeffrey R. Enos

Executive Director



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

FINANCIAL SECTION



Independent Auditors' Report

To the Honorable Members of the Board of Supervisors
County of Stafford, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Stafford, Virginia (the "County") as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 15, the June 30, 2011 financial statements have been restated to adjust capital assets for a transfer of land.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Stafford, Virginia as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable thereof, and the respective budgetary comparison for the general fund 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 November 26, 2012, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules for the general fund and transportation fund, and the schedules of funding progress – pension plan and other post-employment benefits plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is also presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Cherry, Belraet & Holland, LLP

Richmond, Virginia
November 26, 2012

Management's Discussion and Analysis

As management of the County of Stafford, VA (County) we offer users of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the transmittal letter, financial statements, and the accompanying notes.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$193.1 million (*net assets*).
- The County's total net assets increased by \$19.5 million, with governmental activities increasing by \$8.1 million and business-type activities increasing by \$11.4 million.
- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$87.8 million. Of the \$87.8 million, \$29.6 million is available for spending in accordance with the County's financial policies (*unassigned fund balance*).
- The County's net general government debt increased by \$4.6 million during the current fiscal year. The net increase was the result of new debt less principal payments made during the year. New debt consisted of \$21.7 million of VPSA debt for school renovation projects and \$4.8 million in refunding bonds. The County's Water and Sewer Fund (business-type activity) issued \$53.4 in revenue bonds to finance construction of Rocky Pen Run Reservoir.
- The county paid off \$6.2 million in capital lease debt thereby avoiding \$418 thousand debt service expense in future years.

Overview of the Financial Statements

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

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of how the financial position of the County may be changing. Increases in net assets may indicate an improved financial position; decreases in net assets may reflect the changing manner in which the County may have used previously accumulated funds.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued revenues and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other activities that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general

government administration; judicial administration; public safety; public works; health and social services; parks, recreation and cultural; community development; appropriation to School Board; transportation; and interest on long-term debt. The business-type activities consist of public utilities (water and sewer services).

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate school board for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financials, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, users may better understand the long-term impact of the County's near-term financing decisions. Reconciliations between the governmental funds Balance Sheet and the government-wide Statement of Net Assets and between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities are provided to facilitate this comparison between governmental funds and governmental activities.

The County maintains eleven individual governmental funds. Information is reported separately in the governmental funds balance sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Transportation Fund, and the General Capital Projects Fund; all three of which are considered to be major funds. Data from the other eight County funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the Other Supplementary Information Section of this report. The County adopts an annual appropriated General Fund, Transportation Fund and Capital Projects Fund budget, for which budgetary comparison statements have been provided to demonstrate compliance with the respective budgets.

The County maintains one **Proprietary Fund** – an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its water and sewer utilities. Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail.

Fiduciary funds are used to account for resources received and held in a fiduciary capacity for the benefit of individuals or other governments. Fiduciary funds are not reflected in the government-wide financial statements because resources of these funds are not available to support the County's governmental activities. However, the County is responsible for ensuring fund assets are used for their intended purposes. The County has five fiduciary funds – Widewater Fund, Celebrate Virginia North Fund, Lake Arrowhead Sanitary District Fund, George Washington Regional Commission Fund and the Retired Employees Health Insurance Plan Trust Fund. Separate

statements of fiduciary net assets and statements of changes in fiduciary assets and liabilities are presented elsewhere in this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits and post-employment health care benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information.

This report also contains a statistical section that supplements the basic financial statements by presenting detailed trend information to assist readers in assessing the economic condition of the County. The statistical section contains five categories of trend information about the County – financial trend information (including governmental fund balances, net assets and changes in net assets, operating indicators, and capital asset statistics), revenue capacity information, debt capacity information, demographic and economic information, and operating information. We encourage readers to review the statistical section to better understand the County's operations, services and financial condition.

Government-wide Financial Analysis

Statement of Net Assets

As noted earlier, over time, changes in net assets may serve as an indicator of the County's financial position. The County's assets exceeded liabilities by \$193.1 million at the close of fiscal year 2012. By far, the largest portion of the County's net assets (\$297.88 million) reflects its investment in capital assets net of depreciation (e.g., land, buildings, vehicles, distribution and collections systems, and equipment); less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to its citizens (e.g., law enforcement, fire and emergency medical services, libraries, water and wastewater services). Consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the related debt must be provided by other sources since the capital assets cannot be used to liquidate the liabilities (the assets are not generally sold or otherwise disposed of during their useful life).

An additional portion of the County's net assets (\$53.8 million) represents resources that are subject to external restrictions on how they may be used. These restrictions include debt service, construction and maintenance, grants and Federal drug enforcement constraints.

Another significant point to note regarding school assets and their related debt is that in the State of Virginia, school boards cannot issue debt; however, they hold title to the assets acquired through debt issued by their respective primary governments. They are custodians of the assets and maintain the property. Therefore, the County reports a significant liability for debt related to school property and equipment. Of the \$108.5 million governmental net asset deficit, \$256.0 million is related to debt for school property and equipment.

The net \$11.4 million increase in business-type activities net assets is largely due to capital contributions (donated infrastructure, developer contributions and State Department of Environmental Quality grants).

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

Summary of Net Assets
As of June 30, 2012 and 2011
(\$ in millions)

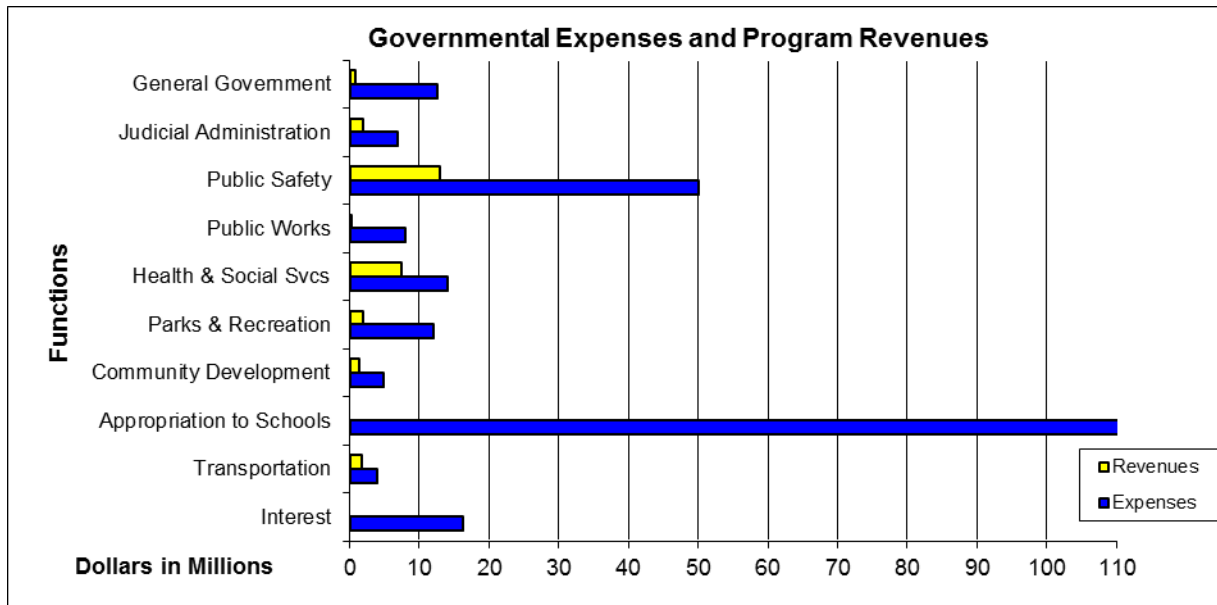
	Governmental Activities		Primary Government Business-Type Activities		Total Primary		Component Unit	
	2012	2011	2012	2011	2012	2011	2012	2011
Assets:								
Current and other assets	\$ 157.9	\$ 153.0	\$ 106.4	\$ 59.8	\$ 264.3	\$ 212.8	\$ 95.5	\$ 91.3
Capital assets (net)	<u>184.2</u>	<u>185.2</u>	<u>303.2</u>	<u>281.9</u>	<u>487.4</u>	<u>467.1</u>	<u>379.6</u>	<u>368.1</u>
Total assets	<u>\$ 342.1</u>	<u>\$ 338.2</u>	<u>\$ 409.6</u>	<u>\$ 341.7</u>	<u>\$ 751.7</u>	<u>\$ 679.9</u>	<u>\$ 475.1</u>	<u>\$ 459.4</u>
Liabilities:								
Other liabilities	\$ 86.0	\$ 94.1	\$ 14.2	\$ 17.4	\$ 100.2	\$ 111.5	\$ 51.2	\$ 48.6
Long-term liabilities	<u>364.6</u>	<u>360.7</u>	<u>93.8</u>	<u>34.1</u>	<u>458.4</u>	<u>394.8</u>	<u>31.9</u>	<u>28.5</u>
Total liabilities	<u>\$ 450.6</u>	<u>\$ 454.8</u>	<u>\$ 108.0</u>	<u>\$ 51.5</u>	<u>\$ 558.6</u>	<u>\$ 506.3</u>	<u>\$ 83.1</u>	<u>\$ 77.1</u>
Net assets:								
Invested in capital assets,								
Net of related debt	\$ 81.9	\$ 73.3	\$ 216.0	\$ 243.8	\$ 297.9	\$ 317.1	\$ 377.8	\$ 366.0
Restricted	2.6	2.5	51.2	14.3	53.8	16.8	22.3	11.5
Unrestricted	<u>(193.0)</u>	<u>(192.4)</u>	<u>34.4</u>	<u>32.1</u>	<u>(158.6)</u>	<u>(160.3)</u>	<u>(8.1)</u>	<u>4.8</u>
Total net assets	<u>\$ (108.5)</u>	<u>\$ (116.6)</u>	<u>\$ 301.6</u>	<u>\$ 290.2</u>	<u>\$ 193.1</u>	<u>\$ 173.6</u>	<u>\$ 392.0</u>	<u>\$ 382.3</u>

Statement of Activities
Governmental Activities

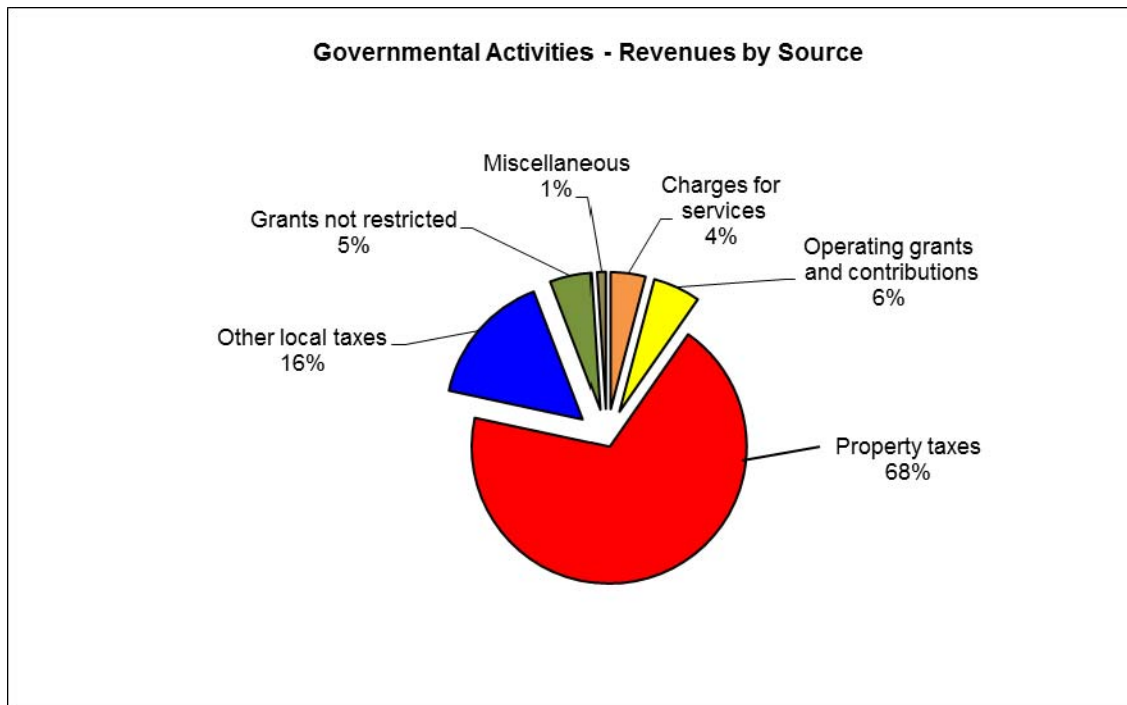
The increase in net assets attributable to the County's governmental activities totaled \$8.1 million for fiscal year 2012. Generally, the change in net assets is the difference between revenues and expenses. For fiscal year 2012 governmental revenues were \$259.6 million and expenses were \$251.5 million. A summary of key elements follows:

- Revenues increased \$4.0 million due to increased real estate tax collections, personal property valuation (newer vehicles) and year over year increases in retail sales and meals taxes.
- Operating grants and contributions decreased \$1.2 million. The decrease was due to completion of projects that were funded over multiple years.
- Capital grants and contributions increase of \$636 thousand reflects a revenue sharing agreement for local road improvement projects.
- Investment earnings continued to decline, reflecting the decline in interest rates.
- Expenses for governmental activities recorded a net increase of \$25.7 million compared to the prior year. The public safety function recorded \$4.5 million of this increase, attributed to depreciation accruing on the communications system. Various parks projects account for the \$2.4 million increase in this function. \$2.7 million of the increase was in interest expense, reflecting the pay-off of several debt issues. The local appropriation to schools recorded a net increase of \$15.4 million. This appropriation is in two parts, operations support and proceeds from borrowings for capital improvements. Operations support decreased \$724 thousand, while capital improvements increased \$16.1 million, reflecting efforts to reduce operations costs and address capital needs.

The following graph compares the County's fiscal year 2012 expenses by function to associated program revenues for governmental activities.



The following graph illustrates the County's fiscal year 2012 governmental revenues by source.



Business-type Activities

The increase in net assets attributable to the County's business-type activities totaled \$11.4 million for fiscal year 2012. Similar to the changes in net assets attributable to government activities, changes in business-type activity net assets also result from the difference between revenues and expenses. However, unlike governmental activities, which primarily rely on general tax revenues to finance operations, business-type activities are financed to a significant extent by fees charged for goods and services provided. The County's business-type activities consist of a Water and Sewer Fund. Like all business-type activities, the Water and Sewer Fund attempts to recover much of the operating expenses it incurs through user charges. Nevertheless, operating revenues were less than operating expenses for fiscal year 2012, resulting in a net loss of \$6.7 million, primarily due to user fees failing to keep pace with operating costs. The net asset increase was primarily due to non-operating contributions (availability fees, pro-rata fees and state grants) and donated capital assets. The following is a summary of relevant financial results for fiscal year 2012:

- The Water and Sewer Fund implemented a rate increase of 7% in fiscal 2012 as identified by the adopted rate study guidelines. The methodology of the rate study aligns the cost for provision of water and sewer services to the appropriate user fee (charges for services) and calculates the value of a connection to the system (availability fees) based on the cost of current and future infrastructure.
- Charges for services totaled \$24.1 million, which were \$737 thousand more than the prior fiscal year. This increase was primarily due to the user rate increase mentioned above, but also includes additional service to new customers.
- Availability and pro-rata fees totaled \$7.0 million which is a \$2.4 million increase compared to the prior year. Availability and pro-rata fees are paid by the developer of a subdivision and then passed on to the new homeowner.
- State grants for wastewater facility upgrades totaled \$1.0 million.
- Donated capital assets (infrastructure completed by developers and dedicated to the County) totaled \$10.0 million, a \$2.7 million increase compared to the prior year.
- Expenses totaled \$31.3 million, a \$1.1 million increase over the prior year. This can be attributed to contractual services and materials and supplies related to completion of wastewater treatment plant upgrades and reservoir construction.

The following table compares current and prior year revenues and expenses of the County's governmental and business-type activities and the Component Unit – School Board.

Change in Net Assets
For the Fiscal Years Ended June 30, 2012 and 2011
(\$ in millions)

	Primary Government						Component Unit School Board	
	Governmental Activities		Business-Type Activities		Total Primary			
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues:								
Program revenues:								
Charges for services	\$ 10.5	\$ 10.3	\$ 24.1	\$ 23.3	\$ 34.6	\$ 33.6	\$ 16.4	\$ 15.9
Operating grants and contributions	16.9	18.1	1.0	2.9	17.9	21.0	125.4	160.5
Capital grants and contributions	.7	-	17.1	12.0	17.8	12.0	24.6	-
General revenues:								
General property taxes	175.6	172.4	-	-	175.6	172.4	-	-
Other local taxes	40.4	39.0	-	-	40.4	39.0	23.7	-
Grants not restricted	14.9	15.0	-	-	14.9	15.0	98.6	99.3
Investment earnings	-	.1	.4	.5	.4	.6	-	-
Miscellaneous	<u>.6</u>	<u>.7</u>	<u>.2</u>	<u>.3</u>	<u>.8</u>	<u>1.0</u>	<u>.4</u>	<u>1.8</u>
Total revenues	<u>\$ 259.6</u>	<u>\$ 255.6</u>	<u>\$ 42.8</u>	<u>\$ 39.0</u>	<u>\$ 302.4</u>	<u>\$ 294.6</u>	<u>\$ 289.1</u>	<u>\$ 277.5</u>
Expenses:								
General government	\$ 12.6	\$ 12.7	\$ -	\$ -	\$ 12.6	\$ 12.7	\$ -	\$ -
Judicial administration	6.8	6.7	-	-	6.8	6.7	-	-
Public safety	50.0	45.5	-	-	50.0	45.5	-	-
Public works	7.9	7.7	-	-	7.9	7.7	-	-
Health and social services	14.1	13.8	-	-	14.1	13.8	-	-
Parks, recreation and cultural	12.0	9.6	-	-	12.0	9.6	-	-
Community development	4.8	5.5	-	-	4.8	5.5	-	-
Appropriation to schools	123.1	107.7	-	-	123.1	107.7	285.2	281.8
Transportation	4.0	3.1	-	-	4.0	3.1	-	-
Interest	16.2	13.4	-	-	16.2	13.4	-	-
Water and sewer	-	-	31.3	30.2	31.3	30.2	-	-
Total expenses	<u>\$ 251.5</u>	<u>\$ 225.7</u>	<u>\$ 31.3</u>	<u>\$ 30.2</u>	<u>\$ 282.8</u>	<u>\$ 255.9</u>	<u>\$ 285.2</u>	<u>\$ 281.8</u>
Change in net assets	<u>\$ 8.1</u>	<u>\$ 29.9</u>	<u>\$ 11.5</u>	<u>\$ 8.8</u>	<u>\$ 19.6</u>	<u>\$ 38.7</u>	<u>\$ 3.9</u>	<u>\$ (4.3)</u>
Net assets (deficit) beginning, as restated	<u>(116.6)</u>	<u>(146.5)</u>	<u>290.1</u>	<u>281.3</u>	<u>173.5</u>	<u>134.8</u>	<u>388.1</u>	<u>386.6</u>
Net assets (deficit) ending	<u>\$ (108.5)</u>	<u>\$ (116.6)</u>	<u>\$ 301.6</u>	<u>\$ 290.1</u>	<u>\$ 193.1</u>	<u>\$ 173.5</u>	<u>\$ 392.0</u>	<u>\$ 382.3</u>

Financial Analysis of the County's Funds

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

Governmental funds: The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, the unrestricted, unassigned fund balance may serve as a useful measure of the County's net resources available for unanticipated expenditures.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$87.8 million, an increase of \$9.6 million in comparison with the prior year. Of the \$87.8 million, \$1.4 million is restricted for grant programs, drug enforcement activities and debt service requirements. Committed and assigned portions of its fund balances are established to indicate plans for use of financial resources. The County reserves portions of its unrestricted fund balances as commitments for specific purposes, such as capital needs, economic development and risk management (\$30.3 million). Commitments include policies and contractual obligations of the governing body (the Board of Supervisors). Assignments (\$26.4 million) represent management's plans for future expenditures and the intent to liquidate purchase orders (encumbrances) of the prior fiscal year. The unassigned portion of fund balance, (\$29.6 million) is available for spending at the County's discretion. The Fund Balance section of Note 1, Summary of Significant Accounting Policies, presents details of the County's governmental fund balance classifications.

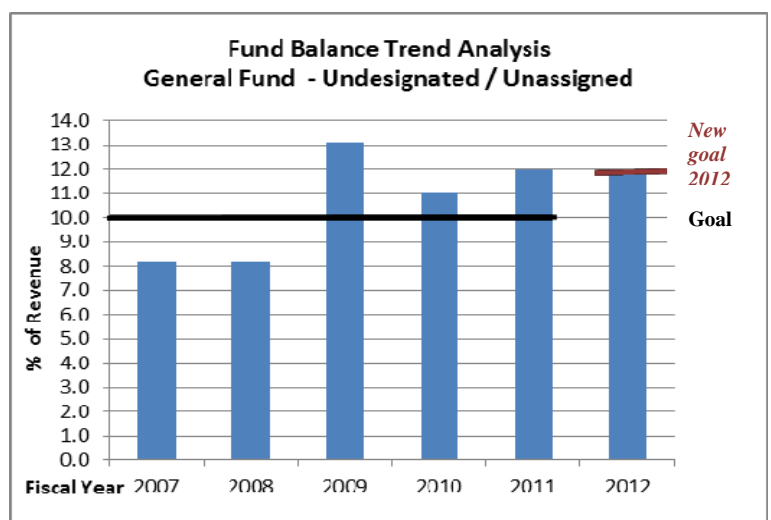
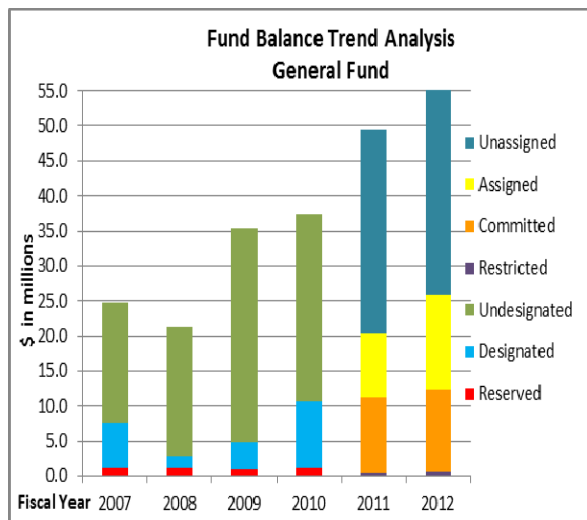
The General Fund is the primary operating fund of the County. The total fund balance of the County's General Fund increased \$6.1 million during fiscal year 2012. This was due primarily to management's commitment to maintain unassigned fund balance at or above stated policy levels frequent, in-depth analysis of revenue collection and expenditure patterns, and conservative budgeting. Of the \$55.6 million, \$652 thousand is restricted for grants programs, \$11.8 million is committed, \$13.5 million is assigned and \$29.6 million is unassigned.

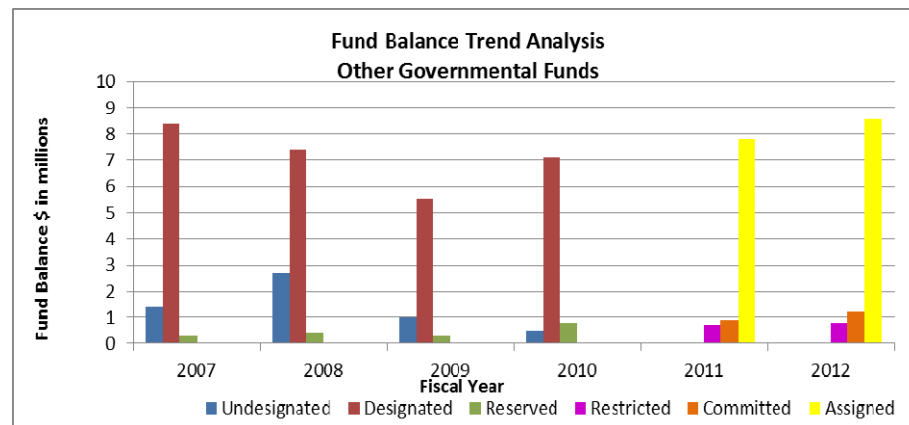
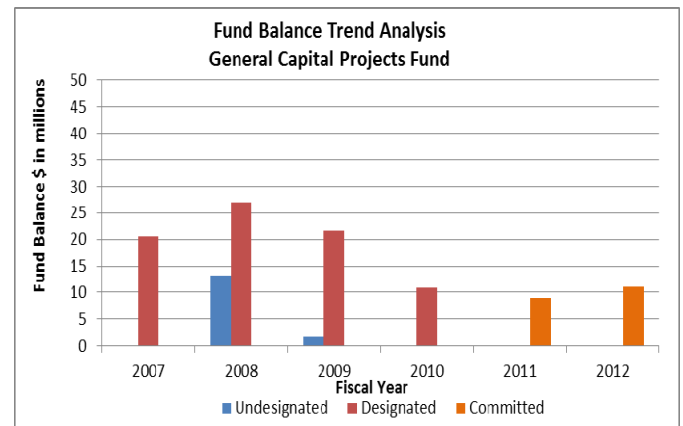
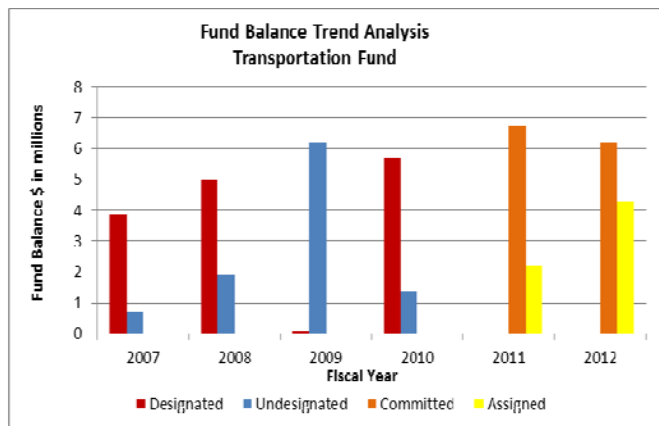
In addition to the General Fund the County has two major governmental funds, the Transportation Fund and the General Capital Projects Fund. Total fund balance for the Transportation Fund at year end was \$10.6 million, an increase of \$ 1.6 million compared to the prior year. Of the \$10.6 million, \$ 6.2 million is committed and \$4.3 million is assigned for specific road improvement projects. The increase in fund balance is attributed to an increase in revenue from fuels taxes, recordation fees and revenue sharing agreements dedicated to road improvements.

Total fund balance for the General Capital Projects Fund at year end was \$11.0 million. The County temporarily provided funding to begin work on several parks projects that may ultimately be funded with general obligation bonds. Also, 2008 Lease Revenue Bond proceeds were used to begin construction of the Chichester Courthouse Annex to house court services activities. The entire fund balance is committed for capital projects.

The County also has eight non-major governmental funds. In total, fund balance is \$10.5 million, a \$1.0 million increase compared to prior year. Of the \$10.5 million, \$778 thousand is restricted for debt service and drug enforcement activities, \$1.2 million is committed for contractual obligations related to each fund's purpose, and \$8.6 million is assigned for the various fund purposes.

The following graphs illustrate fund balance trends for the County's governmental funds for fiscal years 2006 through 2012.





Proprietary fund: The County's proprietary fund financial statements provide the same type of information presented in the business-type activities on the government-wide financial statements, but in more detail. The Water and Sewer Fund total net assets increased \$11.4 million during fiscal year 2012. Capital assets, net of depreciation and related debt decreased \$27.8 million. Restricted net assets increased by \$ 36.9 million and unrestricted net assets increased by \$2.3 million. These changes are the result of issuance of \$53.3 million revenue bonds for the construction of Rocky Pen Run Reservoir. A summary of the Water and Sewer Fund operations for the year was previously provided in the discussion of business-type activities.

Component Unit – School Board: The change in net assets for the component unit School Board was \$3.9 million. This was due to the increases in program revenues exceeding the increase in expense. Funds transferred from the County General Fund include a local appropriation for operations and bond proceeds used to offset facility construction expenditures. The School Board issues a separate set of financial statements, which may be obtained directly from the School Board.

General Fund Budgetary Highlights

Budget amendments for expenditures resulted in an increase of \$12.2 million between the original budget and the final budget. Significant budget amendments included:

- \$4.2 million in re-appropriated encumbrances and incomplete commitments to allow completion of ongoing projects.
- \$3.7 million from capital reserves to retire master lease debt.
- \$1.8 million from capital reserves to purchase land for a replacement elementary school.

- \$1.0 million temporary funding from capital reserves for parks projects.
- \$715 thousand for various state and federal grants
- \$435 thousand for economic development incentives and tourism.
- \$400 thousand for planning, design and renovation of a Community Services Center.

General Fund revenues, excluding transfers, increased \$2.5 million over the prior year amount. General property taxes increased \$3.5 million due to increased personal property valuation (vehicles). While there was growth in real estate tax receipts, it was offset by a reduction in the tax rate. Other local taxes had a net increase of \$ 1.3 million due to an increase in sales tax receipts (\$696 thousand), an increase in meals tax receipts (\$302 thousand) and consumer utility taxes (\$411 thousand). Use of money and property category reflects the downward trend of investment earnings. The "other" category includes several miscellaneous items. The largest among them are recovered costs (\$2.8 million) and fines and forfeitures (\$703 thousand). While there were some decreases in revenues from the State, the net increase in Intergovernmental revenues is the result of grants sought mostly from federal sources.

General Fund expenditures, excluding transfers, recorded a net increase of \$3.5 million compared to the prior year amount. Highlights that contributed to the net increase include:

- The County Attorney function within General Government incurred expenditures for outside legal counsel due to staffing issues.
- The Public Safety function includes regional joint activities for the jail and juvenile detention center. Both facilities incurred additional debt. Regional participants are allocated a percentage of the costs based on average census.
- During FY 2011 the Community Development function was awarded a large grant from the Office of Economic Adjustment for road improvements in an area affected by BRAC relocations. All the project expenditures were recorded in that year.
- Overall, the local support for the school system was appropriated at \$1.2 million more than the prior year. However, at year-end, the schools turned back \$3.2 million in unspent funds to be reappropriated in the subsequent year for one-time expenditures.
- Capital outlay expenditures were for replacement public safety vehicles.
- Debt service expenditures include the retirement of several master leases.

The following tables compare General Fund revenues and expenditures for fiscal year 2012 with the previous fiscal year.

General Fund Comparison Revenues and Expenditures FY 2011 – FY 2012 (\$ in millions)			
	FY 2012	FY 2011	Increase (Decrease)
<u>Revenues:</u>			
General property taxes	\$ 174.6	\$ 171.1	\$ 3.5
Other local taxes	32.7	31.4	1.3
Licenses and permits	3.2	3.4	(.2)
Use of money and property	.3	.4	(.1)
Charges for services	5.8	5.2	.6
Other	3.9	4.4	(.5)
Intergovernmental	28.5	30.6	(2.1)
Total revenues	<u>\$ 249.0</u>	<u>\$ 246.5</u>	<u>\$ 2.5</u>
<u>Expenditures:</u>			
General government	\$ 11.8	\$ 11.4	\$.4
Judicial administration	6.4	6.5	(.1)
Public safety	46.8	45.5	1.3
Public works	4.8	5.0	(.2)
Health and social services	13.7	13.6	.1
Parks, recreation and cultural	10.5	10.5	-
Community development	4.1	4.6	(.5)
Education	98.6	99.4	(.8)
Capital outlay	.7	-	.7
Debt service	42.5	39.9	2.6
Total expenditures	<u>\$ 239.9</u>	<u>\$ 236.4</u>	<u>\$ 3.5</u>

Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totals \$487.5 million, net of accumulated depreciation. This represents an increase of \$20.5 million over the prior year. The investment in capital assets includes land, buildings, distribution and collection systems, equipment, vehicles, construction in progress. Major capital asset acquisitions during the current fiscal year included the following:

- Governmental activities land – transfer to Component Unit Schools and acquisition of property for a replacement elementary school.
- Governmental activities construction in progress/buildings/equipment – reclassification of the upgraded radio communications system and the completed library building.
- Governmental activities land improvements – bike trails and various park improvements.
- Governmental activities land improvements included various park upgrades, Government Island improvements and road improvements.
- Business-type activities construction in progress – construction of Rocky Pen Run Reservoir.
- Business-type activities distribution and collection systems – acceptance of developer constructed infrastructure.

The following table summarizes the changes in the County's governmental and business-type capital assets for fiscal year 2012. Additional information on the County's capital assets can be found in Note 4.

Change in Capital Assets (\$ in millions)			
	Balance June 30, 2011	Net Additions And Deletions	Balance June 30, 2012
<u>Governmental Activities:</u>			
Land	\$ 48.5	\$ (4.2)	\$ 44.3
Other intangible	.6	.4	1.0
Construction in progress	<u>42.2</u>	<u>(34.1)</u>	<u>8.1</u>
Capital assets not being depreciated	<u>91.3</u>	<u>(37.9)</u>	<u>53.4</u>
Land improvements	26.4	1.1	27.5
Buildings and building improvements	85.5	10.5	96.0
Furniture, fixtures and equipment	11.8	32.3	44.1
Vehicles	<u>15.5</u>	<u>.6</u>	<u>16.1</u>
Capital assets being depreciated	<u>139.2</u>	<u>44.5</u>	<u>183.7</u>
Less accumulated depreciation	<u>(45.4)</u>	<u>(7.5)</u>	<u>(52.9)</u>
Net capital assets being depreciated	<u>93.8</u>	<u>37.0</u>	<u>130.8</u>
Governmental activities capital assets	<u>\$ 185.1</u>	<u>\$.9</u>	<u>\$ 184.2</u>

Change in Capital Assets (\$ in millions)			
	Balance June 30, 2011	Net Additions And Deletions	Balance June 30, 2012
<u>Business-Type Activities:</u>			
Land	\$ 18.8	\$.2	\$ 19.0
Other intangible	4.0	.1	4.1
Construction in progress	<u>66.4</u>	<u>17.4</u>	<u>83.8</u>
Capital assets not being depreciated	<u>89.2</u>	<u>17.7</u>	<u>106.9</u>
Land improvements	.4	.1	.5
Buildings and building improvements	4.2	-	4.2
Distribution and collection systems	296.6	14.8	311.4
Furniture, fixtures and equipment	14.8	(1.2)	13.6
Vehicles	<u>2.7</u>	<u>-</u>	<u>2.7</u>
Capital assets being depreciated	<u>318.7</u>	<u>13.7</u>	<u>332.4</u>
Less accumulated depreciation	<u>(126.0)</u>	<u>(10.0)</u>	<u>(136.0)</u>
Net capital assets being depreciated	<u>192.7</u>	<u>3.7</u>	<u>196.4</u>
Business-type activities capital assets	<u>\$ 281.9</u>	<u>\$ 21.4</u>	<u>\$ 303.3</u>

Long-term debt: At the end of the current fiscal year, County governmental activities reported total bonded debt outstanding of \$368.8 million. Of this amount, \$268.4 million is debt backed by the full faith and credit of the County. The remainder of the County's debt is secured by specific revenue sources (i.e. revenue bonds). County governmental activities had a net decrease in total debt of \$1.4 million during the fiscal year. Issuances for FY 2012 included \$12.8 million general obligation bonds for school renovation projects and the \$4.8 million refunding of 2002 general obligation bonds. The County also retired several master lease issues.

The County's strong wealth and income levels, diverse local economy, sound financial management and moderate debt burden recently earned an upgrade (AA- to AA) for its lease revenue bonds from Fitch Ratings. Standard and Poors, Fitch Ratings and Moody's general obligation bond ratings remained stable at AA, AA and Aa2, respectively.

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

The County's business-type activities reported total bonded debt of \$95.5 million at the end of the current fiscal year. \$53.3 million revenue bonds were issued to finance the reservoir construction project. These bonds are secured by water and sewer revenues.

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

Summary of Changes in Long-Term Debt (\$ in millions)			
	<u>June 30, 2011</u>	<u>Net Increase (Decrease)</u>	<u>June 30, 2012</u>
<u>Governmental Activities:</u>			
General obligation bonds, net	\$ 259.1	\$ 9.3	\$ 268.4
Lease revenue bonds	84.5	(3.8)	80.7
Capital leases	14.1	(6.1)	8.0
Other	12.6	(.9)	11.7
Compensated absences	<u>6.2</u>	<u>.1</u>	<u>6.3</u>
Total long-term debt	<u>\$ 376.5</u>	<u>\$ (1.4)</u>	<u>\$ 375.1</u>
<u>Business-Type Activities:</u>			
Revenue bonds, net	\$ 4.8	\$ 58.4	\$ 63.2
VRA loans	33.3	(1.0)	32.3
Compensated absences	<u>1.1</u>	<u>.1</u>	<u>1.2</u>
Total long-term debt	<u>\$ 39.2</u>	<u>\$ 57.5</u>	<u>\$ 96.7</u>

Factors Influencing Future Budgets

Key factors that are expected to impact future budgets include:

- Uncertainty of state and federal revenue sources.
- Board of Supervisors' priorities.
- Public safety staffing.
- Citizen demands for maintaining service levels.
- Funding for capital improvements.
- Operating costs associated with new capital facilities.
- Health care and pension costs.
- Funding the annual required contribution for post-employment benefits other than pensions (OPEB).
- Funding schools operations.
- Human services.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, County of Stafford, P.O. Box 339, Stafford, VA 22555-0339.



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Balance Empowerment Service Teamwork

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Unit
	Governmental	Business-type		School
	Activities	Activities	Totals	Board
ASSETS				
Current assets:				
Cash, cash equivalents and temporary cash investments	\$ 106,993,537	\$ 49,331,853	\$ 156,325,390	\$ 31,345,695
Receivables, net of allowance for uncollectibles	25,344,552	4,071,059	29,415,611	6,965,966
Due from primary government	-	-	-	39,219,437
Internal balances	(418,536)	418,536	-	-
Inventory	5,370	559,319	564,689	605,028
Prepays	34,184	-	34,184	-
Total current assets	<u>131,959,107</u>	<u>54,380,767</u>	<u>186,339,874</u>	<u>78,136,126</u>
Noncurrent assets:				
Restricted cash and cash equivalents	18,537,837	51,224,071	69,761,908	17,440,260
Note receivable - Component Unit	1,080,000	-	1,080,000	-
Investment in joint venture	4,783,938	-	4,783,938	-
Financing costs, net of accumulated amortization	1,611,576	694,457	2,306,033	-
Capital assets:				
Land	44,315,268	18,976,061	63,291,329	33,075,704
Construction in progress	8,059,197	83,840,946	91,900,143	5,982,472
Other intangible assets	980,028	4,094,252	5,074,280	-
Subtotal non-depreciable capital assets	<u>53,354,493</u>	<u>106,911,259</u>	<u>160,265,752</u>	<u>39,058,176</u>
Land improvements	27,461,836	465,743	27,927,579	39,608,605
Buildings and building improvements	95,960,896	4,175,025	100,135,921	424,513,072
Distribution and collection systems	-	311,351,966	311,351,966	635,154
Furniture, fixtures and equipment	7,305,445	12,826,906	20,132,351	9,291,062
Technology infrastructure	32,582,151	610,759	33,192,910	1,276,834
Software	4,216,003	195,574	4,411,577	591,103
Vehicles	16,123,561	2,715,921	18,839,482	20,932,955
Less accumulated depreciation	<u>(52,890,666)</u>	<u>(136,000,490)</u>	<u>(188,891,156)</u>	<u>(156,338,873)</u>
Subtotal depreciable capital assets	<u>130,759,226</u>	<u>196,341,404</u>	<u>327,100,630</u>	<u>340,509,912</u>
Total noncurrent assets	<u>210,127,070</u>	<u>355,171,191</u>	<u>565,298,261</u>	<u>397,008,348</u>
Total assets	<u>\$ 342,086,177</u>	<u>\$ 409,551,958</u>	<u>\$ 751,638,135</u>	<u>\$ 475,144,474</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 3,611,561	\$ 1,637,853	\$ 5,249,414	\$ 5,913,305
Retainage payable	153,080	896,820	1,049,900	569,376
Accrued salaries and benefits	1,042,473	166,679	1,209,152	39,041,912
Accrued insurance claims	835,738	37,190	872,928	4,789,941
Accrued interest	7,054,889	769,126	7,824,015	-
Arbitrage liability	-	-	-	-
Other accrued liabilities	847,000	9,926	856,926	-
Unearned revenue	1,659,323	-	1,659,323	90,605
Due to component unit	39,219,437	-	39,219,437	-
Deposits	8,818,887	8,210,423	17,029,310	-
Current portion of long-term debt	<u>22,741,982</u>	<u>2,472,018</u>	<u>25,214,000</u>	<u>812,630</u>
Total current liabilities	<u>85,984,370</u>	<u>14,200,035</u>	<u>100,184,405</u>	<u>51,217,769</u>
Noncurrent liabilities:				
Noncurrent portion of long-term debt	352,448,890	94,316,552	446,765,442	8,508,050
Noncurrent portion of accrued insurance claims	-	-	-	38,942
Other post-employment benefits	<u>12,134,607</u>	<u>(537,891)</u>	<u>11,596,716</u>	<u>23,382,201</u>
Total noncurrent liabilities	<u>364,583,497</u>	<u>93,778,661</u>	<u>458,362,158</u>	<u>31,929,193</u>
Total liabilities	<u>450,567,867</u>	<u>107,978,696</u>	<u>558,546,563</u>	<u>83,146,962</u>
NET ASSETS				
Invested in capital assets, net of related debt	81,905,153	215,975,340	297,880,493	377,833,302
Restricted:				
Debt service	1,218,061	3,913,748	5,131,809	-
Drug enforcement	715,022	-	715,022	-
Construction and maintenance	-	47,310,323	47,310,323	22,306,855
Grants	652,293	-	652,293	-
Unrestricted	<u>(192,972,219)</u>	<u>34,373,851</u>	<u>(158,598,368)</u>	<u>(8,142,645)</u>
Total net assets (deficit)	<u>(108,481,690)</u>	<u>301,573,262</u>	<u>193,091,572</u>	<u>391,997,512</u>
Total liabilities and net assets	<u>\$ 342,086,177</u>	<u>\$ 409,551,958</u>	<u>\$ 751,638,135</u>	<u>\$ 475,144,474</u>

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

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 12,623,568	\$ 225,028	\$ 571,979	\$ -
Judicial administration	6,839,212	304,592	1,619,250	-
Public safety	49,986,737	6,693,587	6,341,182	-
Public works	7,851,234	68,888	-	-
Health and social services	14,070,334	140,145	7,246,818	-
Parks, recreation and cultural	12,034,049	1,840,751	39,496	-
Community development	4,837,754	1,237,301	75,348	-
Appropriation to School Board:				
School operating	98,599,339	-	-	-
School capital projects	24,540,497	-	-	-
Transportation	3,988,075	36,450	1,031,384	685,812
Interest	16,147,660	-	-	-
Total governmental activities	<u>251,518,459</u>	<u>10,546,742</u>	<u>16,925,457</u>	<u>685,812</u>
Business-type activities:				
Water and Sewer	<u>31,324,423</u>	<u>24,085,502</u>	<u>1,037,356</u>	<u>17,037,061</u>
Total primary government	<u>\$ 282,842,882</u>	<u>\$ 34,632,244</u>	<u>\$ 17,962,813</u>	<u>\$ 17,722,873</u>
Component unit:				
Stafford County School Board	<u>\$ 285,216,248</u>	<u>\$ 16,404,687</u>	<u>\$ 48,627,333</u>	<u>\$ 24,581,047</u>

General revenues:

Taxes:

General property taxes

Other local taxes:

Sales

Fuels

Consumer utility

Motor vehicle decals

Bank stock

Recordation

Occupancy

Meals

Short-term rental

Cable franchise

Road impact fees

Basic aid

Grants and contributions not restricted to specific programs

Investment earnings

Gain on disposal of capital assets

Miscellaneous

Total general revenues

Change in net assets

Net assets (deficit), beginning, as restated

Net assets (deficit), ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	School Board
\$ (11,826,561)	\$ -	\$ (11,826,561)	\$ -
(4,915,370)	-	(4,915,370)	-
(36,951,968)	-	(36,951,968)	-
(7,782,346)	-	(7,782,346)	-
(6,683,371)	-	(6,683,371)	-
(10,153,802)	-	(10,153,802)	-
(3,525,105)	-	(3,525,105)	-
(98,599,339)	-	(98,599,339)	-
(24,540,497)	-	(24,540,497)	-
(2,234,429)	-	(2,234,429)	-
(16,147,660)	-	(16,147,660)	-
(223,360,448)	-	(223,360,448)	-
-	10,835,496	10,835,496	-
(223,360,448)	10,835,496	(212,524,952)	-
			\$ (195,603,181)
175,603,509	-	175,603,509	-
11,014,935	-	11,014,935	23,710,200
5,345,841	-	5,345,841	-
9,430,676	-	9,430,676	-
2,245,004	-	2,245,004	-
351,149	-	351,149	-
3,154,562	-	3,154,562	-
1,286,736	-	1,286,736	-
6,251,632	-	6,251,632	-
32,565	-	32,565	-
961,195	-	961,195	-
270,959	-	270,959	-
-	-	-	76,665,790
14,911,207	-	14,911,207	98,599,339
46,162	377,663	423,825	33,339
-	5,122	5,122	40,600
552,128	168,433	720,561	419,151
231,458,260	551,218	232,009,478	199,468,419
8,097,812	11,386,714	19,484,526	3,865,238
(116,579,502)	290,186,548	173,607,046	388,132,274
\$ (108,481,690)	\$ 301,573,262	\$ 193,091,572	\$ 391,997,512

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in pooled cash and investments	\$ 94,231,518	\$ 3,118,373	\$ -	\$ 9,643,646	\$ 106,993,537
Restricted assets:					
Cash	410,870	-	2,120,328	778,563	3,309,761
Cash with fiscal agents	-	5,900,532	9,327,544	-	15,228,076
Receivables, net of allowance for uncollectibles:					
Property taxes	14,926,022	-	-	66,002	14,992,024
Accounts	3,132,525	200,787	-	134,400	3,467,712
Due from primary government	-	-	-	1,865	1,865
Intergovernmental	5,015,606	1,776,020	-	18,190	6,809,816
Inventory	5,370	-	-	-	5,370
Prepaid expenditures	34,184	-	-	-	34,184
Total assets	<u>\$ 117,756,095</u>	<u>\$ 10,995,712</u>	<u>\$ 11,447,872</u>	<u>\$ 10,642,666</u>	<u>\$ 150,842,345</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,862,306	\$ 398,860	\$ 315,659	\$ 34,736	\$ 3,611,561
Retainage payable	10,350	42,989	99,741	-	153,080
Deposits	8,818,887	-	-	-	8,818,887
Accrued salaries and benefits	1,033,358	2,800	3,204	3,111	1,042,473
Other accrued liabilities	847,000	-	-	-	847,000
Due to other funds	420,401	-	-	-	420,401
Due to component unit	39,219,437	-	-	-	39,219,437
Deferred revenue	8,919,253	-	-	54,930	8,974,183
Total liabilities	<u>62,130,992</u>	<u>444,649</u>	<u>418,604</u>	<u>92,777</u>	<u>63,087,022</u>
Fund Balances:					
Nonspendable	39,554	-	-	-	39,554
Restricted	652,293	-	1,155,000	778,082	2,585,375
Committed	11,848,386	6,220,896	9,874,269	1,152,847	29,096,398
Assigned	13,494,231	4,330,167	-	8,618,960	26,443,358
Unassigned	29,590,639	-	-	-	29,590,639
Total fund balances	<u>55,625,103</u>	<u>10,551,063</u>	<u>11,029,269</u>	<u>10,549,889</u>	<u>87,755,324</u>
Total liabilities and fund balances	<u>\$ 117,756,095</u>	<u>\$ 10,995,712</u>	<u>\$ 11,447,873</u>	<u>\$ 10,642,666</u>	<u>\$ 150,842,346</u>

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

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total fund balances- total governmental funds **\$ 87,755,324**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.

Governmental capital assets	\$ 237,004,385	
Less accumulated depreciation	<u>(52,890,666)</u>	
Net capital assets		184,113,719

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

8,469,860

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

Investment in joint venture	4,783,938	
Financing costs	2,139,823	
Less accumulated amortization	<u>(528,247)</u>	
		6,395,514

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Revenue bonds	(80,685,000)	
General obligation bonds	(265,833,868)	
Literary loans	(3,661,484)	
Capital leases	(7,949,797)	
Compensated absences	(6,368,476)	
Deferred amounts for bond premiums	(10,782,718)	
Deferred loss on refunding	90,470	
Accrued insurance claims	(835,738)	
Interest payable	(7,054,889)	
Net other post-employment benefits obligation	<u>(12,134,607)</u>	
		<u>(395,216,107)</u>

Net Assets (Deficit) of Governmental Activities **\$ (108,481,690)**

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 174,626,150	\$ -	\$ -	\$ 977,359	\$ 175,603,509
Other local taxes	32,734,657	5,345,841	-	1,557,694	39,638,192
Permits, privilege fees and regulatory licenses	3,165,460	-	-	-	3,165,460
Fines and forfeitures	730,433	-	-	-	730,433
Use of money and property	296,074	7,653	15,769	14,744	334,240
Charges for services	5,817,807	-	-	-	5,817,807
Miscellaneous	3,119,434	17,038	-	3,218	3,139,690
Intergovernmental	28,542,517	2,424,257	-	220,166	31,186,940
Total revenues	<u>249,032,532</u>	<u>7,794,789</u>	<u>15,769</u>	<u>2,773,181</u>	<u>259,616,271</u>
EXPENDITURES					
Current operating:					
General government	11,842,516	4,206,364	-	-	16,048,880
Judicial administration	6,421,956	-	-	37,798	6,459,754
Public safety	46,826,860	-	1,880,558	115,264	48,822,682
Public works	4,840,619	-	2,326,819	-	7,167,438
Health and social services	13,684,536	-	-	-	13,684,536
Parks, recreation and cultural	10,528,999	-	785,098	-	11,314,097
Community development	4,011,444	-	-	712,378	4,723,822
Appropriation to School Board:					
School operating	98,599,339	-	-	-	98,599,339
School capital projects	-	-	24,540,497	-	24,540,497
Capital outlay	743,427	2,075,819	1,789,654	245,814	4,854,714
Debt service:					
Principal	25,684,726	-	-	30,000	25,714,726
Interest and fiscal charges	16,809,594	-	88,568	34,729	16,932,891
Total expenditures	<u>239,994,016</u>	<u>6,282,183</u>	<u>31,411,194</u>	<u>1,175,983</u>	<u>278,863,376</u>
Excess (deficiency) of revenues under expenditures	<u>9,038,516</u>	<u>1,512,606</u>	<u>(31,395,425)</u>	<u>1,597,198</u>	<u>(19,247,105)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	525,523	100,000	3,385,893	-	4,011,416
Transfers out	(3,485,893)	(25,523)	-	(500,000)	(4,011,416)
Other miscellaneous non-operating revenue	-	-	-	-	-
Issuance of debt:					
Bonds	-	-	26,515,000	-	26,515,000
Bond premiums	-	-	3,577,788	-	3,577,788
Capital leases	-	-	-	-	-
Total other financing sources (uses), net	<u>(2,960,370)</u>	<u>74,477</u>	<u>33,478,681</u>	<u>(500,000)</u>	<u>30,092,788</u>
Net change in fund balances	6,078,146	1,587,083	2,083,256	1,097,198	10,845,683
Fund balance, beginning	<u>49,546,957</u>	<u>8,963,980</u>	<u>8,946,013</u>	<u>9,452,691</u>	<u>76,909,641</u>
Fund balance, ending	<u>\$ 55,625,103</u>	<u>\$ 10,551,063</u>	<u>\$ 11,029,269</u>	<u>\$ 10,549,889</u>	<u>\$ 87,755,324</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds **\$ 10,845,683**

Reconciliation of amounts reported for governmental activities in the Statement of Activities:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Acquisition of capital assets	\$ 13,202,826	
Less donated assets	(1,071,848)	
Less depreciation expense	<u>(8,029,855)</u>	
Excess of capital outlay over depreciation		4,101,123

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

(270,861)

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

Change in joint venture investment	<u>(643,799)</u>	(643,799)
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A loan to the Component Unit School Board is an expenditure in the governmental funds but the resulting Note increases non-current assets in the Statement of Net Assets

1,155,000

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal and issuance costs are expenditures in the governmental funds, but the repayment reduces long-term liabilities and the issue costs are capitalized in the Statement of Net Assets. This is the amount by which proceeds were more than repayments.

Debt issued or incurred:		
General obligation bonds	(26,515,000)	
Bond premium	(3,577,788)	
Gain on refunding	(86,816)	
Debt issuance costs	170,348	
Arbitrage	158,968	
Principal repayments:		
General obligation debt	19,526,387	
Capital leases	<u>6,188,340</u>	
		(4,135,561)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued interest	81,271	
Compensated absences	(131,443)	
Accrued insurance claims	59,961	
Amortization of premium, financing costs and deferred loss on refunding, net	374,643	
Change in net other post-employment benefits obligation	<u>(3,338,205)</u>	
		(2,953,773)

Change in net assets of governmental activities **\$ 8,097,812**

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	Business Type Activity - Enterprise Fund Water and Sewer Fund
ASSETS	
Current assets:	
Equity in pooled cash and investments	\$ 49,331,853
Receivables, net of allowance for uncollectibles	4,071,059
Due from other funds	418,536
Inventory	559,319
Total current assets	<u>54,380,767</u>
Noncurrent assets:	
Restricted cash and cash equivalents	51,224,071
Financing costs, net of accumulated amortization	694,457
Capital assets:	
Land	18,976,061
Construction in progress	83,840,946
Other intangible assets	4,094,252
Land improvements	465,743
Buildings and building improvements	4,175,025
Distribution and collection systems	311,351,966
Furniture, fixtures and equipment	12,826,906
Vehicles	2,715,921
Software	195,574
Technology infrastructure	610,759
Less accumulated depreciation	<u>(136,000,490)</u>
Total capital assets (net of accumulated depreciation)	<u>303,252,663</u>
Other post-employment benefits	537,891
Total noncurrent assets	<u>355,709,082</u>
Total assets	<u>\$ 410,089,849</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,637,853
Retainage payable	896,820
Accrued salaries and benefits	166,679
Accrued interest	769,126
Other liabilities	47,116
Deposits	8,210,423
Current portion of long-term debt	<u>2,472,018</u>
Total current liabilities	<u>14,200,035</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>94,316,552</u>
Total liabilities	<u>108,516,587</u>
NET ASSETS	
Invested in capital assets, net of related debt	215,975,340
Restricted:	
Debt service	3,913,748
Construction and maintenance	47,310,323
Unrestricted	<u>34,373,851</u>
Total net assets	<u>301,573,262</u>
Total liabilities and net assets	<u>\$ 410,089,849</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	Business-Type Activity - Enterprise Fund
	<u>Water and Sewer Fund</u>
Operating revenues:	
Charges for services	\$ 24,085,502
Miscellaneous	168,433
Total operating revenues	<u>24,253,935</u>
Operating expenses:	
Personnel services	10,924,413
Contractual services	2,111,563
Materials and supplies	3,762,746
Heat, light and power	1,672,658
Telecommunication and internal services	1,702,810
Miscellaneous	495,827
Depreciation	<u>10,589,328</u>
Total operating expenses	<u>31,259,345</u>
Operating loss	<u>(7,005,410)</u>
Nonoperating revenues (expenses):	
Interest and investment revenue	377,663
Interest expense	(65,078)
Gain on disposal of capital assets	<u>5,122</u>
Total nonoperating revenues, net	<u>317,707</u>
Loss before contributions	<u>(6,687,703)</u>
Capital contributions:	
Donated capital assets	10,048,202
State reimbursement for capital projects	1,037,356
Availability fees	5,256,188
Prorata fees	<u>1,732,671</u>
Total capital contributions	<u>18,074,417</u>
Change in net assets	11,386,714
Total net assets, beginning	<u>290,186,548</u>
Total net assets, ending	<u><u>\$ 301,573,262</u></u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	Business-Type Activity - Enterprise Fund
	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 24,826,535
Other revenues	168,433
Other expenses	(495,827)
Payments to suppliers	(12,757,054)
Payments to employees	(11,083,968)
Net cash provided by operating activities	<u>658,119</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(21,802,809)
Principal paid on revenue bond maturities	6,302,067
Debt retirement	-
Interest paid on revenue bonds	274,431
OPEB trust fund contributions	(300,000)
Proceeds from indebtedness	52,348,794
State reimbursement	1,037,356
Proceeds from sale of capital assets	7,995
Availability fees and prorata fees	6,988,859
Net cash provided by capital and related financing activities	<u>44,856,693</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	<u>377,663</u>
Net increase in cash and cash equivalents	45,892,475
Cash and cash equivalents, beginning	54,663,450
Cash and cash equivalents, ending	<u>\$ 100,555,925</u>
Equity in pooled cash and investments	\$ 49,331,853
Restricted cash and cash equivalents	51,224,071
Total cash and cash equivalents	<u>\$ 100,555,924</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	<u>\$ (7,005,410)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	10,589,329
Increase in OPEB liability	560,490
Change in assets and liabilities:	
Decrease in accounts receivable	7,837
Decrease in accrued liabilities	(2,343,402)
Decrease in inventory	16,401
Decrease in accounts payable	(1,988,485)
Increase in deposits	733,195
Increase in compensated absences	88,164
Total adjustments	<u>7,663,529</u>
Net cash provided by operating activities	<u>\$ 658,119</u>
Supplemental disclosure of noncash capital and related financing activities:	
The Water and Sewer Fund received donated assets in 2012 valued at \$10,048,202.	-

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Agency Funds</u>	<u>Retired Employees Health Insurance Trust Fund</u>
ASSETS		
Current assets:		
Cash and short-term investments	\$ 2,517,908	\$ 3,804,705
Receivables:		
Property taxes	2,612,477	-
Accounts	202,909	-
Total assets	<u>\$ 5,333,294</u>	<u>\$ 3,804,705</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 132,967	\$ -
Accrued salaries and benefits	16,416	-
Other liabilities	56,036	-
Reserve for future expenses	1,781,878	-
Reserve for bondholders	3,345,997	-
Total liabilities	<u>\$ 5,333,294</u>	<u>-</u>
NET ASSETS		
Held in trust for other post-employment benefits		<u>\$ 3,804,705</u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 RETIRED EMPLOYEES HEALTH INSURANCE TRUST FUND
 YEAR ENDED JUNE 30, 2012**

	Retired Employees Health Insurance Trust Fund
ADDITIONS	
Employer contributions	\$ 300,000
Investments:	
Interest	2
Net increase (decrease) in fair market value of investments	-
Total investment earnings	2
Investment activity	(45,184)
Net investment earnings	(45,182)
Total additions	254,818
DEDUCTIONS	
Administration	500
Change in Net Assets	254,318
Net Assets held in trust for Post-Employment Benefits	
Beginning of year	3,550,387
End of year	\$ 3,804,705

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

NOTES TO THE FINANCIAL STATEMENTS

COUNTY OF STAFFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

The County of Stafford is located in northeastern Virginia, approximately 40 miles south of Washington, DC, and 55 miles north of Richmond, Virginia. It was founded in 1664 and was named for Staffordshire, England. It encompasses 277 square miles and has a population of 132,133.

The government of the County provides a full range of local government services including public safety, public works, public education, health and social services, parks and recreation, and community development. The County operates under the board of supervisors/administrator form of government.

The financial statements of the County of Stafford (County) conform to accounting principles generally accepted in the United States of America applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the County's more significant accounting policies:

A. THE FINANCIAL REPORTING ENTITY

GASB has established requirements and a reporting model for the annual financial reports of state and local governments. The reporting model was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. The reporting model includes:

Management's Discussion and Analysis – The financial statements are accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide financial statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities, except for fiduciary funds. This approach includes current assets and liabilities, such as cash and accounts payable, and capital assets and long-term liabilities, such as buildings and general obligation debt. Full accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

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

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

Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Discretely Presented Component Unit:

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

County of Stafford School Board

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The government-wide Statement of Activities is reported using the economic resources measurement focus and accrual basis of accounting which reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues. The County does not

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

allocate indirect expenses. The operating grants column includes operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

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

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

The following is a brief description of the specific funds used by the County in fiscal year 2012.

(1) Governmental Funds

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 7. Tourism Fund** – accounts for the receipts of a local five percent transient lodging tax used to fund the promotion of tourist venues in the County.
- 8. Wetlands Fund** – accounts for wetlands mitigation fees and associated disbursements.
- 9. Hidden Lake Dam Fund** – accounts for ad valorem tax receipts from property owners in the Hidden Lake subdivision to pay debt service for replacement of the dam.

c. Capital Projects Funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by Proprietary Funds).

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

(2) Proprietary Funds

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

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

(3) Fiduciary Funds

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

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

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

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

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

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

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

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

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

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

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to April 1, the County Administrator submits a proposed budget (operating and capital) to the Board of Supervisors for the fiscal year commencing the following July 1. The budget includes proposed obligations and the means of financing them. The budget embodies estimates of specific amounts of revenue.
2. Public hearings are conducted by the Board of Supervisors to obtain taxpayer and citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution. Budgets are legally adopted for the following governmental funds:

Primary Government

General Fund
Transportation Fund
Road Impact Fee - West
Garrisonville Road Service District
Asset Forfeiture Fund
Tourism Fund
Hidden Lake Dam Fund
General Capital Projects Fund

Component Unit – School Board

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

4. The budget for the proprietary fund serves as a guide to the County and not as legally binding limitations.
5. Although legal restrictions on expenditures are established at the departmental level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets.
6. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare actual revenue and expenditures with budgeted amounts as originally adopted, and as amended by the Board of Supervisors through June 30, 2012. Individual amendments were not material in relation to the original appropriations.
8. By law, total expenditures by fund may not, and did not, exceed appropriations in fiscal year 2012.
9. At the close of the fiscal year, all appropriations lapse for budget items other than capital projects and grants. Appropriations designated for capital projects and grants remain in effect for the life of the project or grant, or until the Board changes or eliminates the appropriation by an ordinance or resolution.

E. DEPOSITS AND INVESTMENTS

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. RESTRICTED ASSETS – CASH AND INVESTMENTS

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

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

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

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

Restricted cash in the General Capital Projects Fund represents the unspent proceeds from lease revenue bonds issued in June 2008 and proceeds from the 2012 refunding held by the trustee.

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

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

G. INVENTORIES AND PREPAID ITEMS

Primary Government:

The General Fund inventory is stated at cost (first-in, first-out), which is not in excess of market value. It consists of small dollar office supplies held for consumption.

The Water and Sewer Fund inventory is stated at cost (first-in, first-out), which is not in excess of market value. It consists of operating materials held for consumption.

Component Units:

The School Nutrition Fund carries its inventory on a cost basis (first-in, first-out), which is not in excess of market value. The inventory consists of food service supplies and perishable and non-perishable food products.

The Fleet Services Fund carries its inventory on a cost basis (first-in, first-out), which is not in excess of market value. It consists of parts, materials and supplies for repairs and maintenance of school and County vehicles.

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

H. CAPITAL ASSETS

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Land improvements	20 years	20 years
Buildings and building improvements	25 – 50 years	4 – 50 years
Furniture, fixtures and equipment	5 – 10 years	5 – 15 years
Vehicles	5 years	8 – 14 years
Software	3 – 5 years	5 years
Technology infrastructure	5 years	15 years

To the extent the County's capitalization threshold of \$5,000 is met, capital outlays of the Proprietary Fund are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis for the following useful lives:

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
	<u>Water and Sewer</u>	<u>Fleet Services</u>
	<u>Fund</u>	<u>Fund</u>
Land improvements	20 years	20 years
Buildings and building improvements	20 – 100 years	4 – 50 years
Distribution and collection systems	20 – 80 years	-
Furniture, fixtures and equipment	5 – 10 years	5 – 15 years
Vehicles	5 years	8 – 14 years
Software	3 – 5 years	-

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is recorded in the results of operations.

I. REAL ESTATE AND PERSONAL PROPERTY DATA

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

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

J. COMPENSATED ABSENCES

County employees accumulate vacation time and sick leave depending upon their length of service. The County has established accumulated leave balance thresholds for vacation and compensatory leave. There is no threshold on accumulated sick leave. Vacation leave up to the established threshold and a portion of sick leave time is payable upon termination of employment. Compensatory time earned by County employees up to the established threshold is also payable upon termination of employment. The current and long-term portions of the governmental funds' accumulated vacation, sick leave, and compensatory time for the primary government are recorded as liabilities in the government-wide financial statements. Current and long-term compensated absences liabilities for proprietary funds are recorded in the government-wide and fund financial statements.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. LONG-TERM OBLIGATIONS

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Assets. Bond premiums, discounts and deferred losses, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium, discount and deferred loss. Bond issuance costs are reported as deferred charges.

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

L. NET ASSET DEFICIT

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

In the Statement of Net Assets, this scenario presents a dilemma for the primary government. Debt issued on behalf of the School Board is reported with the County debt as a liability of the primary government, thereby reducing the net assets of the primary government. The corresponding capital assets are reported as assets of the Component Unit – School Board (title holder), thereby increasing their net assets.

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

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

Of the General Government \$108.5 million net asset deficit, \$256.0 million is attributed to debt for school property and equipment.

M. NET ASSETS and FUND BALANCE CLASSIFICATION

Net Assets:

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Fund Balance:

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

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

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

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund Balance Classification for Governmental Funds:

	General Fund	Transportation Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable					
Prepays	\$ 34,184	\$ -	\$ -	\$ -	\$ 34,184
Inventory	5,370	-	-	-	5,370
Restricted					
Grants	535,648	-	-	-	535,648
Encumbrances	116,645	-	-	-	116,645
Debt service	-	-	1,155,000	63,061	1,218,061
Drug enforcement	-	-	-	715,021	715,021
Committed					
Encumbrances	-	1,423,698	1,987,424	339,368	3,750,490
Virtual Museum	-	-	93,000	-	93,000
Museum Re-payment	-	-	938,293	-	938,293
Stafford Opportunity Fund	500,000	-	-	-	500,000
Capital Projects Reserve	7,694,182	-	-	-	7,694,182
High School Rebuild	618,571	-	-	-	618,571
Purchase of Development Rights	235,633	-	-	-	235,633
FY 2013 Budget Contingency	500,000	-	-	-	500,000
FY 2012 School Surplus	2,298,046	-	-	-	2,298,046
Other purposes	-	4,797,198	6,855,552	813,479	12,466,229
Assigned					
Encumbrances	2,231,736	186,495	-	60,904	2,479,135
CSA Reserve	200,000	-	-	-	200,000
Fuel Reserve	500,000	-	-	-	500,000
Health Claims Fluctuation Reserve	2,064,073	-	-	-	2,064,073
Revenue Stabilization Reserve	1,232,943	-	-	-	1,232,943
Risk Management Reserve	1,036,294	-	-	-	1,036,294
Stafford Opportunity Fund					
FY 2012 Balance	113,000	-	-	-	113,000
Schools One-time Expenditures	1,029,635	-	-	-	1,029,635
Other purposes	5,088,504	4,143,672	-	8,558,056	17,790,232
Unassigned	<u>29,590,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,590,639</u>
Total	<u>\$ 55,625,103</u>	<u>\$ 10,551,063</u>	<u>\$ 11,029,269</u>	<u>\$ 10,549,889</u>	<u>\$ 87,755,324</u>

N. CASH FLOWS

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. USE OF ESTIMATES

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

Note 2. DEPOSITS AND INVESTMENTS

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

INVESTMENTS: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP) and the Commonwealth of Virginia State Non-Arbitrage Program (SNAP).

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

The Treasurer also invests in the LGIP. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share.

Custodial Credit Risk: The County's investments at June 30, 2012 were held by the County or in the County's name by the County's custodial banks.

Credit Risk of Debt Securities: Standard & Poor's and/or an equivalent organization on the Nationally Recognized Statistical Rating Organizations (NRSRO) list rated the County's debt investments as of June 30, 2012 and the ratings are presented below using the Standard & Poor's rating scale.

Note 2. DEPOSITS AND INVESTMENTS (Continued)

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

Investment Type	Value					
	Short Term		Long Term			
Primary	AAAm	A-1	AAA	AA	A	BBB
U.S. Securities and Agencies	\$ -	\$ -	\$ 403,691	\$ 36,026,113	\$ -	\$ -
Municipal Bonds	-	-	173,923	2,552,583	-	-
Corporate Notes and Bonds	-	4,052,943	253,786	11,274,616	1,344,941	91,053
Money Market	5,682,230	3,671,349	-	1,041,473	-	-
LGIP	-	-	19,513,553	-	-	-
SNAP	-	-	46,256,958	-	-	-
Component Unit						
LGIP	4,757,515	-	-	-	-	-
SNAP	17,352,260	-	-	-	-	-

As of June 30, 2012, all investments were in compliance with the State Statutes administering investments of Public Funds. Ratings are purchased by the issuer from Moody's and/or Standard & Poor's. Ratings must comply with the investment policy prior to any purchase.

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

At June 30, 2012, the County had the following investments exceeding 5% of the total investments:

Investment Type	Value	
	Dollars	Percentage of Portfolio
Federal Home Loan Mortgage Corporation	\$17,916,569	13.54%
U.S. Treasury Note	\$11,307,520	8.54%

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

Note 2. DEPOSITS AND INVESTMENTS (Continued)

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1 Year	1 - 5 Years	6 - 10 Years	Over 10 Years
Primary					
U.S. Securities and Agencies	\$ 36,428,589	\$ 8,371,711	\$ 27,751,194	\$ -	\$ 305,684
Municipal Bonds	2,726,506	2,552,583	173,923	-	-
Corporate Notes and Bonds	17,018,555	6,557,411	10,115,090	-	346,055
Money Market	10,395,052	10,395,052	-	-	-
LGIP	19,513,553	19,513,553	-	-	-
SNAP	46,256,958	46,256,958	-	-	-
Total	132,339,213	93,647,268	38,040,206	-	651,739
Component Unit					
LGIP	\$ 4,757,515	\$ 4,757,515	\$ -	\$ -	\$ -
SNAP	17,352,260	17,352,260	-	-	-
Total	\$ 22,109,775	\$ 22,109,775	\$ -	\$ -	\$ -

County and School Board OPEB Funds:

As of June 30, 2012, the carrying value of the *County OPEB Fund's* deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Investment in pooled funds	<u>\$3,804,705</u>	N/A

As of June 30, 2012, the carrying value of the *School Board OPEB Fund's* deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Investment in pooled funds	<u>\$4,697,715</u>	N/A

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

Note 3. RECEIVABLES

Receivables at June 30, 2012 consist of the following:

Primary Government

	General Fund	Transportation Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Totals
Property taxes	\$ 20,337,342	\$ -	\$ 66,779	\$ -	\$ 20,404,121
Accounts	3,132,525	200,787	134,400	4,673,088	8,140,800
Intergovernmental	<u>5,015,606</u>	<u>1,776,020</u>	<u>18,190</u>	<u>-</u>	<u>6,809,816</u>
Gross Receivables	28,485,473	1,976,807	219,369	4,673,088	35,354,737
Less:					
Allowance for uncollectible accounts	<u>(5,411,320)</u>	<u>-</u>	<u>(777)</u>	<u>(602,029)</u>	<u>6,014,126</u>
Net Receivables	<u>\$ 23,074,153</u>	<u>\$ 1,976,807</u>	<u>\$ 218,592</u>	<u>\$ 4,071,059</u>	<u>\$ 29,340,611</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the General Fund were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 7,065,528	\$ -
Advance collection of 2011-2012 taxes	-	194,400
Ground lease	-	1,425,600
Other	<u>-</u>	<u>39,324</u>
	<u>\$ 7,065,528</u>	<u>\$ 1,659,324</u>

Component Unit – Stafford County Public Schools

	Operating Fund	Nutrition Services Fund	Grants Fund	Capital Projects Fund	Fleet Services Fund	Totals
Accounts receivable	\$ 324,651	\$ 5,054	\$ 22,769	\$ 2,145	\$ 1,285	\$ 355,904
Intergovernmental	5,257,688	202,951	1,149,423	-	-	6,610,062
Due from Primary Government	<u>39,219,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,219,437</u>
Net Receivables	<u>\$ 44,801,776</u>	<u>\$ 208,005</u>	<u>\$ 1,172,192</u>	<u>\$ 2,145</u>	<u>\$ 1,285</u>	<u>\$46,185,403</u>

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

Note 4. CAPITAL ASSETS

The following is a summary of changes in capital assets for the Primary Government's governmental activities for the fiscal year ended June 30, 2012:

PRIMARY GOVERNMENT Governmental Activities

	Balance June 30, 2011, <u>As restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	Balance June 30, 2012
Capital assets not being depreciated:					
Land	\$ 42,617,060	\$ 1,698,208	\$ -	\$ -	\$ 44,315,268
Intangible Asset - Other	626,523	352,905	-	600	980,028
Construction in progress	<u>42,198,492</u>	<u>5,723,473</u>	-	<u>(39,862,768)</u>	<u>8,059,197</u>
Total capital assets not being depreciated	<u>85,442,075</u>	<u>7,774,586</u>	-	<u>(39,862,168)</u>	<u>53,354,493</u>
Capital assets being depreciated:					
Land improvements	26,427,585	816,317	-	217,934	27,461,836
Buildings and building improvements	85,484,556	345,373	-	10,130,967	95,960,896
Furniture, fixtures and equipment	7,444,933	666,477	(32,653)	(773,312)	7,305,445
Intangible Asset - Software	4,142,885	80,618	(7,500)	-	4,216,003
Technology Infrastructure	199,028	2,096,544	-	30,286,579	32,582,151
Vehicles	<u>15,526,944</u>	<u>1,422,911</u>	<u>(826,294)</u>	-	<u>16,123,561</u>
Total capital assets being depreciated	<u>139,225,931</u>	<u>5,428,240</u>	<u>(866,447)</u>	<u>39,862,168</u>	<u>183,649,892</u>
Less accumulated depreciation for:					
Land improvements	(8,394,039)	(1,196,473)	-	(1,174)	(9,591,686)
Buildings and building improvements	(18,085,589)	(3,039,170)	-	(5,104)	(21,129,863)
Furniture, fixtures and equipment	(4,577,293)	(586,830)	32,653	880,745	(4,250,725)
Intangible Asset - Software	(3,806,667)	(129,576)	7,500	-	(3,928,743)
Technology Infrastructure	(40,035)	(1,694,190)	-	(874,467)	(2,608,692)
Vehicles	<u>(10,467,346)</u>	<u>(1,383,616)</u>	<u>470,005</u>	-	<u>(11,380,957)</u>
Total accumulated depreciation	<u>(45,370,969)</u>	<u>(8,029,855)</u>	<u>510,158</u>	-	<u>(52,890,666)</u>
Total capital assets being depreciated, net	<u>93,854,962</u>	<u>(2,601,615)</u>	<u>(356,289)</u>	<u>39,862,168</u>	<u>130,759,226</u>
Total capital assets, governmental activities	<u>\$ 179,297,037</u>	<u>\$ 5,172,971</u>	<u>\$ (356,289)</u>	<u>\$ -</u>	<u>\$ 184,113,719</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 396,112
Judicial administration	90,336
Public safety	3,167,443
Public works	2,805,952
Health and social services	1,871
Parks, recreation and cultural	1,304,228
Community development	70,057
Transportation	<u>193,856</u>
Total	<u>\$ 8,029,855</u>

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for Primary Government's business-type activities for the fiscal year ended June 30, 2012:

PRIMARY GOVERNMENT

Business-type Activities

Water and Sewer Fund

	Balance June 30, 2011	Increases	Decreases	Reclassifications	Balance June 30, 2012
Capital assets not being depreciated:					
Land	\$ 18,767,295	\$ 208,766	\$ -	\$ -	\$ 18,976,061
Intangible Asset - Other	3,998,290	95,962	-	-	4,094,252
Construction in progress	<u>66,386,205</u>	<u>20,114,090</u>	<u>-</u>	<u>(2,659,349)</u>	<u>83,840,946</u>
Total capital assets not being depreciated	<u>89,151,790</u>	<u>20,418,818</u>	<u>-</u>	<u>(2,659,349)</u>	<u>106,911,259</u>
Capital assets being depreciated:					
Land improvements	423,143	42,600	-	-	465,743
Buildings and building improvements	4,175,025	-	-	-	4,175,025
Distribution and collection systems	296,633,077	10,739,733	-	3,979,156	311,351,966
Furniture, fixtures and equipment	14,565,650	450,757	(392,734)	(1,796,768)	12,826,905
Intangible Asset – Software	195,574	-	-	-	195,574
Technology Infrastructure	43,422	10,402	-	556,935	610,759
Vehicles	<u>2,663,420</u>	<u>188,701</u>	<u>(56,226)</u>	<u>(79,974)</u>	<u>2,715,921</u>
Total capital assets being depreciated	<u>318,699,311</u>	<u>11,432,193</u>	<u>(448,960)</u>	<u>2,659,349</u>	<u>332,341,893</u>
Less accumulated depreciation for:					
Land improvements	(262,662)	(11,305)	-	-	(273,967)
Buildings and building improvements	(1,672,859)	(119,364)	-	-	(1,792,223)
Distribution and collection systems	(111,472,056)	(9,329,109)	-	(870,473)	(121,671,638)
Furniture, fixtures and equipment	(10,181,448)	(806,280)	389,861	1,056,899	(9,540,968)
Intangible Asset – Software	(183,674)	(6,300)	-	-	(189,974)
Technology Infrastructure	(4,342)	(34,940)	-	(259,401)	(298,683)
Vehicles	<u>(2,215,679)</u>	<u>(146,559)</u>	<u>56,226</u>	<u>72,975</u>	<u>(2,233,037)</u>
Total accumulated depreciation	<u>(125,992,720)</u>	<u>(10,453,857)</u>	<u>446,087</u>	<u>-</u>	<u>(136,000,490)</u>
Total capital assets being depreciated, net	<u>192,706,591</u>	<u>978,336</u>	<u>(2,873)</u>	<u>2,659,349</u>	<u>196,341,403</u>
Total capital assets, business-type activities	<u>\$ 281,858,381</u>	<u>\$ 21,397,154</u>	<u>\$ (2,873)</u>	<u>\$ -</u>	<u>\$ 303,252,662</u>

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for Stafford County Public Schools' governmental activities for the fiscal year ended June 30, 2012:

COMPONENT UNIT – Stafford County Public Schools Governmental Activities

	Balance June 30, 2011, <u>As restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	Balance June 30, 2012
Capital assets not being depreciated:					
Land	\$ 32,935,240	\$ 92,734	\$ -	\$ 10,373	\$ 33,038,347
Assets not placed in service	153,882	60,606	(26,754)	(105,829)	81,905
Construction in progress	<u>4,413,400</u>	<u>3,870,596</u>	-	<u>(2,608,795)</u>	<u>5,675,201</u>
Total capital assets not being depreciated	<u>37,502,522</u>	<u>4,023,936</u>	<u>(26,754)</u>	<u>(2,704,251)</u>	<u>38,795,453</u>
Capital assets being depreciated:					
Land improvements	37,093,945	1,081,835	-	489,855	38,665,635
Buildings and building improvements	408,549,084	12,740,607	-	1,998,125	423,287,816
Furniture, fixtures and equipment	8,550,561	523,774	(48,818)	129,673	9,155,190
Vehicles	19,636,617	1,552,800	(289,738)	-	20,899,679
Software	396,530	115,848	-	-	512,378
Technology infrastructure	834,063	356,173	-	86,598	1,276,834
Distribution and collection systems	<u>635,154</u>	-	-	-	<u>635,154</u>
Total capital assets being depreciated	<u>475,695,954</u>	<u>16,371,037</u>	<u>(338,556)</u>	<u>2,704,251</u>	<u>494,432,686</u>
Less accumulated depreciation for:					
Land improvements	(8,952,629)	(1,984,367)	-	-	(10,936,996)
Buildings and building improvements	(114,536,753)	(10,981,569)	-	-	(125,518,322)
Furniture, fixtures and equipment	(5,189,139)	(677,574)	48,566	-	(5,818,147)
Vehicles	(11,311,200)	(1,066,385)	288,925	-	(12,088,660)
Software	(215,650)	(90,891)	-	-	(306,541)
Technology infrastructure	(65,169)	(52,773)	-	-	(117,942)
Distribution and collection systems	<u>(373,212)</u>	<u>(37,235)</u>	-	-	<u>(410,447)</u>
Total accumulated depreciation	<u>(140,643,752)</u>	<u>(14,890,794)</u>	<u>337,491</u>	-	<u>(155,197,055)</u>
Total capital assets being depreciated, net	<u>335,052,202</u>	<u>1,480,243</u>	<u>(1,065)</u>	<u>2,704,251</u>	<u>339,235,631</u>
Total capital assets, governmental activities	<u>\$ 372,554,724</u>	<u>\$ 5,504,179</u>	<u>\$ (27,819)</u>	<u>\$ -</u>	<u>\$ 378,031,084</u>

Depreciation expense was charged to governmental functions as follows:

School Operating Fund	\$ 2,369,134
Nutrition Services Fund	34,443
Grants Fund	118,381
Construction Fund	<u>12,368,836</u>
Total	<u>\$ 14,890,794</u>

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for Stafford County Public Schools' proprietary fund for the fiscal year ended June 30, 2012:

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

Proprietary Fund - Fleet Services	Balance June 30, 2011	Increases	Decreases	Reclassifications	Balance June 30, 2012
Capital assets not being depreciated:					
Land	\$ 37,357	\$ -	\$ -	\$ -	\$ 37,357
Construction in progress	-	225,366	-	-	225,366
Total assets not being depreciated	<u>37,357</u>	<u>225,366</u>	<u>-</u>	<u>-</u>	<u>262,723</u>
Capital assets being depreciated:					
Land improvements	942,970	-	-	-	942,970
Buildings and building improvements	1,167,490	57,765	-	-	1,225,255
Furniture, fixtures and equipment	130,372	5,500	-	-	135,872
Vehicles	33,277	-	-	-	33,277
Software	78,725	-	-	-	78,725
Total capital assets being depreciated	<u>2,352,834</u>	<u>63,265</u>	<u>-</u>	<u>-</u>	<u>2,416,099</u>
Less accumulated depreciation for:					
Land improvements	(226,242)	(47,514)	-	-	(273,756)
Buildings and building improvements	(699,192)	(40,372)	-	-	(739,564)
Furniture, fixtures and equipment	(58,856)	(9,073)	-	-	(67,929)
Vehicles	(17,047)	(4,160)	-	-	(21,207)
Software	(23,617)	(15,745)	-	-	(39,362)
Total accumulated depreciation	<u>(1,024,954)</u>	<u>(116,864)</u>	<u>-</u>	<u>-</u>	<u>(1,141,818)</u>
Total capital assets being depreciated, net	<u>1,327,880</u>	<u>(53,599)</u>	<u>-</u>	<u>-</u>	<u>1,274,281</u>
Total capital assets, business-type activities	<u>\$ 1,365,237</u>	<u>\$ 171,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,537,004</u>

Note 5. LONG-TERM DEBT

A. PRIMARY GOVERNMENT – GOVERNMENTAL ACTIVITIES

The following is a summary of long-term liability activity of the primary government for the year ended June 30, 2012:

	<u>Amounts Payable at June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2012</u>	<u>Amounts Due within One Year</u>
Bonds Payable:					
General obligation bonds	\$ 251,459,634	\$ 26,515,000	\$ (20,164,536)	\$ 257,810,098	\$ 14,839,830
Lease revenue Bonds	84,470,000	-	(3,785,000)	80,685,000	3,490,000
Plus deferred amounts for bond premiums	<u>7,686,768</u>	<u>3,577,788</u>	<u>(481,838)</u>	<u>10,782,718</u>	<u>-</u>
Bonds payable including deferred amounts for bond premiums	343,616,402	30,092,788	(24,431,374)	349,277,816	18,329,830
Less deferred loss on refunding	<u>(30,976)</u>	<u>27,322</u>	<u>(86,816)</u>	<u>(90,470)</u>	<u>-</u>
Total bonds payable	<u>343,585,426</u>	<u>30,120,110</u>	<u>(24,518,190)</u>	<u>349,187,346</u>	<u>18,329,830</u>
Literary loans	4,172,633	-	(511,149)	3,661,484	466,149
VRA loan	8,409,471	-	(385,702)	8,023,769	397,360
Capital leases	14,138,137	-	(6,188,340)	7,949,797	923,477
**Compensated absences	<u>6,237,030</u>	<u>5,099,112</u>	<u>(4,967,666)</u>	<u>6,368,476</u>	<u>2,625,166</u>
Governmental activities long-term liabilities	<u>\$ 376,542,697</u>	<u>\$ 35,219,222</u>	<u>\$ (36,571,047)</u>	<u>\$ 375,190,872</u>	<u>\$ 22,741,982</u>

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

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

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 14,839,830	\$ 12,225,768	\$ 3,490,000	\$ 3,856,805
2014	15,194,735	11,460,230	3,530,000	3,716,550
2015	15,114,044	10,708,147	3,570,000	3,574,689
2016	14,891,219	9,949,678	3,615,000	3,405,831
2017	15,007,122	9,187,316	3,650,000	3,260,203
2018-2022	68,331,293	35,148,528	19,065,000	13,801,476
2023-2027	59,981,855	20,003,007	14,420,000	9,461,219
2028-2032	50,645,000	5,922,297	14,985,000	5,855,171
2033-2037	<u>3,805,000</u>	<u>129,792</u>	<u>14,360,000</u>	<u>1,885,675</u>
Total	<u>\$ 257,810,098</u>	<u>\$ 114,734,763</u>	<u>\$ 80,685,000</u>	<u>\$ 48,817,619</u>

<u>Year Ending June 30,</u>	<u>Literary Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 466,149	\$ 109,845
2014	466,149	95,860
2015	466,149	81,876
2016	466,149	67,891
2017	466,149	53,907
2018-2022	<u>1,330,739</u>	<u>104,766</u>
Total	<u>\$ 3,661,484</u>	<u>\$ 514,145</u>

Note 5. LONG-TERM DEBT (Continued)

Year Ending June 30,	<u>Capital Leases</u>		<u>VRA Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 923,477	\$ 239,037	\$ 397,360	\$ 237,755
2014	953,495	209,038	409,370	225,745
2015	937,149	178,006	421,743	213,372
2016	966,636	148,519	434,491	200,624
2017	997,051	118,104	447,623	187,492
2018-2022	3,171,970	196,601	2,449,422	726,153
2023-2027	-	-	2,842,654	332,920
2028	-	-	621,105	14,010
Total	<u>\$ 7,949,778</u>	<u>\$ 1,089,305</u>	<u>\$ 8,023,768</u>	<u>\$ 2,138,071</u>

General Obligation Bonds	<u>Outstanding Balance June 30, 2012</u>
\$11,000,000 Parks and Recreation bonds issued April 1, 2002, maturing annually in installments of \$550,000 through January 1, 2022; interest at 3.00% to 5.00%, payable semi-annually, including net premium of \$941	\$ 550,941
\$4,122,053 Refunding bonds issued April 1, 2002, maturing annually in varying installments of \$185,000 - \$432,000 through January 1, 2015; interest at 3.00% to 4.75%, payable semi-annually, net of premium and deferred loss on refunding of (\$3,643)	186,357
\$4,810,000 Refunding bonds issued June 13, 2012, maturing annually in installments of \$475,000 - \$700,000 through October 1, 2021; interest at 3.43% to 5.13% payable semi-annually, including net premium and deferred gain on refunding of \$747,084.....	5,462,109
Total General Obligation Bonds	<u>6,199,407</u>

Virginia Public School Authority General Obligation Bonds

\$1,001,932 issued November 12, 1992, maturing annually in varying installments of \$49,812 - \$61,880 through July 15, 2012; interest at 5.70% to 6.35%, payable semiannually	61,880
\$8,350,000 issued December 17, 1992, maturing annually in varying installments of \$255,000 - \$445,000 through December 15, 2012; interest at 5.70% to 5.85%, payable semiannually	255,000
\$5,375,000 issued April 29, 1993, maturing annually in varying installments of \$175,000 - \$255,000 through December 15, 2012; interest at 5.30% to 5.50%, payable semiannually	175,000
\$6,260,000 issued November 18, 1993, maturing annually in varying installments of \$30,000 - \$325,000 through December 15, 2013; interest at 4.70% to 5.00%, payable semiannually	65,000
\$7,880,000 issued May 5, 1994, maturing semi-annually in varying installments of \$400,000 - \$405,000 through July 15, 2013; interest at 6.10% to 6.30%, payable semiannually.....	810,000
\$2,794,068 issued November 22, 1994, maturing annually in varying installments of \$134,520 - \$178,092 through July 15, 2014; interest at 6.10% to 6.60%, payable semiannually	690,000
\$4,615,000 issued November 22, 1994, maturing annually in installments of \$230,000 through July 15, 2014; interest at 6.10% to 6.60%, payable semiannually	516,322

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2012**

\$650,000 issued May 18, 1995, maturing annually in varying installments of \$30,000 - \$35,000 through July 15, 2015; interest at 5.40% to 5.98%, payable semiannually	\$ 120,000
\$2,805,000 issued December 21, 1995, maturing annually in installments of \$140,000 through July 2015; interest at 5.10% to 6.10%, payable semiannually	560,000
\$2,096,324 issued December 21, 1995, maturing annually in varying installments of \$100,695 - \$123,720 through July 2015; interest at 5.10% to 6.10%, payable semiannually	480,394
\$6,370,000 issued May 2, 1996, maturing annually in installments of \$320,000 through July 2016; interest at 5.30% to 6.10%, payable semiannually	1,600,000
\$6,585,000 issued November 14, 1996, maturing annually in varying installments of \$325,000 - \$330,000 through July 2016; interest at 5.10% to 6.10%, payable semiannually	1,635,000
\$5,280,000 issued May 30, 1997, maturing annually in varying installments of \$230,000 - \$295,000 through July 2017; interest at 5.35% to 6.10%, payable semiannually	1,405,000
\$8,450,000 issued November 20, 1997, maturing annually in varying installments of \$420,000 - \$425,000 through January 15, 2018; interest varying from 4.60% to 5.35%, payable semiannually	2,520,000
\$11,560,000 issued April 30, 1998, maturing annually in varying installments of \$575,000 - \$580,000 through July 15, 2018; interest varying from 4.35% to 5.30%, payable semiannually.....	4,025,000
\$4,345,729 issued November 19, 1998, maturing annually in varying installments of \$206,382 - \$247,440 through July 15, 2018; interest at 4.35% to 5.10%, payable semiannually....	1,637,680
\$9,845,000 issued November 19, 1998, maturing annually in varying installments of \$490,000 - \$495,000 through July 15, 2018; interest at 4.35% to 5.10%, payable semiannually	3,430,000
\$18,000,000 issued May 13, 1999, maturing annually in installments of \$900,000 through July 15, 2019; interest at 4.10% to 5.23%, payable semiannually	7,200,000
\$9,805,170 issued November 18, 1999, maturing annually in varying installments of \$461,285 to \$554,360 through July 15, 2019; interest varying from 5.10% to 6.10%, payable semiannually.....	4,194,129
\$9,240,000 issued May 18, 2000, maturing annually in varying installments of \$460,000 to \$465,000 through July 15, 2020; interest at 5.10% to 5.60%, payable semiannually	4,140,000
\$4,260,000 issued November 16, 2000, maturing annually in varying installments of \$210,000 to \$215,000 through July 15, 2020; interest varying from 4.98% to 5.85%, payable semiannually	1,895,000
\$10,135,000 issued May 17, 2001, maturing annually in varying installments of \$505,000 to \$510,000 through July 15, 2021; interest varying from 4.85% to 5.60%, payable semiannually	5,050,000
\$9,257,513 issued November 15, 2001, maturing annually in varying installments of \$439,585 to \$506,160 through July 15, 2021; interest varying from 3.10% to 5.35%, payable semiannually, including net premium of \$83,785.....	4,900,080

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2012**

\$2,685,000 issued May 16, 2002, maturing annually in varying installments of \$130,000 to \$135,000 through July 15, 2022; interest varying from 5.10% to 5.60%, payable semiannually, including net premium of \$55,592	\$ 1,525,592
\$1,815,000 issued November 7, 2002, maturing annually in varying installments of \$90,000 to \$95,000 through July 15, 2022; interest varying from 4.10% to 5.10%, payable semiannually, including net premium of \$37,528	1,027,528
\$6,905,000 issued May 15, 2003, maturing annually in varying installments of \$345,000 to \$350,000 through July 15, 2023; interest varying from 3.10% to 5.35%, payable semiannually, including net premium of \$276,219	4,416,219
\$54,070,000 issued November 1, 2003, maturing annually in varying installments of \$1,100,000 to \$3,710,000 through July 15, 2028; interest varying from 3.10% to 5.35%, payable semiannually, including net premium of \$1,264,110	44,774,110
\$5,494,768 issued November 1, 2003, maturing annually in varying installments of \$235,058 to \$321,672 through July 15, 2023; interest varying from 3.10% to 5.35%, payable semiannually, including net premium of \$199,773	3,698,171
\$8,470,000 issued May 13, 2004, maturing annually in varying installments of \$175,000 to \$590,000 through July 15, 2029; interest varying from 4.85% to 5.10%, payable semiannually, including net premium of \$226,352	7,286,352
\$9,700,000 issued November 10, 2004, maturing annually in varying installments of \$195,000 to \$645,000 through July 15, 2029; interest varying from 4.1% to 5.6%, payable semi-annually, including net premium of \$271,671	8,341,671
\$17,895,000 issued May 12, 2005, maturing annually in varying installments of \$375,000 to \$1,195,000 through July 15, 2030, interest varying from 4.1% to 5.1%, payable semi-annually, including net premium of \$489,116	15,834,116
\$9,810,000 issued November 10, 2005, maturing annually in varying installments of \$205,000 to 655,000 through July 15, 2030, interest varying from 4.35% to 5.1%, payable semi-annually, including net premium of \$212,761	8,632,764
\$41,035,000 issued May 12, 2006, maturing annually in varying installments of \$855,000 to \$2,740,000 through July 15, 2031, interest varying from 4.10% to 5.1%, payable semi-annually, including net premium of \$504,922	36,819,922
\$6,310,000 November 9, 2006, maturing annually in varying installments of \$135,000 to \$415,000 through July 15, 2032 interest varying from 4.225% to 5.1%, payable semi-annually, including net premium of \$52,522	5,617,522
\$13,620,000 issued May 10, 2007, maturing annually in varying installments of \$275,000 to \$1,590,000 through July 15, 2032, interest varying from 4.1% to 5.1%, payable semi-annually, including net premium of \$287,218	12,692,218
\$10,600,000 issued November 8, 2007, maturing annually in varying installments of \$210,000 to \$715,000 through January 15, 2033, interest varying from 4.4% to 5.1%, payable semi-annually, including net premium of \$285,070	9,950,070

Note 5. LONG-TERM DEBT (Continued)	Outstanding Balance <u>June 30, 2012</u>
\$11,500,000 issued May 19, 2008, maturing annually in varying installments of \$235,000 to \$775,000 through July 15, 2033, interest varying from 4.1% to 5.1%, payable semi-annually, including net premium of \$344,056.....	\$ 11,099,056
\$1,700,000 issued December 11, 2008, maturing annually in varying installments of \$35,000 to \$120,000 through July 15, 2033, interest varying from 4.1% to 5.4% payable semi-annually including net premium of \$4,164	1,594,164
\$5,740,000 issued May 13, 2010, maturing annually in varying installments of \$280,000 to \$510,000 through July 15, 2025, interest varying from 3.05% to 5.05%, payable semi-annually, including net premium of \$385,906.....	5,845,906
\$1,305,000 Qualified School Construction Bonds issued July 8, 2010, maturing annually in varying installments of \$75,000 to \$80,000 through June 1, 2027, including net premium of (\$11,174)	1,143,826
\$2,305,000 issued November 10, 2010, maturing annually in varying installments of \$70,000 to \$155,500 through July 15, 2030, interest varying from 2.05% to 3.55% payable semi-annually, including net premium of \$34,661	2,269,661
\$5,625,000 issued May 5, 2011, maturing annually in varying installments of \$180,000 to \$415,000 through July 15, 2031, interest varying from 2.05% to 4.30% payable semi-annually, including net premium of \$307,087.....	5,932,087
\$9,845,000 issued November 9, 2011, maturing annually in varying installments of \$180,000 to \$415,000 through July 15, 2031, interest varying from 2.05% to 5.05% payable semiannually, including net premium of \$934,435.....	10,779,435
\$11,860,000 issued May 10, 2012, maturing annually in varying installments of \$415,000 to \$890,000 through July 15, 2032, interest varying from 2.55% to 5.05% payable semiannually, including net premium of \$1,857,052.....	<u>13,717,052</u>
Total Virginia Public School Authority General Obligation Bonds	<u>260,362,927</u>

Note 5. LONG-TERM DEBT (Continued)**Outstanding
Balance
June 30, 2012****Lease Revenue Bonds**

\$47,030,000 issued June 27, 2006, maturing annually in varying installments of \$815,000 to \$2,985,000 through August 1, 2036, interest varying from 4.00% to 5.25%, payable semi-annually, including premium of \$1,595,187	\$ 45,155,187
\$45,165,000 issued March 20, 2008, maturing annually in varying installments of \$290,000 to \$2,835,000 through April 1, 2033, interest varying from 4.00% to 5.00%, payable semi-annually, including premium of \$316,555.....	36,721,555
\$800,000 issued June 19, 2008, maturing annually in varying installments of \$25,000 to \$60,000 through October 1, 2028, interest 3.0% to 4.93%, payable semi-annually, including premium of \$28,268.....	<u>748,268</u>
Total Lease Revenue Bonds	<u>82,625,010</u>
Total Bonds Payable	<u>\$ 349,187,344</u>

State Literary Fund Loans

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

\$5,000,000 issued November 1, 1997 due in annual installments of \$250,000 through November 1, 2017	\$ 1,500,000
\$4,322,974 issued August 15, 2001, due in annual installments of \$216,149 through August 15, 2021	<u>2,161,484</u>
Total State Literary Fund Loans	<u>\$ 3,661,484</u>

VRA Loan

\$9,500,000 issued April 18, 2008, maturing semi-annually in varying installments of \$175,057 to \$312,864 through April 1, 2028, interest at 3.0%; payable semi-annually	<u>\$ 8,023,769</u>
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Capital Leases

\$478,000 issued February 23, 1999, maturing annually in varying installments of \$20,973 to \$44,973 through June 30, 2014; interest at 5.4%, payable semi-annually	\$ 87,564
\$8,707,998 issued March 29, 2011, maturing quarterly in varying installments of \$186,337 to \$260,100, through April 10, 2021; interest at 3.11%, payable quarterly.....	<u>7,862,233</u>
Total Capital Leases	<u>\$ 7,949,797</u>

Note 5. LONG-TERM DEBT (Continued)

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Land	\$ 59,386
Building	478,000
Equipment	8,707,998
Less: Accumulated depreciation	<u>(1,112,182)</u>
Total	<u>\$ 8,133,202</u>

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

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

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

The County has moral obligation pledges as follows:

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

Note 5. LONG-TERM DEBT (Continued)

B. PRIMARY GOVERNMENT – BUSINESS-TYPE ACTIVITIES

	Amounts Payable at June 30, 2011	Increases	Decreases	Amounts Payable at June 30, 2012	Amounts Due within One Year
Bonds Payable:					
Revenue bonds	\$ 4,730,000	\$ 53,355,000	\$(3,100,000)	\$ 54,985,000	\$ 550,000
VRA Loans	33,287,841	-	(995,519)	32,292,322	1,425,884
Plus deferred amounts for bond premiums	<u>220,648</u>	<u>8,277,950</u>	<u>(118,843)</u>	<u>8,379,755</u>	<u>-</u>
Bonds payable including deferred amounts for bond premiums/ (discounts)	38,238,489	61,632,950	(4,214,362)	95,657,077	1,975,884
Less deferred loss on refunding	<u>(169,145)</u>	<u>-</u>	<u>118,256</u>	<u>(50,889)</u>	<u>-</u>
Total bonds payable	38,069,344	61,632,950	(4,096,106)	95,606,188	1,975,884
Compensated absences	<u>1,094,217</u>	<u>975,020</u>	<u>(886,858)</u>	<u>1,182,379</u>	<u>496,135</u>
Business-type activities long-term liabilities	<u>\$ 39,163,561</u>	<u>\$ 62,607,970</u>	<u>\$(4,982,964)</u>	<u>\$ 96,788,567</u>	<u>\$ 2,472,019</u>

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

Year Ending June 30,	Revenue Bonds		VRA Loans	
	Principal	Interest	Principal	Interest
2013	\$ 550,000	\$ 2,376,668	\$ 1,425,884	\$ 679,508
2014	1,355,000	2,642,528	1,447,868	657,524
2015	1,380,000	2,584,914	1,478,600	626,791
2016	885,000	2,531,847	1,510,093	595,297
2017	930,000	2,489,462	1,542,371	563,019
2018-2022	5,370,000	11,724,419	8,225,047	2,301,905
2023-2027	6,840,000	10,251,157	9,163,297	1,363,661
2028-2032	8,705,000	8,388,108	7,499,160	334,390
2033-2037	11,195,000	5,894,260	-	-
2038-2042	14,435,000	2,654,996	-	-
2043	<u>3,340,000</u>	<u>80,562</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 54,985,000</u>	<u>\$ 51,618,921</u>	<u>\$ 32,292,320</u>	<u>\$ 7,122,095</u>

Revenue Bonds	Outstanding Balance June 30, 2012
\$2,195,000 Revenue Refunding Bond, issued November 23, 2010 maturing in annual installments of \$535,000 - \$565,000 through October 1, 2014; interest at 2.34% to 4.20%, payable semi-annually, net of premium and deferred loss on refunding of \$(63,768).....	\$ 1,693,768
\$53,355,000 Water and Sewer Revenue Bond, issued June 13, 2012, maturing in varying semi-annual installments of \$810,000 to \$3,340,000 through October 1, 2042; interest at 3.43% to 5.13% payable semiannually, net premium \$8,265,098...	<u>61,620,098</u>
Total Revenue Bonds	<u>\$ 63,313,866</u>

Note 5. LONG-TERM DEBT (Continued)

Primary Government – Business-Type Activities (continued)

**Outstanding
Balance
June 30, 2012****VRA Bonds**

\$23,681,363 Water and Sewer Revenue Bond, issued July 8, 2009, maturing in varying semi-annual installments of \$1,043,784 to \$1,401,685 through March 1, 2031, interest at 3.35%, payable semi-annually..... \$ 23,144,881

\$9,606,478 Water and Sewer Revenue Bond issued July 27, 2009, maturing in varying semi-annual installments of \$348,903 to \$668,999 through March 1, 2031, interest at 3.05%, payable semi-annually 9,147,441

Total VRA Bonds **32,292,322**

Total Water and Sewer Bonds **\$ 95,606,188**

C. COMPONENT UNIT – Stafford County Public Schools

The following is a summary of long-term liability activity of the Component unit- SCPS for the year ended June 30, 2012:

	Amounts Payable at <u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Amounts Payable at <u>June 30, 2012</u>	Amounts Due within <u>One Year</u>
Governmental Activities					
Capital lease	\$ 2,039,918	\$ -	\$ (305,132)	\$ 1,734,786	\$ 318,292
Compensated absences **	5,424,835	1,264,948	(401,246)	6,288,537	410,566
Note payable	<u>1,230,000</u>	<u>-</u>	<u>(75,000)</u>	<u>1,155,000</u>	<u>75,000</u>
SCPS long-term liabilities	<u>\$ 8,694,753</u>	<u>\$ 1,264,948</u>	<u>\$ (781,378)</u>	<u>\$ 9,178,323</u>	<u>\$ 803,858</u>

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

	Amounts Payable at <u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Amounts Payable at <u>June 30, 2012</u>	Amounts Due within <u>One Year</u>
Business-Type Activities					
Compensated absences	<u>\$ 140,117</u>	<u>\$ 11,528</u>	<u>\$ 9,288</u>	<u>\$ 142,357</u>	<u>\$ 8,772</u>

Note 6. DEFINED BENEFIT PENSION PLAN

A. PLAN DESCRIPTION

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

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

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

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

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 6. BENEFIT PENSION PLAN (Continued)

B. FUNDING POLICY

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. The County has assumed this 5% member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2012 was 13.86% of annual covered payroll.

Stafford County Public Schools' contribution rate for professional and non-professional employees for the fiscal year ended 2012 was 11.33% and 13.68% respectively, of annual covered payroll.

Total contributions to the VRS State Teachers Pool for the years ended June 30, 2010, June 30, 2011 and June 30, 2012 were \$15.7 million, \$12.5 million and \$15.9 million respectively, representing 11.2%, 8.9% and 11.3% respectively, of the covered payroll for the three years then ended.

C. ANNUAL PENSION COST

For fiscal year 2012, the County's annual pension cost of \$5,985,362 was equal to the County's required and actual contributions. The FY 2012 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 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

Trend Information for Stafford County is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of Required Contribution	Net Pension Obligation
June 30, 2010	\$ 5,711,457	100.00%	\$ -
June 30, 2011	5,913,343	100.00%	-
June 30, 2012	5,985,362	100.00%	-

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of Required Contribution	Net Pension Obligation
June 30, 2010	\$ 1,323,800	100.00%	\$ -
June 30, 2011	1,196,986	100.00%	-
June 30, 2012	1,183,572	100.00%	-

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

As of June 30, 2011, the most recent actuarial valuation date, the County plan was 76.08% funded. For the County the actuarial accrued liability for benefits was \$127,832,328, and the actuarial value of the assets was \$97,256,875, resulting in an unfunded actuarial accrued liability (UAAL) of \$30,575,453. The covered payroll (annual payroll for active employees covered by the plan) was \$41,834,084, and the ratio of the UAAL to the covered payroll was 73.09%.

As of June 30, 2011, the most recent actuarial valuation date, the School Board's plan was 77.06% funded. For the Schools the actuarial accrued liability for benefits was \$23,521,671, and the actuarial value of the assets was \$18,125,118, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,396,553. The covered payroll (annual payroll for active employees covered by the plan) was \$8,652,954, and the ratio of the UAAL to the covered payroll was 62.37%.

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

Schedule of Funding Progress for Stafford County

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2009	\$ 93,029,919	\$ 111,913,308	\$ 18,883,389	83.13%	\$ 43,332,376	43.58%
June 30, 2010	97,256,875	127,832,328	30,575,453	76.08%	41,834,084	73.09%
June 30, 2011	102,812,951	135,949,344	33,136,393	75.63%	41,253,517	80.32%

Schedule of Funding Progress for Component Unit Stafford County Public Schools

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2009	\$ 16,407,925	\$ 19,741,420	\$ 3,333,495	83.11%	\$ 9,355,749	35.63%
June 30, 2010	17,171,281	22,318,924	5,147,643	76.94%	9,204,760	55.92%
June 30, 2011	18,125,118	23,521,671	5,396,553	77.06%	8,852,954	62.37%

Note 7. OTHER POST-EMPLOYMENT BENEFITS

Primary Government:

A. Plan Description

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

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

B. Benefits Provided

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

C. Membership

At June 30, 2011 membership consisted of:

Retirees and beneficiaries currently receiving benefits	81
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>814</u>
Total	<u>895</u>

D. Funding Policy

The County's employee and retiree healthcare contribution rates are set as policy by the Board of Supervisors. Beginning July 1, 2009, the County offered a choice of health care options for its active and retired employees. The options differ based on level of coverage. All plan participants, active and retirees, are required to pay a portion of the monthly premium. The monthly premium is based on the health care plan chosen plus applicable dependent coverage.

VRS eligible retirees receive a monthly health insurance credit (HIC) of \$1.50 for each year of service up to a maximum of \$45.00 per month. The HIC is applied to and reduces the retiree contribution. For retirees with fifteen (15) years or more of service to the County, the HIC covers the retiree's share of the premium. The County contributes the remainder of the retiree only premium. Retirees with less than 15 years of service pay the full premium less any VRS HIC. Dependent coverage is covered by the retiree at stated plan rates.

Medicare eligible retirees with 15 years of service to the County must be enrolled in Medicare Parts A and B to be eligible to participate in the County's health insurance plan. Payment for Medicare Parts A and B is the responsibility of the retiree.

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Annual OPEB Costs and Net OPEB Obligation

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

Annual required contribution (ARC)	\$ 4,431,000
Amortization of NOO	(329,000)
Interest on NOO	<u>359,000</u>
Annual OPEB Cost (AOC)	<u>\$ 4,461,000</u>
NOO, beginning of year	\$ 7,998,021
Current year AOC	4,461,000
Contribution made	<u>(862,305)</u>
NOO, end of year	<u>\$ 11,596,716</u>

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

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

E. Funded Status and Funding Progress

As of July 1, 2012, the plan was partially funded by a \$2,700,000 contribution by the Water and Sewer Fund. The actuarially accrued liability (AAL) was \$42.3 million. The unfunded actuarial accrued liability (UAAL) for benefits was \$39.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$42.3 million, and the ratio of the UAAL to the covered payroll was 93.67 percent.

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

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

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the unfunded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.54 percent initially, reduced by decrements to an ultimate rate of 4.1 percent, achieved in 2090. Both rates include a 3.2 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was 26 years. Amortization periods used are closed.

Component Unit – Stafford County Public Schools:

A. Plan Description

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

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

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

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

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

B. Funding Policy

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

C. Annual OPEB Costs and Net OPEB Obligation

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

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Annual required contribution (ARC)	\$ 6,320,054
Amortization of NOO	(1,077,222)
Interest on NOO	<u>1,326,168</u>
Annual OPEB Cost (AOC)	<u>\$ 6,569,000</u>
NOO, beginning of year	\$ 20,402,576
Current year AOC	6,569,000
Contribution made	<u>(3,589,375)</u>
NOO, end of year	<u>\$ 23,382,201</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>	<u>Actuarial Accrued Liability</u>	<u>Funded Ratio</u>
June 30, 2012	\$ 6,569,000	54.64%	\$ 23,382,201	\$ 89,408,000	2.5%
June 30, 2011	9,106,473	12.50%	20,402,576	89,408,000	2.5%
June 30, 2010	5,552,873	49.30%	12,434,140	50,636,479	2.1%

Note 8. INTERFUND AND COMPONENT UNIT RECEIVABLE / PAYABLE

Individual fund receivable and payable balances at June 30, 2012 are summarized as follows:

	<u>General Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Component Unit Stafford County Public Schools</u>	<u>Total Payable</u>
<u>Primary Government</u>					
General Fund	\$ -	\$ 1,865	\$ 418,536	\$ 39,219,437	\$ 39,639,838
<u>Component Unit</u>					
Stafford County Public Schools	1,155,000	-	-	-	1,155,000

The interfund payable from the General Fund to Nonmajor Governmental Funds was a transfer due to the Asset Forfeiture Fund based on results of operations in FY 2012.

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

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

The payable from the Component Unit – School Board, Construction Fund, to the Primary Government, General Capital Projects Fund represents a loan for school renovation projects.

Note 9. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the County totaled \$181,227,618 for fiscal year 2012. Sources of these revenues were as follows:

	<u>Commonwealth</u>	<u>Federal</u>
Primary Government		
Governmental Funds:		
General Fund	\$ 23,366,315	\$ 5,176,202
Transportation Fund	1,392,873	1,031,384
Asset Forfeiture Fund	184,242	-
Tourism Fund	<u>1,478</u>	<u>34,446</u>
Total Governmental Funds	<u>24,944,908</u>	<u>6,242,032</u>
Proprietary Fund:		
Water and Sewer Fund	<u>1,037,356</u>	<u>-</u>
Total Primary Government	<u>25,982,264</u>	<u>6,242,032</u>
Component Unit – Stafford County Public Schools		
Governmental Funds:		
School Operating Fund	126,299,164	8,150,108
School Nutrition Fund	198,973	4,609,732
School Grants Fund	<u>59,733</u>	<u>9,685,612</u>
Total Component Unit	<u>126,557,870</u>	<u>22,445,452</u>
Total	<u>\$ 152,540,134</u>	<u>\$ 28,687,484</u>

Note 10. INTERFUND TRANSFERS

A summary of interfund transfer activity is presented as follows:

	Primary Government			
	General Fund	Transportation Fund	Tourism Fund	Total Transferred In
Transfer To Fund:				
Primary Government				
General Fund	\$ -	\$ 25,523	\$ 500,000	\$ 525,523
Transportation Fund	100,000	-	-	100,000
General Capital Projects Fund	<u>3,385,893</u>	<u>-</u>	<u>-</u>	<u>3,385,893</u>
Total Transferred Out	<u>\$ 3,485,893</u>	<u>\$ 25,523</u>	<u>\$ 500,000</u>	<u>\$ 4,011,416</u>

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

The transfers from the General Fund to the General Capital Projects Fund included proffers to reimburse County expenditures for the library construction project and capital reserve funds for interim funding of Parks projects, the purchase of land for a replacement elementary school, renovations to existing office space for the Community Development Service Center and demolition/temporary housing of a fire station.

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

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

Note 11. COMMITMENTS, CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

At June 30, 2012 the County had contractual commitments of \$63.3 million for the construction of additions to the water and sewer system.

The County receives grant funds, principally from the U.S. Government, for education programs and various other County programs. Expenditures of these funds are subject to audit by the grantor and the County is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the County, no material refunds will be required as a result of expenditures disallowed by the grantors.

The County is named as defendant in several cases for which the outcome of such claims is currently not predictable. It is the opinion of County management, based on the advice of the County Attorney, that any losses incurred related to claims existing at June 30, 2012 will not be material to the County's financial position.

On November 4, 2008, Stafford County voters authorized the Board of Supervisors to seek general obligation bond financing for transportation related projects in an amount not to exceed \$70 million. As of June 30, 2012, no bonds had been issued. Staff is seeking estimates for several proposed projects in preparation for seeking bonded funding.

On November 3, 2009, Stafford County voters authorized the Board of Supervisors to seek general obligation bond financing for parks and recreation related projects in an amount not to exceed \$29 million. As of June 30, 2012, no bonds had been issued. Staff is seeking estimates for several proposed projects in preparation for seeking bonded funding.

On October 2, 2012, the Stafford County Board of Supervisors authorized participation in the Fall 2012 and Spring 2013 Virginia Public School Authority issuance and sale of General Obligation School Bonds, in a principal amount of \$33.2 million. Proceeds of these issues will be used to finance construction of a replacement high school and building renovations for several schools.

At June 30, 2012, the Component Unit – Stafford County Public Schools had contractual commitments of \$15 million for the Capital Projects Fund for construction of various projects.

Note 12. JOINT VENTURES

A. RAPPAHANNOCK REGIONAL SOLID WASTE MANAGEMENT BOARD

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

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

The Board adopts an annual operating budget and sets user fees for the landfill. The Board has the authority to enter into written agreements with any contracting party for the operation and maintenance of the landfill. The Board has entered into an operating agreement with the County of Stafford, which will expire December 31, 2024. The County and the City fund operating deficits equally. The title to all real property acquired, held or leased is also allocated equally between the County and City, except for 30 acres owned by Stafford County. The County's equity interest as of June 30, 2012 was \$4,783,938.

Note 12. JOINT VENTURES (Continued)

State and federal laws and regulations require the Board to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting the waste, the Board reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$6.3 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2012 represents the cumulative amount reported to date based on the percentage of use method for the estimated capacity of the landfill. One-hundred percent of the liability has been recorded for the cells that are currently closed. These amounts are based on the estimated cost to perform all closure and post-closure care in 2012. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Both Stafford County and the City of Fredericksburg have demonstrated financial assurance for these costs.

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

B. RAPPAHANNOCK REGIONAL JAIL AUTHORITY

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

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

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

In accordance with the Authority Agreement, member jurisdictions pay operating (per diem) and debt service costs based on percentage of inmate population. The County retains an ongoing financial responsibility for this joint venture due to this requirement of the agreement. The County's payments for the year ended June 30, 2012 totaled \$5,805,169.

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

C. CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

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

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

Note 12. JOINT VENTURES (Continued)

The Regional Library Board is empowered to budget and expend funds and to execute contracts. Eighty percent of the Library's operating revenues are derived from annual appropriations by the participating jurisdictions. The remaining twenty percent is derived from fines, fees, donations and State grants. For the year ended June 30, 2012, Stafford County's appropriation to the Regional Library was \$4,667,212.

Complete financial statements for the Central Rappahannock Regional Library can be obtained from the Library Director, Central Rappahannock Regional Library, 1201 Caroline St., Fredericksburg, VA 22401.

Note 13. RISK MANAGEMENT

PRIMARY GOVERNMENT

The County is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by a combination of commercial insurance purchased from independent third parties and participation in public entity risk pools. There have not been any significant reductions in insurance coverage as compared to the previous year. Settled claims from these risks have not exceeded commercial coverage for the past three fiscal years.

The County participates in VaCorp, which is a public entity risk pool that provides commercial general liability, property, automobile, and other types of insurance coverage to Virginia localities. The County also participates in the Virginia Municipal League Pool for its workers' compensation coverage. In the case of both pools, if there is a loss deficit and depletion of all assets and available insurance of the pool, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

At June 30, 2012, the Water and Sewer Fund recorded a liability for the estimate of an unsettled claim (\$426,000). It is the County's best estimate based on available information.

The County has chosen to partially retain the risk associated with the employees' health and dental insurance plan. Risk is retained up to the limits based on monthly claims paid per employee and a 115% aggregate stop loss for total claims paid during the year. The risk financing is accounted for in the General Fund. Premiums are paid for all full-time employees of the County to a claims administrator, which processes all claims. Any excess funds at the end of the year are deposited in a reserve account with the claims administrator. This reserve account is used to fund losses in future years. At June 30, 2012, the account had a balance of \$2,064,073.

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

	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning	\$ 945,028	\$ 1,328,222
Incurred claims (including IBNR)	9,471,035	9,106,231
Claim payments	<u>(9,543,135)</u>	<u>(9,489,425)</u>
Unpaid claims, ending	<u>\$ 872,928</u>	<u>\$ 945,028</u>

Note 13. RISK MANAGEMENT (Continued)

COMPONENT UNIT – Stafford County Public Schools

Stafford County Public Schools carries commercial insurance for all risks of loss, except for workers' compensation. Like the County, it participates in the VML public entity risk pool. Settled claims have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year. The total estimated workers' compensation insurance claims payable as of June 30, 2011 was \$215,778, of which \$135,940 was estimated to be current claims payable.

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

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

	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning	\$ 4,260,708	\$ 4,006,316
Incurred claims (including IBNR)	24,338,084	22,250,561
Claim payments	<u>(24,159,334)</u>	<u>(21,996,169)</u>
Unpaid claims, ending	<u>\$ 4,439,458</u>	<u>\$ 4,260,708</u>

Note 14. OPERATING LEASES

Stafford County leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases were \$1,253,098 for the year ended June 30, 2012. The future minimum lease payments for these leases are as follows:

Year Ending June 30	General Government	Water and Sewer Fund
2013	\$ 1,053,872	\$ 198,632
2014	1,031,211	203,168
2015	1,062,217	208,853
2016	1,094,150	215,589
2017	1,126,960	220,376
2018-2022	<u>5,634,800</u>	<u>1,101,880</u>
	<u>\$ 11,003,210</u>	<u>\$ 2,148,498</u>

During FY 2010 Stafford County entered into a lessor arrangement with a local non-profit for use of its Chatham Office Building. The initial term of the lease is one year with the option for annual renewals. Annual rental revenue for FY 2012 was \$15,600.

Note 15. PRIOR PERIOD ADJUSTMENT

Net Assets of the Government-Wide Financial Statements

For the fiscal year ended June 30, 2006, the County failed to recognize a contribution in the Statement of Activities arising from the donation of a piece of land. The asset should have been transferred to the Component Unit-School Board during fiscal year 2006. This transaction was also not recognized until fiscal year 2012.

	<u>Primary Government</u>
Contributed asset, land	\$ 5,850,000
Transferred to Component Unit-School Board	<u>(5,850,000)</u>
Net impact on Statement of Net Assets	<u>\$ -</u>

The Statement of Net Assets and the changes in net assets on the Statement of Activities as of June 30, 2011, for the Component Unit-School Board were understated by \$5,850,000 since land contributed to the Component Unit-School Board from the County should have been recognized as a capital asset in the prior year. The overall net impact on the government-wide financial statements was an overstatement of assets of the primary government and an understatement of assets of the Component Unit – School Board.

	<u>Component Unit School Board</u>
Net assets, June 30, 2011 as previously reported	\$ 382,282,274
Effect of recording land disposal	<u>5,850,000</u>
Net assets, June 30, 2011, as restated	<u>\$ 388,132,274</u>

Note 16. PENDING GASB STATEMENTS

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

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

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. This Statement clarifies the status of a hedging relationship after the replacement of a swap counterparty or the counterparty's credit support provider. This Statement is effective for reporting periods beginning after June 15, 2011. The County has not implemented this statement.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement provides accounting and financial reporting guidance on the reclassification of certain balance sheet items as deferred outflows of resources (assets) and deferred inflows of resources (liabilities) in future periods. It is effective for reporting periods beginning after December 15, 2012. The County has not implemented this statement.

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

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



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REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
General property taxes	\$ 169,963,752	\$ 169,963,752	\$ 174,626,150	\$ 4,662,398
Other local taxes	31,415,532	31,415,532	32,734,657	1,319,125
Permits, privilege fees and regulatory licenses	3,112,152	3,112,152	3,165,460	53,308
Fines and forfeitures	756,000	756,000	730,433	(25,567)
Use of money and property	347,130	347,130	296,074	(51,056)
Charges for services	5,030,904	5,030,904	5,817,807	786,903
Miscellaneous	2,752,398	3,212,572	3,119,434	(93,138)
Intergovernmental	27,121,684	30,120,446	28,542,517	(1,577,929)
Total revenues	<u>240,499,552</u>	<u>243,958,488</u>	<u>249,032,532</u>	<u>5,074,044</u>
Expenditures				
Current operating:				
General government:				
Board of Supervisors	549,779	589,050	528,791	(60,259)
Clerk of the Board	143,352	151,835	147,727	(4,108)
County Administrator	508,198	594,109	578,862	(15,247)
Public Information	283,770	478,151	451,962	(26,189)
County Attorney	1,051,734	1,458,498	1,305,165	(153,333)
Human Resources	379,654	381,654	345,337	(36,317)
Commissioner of the Revenue	2,540,314	2,509,532	2,431,649	(77,883)
Treasurer	1,890,590	1,890,590	1,756,683	(133,907)
Finance	1,059,506	1,075,745	1,033,481	(42,264)
Budget	376,418	382,113	371,686	(10,427)
Computer Services	1,433,027	1,826,799	1,796,505	(30,294)
Geographic Information Systems	543,372	612,164	583,334	(28,830)
Electoral Board and Registrar	375,224	529,133	511,334	(17,799)
	<u>11,134,938</u>	<u>12,479,373</u>	<u>11,842,516</u>	<u>(636,857)</u>
Judicial administration:				
Circuit Court	160,089	242,389	237,292	(5,097)
General District Court	106,431	106,431	78,377	(28,054)
Juvenile and Domestic Relations District Court	67,396	67,396	56,073	(11,323)
Clerk of the Circuit Court	1,411,188	1,618,318	1,374,913	(243,405)
Magistrate	9,328	9,328	5,498	(3,830)
Commonwealth Attorney	2,832,268	2,837,539	2,735,130	(102,409)
Court Deputies	1,920,008	2,001,966	1,934,673	(67,293)
	<u>6,506,708</u>	<u>6,883,367</u>	<u>6,421,956</u>	<u>(461,411)</u>
Public safety:				
Policing and investigating	18,957,614	21,341,317	20,250,070	(1,091,247)
Emergency management	13,311,180	15,197,773	13,550,769	(1,647,004)
Volunteer rescue squads	153,610	143,268	127,271	(15,997)
Volunteer fire departments	698,834	685,334	635,591	(49,743)
Care and confinement of prisoners	5,805,169	5,805,169	5,805,169	-
15th District Court Unit	385,414	409,429	381,949	(27,480)
Rappahannock Juvenile Detention	1,557,663	1,809,663	1,806,777	(2,886)
Code compliance	3,614,564	3,692,026	3,476,655	(215,371)
Animal control	931,619	944,329	792,609	(151,720)
	<u>45,415,667</u>	<u>50,028,308</u>	<u>46,826,860</u>	<u>(3,201,448)</u>
Public works:				
Engineering	438,333	463,583	381,371	(82,212)
Maintenance of general buildings and grounds and general properties	<u>4,081,620</u>	<u>4,888,290</u>	<u>4,459,248</u>	<u>(429,042)</u>
	<u>4,519,953</u>	<u>5,351,873</u>	<u>4,840,619</u>	<u>(511,254)</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Health and social services:				
Local health department	\$ -	\$ 535,937	\$ 535,937	\$ -
Public assistance	12,199,624	12,187,820	11,469,383	(718,437)
Other	4,276,089	3,313,398	1,679,215	(1,634,183)
	<u>16,475,713</u>	<u>16,037,155</u>	<u>13,684,535</u>	<u>(2,352,620)</u>
Parks, recreation and cultural:				
Administration	3,525,786	3,638,059	3,398,646	(239,413)
Community programs	538,659	527,873	482,102	(45,771)
Sports programs	458,790	467,836	461,100	(6,736)
Gymnastics program	730,228	720,959	603,796	(117,163)
Pool program	786,193	803,417	735,261	(68,156)
Senior citizens	104,520	105,274	104,813	(461)
Cultural programs	-	76,072	76,070	(2)
Regional library	4,667,212	4,667,213	4,667,212	(1)
	<u>10,811,388</u>	<u>11,006,703</u>	<u>10,529,000</u>	<u>(477,703)</u>
Community development:				
Planning and community development	1,842,191	1,795,777	1,616,587	(179,190)
Planning commission	112,700	105,945	85,560	(20,385)
Zoning board	517,617	510,327	434,533	(75,794)
Economic development	690,413	1,026,426	841,202	(185,224)
Other	55,080	877,679	877,679	-
Cooperative extension program	167,124	167,124	155,883	(11,241)
	<u>3,385,125</u>	<u>4,483,278</u>	<u>4,011,444</u>	<u>(471,834)</u>
Appropriation to School Board:				
School operating	<u>101,693,774</u>	<u>101,927,020</u>	<u>98,599,339</u>	<u>(3,327,681)</u>
Capital outlay	<u>1,921,489</u>	<u>2,088,572</u>	<u>743,427</u>	<u>(1,345,145)</u>
Debt service:				
Principal	22,032,296	25,771,072	25,684,726	(86,346)
Interest and fiscal charges	16,927,319	16,940,039	16,809,594	(130,445)
	<u>38,959,615</u>	<u>42,711,111</u>	<u>42,494,320</u>	<u>(216,791)</u>
Total expenditures	<u>240,824,370</u>	<u>252,996,760</u>	<u>239,994,016</u>	<u>(13,002,744)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(324,818)</u>	<u>(9,038,272)</u>	<u>9,038,516</u>	<u>(18,076,788)</u>
Other Financing Sources (Uses)				
Transfers in	674,818	540,000	525,523	(14,477)
Transfers out	-	(3,485,893)	(3,485,893)	-
Total other financing sources (uses), net	<u>674,818</u>	<u>(2,945,893)</u>	<u>(2,960,370)</u>	<u>(14,477)</u>
Net change in fund balance	350,000	(11,984,165)	6,078,146	18,062,311
Fund balance, beginning	-	11,768,976	49,546,957	37,777,981
Fund balance, ending	<u>\$ 350,000</u>	<u>\$ (215,189)</u>	<u>\$ 55,625,103</u>	<u>\$ 55,840,292</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Other local taxes - fuel sales tax	\$ 4,384,273	\$ 4,384,273	\$ 5,345,841	\$ 961,568
Use of money	4,000	4,000	7,653	3,653
Miscellaneous	-	-	17,038	17,038
Intergovernmental	396,600	3,165,846	2,424,257	(741,589)
Total revenues	<u>4,784,873</u>	<u>7,554,119</u>	<u>7,794,789</u>	<u>240,670</u>
Expenditures				
Current operating:				
General government	3,275,823	6,505,313	4,206,364	(2,298,949)
Capital outlay	<u>5,970,250</u>	<u>6,995,027</u>	<u>2,075,819</u>	<u>(4,919,208)</u>
Total expenditures	<u>9,246,073</u>	<u>13,500,340</u>	<u>6,282,183</u>	<u>(7,218,157)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,461,200)</u>	<u>(5,946,221)</u>	<u>1,512,606</u>	<u>7,458,827</u>
Other Financing Sources (Uses)				
Transfers in	-	100,000	100,000	-
Transfers out	<u>(40,000)</u>	<u>(30,000)</u>	<u>(25,523)</u>	<u>4,477</u>
Total other financing sources (uses)	<u>(40,000)</u>	<u>70,000</u>	<u>74,477</u>	<u>4,477</u>
Net change in fund balance	(4,501,200)	(5,876,221)	1,587,083	7,463,304
Fund balance, beginning	<u>4,501,200</u>	<u>6,414,175</u>	<u>8,963,980</u>	<u>2,549,805</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 537,954</u>	<u>\$ 10,551,063</u>	<u>\$ 10,013,109</u>

SCHEDULE OF FUNDING PROGRESS

Virginia Retirement System

For the Primary Government:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll**	UAAL as a Percentage of Covered Payroll
June 30, 2009	\$ 93,029,919	\$ 111,913,308	\$ 18,883,389	83.13%	\$ 43,332,376	43.58%
June 30, 2010	97,256,875	127,832,328	30,575,453	76.08%	41,834,084	73.09%
June 30, 2011	102,812,951	135,949,344	33,136,393	75.63%	41,253,517	80.32%

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

For the Component Unit School Board:

June 30, 2009	\$ 16,407,925	\$ 19,741,420	\$ 3,333,495	83.11%	\$ 9,355,749	35.63%
June 30, 2010	17,171,281	22,318,924	5,147,643	76.94%	9,204,760	55.92%
June 30, 2011	18,125,118	23,521,671	5,396,553	77.06%	8,652,954	62.37%

SCHEDULE OF FUNDING PROGRESS

Other Post-Employment Benefit Plan

For the Primary Government:

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

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

For Component Unit School Board:

July 1, 2007	\$ -	\$ 7,967,000	\$ 7,967,000	0.00%	\$ 103,300,000	7.71%
July 1, 2008	1,058,479	50,636,479	49,578,000	2.09%	106,020,819	46.76%
July 1, 2010	2,236,000	89,408,000	87,172,000	2.50%	102,349,123	85.17%

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

COUNTY OF STAFFORD, VIRGINIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Supervisors annually adopts budgets for the General Fund, and Special Revenue Funds of the primary government. All appropriations are legally controlled at the department level for the General Fund and Special Revenue Funds. On April 19, 2011, the Board of Supervisors approved the original budget reflected in the financial statements.

The budgets are integrated into the accounting system, and budgetary data, as presented in the financial statements, compare the revenues and expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedules for the General Fund and Transportation Fund present actual revenues and expenditures in accordance with accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations for annual budgets lapse at the end of each fiscal year.

Note 2. MATERIAL VIOLATIONS

There were no material violations of the annual appropriated budget for the General Fund or Transportation Fund for the fiscal year ended June 30, 2012.

OTHER SUPPLEMENTARY INFORMATION

COMBINING SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Road Impact Fee – West Fund

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

Road Impact Fee – South East Fund

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

Garrisonville Road Service District Fund

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

Warrenton Road Service District Fund

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

Asset Forfeiture Fund

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

Tourism Fund

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

Wetlands Fund

Accounts for wetlands mitigation fees and associated disbursements.

Hidden Lake Dam Fund

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

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue				
	Road Impact Fee - West Fund	Road Impact Fee - SE Fund	Garrisonville Rd Service District Fund	Warrenton Rd Service District Fund	Asset Forfeiture Fund
ASSETS					
Equity in pooled cash and investments	\$ 2,625,675	\$ 931,415	\$ 2,546,258	\$ 2,781,174	\$ -
Restricted assets:					
Cash	-	-	-	-	715,502
Receivables, net of allowance for uncollectibles:					
Property taxes	-	-	22,660	37,511	-
Accounts receivable	-	-	-	-	464
Due from other funds	-	-	-	-	1,865
Intergovernmental receivables	-	-	-	-	-
Total assets	<u>\$ 2,625,675</u>	<u>\$ 931,415</u>	<u>\$ 2,568,918</u>	<u>\$ 2,818,685</u>	<u>\$ 717,831</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 21,064	\$ -	\$ -	\$ -	\$ 2,809
Accrued salaries and benefits	700	-	-	-	-
Retainage	-	-	-	-	-
Deferred revenue	-	-	15,438	34,555	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>21,764</u>	<u>-</u>	<u>15,438</u>	<u>34,555</u>	<u>2,809</u>
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	715,022
Committed	339,368	-	813,479	-	-
Assigned	<u>2,264,543</u>	<u>931,415</u>	<u>1,740,000</u>	<u>2,784,130</u>	<u>-</u>
Total fund balances	<u>2,603,911</u>	<u>931,415</u>	<u>2,553,480</u>	<u>2,784,130</u>	<u>715,022</u>
Total liabilities and fund balances	<u>\$ 2,625,675</u>	<u>\$ 931,415</u>	<u>\$ 2,568,918</u>	<u>\$ 2,818,685</u>	<u>\$ 717,831</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue			Total Nonmajor Governmental Funds
	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	
ASSETS				
Equity in pooled cash and investments	\$ 719,855	\$ 6,799	\$ 32,470	\$ 9,643,646
Restricted assets:				
Cash	-	-	63,061	778,563
Receivables, net of allowance for uncollectibles:				
Property taxes	-	-	5,831	66,002
Accounts receivable	133,936	-	-	134,400
Due from other funds	-	-	-	1,865
Intergovernmental receivables	18,190	-	-	18,190
Total assets	<u>\$ 871,981</u>	<u>\$ 6,799</u>	<u>\$ 101,362</u>	<u>\$ 10,642,666</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 10,863	\$ -	\$ -	\$ 34,736
Accrued salaries and benefits	2,411	-	-	3,111
Retainage	-	-	-	-
Deferred revenue	-	-	4,937	54,930
Due to other funds	-	-	-	-
Total liabilities	<u>13,274</u>	<u>-</u>	<u>4,937</u>	<u>92,777</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	63,061	778,083
Committed	-	-	-	1,152,847
Assigned	858,707	6,799	33,364	8,618,959
Total fund balances	<u>858,707</u>	<u>6,799</u>	<u>96,425</u>	<u>10,549,889</u>
Total liabilities and fund balances	<u>\$ 871,981</u>	<u>\$ 6,799</u>	<u>\$ 101,362</u>	<u>\$ 10,642,666</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue				
	Road Impact Fee - West Fund	Road Impact Fee - SE Fund	Garrisonville Rd Service District Fund	Warrenton Rd Service District Fund	Asset Forfeiture Fund
REVENUES					
Property taxes	\$ -	\$ -	\$ 530,537	\$ 334,730	\$ -
Other local taxes	229,590	41,368	-	-	-
Use of money and property	3,913	1,377	3,450	4,053	1,865
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	1,658
Intergovernmental	-	-	-	-	184,242
Total revenues	<u>233,503</u>	<u>42,745</u>	<u>533,987</u>	<u>338,783</u>	<u>187,765</u>
EXPENDITURES					
Current operating:					
Judicial administration	-	-	-	-	37,798
Public safety	-	-	-	-	115,264
Community development	-	-	-	-	-
Debt service	-	-	-	-	-
Capital outlay	175,833	-	61,521	-	-
Total expenditures	<u>175,833</u>	<u>-</u>	<u>61,521</u>	<u>-</u>	<u>153,062</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57,670</u>	<u>42,745</u>	<u>472,466</u>	<u>338,783</u>	<u>34,703</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	57,670	42,745	472,466	338,783	34,703
Fund balance, beginning	<u>2,546,241</u>	<u>888,670</u>	<u>2,081,014</u>	<u>2,445,347</u>	<u>680,319</u>
Fund balance, ending	<u>\$ 2,603,911</u>	<u>\$ 931,415</u>	<u>\$ 2,553,480</u>	<u>\$ 2,784,130</u>	<u>\$ 715,022</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Special Revenue			Total Nonmajor Governmental Funds
	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	
REVENUES				
Property taxes	\$ -	\$ -	\$ 112,092	\$ 977,359
Other local taxes	1,286,736	-	-	1,557,694
Use of money and property	-	-	86	14,744
Charges for services	-	-	-	-
Miscellaneous	1,560	-	-	3,218
Intergovernmental	35,924	-	-	220,166
Total revenues	<u>1,324,220</u>	<u>-</u>	<u>112,178</u>	<u>2,773,181</u>
EXPENDITURES				
Current operating:				
Judicial administration	-	-	-	37,798
Public safety	-	-	-	115,264
Community development	682,743	-	29,635	712,378
Debt service	-	-	64,729	64,729
Capital outlay	8,460	-	-	245,814
Total expenditures	<u>691,203</u>	<u>-</u>	<u>94,364</u>	<u>1,175,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>633,017</u>	<u>-</u>	<u>17,814</u>	<u>1,597,198</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>
Total other financing sources (uses)	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>
Net change in fund balances	133,017	-	17,814	1,097,198
Fund balance, beginning	<u>725,690</u>	<u>6,799</u>	<u>78,611</u>	<u>9,452,691</u>
Fund balance, ending	<u>\$ 858,707</u>	<u>\$ 6,799</u>	<u>\$ 96,425</u>	<u>\$ 10,549,889</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual Amounts	
PRIMARY GOVERNMENT				
Special Revenue Funds:				
Road Impact Fee - West				
Revenues:				
Other local taxes	\$ -	\$ -	\$ 229,590	\$ 229,590
Use of money	-	-	3,913	3,913
Total revenues	-	-	233,503	233,503
Expenditures				
Current operating:				
Capital outlay	-	1,464,602	175,833	(1,288,769)
Excess (deficiency) of revenues over (under) expenditures	-	(1,464,602)	57,670	1,522,272
Net change in fund balance	-	(1,464,602)	57,670	1,522,272
Fund balance, beginning	-	1,464,602	2,546,241	1,081,639
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,603,911</u>	<u>\$ 2,603,911</u>
Garrisonville Road Service District Fund:				
Revenues:				
Property taxes	\$ -	\$ -	\$ 530,537	530,537
Use of money	-	-	3,450	3,450
Miscellaneous	-	-	-	-
Total revenues	-	-	533,987	533,987
Expenditures				
Current operating:				
Capital Outlay	-	870,000	61,521	(808,479)
Excess (deficiency) of revenues over (under) expenditures	-	(870,000)	472,466	1,342,466
Net change in fund balance	-	(870,000)	472,466	1,342,466
Fund balance, beginning	-	870,000	2,081,014	1,211,014
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,553,480</u>	<u>\$ 2,553,480</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2012**

PRIMARY GOVERNMENT	Budgeted Amounts		Actual Amounts	Final Budget Over (Under)
	Original	Final		
Special Revenue Funds:				
Asset Forfeiture Fund:				
Revenues				
Use of money and property	\$ -	\$ -	\$ 1,865	\$ 1,865
Miscellaneous	-	-	1,658	1,658
Intergovernmental	-	-	184,242	184,242
Total revenues	-	-	187,765	187,765
Expenditures				
Current operating:				
Judicial administration	90,000	90,000	37,798	(52,202)
Public safety	210,000	216,415	115,264	(101,151)
Total expenditures	300,000	306,415	153,062	(153,353)
Excess (deficiency) of revenues over (under) expenditures	(300,000)	(306,415)	34,703	341,118
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Net change in fund balance	(300,000)	(306,415)	34,703	341,118
Fund balance, beginning	300,000	306,415	680,319	373,904
Fund balance, ending	\$ -	\$ -	\$ 715,022	\$ 715,022
Tourism Fund:				
Revenues				
Other local taxes	\$ 1,250,000	\$ 1,250,000	\$ 1,286,736	\$ 36,736
Miscellaneous	-	-	1,560	1,560
Intergovernmental	5,000	5,000	35,924	30,924
Total revenues	1,255,000	1,255,000	1,324,220	69,220
Expenditures				
Current operating:				
Community development	755,000	828,754	682,743	(146,011)
Capital outlay	-	129,425	8,460	(120,965)
	755,000	958,179	691,203	(266,976)
Excess (deficiency) of revenues over (under) expenditures	500,000	296,821	633,017	336,196
Other financing sources (uses)				
Transfers out	(500,000)	(500,000)	(500,000)	-
Net change in fund balance	-	(203,179)	133,017	336,196
Fund Bbalance, beginning	-	203,179	725,690	522,511
Fund balance, ending	\$ -	\$ -	\$ 858,707	\$ 858,707

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2012**

PRIMARY GOVERNMENT	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Special Revenue Funds:				
Hidden Lake Fund:				
Revenues:				
Property taxes	\$ 102,000	\$ 102,000	\$ 112,092	\$ 10,092
Use of money	-	-	86	86
Total revenues	102,000	102,000	112,178	10,178
Expenditures:				
Current operating:				
Community development	44,235	63,860	29,635	(34,225)
Capital outlay	-	19,854	-	(19,854)
Debt service:				
Principal	30,000	30,000	30,000	-
Interest and fiscal charges	34,166	34,729	34,729	-
Total expenditures	108,401	148,443	94,364	(54,079)
Excess (deficiency) of revenues over (under) expenditures	(6,401)	(46,443)	17,814	64,257
Net change in fund balance	(6,401)	(46,443)	17,814	64,257
Fund balance, beginning	6,401	46,443	78,611	32,168
Fund balance, ending	\$ -	\$ -	\$ 96,425	\$ 96,425

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual Amounts	
PRIMARY GOVERNMENT				
Capital Projects Funds:				
General Capital Projects Fund:				
Revenues				
Use of money	\$ 20,000	\$ 20,000	\$ 15,769	\$ (4,231)
Total revenues	20,000	20,000	15,769	(4,231)
Expenditures				
Current operating:				
Public safety	-	6,299,406	1,880,558	(4,418,848)
Public works	-	5,045,624	2,326,819	(2,718,805)
Parks, recreation and cultural	12,565	1,766,538	785,098	(981,440)
Capital Outlay	321,139	2,101,139	1,789,654	(311,485)
Debt service:				
Interest and fiscal charges	-	-	88,568	88,568
Appropriation to School Board:				
School capital projects	-	24,531,430	24,540,497	9,067
Total expenditures	333,704	39,744,137	31,411,194	(8,332,943)
Deficiency of revenues under expenditures	(313,704)	(39,724,137)	(31,395,425)	8,328,712
Other financing sources (uses)				
Transfers in	-	3,385,893	3,385,893	-
Issuance of debt:				
Bonds	-	24,531,430	26,515,000	1,983,570
Bond premiums	-	-	3,577,788	3,577,788
Total other financing sources (uses)	-	27,917,323	33,478,681	5,561,358
Net change in fund balance	(313,704)	(11,806,814)	2,083,256	13,890,070
Fund balance, beginning	313,704	12,194,645	8,946,013	(3,248,632)
Fund balance, ending	\$ -	\$ 387,831	\$ 11,029,269	\$ 10,641,438



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FIDUCIARY FUNDS:

Agency Funds:

Widewater Fund

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

Celebrate Virginia North Fund

This fund accounts for assets held by the County in a trustee capacity. It accounts for a special assessment collection used to retire debt incurred by the Celebrate Virginia North Community Development Authority for public infrastructure improvements in the district.

Lake Arrowhead Sanitary District Fund

This fund accounts for assets held by the County in a trustee capacity. It accounts for a special assessment collection used to service a bond issue for road improvements in the District.

George Washington Regional Commission Fund

Stafford County acts as fiscal agent for the George Washington Regional Commission payroll function. This fund records the payroll expense and tracks the reimbursement receipts for this activity.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Agency Funds				
	Widewater	Celebrate Virginia North	Lake Arrowhead Sanitary District	George Washington Regional Commission	Totals
ASSETS					
Current assets:					
Cash and short-term investments	\$ 1,260,267	\$ 831,941	\$ 425,700	\$ -	\$ 2,517,908
Receivables:					
Property taxes	-	2,516,566	95,911	-	2,612,477
Accounts	-	-	-	202,909	202,909
Total assets	<u>\$ 1,260,267</u>	<u>\$ 3,348,507</u>	<u>\$ 521,611</u>	<u>\$ 202,909</u>	<u>\$ 5,333,294</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 132,967	\$ 132,967
Accrued salaries and benefits	-	-	-	16,416	16,416
Other liabilities	-	2,510	-	53,526	56,036
Reserve for future expenditures	1,260,267	-	521,611	-	1,781,878
Reserve for bondholders	-	3,345,997	-	-	3,345,997
Total liabilities	<u>\$ 1,260,267</u>	<u>\$ 3,348,507</u>	<u>\$ 521,611</u>	<u>\$ 202,909</u>	<u>\$ 5,333,294</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<u>Widewater Fund</u>				
ASSETS				
Cash and short-term investments	\$ 1,260,267	\$ -	\$ -	\$ 1,260,267
LIABILITIES				
Reserve for future expenditures	\$ 1,260,267	\$ -	\$ -	\$ 1,260,267
<u>Celebrate Virginia North Fund</u>				
ASSETS				
Cash and short-term investments	\$ 1,585,358	\$ 730,097	\$ (1,483,514)	\$ 831,941
Property taxes receivable	1,515,520	1,777,225	(776,179)	2,516,566
Total assets	\$ 3,100,878	\$ 2,507,322	\$ (2,259,693)	\$ 3,348,507
LIABILITIES				
Other liabilities	\$ 2,510	\$ -	\$ -	\$ 2,510
Reserve for bondholders	3,098,368	3,346,815	(3,099,186)	3,345,997
Total liabilities	\$ 3,100,878	\$ 3,346,815	\$ (3,099,186)	\$ 3,348,507
<u>Lake Arrowhead Sanitary District Fund</u>				
ASSETS				
Cash and short-term investments	\$ 411,915	\$ 13,785	\$ -	\$ 425,700
Property taxes receivable	109,768	-	(13,857)	95,911
Total assets	\$ 521,683	\$ 13,785	\$ (13,857)	\$ 521,611
LIABILITIES				
Reserve for future expenditures	\$ 521,683	\$ 15,046	\$ (15,118)	\$ 521,611
<u>George Washington Regional Commission</u>				
ASSETS				
Accounts receivable	\$ 370,984	\$ 202,909	\$ (370,984)	\$ 202,909
LIABILITIES				
Accounts payable	\$ 275,093	\$ 132,967	\$ (275,093)	\$ 132,967
Accrued salaries and benefits	53,070	16,416	(53,070)	16,416
Other liabilities	42,821	10,705	-	53,526
Total liabilities	\$ 370,984	\$ 160,088	\$ (328,163)	\$ 202,909
<u>Totals - All Fiduciary Agency Funds</u>				
ASSETS				
Cash and short-term investments	\$ 3,257,540	\$ 743,882	\$ (1,483,514)	\$ 2,517,908
Property taxes receivable	1,625,288	1,777,225	(790,036)	2,612,477
Accounts receivable	370,984	202,909	(370,984)	202,909
Total assets	\$ 5,253,812	\$ 2,724,016	\$ (2,644,534)	\$ 5,333,294
LIABILITIES				
Accounts payable	\$ 275,093	\$ 132,967	\$ (275,093)	\$ 132,967
Accrued salaries and benefits	53,070	16,416	(53,070)	16,416
Other liabilities	45,331	10,705	-	56,036
Reserve for future expenditures	1,781,950	15,046	(15,118)	1,781,878
Reserve for bondholders	3,098,368	3,346,815	(3,099,186)	3,345,997
Total liabilities	\$ 5,253,812	\$ 3,521,949	\$ (3,442,467)	\$ 5,333,294



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STATISTICAL SECTION

STATISTICAL SECTION

(unaudited)

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

Contents

Financial Trends S-1 thru S-4

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

Revenue Capacity S-5 thru S-8

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

Debt Capacity S-9 thru S-13

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

Demographic & Economic Information S-14 thru S-16

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

Operation Information S-17 thru S-19

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

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



Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

COUNTY OF STAFFORD, VIRGINIA

NET ASSETS BY COMPONENT

Fiscal Years 2003 - 2012

(accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary government:										
Governmental activities:										
Invested in capital assets, net of related debt	\$ 30,947,474	\$ 28,107,367	\$ 36,936,581	\$ 6,822,858	\$ 32,895,897	\$ 10,604,891	\$ 29,631,901	\$ 63,339,727	\$ 73,303,969	\$ 81,905,153
Restricted	1,023,400	1,614,704	1,545,450	1,318,218	1,379,409	1,484,829	256,965	777,238	2,540,231	2,585,376
Unrestricted (deficit)	(131,139,071)	(173,293,436)	(179,309,524)	(194,432,777)	(226,391,509)	(216,822,496)	(211,061,627)	(210,589,191)	(192,423,702)	(192,972,219)
Total governmental activities net assets	\$ (99,168,197)	\$ (143,571,365)	\$ (140,827,493)	\$ (186,291,701)	\$ (192,116,203)	\$ (204,732,776)	\$ (181,172,761)	\$ (146,472,226)	\$ (116,579,502)	\$ (108,481,690)
Business-type activities:										
Invested in capital assets, net of related debt	\$ 108,814,671	\$ 123,056,793	\$ 137,964,096	\$ 150,066,102	\$ 183,788,210	\$ 208,473,170	\$ 224,899,611	\$ 214,291,000	\$ 243,840,540	\$ 215,975,340
Restricted	2,011,415	-	11,065,752	11,396,183	11,695,567	11,912,732	12,002,547	12,165,547	14,293,655	51,224,071
Unrestricted	75,507,706	76,283,039	69,560,456	80,458,112	64,474,149	52,270,192	39,658,707	54,892,613	32,052,353	34,373,851
Total business-type activities net assets	\$ 186,333,792	\$ 199,339,832	\$ 218,590,304	\$ 241,920,397	\$ 259,957,926	\$ 272,656,094	\$ 276,560,865	\$ 281,349,160	\$ 290,186,548	\$ 301,573,262
Total Primary government										
Invested in capital assets, net of related debt	\$ 139,762,145	\$ 151,164,160	\$ 174,900,677	\$ 156,888,960	\$ 216,684,107	\$ 219,078,061	\$ 254,531,512	\$ 277,630,727	\$ 317,144,509	\$ 297,880,493
Restricted	3,034,815	1,614,704	12,611,202	12,714,401	13,074,976	13,397,561	12,259,512	12,942,785	16,833,886	53,809,447
Unrestricted (deficit)	(55,631,365)	(97,010,397)	(109,749,068)	(113,974,665)	(161,917,360)	(164,552,304)	(171,402,920)	(155,696,578)	(160,371,349)	(158,598,368)
Total primary government net assets	\$ 87,165,595	\$ 55,768,467	\$ 77,762,811	\$ 55,628,696	\$ 67,841,723	\$ 67,923,318	\$ 95,388,104	\$ 134,876,934	\$ 173,607,046	\$ 193,091,572

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

COUNTY OF STAFFORD, VIRGINIA

Table S-2
Page 1 of 3

CHANGES IN NET ASSETS

Fiscal Years 2003 - 2012

(accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary government:										
Expenses										
Governmental activities:										
General government	\$ 9,501,695	\$ 9,380,584	\$ 11,537,549	\$ 5,934,279	\$ 14,320,059	\$ 14,985,255	\$ 13,641,852	\$ 12,261,364	\$ 12,719,415	\$ 12,623,568
Judicial administration	3,645,112	4,051,602	4,575,589	5,484,964	6,259,936	7,134,996	7,087,591	6,703,566	6,735,964	6,839,212
Public safety	25,017,855	27,018,180	31,085,473	36,405,012	40,408,595	47,572,866	44,273,261	45,897,812	45,474,144	49,986,737
Public works	2,435,958	2,658,003	3,666,239	2,050,631	3,375,036	4,925,416	7,437,815	7,326,583	7,674,038	7,851,234
Health and social services	10,690,114	10,860,558	12,172,857	12,534,771	12,853,899	14,279,036	13,527,646	13,664,321	13,783,282	14,070,334
Parks, recreation and cultural	5,846,435	6,980,492	6,364,800	7,898,191	10,117,611	11,386,966	10,750,553	10,096,206	9,659,082	12,034,049
Community development	2,594,082	2,682,723	3,763,355	5,417,064	5,114,537	5,537,404	5,241,060	4,603,445	5,472,934	4,837,754
Appropriation to School Board	74,469,124	135,344,754	102,306,484	153,719,718	117,225,152	124,008,330	101,194,329	109,379,789	107,730,081	123,139,836
Transportation	1,043,080	3,444,264	1,998,682	7,333,030	2,293,299	3,438,628	4,405,170	3,770,803	3,124,991	3,988,075
Interest	9,804,562	10,369,246	11,367,776	11,864,125	15,903,856	16,383,754	19,486,762	16,617,439	13,427,364	16,147,660
Change in equity - joint venture	(186,518)	391,306	-	-	-	-	-	-	-	-
Total governmental activities expenses	144,861,499	213,181,712	188,838,804	248,641,785	227,871,980	249,652,651	227,046,039	230,321,328	225,801,295	251,518,459
Total business-type activities expenses	20,790,301	20,237,165	21,402,265	23,528,349	25,694,334	28,186,943	30,617,305	31,035,605	30,216,044	31,324,423
Total primary government expenses	\$ 165,651,800	\$ 233,418,877	\$ 210,241,069	\$ 272,170,134	\$ 253,566,314	\$ 277,839,594	\$ 257,663,344	\$ 261,356,933	\$ 256,017,339	\$ 282,842,882
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 176,550	\$ 160,199	\$ 405,787	\$ 214,435	\$ 184,244	\$ 3,619	\$ 965	\$ 1,108	\$ 25,964	\$ 225,028
Judicial administration	771,383	905,839	1,077,149	1,218,732	728,369	482,221	388,935	277,479	335,598	304,592
Public safety	4,891,277	5,724,699	6,159,315	7,469,813	6,505,497	5,772,896	6,143,041	6,691,261	6,549,245	6,693,587
Public works	-	-	-	-	-	-	67,927	70,097	71,817	68,888
Health and social services	72,345	80,625	72,088	72,325	50,120	34,375	310,308	292,027	175,902	140,145
Parks, recreation and cultural	1,144,581	1,306,205	1,421,089	1,465,902	1,428,532	1,370,845	1,642,351	1,754,006	1,806,643	1,840,751
Community development	170,993	380,965	684,653	915,784	919,603	2,207,172	1,550,465	1,077,860	1,343,065	1,237,301
Transportation	-	-	-	-	-	-	500	28,890	37,455	36,450
Operating grants and contributions										
General government	489,410	514,665	529,116	549,804	604,780	681,802	659,751	591,090	563,978	571,979
Judicial administration	1,035,512	1,035,082	1,197,742	1,471,532	1,914,556	1,737,551	1,959,943	1,697,023	1,890,125	1,619,250
Public safety	3,831,876	4,377,325	4,488,873	5,053,688	5,106,827	5,231,094	5,109,088	5,795,343	6,940,239	6,341,182
Public works	-	-	272,722	7,324,716	7,650,173	7,960,391	-	-	-	-
Health and social services	6,198,646	6,705,538	6,804,248	7,332,716	7,650,173	7,960,391	7,742,158	7,752,214	7,472,568	7,246,818
Parks, recreation and cultural	-	-	31,000	9,000	-	-	2,220	-	-	39,496
Community development	194,429	13,983	5,000	5,000	104,382	84,908	448,890	579,847	1,111,018	75,348
Transportation	22,400	-	1,117,486	-	716,564	452,413	41,940	10,729	139,175	1,031,384
Capital grants and contributions										
General government	407,800	-	1,312,406	-	-	-	-	-	-	-
Public works	800,000	-	-	-	-	-	-	601,983	49,327	-
Parks, recreation and cultural	-	-	1,016,158	-	-	-	-	16,453,700	-	-
Transportation	-	-	-	-	-	-	-	-	-	685,812
Total governmental program revenues	20,207,202	21,205,125	26,594,832	25,770,731	25,913,647	26,019,287	26,068,482	43,674,657	28,512,119	28,158,011

COUNTY OF STAFFORD, VIRGINIA

CHANGES IN NET ASSETS

Fiscal Years 2003 - 2012

(accrual basis of accounting)

(unaudited) (1)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities:										
Charges for services	\$ 14,879,161	\$ 15,882,524	\$ 16,349,586	\$ 18,908,872	\$ 20,457,137	\$ 21,204,730	\$ 21,816,692	\$ 22,675,662	\$ 23,348,476	\$ 24,085,502
Operating grants and contributions	-	87,713	-	15,000	65,702	1,857,407	-	3,496,906	2,914,691	1,037,356
Capital grants and contributions	18,367,766	16,463,535	22,302,622	24,254,354	18,775,970	14,462,419	10,434,253	8,644,800	11,958,913	17,037,061
Total business-type activities	33,246,927	32,433,772	38,652,208	43,178,226	39,298,809	37,524,556	32,250,945	34,817,368	38,222,080	42,159,919
program revenues										
Total primary government program revenues	\$ 53,454,129	\$ 53,638,897	\$ 65,247,040	\$ 68,948,957	\$ 65,212,456	\$ 63,543,843	\$ 58,319,427	\$ 78,492,025	\$ 66,734,199	\$ 70,317,930
Net (expense)/revenue (2)										
Governmental activities	\$ (124,654,297)	\$ (191,976,587)	\$ (162,243,972)	\$ (222,871,054)	\$ (201,958,333)	\$ (223,633,364)	\$ (200,977,557)	\$ (186,646,671)	\$ (197,289,176)	\$ (223,360,448)
Business activities	12,456,626	12,196,607	17,249,943	19,649,877	13,604,475	9,337,613	1,633,640	3,761,763	8,006,036	10,835,496
Total primary government net expense	\$ (112,197,671)	\$ (179,779,980)	\$ (144,994,029)	\$ (203,221,177)	\$ (188,353,858)	\$ (214,295,751)	\$ (199,343,917)	\$ (182,884,908)	\$ (189,283,140)	\$ (212,524,952)
General revenues and other changes in net assets										
Governmental activities:										
Taxes										
General property taxes	\$ 93,176,182	\$ 102,313,689	\$ 112,385,362	\$ 119,255,939	\$ 134,602,576	\$ 154,022,352	\$ 165,287,706	\$ 168,106,174	\$ 172,389,860	\$ 175,603,509
Other local taxes	24,816,046	29,694,805	35,434,590	40,352,470	37,760,751	37,621,091	35,845,372	36,866,175	38,933,477	40,345,254
Unrestricted grants and contributions	12,132,969	12,903,423	12,925,795	14,141,680	13,133,856	12,918,794	14,707,388	15,599,795	15,019,020	14,911,207
Investment earnings	953,799	442,784	1,151,048	1,848,825	5,014,147	2,960,670	1,449,560	205,052	116,813	46,162
Miscellaneous	2,366,015	2,072,290	3,138,769	5,340,574	5,622,502	3,507,598	708,672	570,010	722,730	552,128
Gain (loss) on sale of property	(14,321)	-	-	-	-	-	-	-	-	-
Transfers	76,572	146,428	(47,720)	336,580	-	(13,713)	282,448	-	-	-
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Total governmental activities	133,507,262	147,573,419	164,987,844	181,277,068	196,133,832	211,016,792	218,282,146	221,347,206	227,181,900	231,458,260
Business-type activities										
Investment earnings	1,423,391	796,090	1,751,827	3,061,335	3,735,172	3,266,902	2,473,329	964,691	514,145	377,663
Gain on disposal of capital assets	-	-	-	-	-	-	-	-	-	5,122
Miscellaneous	147,917	159,771	200,882	200,344	697,882	79,940	80,250	41,841	317,207	168,433
Transfers	(76,572)	(146,428)	47,720	-	-	13,713	(282,448)	-	-	-
Total business-type activities	1,494,736	809,433	2,000,529	3,261,679	4,433,054	3,360,555	2,271,131	1,006,532	831,352	551,218
Total primary government	\$ 135,001,998	\$ 148,382,852	\$ 166,988,373	\$ 184,538,747	\$ 200,566,886	\$ 214,377,347	\$ 220,553,277	\$ 222,353,738	\$ 228,013,252	\$ 232,009,478
Change in net assets										
Primary government:										
Governmental activities	\$ 8,852,965	\$ (44,403,168)	\$ 2,743,872	\$ (41,593,986)	\$ (5,824,502)	\$ (12,616,573)	\$ 17,304,588	\$ 34,700,535	\$ 29,892,724	\$ 8,097,812
Business-type activities	13,951,362	13,006,040	19,250,472	22,911,556	18,037,529	12,698,168	3,904,771	4,788,295	8,837,388	11,386,714
Total primary government	\$ 22,804,327	\$ (31,397,128)	\$ 21,994,344	\$ (18,682,430)	\$ 12,213,027	\$ 81,595	\$ 21,209,359	\$ 39,488,830	\$ 38,730,112	\$ 19,484,526
Total primary government										
Net assets, beginning (3), (4), (5)	\$ 64,734,304	\$ 87,538,631	\$ 56,141,503	\$ 78,135,847	\$ 55,628,696	\$ 67,841,723	\$ 74,178,745	\$ 95,388,104	\$ 134,876,934	\$ 173,607,046
Net assets, ending	\$ 87,538,631	\$ 56,141,503	\$ 78,135,847	\$ 59,453,417	\$ 67,841,723	\$ 67,923,318	\$ 95,388,104	\$ 134,876,934	\$ 173,607,046	\$ 193,091,572

COUNTY OF STAFFORD, VIRGINIA

Table S-2
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CHANGES IN NET ASSETS
Fiscal Years 2003 - 2012
(accrual basis of accounting)
(unaudited) (1)

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

COUNTY OF STAFFORD, VIRGINIA

Table S-3

FUNDS BALANCES, GOVERNMENTAL FUNDS

Fiscal Years 2003-2012

(modified accrual basis of accounting)

(unaudited) (1)

	Pre-GASB 54 (2)							
	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	\$ 3,372,419	\$ 4,254,360	\$ 3,222,625	\$ 1,368,198	\$ 1,118,262	\$ 2,843,111	\$ 926,214	\$ 1,237,328
Unreserved								
Designated	6,354,494	6,457,203	12,703,770	12,292,979	6,407,832	416,833	3,813,606	9,514,224
Undesignated (4)	13,704,601	19,224,667	25,639,124	19,189,249	23,430,256	24,644,447	30,538,661	26,268,217
Total General Fund	23,431,514	29,936,230	41,565,519	32,850,426	30,956,350	27,904,391	35,278,481	37,019,769
All Other Governmental Funds								
Reserved	3,544,233	1,674,452	1,710,935	257,039	261,148	295,985	315,533	810,531
Unreserved								
Designated								
Special revenue funds	1,230,743	4,669,633	3,873,957	3,015,288	6,492,813	9,075,142	5,419,558	12,813,595
Capital projects funds	6,994,625	5,857,033	544,868	47,616,579	26,377,422	44,354,683	21,744,145	10,852,158
Undesignated								
Special revenue funds	5,427,520	1,444,164	1,670,990	1,093,257	2,147,618	3,881,091	7,173,911	1,919,703
Capital projects funds	151,034	243,988	415,620	609,177	-	-	1,670,369	-
Total all other government funds	17,348,155	13,889,270	8,216,370	52,591,340	35,279,001	57,606,901	36,323,516	26,395,987
Total fund balances	\$40,779,669	\$43,825,500	\$49,781,889	\$85,441,766	\$66,235,351	\$85,511,292	\$71,601,997	\$63,415,756

Post-GASB 54 (3)

	Fiscal Year	
	2011	2012
General Fund		
Nonspendable	\$ 937,328	\$ 38,977
Restricted	-	39,554
Committed	4,806,242	569,745
Assigned	5,007,982	9,588,558
Unassigned	26,268,217	11,846,432
Total General Fund	37,019,769	13,496,185
All Other Governmental Funds		
Nonspendable	-	-
Restricted		
Special Revenue	831,793	740,486
Capital Projects	-	1,230,000
Other Governmental Funds	-	1,155,000
Committed	-	778,082
Special Revenue	4,842,360	6,220,896
Capital Projects	10,852,158	9,874,269
Other Governmental Funds	-	1,152,847
Assigned	-	-
Special Revenue	9,869,676	4,330,167
Other Governmental Funds	-	8,618,960
Total all other government funds	26,395,987	32,130,221
Total fund balances	\$63,415,756	\$87,755,324

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

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

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

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

COUNTY OF STAFFORD, VIRGINIA

Table S-4
Page 1 of 2

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 2003-2012

(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
(unaudited) (1)										
Revenues										
General property taxes	\$ 91,456,045	\$ 101,258,961	\$ 111,353,798	\$ 121,622,651	\$ 135,859,852	\$ 152,946,964	\$ 164,927,068	\$ 168,767,569	\$ 172,389,860	\$ 175,603,509
Other local taxes	24,816,046	29,694,805	34,543,355	38,312,276	35,490,473	35,761,003	33,933,856	34,883,967	38,218,971	39,638,192
Permits, privilege fees and regulatory licenses	3,689,647	4,431,676	5,847,703	7,174,717	6,277,427	5,011,135	4,646,243	4,058,796	3,368,355	3,165,460
Fines and forfeitures	657,077	833,105	772,566	867,114	905,693	729,448	691,102	729,490	904,319	730,433
Use of money and property	953,799	442,784	1,151,048	1,849,825	5,014,147	3,159,009	1,668,970	465,207	429,386	334,240
Charges for services	2,880,405	3,293,751	4,090,615	4,349,136	4,147,093	5,226,955	5,362,710	4,993,840	5,218,433	5,817,807
Miscellaneous	2,366,015	2,072,290	3,138,769	5,675,388	5,390,303	3,270,803	2,992,369	4,777,219	3,456,531	3,139,690
Intergovernmental	23,905,242	25,550,016	27,099,260	29,563,403	29,987,465	29,830,631	29,485,490	30,386,436	31,783,161	31,186,940
Total revenues	150,724,276	167,577,388	187,997,114	209,414,510	223,072,453	235,935,948	243,707,808	249,062,524	255,789,016	259,616,271
Expenditures										
Current operating:										
General government	9,664,490	10,282,188	11,444,218	13,065,292	15,286,072	17,603,620	17,131,984	15,796,367	15,118,921	16,048,880
Judicial administration	3,560,595	4,002,419	4,525,802	5,419,062	6,167,640	6,961,844	6,873,685	6,485,676	6,489,706	6,459,754
Public safety	25,414,534	27,021,222	30,125,219	33,323,162	39,192,264	44,007,441	41,799,586	44,816,171	45,841,713	48,822,682
Public works	1,996,871	2,265,499	2,805,045	3,304,353	3,501,246	4,019,189	3,988,036	4,382,841	5,221,699	7,167,438
Health and social services	10,674,505	10,859,186	12,132,314	12,549,758	13,039,756	13,968,888	13,302,169	13,564,781	13,597,282	13,684,536
Parks, recreation and cultural	6,575,213	6,601,474	7,780,027	8,483,121	10,873,546	15,340,188	11,865,961	10,079,702	10,875,709	11,314,097
Community development	2,481,699	2,698,930	3,513,087	5,064,579	5,160,842	5,211,654	5,861,420	4,521,530	5,272,457	4,723,822
Appropriation to school board:										
School operation	66,325,132	71,114,803	72,932,530	89,547,690	95,985,884	100,817,432	99,474,959	103,189,962	99,323,620	98,599,339
School capital projects	8,143,992	64,229,951	29,373,954	64,172,028	21,239,268	23,190,898	1,719,370	6,189,827	8,406,461	24,540,497
Capital outlay	3,250,016	8,508,047	9,650,094	22,666,254	26,678,955	31,769,630	16,706,600	14,460,024	12,305,815	4,854,714
Debt service										
Principal	13,596,057	20,078,351	15,438,223	16,233,105	20,274,620	18,820,682	22,360,830	22,461,779	22,295,756	25,714,726
Interest and fiscal charges	9,156,119	8,859,992	12,045,756	12,142,734	14,945,078	16,334,633	19,168,869	17,839,981	17,604,636	16,932,891
Total expenditures	160,839,223	236,522,062	211,766,269	285,971,138	272,345,171	298,046,099	260,253,489	263,788,641	262,353,775	278,863,376
Excess of revenues over (under) expenditures	(10,114,947)	(68,944,674)	(23,769,155)	(76,556,628)	(49,272,718)	(62,110,151)	(16,545,661)	(14,726,117)	(6,584,759)	(19,247,105)
Other Financing Sources (Uses)										
Issuance of debt	-	-	27,595,000	100,590,000	20,359,366	78,744,286	1,704,853	6,189,827	9,585,984	26,515,000
Issuance of capital leases	-	-	1,102,700	8,434,211	3,451,690	2,655,519	649,060	350,054	8,707,998	-
Bond premium	580,512	2,620,702	1,075,564	2,949,267	-	-	-	-	-	3,577,788
Transfers in	212,712	348,385	390,109	927,731	8,529,884	11,133,536	4,854,932	2,060,019	1,710,869	4,011,416
Transfers out	(136,140)	(201,957)	(437,829)	(927,731)	(8,529,884)	(11,147,249)	(4,572,484)	(2,060,019)	(1,710,869)	(4,011,416)
Other miscellaneous non-operating revenue	-	-	-	-	-	-	-	-	-	-
Proceeds from indebtedness	8,720,000	68,034,768	-	-	-	-	-	-	-	-
Proceeds from capital leases	202,617	1,186,607	-	-	-	-	-	-	-	-
Loan to Component Unit	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	9,579,701	71,990,505	29,725,544	111,973,478	23,811,056	81,386,092	2,636,361	6,539,881	20,078,644	30,092,788
Net change in fund balances	(535,246)	3,045,831	5,956,389	35,416,850	(25,461,662)	19,275,941	(13,909,300)	(8,186,236)	13,493,885	10,845,683
Fund balance, beginning (3)	41,314,915	40,779,669	43,825,500	50,024,916	85,441,766	66,235,351	85,511,297	71,601,992	63,415,756	76,909,641
Fund balance, ending (3)	\$ 40,779,669	\$ 43,825,500	\$ 49,781,889	\$ 85,441,766	\$ 66,235,351	\$ 85,511,292	\$ 71,601,997	\$ 63,415,756	\$ 76,909,641	\$ 87,755,324

COUNTY OF STAFFORD, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 2003-2012

(modified accrual basis of accounting)
(unaudited) (1)

Table S-4
Page 2 of 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total debt service	\$ 22,752,176	\$ 28,938,343	\$ 27,483,979	\$ 28,375,839	\$ 35,219,698	\$ 36,576,441	\$ 41,529,699	\$ 40,301,760	\$ 39,900,392	\$ 42,647,617
Total expenditures	\$ 160,839,223	\$ 236,522,062	\$ 211,766,269	\$ 285,971,138	\$ 272,345,171	\$ 298,046,099	\$ 260,253,469	\$ 263,788,641	\$ 262,353,775	\$ 278,863,376
Less: Capital outlay	5,267,975	7,484,816	10,768,840	26,514,511	29,508,946	38,200,394	20,488,695	17,834,948	19,148,190	13,202,826
Non-capital expenditures	\$ 155,571,248	\$ 229,037,246	\$ 200,997,429	\$ 259,456,627	\$ 242,836,225	\$ 259,845,705	\$ 239,764,774	\$ 245,953,693	\$ 243,205,585	\$ 265,660,550
Debt service as a percentage of noncapital expenditures	14.52%	12.63%	13.67%	10.94%	14.50%	14.08%	17.32%	16.39%	16.41%	16.05%

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

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

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

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

Table S-5

COUNTY OF STAFFORD, VIRGINIA

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Calendar Years 2003 - 2012

(unaudited) (1)

Calendar Year	Real Property				Personal Property							Total Taxable Assessed Value	Total Direct Tax Rate (4)
	Residential Real Property	Commercial and Industrial Real Property	Agricultural Real Property	Total Real Property (5)	Personal Property	Merchants Capital	Machinery & Tools	Mobile Homes	Aircraft (3)	Business Property	Recreational Vehicles/ Trailers; Watercraft &		
2003	\$ 5,558,075,479	\$ 974,267,800	\$ 377,963,600	\$ 6,663,645,179	\$ 500,806,210	\$ 120,086,430	\$ 23,684,200	\$ 22,036,530	\$ 446,680	\$ 84,654,299	\$ 751,714,349	\$ 7,415,359,528	1.25
2004 (2)	7,530,691,700	1,233,804,100	446,627,300	8,920,052,900	523,109,260	128,661,620	20,558,300	22,346,150	649,060	111,755,180	807,079,570	9,727,132,470	1.08
2005	8,008,477,670	1,311,858,550	451,249,400	9,499,678,248	577,596,000	154,583,360	26,896,500	23,713,450	2,309,520	118,288,960	903,387,790	10,403,066,038	1.08
2006 (2)	13,787,026,663	1,998,640,060	1,136,810,550	16,293,674,473	600,054,740	166,899,420	32,242,860	22,991,170	2,909,180	128,315,180	953,412,550	17,247,087,023	0.72
2007	14,334,990,827	2,123,204,227	1,019,445,450	16,913,237,529	593,950,230	172,227,860	33,666,130	24,005,890	2,700,660	139,618,480	966,169,250	17,879,406,779	0.79
2008 (2)	12,992,885,100	2,785,332,869	1,183,223,200	16,226,491,762	588,508,390	172,169,510	39,404,460	21,580,810	2,829,910	151,149,900	975,642,980	17,202,134,742	0.92
2009	13,207,302,880	2,806,328,239	1,101,805,900	16,313,534,929	525,381,390	175,881,250	42,843,200	22,562,060	-	148,908,350	915,577,250	17,229,112,179	0.94
2010 (2)	9,850,345,400	2,514,103,100	634,355,800	12,555,580,113	585,711,380	174,917,430	35,020,440	21,025,020	-	156,031,145	972,705,415	13,528,265,528	1.21
2011	10,021,541,300	2,540,176,800	611,053,100	12,719,091,716	580,866,160	180,885,340	30,960,430	20,411,060	-	158,134,400	971,257,390	13,690,349,106	1.19
2012 (2)	10,236,576,300	2,623,917,176	517,222,800	13,002,326,118	608,786,840	196,387,420	30,495,880	19,280,860	-	177,549,360	1,032,500,360	14,034,826,478	1.19

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

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

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

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

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

Source: Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA

Table S-6

DIRECT AND OVERLAPPING TAX RATES (1)

Calendar Years 2003 - 2012

(unaudited) (2)

Calendar Year	Real Estate		Personal Property (4)		Merchants Capital		Machinery and Tools		Mobile Homes (5)		Aircraft (7)		Recreational Vehicles/ Trailers; Watercraft & Business Property (6)		Total Direct Tax Rate For each Fiscal Year (8)
	Tax Rate	Direct Rate Applied (3)	Tax Rate	Direct Rate Applied (3)	Tax Rate	Direct Rate Applied (3)	Tax Rate	Direct Rate Applied (3)	Tax Rate	Direct Rate Applied (3)	Tax Rate	Direct Rate Applied (3)	Tax Rate	Direct Rate Applied (3)	
2003	1.14	1.03	5.49	0.15	0.50	0.01	0.75	-	1.14	-	3.00	-	5.49	0.06	1.25
2004 (3)	0.97	0.89	5.49	0.12	0.50	0.01	0.75	-	0.97	-	3.00	-	5.49	0.06	1.08
2005	0.97	0.89	5.49	0.12	0.50	0.01	0.75	-	0.97	-	3.00	-	5.49	0.06	1.08
2006 (3)	0.63	0.60	5.49	0.08	0.50	-	0.75	-	0.63	-	3.00	-	5.49	0.04	0.72
2007	0.70	0.66	5.49	0.08	0.50	0.01	0.75	-	0.70	-	3.00	-	5.49	0.04	0.79
2008 (3)	0.84	0.79	5.49	0.08	0.50	-	0.75	-	0.84	-	3.00	-	5.49	0.05	0.92
2009	0.84	0.80	6.89	0.08	0.50	0.01	0.75	-	0.84	-	-	-	5.49	0.05	0.94
2010 (3)	1.10	1.02	6.89	0.12	0.50	0.01	0.75	-	1.10	-	-	-	5.49	0.06	1.21
2011	1.08	1.00	6.89	0.12	0.50	0.01	0.75	-	1.08	-	-	-	5.49	0.06	1.19
2012 (3)	1.07	0.99	6.89	0.12	0.50	0.01	0.75	-	1.07	-	-	-	5.49	0.07	1.19

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

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

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

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

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

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

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

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

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

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

Source: Office of the Commissioner of Revenue.

Table S-7

COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL PROPERTY TAX PAYERS

Calendar Years 2012 vs 2003

(unaudited) (1)

Tax Payer	Type of Business	Calendar Year 2012			Calendar Year 2003		
		Assessed Valuation	Rank	% Total Assessed Valuation	Assessed Valuation	Rank	% Total Assessed Valuation
Virginia Electric & Power Co	Utility	\$ 185,518,760	1	1.4%	\$ 64,948,295	2	1.0%
Silver Companies, Inc	Commercial	94,536,400	2	0.7%	48,840,840	4	0.7%
Verizon	Utility	81,723,537	3	0.6%			
Government Employees Insurance Co	Commercial	75,675,840	4	0.6%	67,840,780	1	1.0%
Stafford Marketplace LLC	Commercial	73,694,700	5	0.6%			
Washington Real Estate Investment Trust	Commercial	63,816,900	6	0.5%			
Wal-Mart	Commercial	61,596,314	7	0.5%	27,766,410	9	0.4%
ACPRE ACS Realty LLC	Commercial	54,918,100	8	0.4%			
Garrett Companies	Commercial	53,489,600	9	0.4%	33,777,740	6	0.5%
Pulte Home Corp	Commercial	51,421,900	10	0.4%			
McLane/Mid-Atlantic Inc, McLane Foods	Commercial				57,367,670	3	0.9%
Crescent Pointe LTD	Commercial				48,038,100	5	0.7%
Stafford Lakes Associates LP	Commercial				31,161,160	7	0.5%
Route 606 - Reston LLC	Commercial				29,120,900	8	0.4%
Park Ridge Townhomes LP							
Park Ridge Townhomes Sec2 LP							
England Run North Apartments							
England Run North Apartments LP	Commercial				26,881,000	10	0.4%
Totals		\$ 796,392,051		6.1%	\$ 435,742,895		6.5%
Total taxable assessed real property		\$ 13,002,326,118			\$ 6,663,645,179		

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

Source: Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA

Table S-8

REAL PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Years 2003 - 2012

(unaudited) (1)

Fiscal Year	Taxes Levied for the		Adjustments	Adjusted Levy	Collected within the		Collections in Subsequent Years (3)	Total Collections to Date	
	Fiscal Year (Original Levy)	Fiscal Year			Fiscal Year of the Levy	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2003	\$ 72,814,193	\$	2,142,646	\$ 74,956,839	\$ 72,357,037	99.37%	\$2,110,008.0	\$ 74,467,045	99.35%
2004	81,251,276		2,439,327	83,690,603	80,586,156	99.18%	2,610,825	83,196,981	99.41%
2005	89,366,328		1,869,954	91,236,282	88,671,724	99.22%	2,434,316	91,106,040	99.86%
2006	98,469,052		573,162	99,042,214	94,744,404	96.22%	2,748,351	97,492,755	98.44%
2007	110,625,880		1,193,666	111,819,546	106,471,292	96.24%	3,098,748	109,570,040	97.99%
2008	127,394,700		2,466,572	124,928,128	121,206,262	95.14%	3,283,622	124,489,884	99.65%
2009	136,676,772		1,070,130	135,606,642	131,464,801	96.19%	4,116,333	135,581,134	99.98%
2010 (2)	138,836,401		430,065	138,406,336	133,418,693	96.10%	3,444,841	136,863,534	98.89%
2011	139,719,915		451,617	139,268,298	134,537,353	96.29%	2,072,327	136,609,680	98.09%
2012	139,782,928		475,102	139,307,826	134,446,756	96.18%	0	134,446,756	96.51%

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

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

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

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

COUNTY OF STAFFORD, VIRGINIA

Table S-9

RATIOS OF OUTSTANDING DEBT BY TYPE

Direct Debt Ratios

Fiscal Years 2003 - 2012

(unaudited) (1)

Fiscal Year	Governmental Activities					Business-Type Activities			Total Direct Debt		Total Direct Debt	
	Governmental Activities					Business-Type Activities			Total Direct Debt		Total Direct Debt	
	General Obligation Bonds (2)	Lease Revenue Bonds (2)	Literary Loans	Certificates of Participation	Capital Leases	VRA Loan	General Obligation Bonds (2)	Revenue Bonds (7)	Total Primary Government	Percentage of Assessed Real Property Value (3)	Percentage of Personal Income (4)	Outstanding Debt Per Capita (5)
2003	\$ 157,970,215	\$ 6,500,000	\$ 9,946,825	\$ 7,055,000	\$ 2,611,758	\$ -	\$ -	\$ 31,625,000	\$ 215,708,798	3.12%	6.50%	\$ 1,973
2004	214,581,437	-	9,190,676	6,180,000	3,276,709	-	-	28,435,000	261,663,822	2.84%	7.10%	2,285
2005	229,012,371	-	8,509,527	5,265,000	3,701,401	-	-	25,145,000	271,633,299	2.78%	6.76%	2,308
2006 (6)	266,483,041	47,030,000	7,678,378	4,310,000	11,062,986	-	-	22,060,000	358,624,405	2.12%	8.36%	2,984
2007	272,722,829	47,030,000	6,922,229	3,310,000	12,401,196	-	-	18,875,000	361,261,254	2.07%	8.03%	2,992
2008	280,101,263	92,995,000	6,241,080	2,260,000	12,687,152	9,500,000	-	15,590,000	419,374,495	2.47%	8.56%	3,445
2009	266,648,806	91,890,000	5,484,931	-	10,601,729	9,147,259	-	12,240,000	396,012,725	2.31%	8.06%	3,225
2010	257,206,940	88,205,000	4,828,782	-	7,978,053	8,783,857	-	42,092,841	409,095,473	3.26%	7.77%	3,172
2011	251,459,634	84,470,000	4,172,633	-	14,138,137	8,409,471	-	38,017,841	400,667,716	3.15%	7.46%	3,107
2012	257,810,098	80,685,000	3,661,484	-	7,949,797	8,023,769	-	87,277,322	445,407,470	3.43%	7.97%	3,371

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

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

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

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

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

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

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

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Fiscal Years 2003 - 2012

(unaudited) (1)

Fiscal Year	General Obligation Bonds (4)	Percentage of Estimated Actual Taxable Value of Property (2)		Outstanding Debt Per Capita (3)
2003	\$ 157,970,215	2.08%		\$ 1,445
2004	214,581,437	2.48%		1,874
2005	229,012,371	2.49%		1,946
2006	266,483,041	2.60%		2,218
2007	272,722,829	2.30%		2,259
2008	280,101,263	2.05%		2,301
2009	266,648,806	1.95%		2,171
2010	257,206,940	1.86%		1,994
2011	251,459,634	1.83%		1,950
2012	257,810,098	1.85%		1,951

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

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

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

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

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

COUNTY OF STAFFORD, VIRGINIA

Table S-11

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2012

(unaudited) (1)

	Debt Outstanding	Estimated Percentage Applicable (3)	Estimated Share of Direct and Overlapping Debt
Direct debt:			
General Government			
General obligation bonds (2)	\$ 257,810,098	100.0%	\$ 257,810,098
Lease revenue bonds (2)	80,685,000	100.0%	80,685,000
Literary loans	3,661,484	100.0%	3,661,484
Capital leases	7,949,797	100.0%	7,949,797
VRAs	8,023,769	100.0%	8,023,769
Total general government direct debt	358,130,148		358,130,148
Overlapping Debt:			
Regional Joint Activities			
Rappahannock Regional Jail	33,037,506	47.6%	15,735,764
Juvenile Detention Center	3,904,000	33.6%	1,311,744
Total regional joint ventures	36,941,506		17,047,508
Total overlapping debt	36,941,506		17,047,508
Total direct and overlapping debt	\$ 395,071,654		\$ 375,177,656

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

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

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

COUNTY OF STAFFORD, VIRGINIA

Table S-12
Page 1 of 3

DEBT MARGIN INFORMATION

Fiscal Years 2003 - 2012

(unaudited) (1)

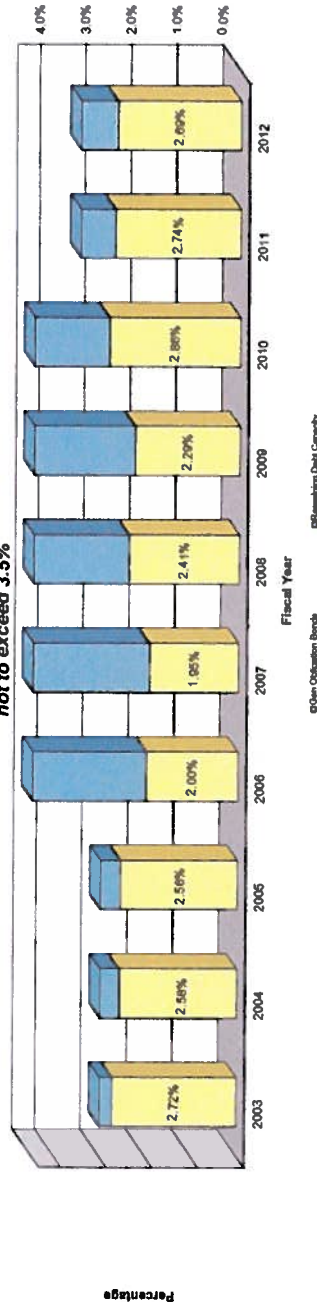
On June 21, 2005, the Board of Supervisors adopted new "Principles of High Performance Financial Management" as a means to strategically plan and account for the County's financial resources, ensure a balanced tax burden from residential and commercial resources and to maintain or upgrade the County's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

Debt Limitation 1:

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed value of taxable real property	\$6,663,645,179	\$8,920,052,900	\$9,499,678,248	\$16,293,674,473	\$16,913,237,529	\$16,226,491,762	\$16,313,534,929	\$12,555,590,113	\$12,719,091,716	\$13,002,326,118
Debt limit, 3.5% of assessed value (4)	\$199,909,355	\$307,601,587	\$427,485,521	\$733,215,351	\$761,095,689	\$730,192,129	\$734,109,072	\$565,001,105	\$445,168,210	\$455,081,414
Tax-supported general obligation debt (2)	\$181,472,040	\$228,952,113	\$242,786,898	\$325,501,419	\$329,985,058	\$391,097,343	\$373,095,996	\$359,074,579	\$348,511,738	\$350,180,351
% of assessed real property	2.72%	2.58%	2.56%	2.00%	1.95%	2.41%	2.29%	2.86%	2.74%	2.69%
Debt margin (3)	\$18,437,315	\$37,649,474	\$184,698,623	\$407,713,932	\$431,110,631	\$339,094,786	\$361,013,076	\$205,976,526	\$96,656,472	\$104,901,063

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



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

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

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

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

COUNTY OF STAFFORD, VIRGINIA

Table S-12
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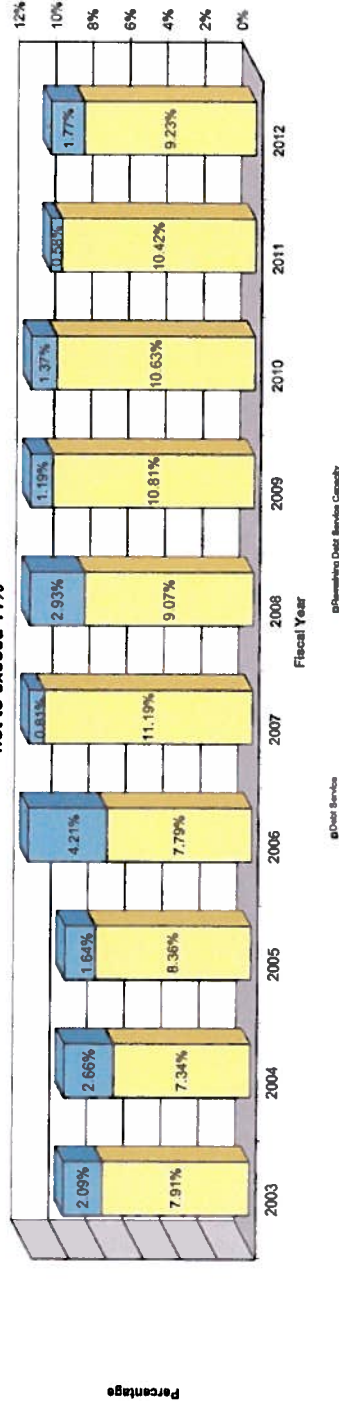
DEBT MARGIN INFORMATION
Fiscal Years 2003 - 2012
(unaudited) (1)

Debt Limitation 2:

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government budget (4)	\$ 261,684,257	\$ 278,816,785	\$ 303,822,605	\$ 364,107,872	\$ 314,664,138	\$ 392,970,905	\$ 384,050,478	\$ 361,759,337	\$ 383,015,888	\$ 387,213,980
Debt limit, 11% of general government budget	\$26,168,426	\$27,881,679	\$30,382,261	\$43,892,945	\$37,759,697	\$47,156,509	\$46,090,857	\$45,811,120	\$42,131,748	\$42,593,538
Debt service expenditure (2)	\$20,688,234	\$20,475,624	\$25,413,847	\$28,375,839	\$35,219,698	\$35,651,348	\$41,529,699	\$40,585,901	\$39,900,392	\$35,742,589
Percentage of the general government budget	7.91%	7.34%	8.36%	7.79%	11.19%	9.07%	10.81%	10.63%	10.42%	9.23%
Debt service margin (3)	\$ 5,480,192	\$ 7,406,055	\$ 4,968,414	\$ 15,317,108	\$ 2,539,999	\$ 11,505,161	\$ 4,561,158	\$ 5,225,219	\$ 2,231,356	\$ 6,850,949

Debt Service to General Expenditures
not to exceed 11%



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

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

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

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

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

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

COUNTY OF STAFFORD, VIRGINIA

DEBT MARGIN INFORMATION

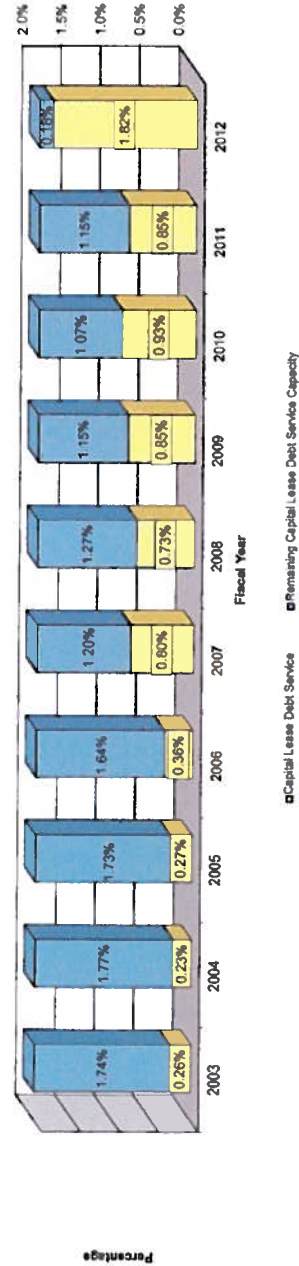
Fiscal Years 2003 - 2012

(unaudited) (1)

Debt Limitation 3:

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government budget	\$ 261,684,257	\$ 278,816,785	\$ 303,822,605	\$ 364,107,872	\$ 314,664,138	\$ 392,970,905	\$ 384,090,478	\$ 381,759,337	\$ 383,015,888	\$ 387,213,980
Capital lease debt service limit, 2% of general government budget (3)										
County limit	1,744,562	1,858,779	2,025,484	2,427,386	2,097,761	2,619,806	2,560,603	2,545,062	2,553,439	2,581,427
School Board limit	3,489,123	3,717,557	4,050,968	4,854,772	4,195,521	5,239,611	5,121,205	5,090,124	5,106,879	5,162,853
Total debt service limitation	5,233,685	5,576,336	6,076,452	7,282,157	6,293,283	7,859,418	7,681,810	7,635,187	7,660,318	7,744,280
Amount of debt service applicable to limit										
County	678,408	650,134	665,675	774,517	877,802	694,586	1,077,855	1,079,087	1,131,079	4,814,092
School Board	-	-	149,652	519,333	1,635,858	2,186,443	2,186,443	2,466,865	2,133,312	2,440,860
Total debt service applicable to limit	678,408	650,134	815,327	1,293,850	2,513,460	2,881,029	3,264,298	3,545,952	3,264,391	7,054,952
Capital lease debt service as a percentage of general government budget	0.26%	0.23%	0.27%	0.36%	0.80%	0.73%	0.85%	0.93%	0.85%	1.82%
Debt service margin (2)	\$ 4,555,277	\$ 4,926,202	\$ 5,261,125	\$ 5,988,307	\$ 3,779,823	\$ 4,978,389	\$ 4,417,512	\$ 4,089,235	\$ 4,395,927	\$ 689,327

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

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

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

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

COUNTY OF STAFFORD, VIRGINIA

Table S-13

PLEDGED REVENUE COVERAGE: WATER AND SEWER FUND

Fiscal Years 2003 - 2012

(unaudited) (1)

Water and Sewer Fund							
Fiscal Year	Gross Revenue (2)	Less: Expenses (3)	Net				
			Available Revenue	Debt Service		Coverage (Times) (4)	
				Principal	Interest		Total
2003	\$ 29,458,875	\$ 12,435,144	\$ 17,023,731	\$ 3,005,000.0	\$ 1,265,260	\$ 4,270,260	3.99
2004	28,124,153	12,696,935	15,427,218	3,190,000	950,253	4,140,253	3.73
2005	34,484,411	13,958,320	20,526,091	3,290,000	1,128,783	4,418,783	4.65
2006	33,984,945	15,409,624	18,575,321	3,085,000	1,148,181	4,233,181	4.39
2007	33,940,137	17,499,110	16,441,027	3,185,000	877,635	4,062,635	4.05
2008	30,567,806	19,904,541	10,663,265	3,285,000	747,220	4,032,220	2.64
2009	28,929,847	20,302,405	8,627,442	3,350,000	622,713	3,972,713	2.17
2010	30,500,257	20,306,248	10,194,009	3,435,000	510,034	3,945,034	2.58
2011 (5)	28,805,551	19,454,526	9,351,025	6,270,000	759,468	7,029,468	1.33
2012	31,620,457	20,670,017	10,950,440	3,815,613	1,567,969	5,383,582	2.03

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

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

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

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

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

COUNTY OF STAFFORD, VIRGINIA

Table S-14

DEMOGRAPHIC AND ECONOMIC STATISTICS

Fiscal Years 2003 - 2012

(unaudited) (1)

Fiscal Year	Population (2)	Civilian Labor Force (3)	At Place Employment(4)	Unemployment Rate (5)	Personal Income (in thousands)(6)	Per Capita Personal Income (7)	Total Taxable Assessed Real Property (8)
2003	109,341	56,071	26,164	3.1%	\$ 3,320,030	\$ 30,364	\$ 6,663,645,179
2004	114,513	59,459	28,837	2.8%	3,687,891	32,205	8,920,052,900
2005	117,674	62,173	30,398	2.7%	4,021,156	34,172	9,499,678,248
2006	120,170	64,157	32,260	2.4%	4,291,511	35,712	16,293,674,473
2007	120,723	65,002	34,542	2.6%	4,497,535	37,255	16,913,237,529
2008	121,736	66,222	35,037	3.4%	4,897,196	40,228	16,226,491,762
2009	122,800	66,487	34,878	5.4%	4,915,316	40,027	16,313,534,929
2010	128,961	67,677	35,064	5.7%	5,265,160	40,828	12,555,580,113
2011	128,961	68,039	35,484	5.2%	5,370,464	41,644	12,719,091,716
2012	132,133	72,993	37,508	4.9%	5,586,980	42,283	13,002,326,118

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

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

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

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

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

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

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

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

Per capita personal income figures (2012): Provided by Stafford Economic Development.

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

Table S-15

COUNTY OF STAFFORD, VIRGINIA

COMPARATIVE DEMOGRAPHIC AND ECONOMIC STATISTICS

Census Years 2000 & 2010

(unaudited) (1)

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

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

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

Source: US Census, 2000 & 2010.

COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL EMPLOYERS

Fiscal Years 2012 vs 2003
(unaudited) (1)

Table S-16

Employer	Industry	Fiscal Year 2012			Fiscal Year 2003		
		Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
Stafford County School System	Education	3,735	1	9.3%	3,170	2	12.1%
GEICO, Government Employees Insurance	Insurance	1000+	2	2.7%	1000+	1	3.8%
FBI Academy (Stafford Facilities)	Government Services	1000+	3	2.7%			
Stafford County Government	County Government	782	4	2.1%	636	3	2.4%
U.S. Department of Defense	Government Services	500-999	5	2.0%			
Stafford Hospital Center	Medical	500-999	6	2.0%			
McLane Mid Atlantic	Retail Distribution	500-999	7	2.0%			
Intuit	Computer Services	250-499	8	1.0%	500-999	4	2.9%
Qinetiq	Engineering Consultants	250-499	9	1.0%	500-999	5	2.9%
YMCA	Recreation	250-499	10	1.0%			
Hilldrup Transfer and Storage, Inc	Van Line Services				100-249	7	0.7%
Marconi Technology	Technology Services				100-249	6	0.7%
Professional Building Maintenance	Janitorial Services				100-249	8	0.7%
Virginia Paving Company	Construction Services				100-249	9	0.7%
					100-249	10	0.7%
Total 10 Largest Employers		8,767-11,011+		26.4%	6,306-8,049+		27.4%
Total County Employment		37,508			26,164		

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

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

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

Source: Virginia Employment Commission.

COUNTY OF STAFFORD, VIRGINIA

Table S-17

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION

Fiscal Years 2003 - 2012

(unaudited) (1)

Function/Program Employees:	Full-time Equivalent Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary Government:										
Governmental activities:										
General government	117	117	123	131	134	122	116	105	98	99
Judicial administration	35	35	39	46	50	48	48	47	44	46
Public safety (2)	216	219	243	265	302	302	302	314	319	332
Public services (4)	14	14	20	24	19	23	24	-	-	-
Health and welfare	50	52	55	60	60	53	53	51	49	54
Parks, recreation and community facilities (3)	25	25	29	32	32	34	34	56	53	53
Community development	59	59	66	75	83	71	68	67	63	62
Transportation (5)	-	-	1	1	2	5	5	-	-	-
Total governmental activities employees	516	521	576	634	682	658	650	640	626	646
Business-type activities:										
Utilities	120	120	133	134	139	126	141	135	134	136
Total business-type activities employees										
Total primary government employees	636	641	709	768	821	784	791	775	760	782
Volunteers:										
Public safety (6)	300	300	300	250	250	546	634	461	600	550

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

(2) Includes E-911 Fund employees.

(3) Does not include seasonal employees.

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

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

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

Source: Stafford Human Resources Department.

COUNTY OF STAFFORD, VIRGINIA

Table S-18
Page 1 of 3

OPERATING INDICATORS BY FUNCTION (13)

Fiscal Years 2003 - 2012

(unaudited) (1)

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
General government										
Commissioner of Revenue										
Taxpayers assisted at real estate and personal property counters	23,000	17,983	23,000	24,000	15,258	12,022	14,890	12,765	12,645	11,262
Building permits reviewed	4,168	3,500	4,000	3,300	2,756	2,177	1,465	1,604	1,609	1,798
State income tax returns processed	21,530	16,082	20,000	18,000	13,295	10,125	12,984	11,160	5,096	2,504
Personal property records processed	53,000	55,000	65,000	65,000	61,528	58,658	61,539	71,453	83,746	87,541
Finance										
Landfill bills processed	242	250	300	252	297	351	348	293	310	351
Accounts payable transactions processed (8)	27,416	64,881	61,501	55,094	42,036	42,215	34,794	42,105	43,980	44,497
Department of Human Resources										
Number of new hires	263	264	249	332	373	342	187	206	225	214
Number of positions recruited	91	137	294	264	481	291	192	93	86	94
Public Services										
Total facilities maintained (sq ft) (9)	220,335	220,335	222,696	225,046	231,999	421,134	427,381	433,427	495,567	495,567
Registrar										
Voters served at polling places	23,480	14,112	45,970	26,497	34,000	25,000	58,493	50,000	35,162	32,965
Registered Voters Served (12)									77,053	80,572
Treasurer										
Real estate and personal property bills processed	215,219	221,758	237,971	241,148	245,845	249,203	255,801	265,003	267,955	267,546
Auto decals processed	83,570	85,000	115,725	133,249	-	-	-	-	-	-
Water and sewer bills processed	241,000	320,000	331,703	339,528	361,142	366,941	372,158	377,978	385,619	390,614
Judicial administration										
Victims' services, both direct & indirect (11)	915	1,000	805	849	1,076	1,332	1,182	1,345	785	856
Public safety										
Requests for law enforcement service (responded)	72,531	73,759	70,611	73,390	73,112	72,096	71,464	70,941	68,817	75,457
Number of arrests	6,381	6,764	7,170	6,144	7,451	7,486	7,530	7,216	6,764	6,851
Number of fire and EMS calls (3)	17,945	20,698	21,799	21,806	22,984	23,707	21,734	20,648	22,674	25,660

COUNTY OF STAFFORD, VIRGINIA

OPERATING INDICATORS BY FUNCTION

Fiscal Years 2003 - 2012

(unaudited) (1)

Table S-18
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Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Social Services										
Benefit applications received	4,080	4,275	4,369	4,597	4,877	5,857	7,329	7,907	7,910	7,853
CPS complaints investigated (4)	338	395	395	400	469	501	515	521	542	603
Food stamp households served	1,025	1,200	1,341	1,413	1,615	1,797	2,203	2,942	3,363	3,701
Foster care children served	158	157	140	138	127	143	116	88	79	73
Parks, recreational and cultural										
Programs offered: gymnastics	1,280	915	1,250	1,210	1,355	1,550	1,630	2,000	2,042	2,230
Programs offered: senior citizens	87	90	95	102	103	165	308	376	412	377
Programs offered: sports/recreation	165	325	335	340	494	390	505	1,051	811	915
Programs offered: aquatics	452	531	556	572	696	625	598	550	549	550
Acres maintained	872	906	906	1,000	1,000	1,162	1,162	1,432	1,432	1,432
Community development										
Public Works										
Permits issues (10)	20,093	22,676	21,817	21,396	15,335	11,931	3,405	3,157	3,381	3,567
Chesapeake bay building permits reviewed (6)	2,000	2,560	2,400	3,650	2,402	1,765	1,308	1,558	1,422	1,487
Building inspections performed	42,659	43,306	43,503	53,709	42,302	35,024	24,499	25,740	25,188	26,254
E&S control inspections performed (5)	20,898	14,247	22,709	11,336	16,393	13,004	9,926	7,256	6,276	5,765
Economic Development/Legislative Affairs										
At-place employment	26,164	28,837	30,398	32,260	34,542	35,037	34,878	35,064	35,484	37,508
Unemployment rate	3.1%	2.8%	2.7%	2.4%	2.6%	3.4%	5.4%	5.7%	5.2%	4.9%
Businesses in the County	1,640	1,793	1,948	2,061	2,155	2,248	2,231	2,217	2,234	2,257
Legislative bills reviewed for action/response	2,827	3,108	2,950	3,287	3,069	3,323	2,577	2,964	2,693	2,876
Planning and Zoning										
Addresses issued (7)	1,943	2,558	2,667	2,161	1,748	1,013	1,369	486	308	760
Subdivision applications processed	391	416	801	834	726	582	415	205	343	316
Site plans processed	145	153	384	381	367	373	235	145	140	143
Zoning site development inspections	257	377	477	205	571	281	835	152	169	272
Zoning enforcement inspections performed	807	811	965	1,075	958	1,037	887	1,130	987	807

COUNTY OF STAFFORD, VIRGINIA

Table S-18
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OPERATING INDICATORS BY FUNCTION

Fiscal Years 2003 - 2012

(unaudited) (1)

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-Type Activities:										
Water & Sewer Utilities										
Billions of gallons of water treated per year	3.310	3.361	3.280	3.768	4.080	4.081	3.825	3.504	3.418	3.400
Water storage (mg)	15.800	15.800	15.800	15.800	16.645	16.645	16.645	16.645	16.645	16.645
Billions of gallons of wastewater treated per year	2.229	2.784	2.983	2.973	3.234	3.106	3.079	3.418	2.951	2.994
Number of customer accounts served	26,472	27,745	29,116	30,553	31,314	31,849	32,296	32,803	32,289	32,650

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

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

(3) EMS = Emergency Medical Services

(4) CPS = Child Protection Services

(5) E&S = Erosion & Sediment

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

(7) The number of new addresses decreased in 2010, which is reflective of an overall slow down in new home starts.

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

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

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

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

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

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

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

COUNTY OF STAFFORD, VIRGINIA

Table S-19
Page 1 of 2

CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Years 2003 - 2012

(unaudited) (1)

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public services										
Total facilities maintained (sq ft) (4)	220,335	220,335	222,696	225,046	231,999	421,134	427,381	433,427	495,567	495,567
Public safety (2)										
Number of Fire & Rescue Stations	5	5	5	5	5	6	7	7	7	7
Number of Fire Stations	4	4	4	4	4	4	4	4	4	4
Number of Rescue Squads	5	5	5	5	5	5	5	5	5	5
Utilities										
Water Plant Capacity (mgd)	19	19	19	19	19	19	19	19	19	19
Water Lines (miles)	475	475	484	491	558	571	579	579	584	600
Wastewater Plant Capacity (mgd)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	14.5	14.5
Sewer Lines (miles)	382	387	400	433	452	462	470	480	481	497
Pumping Stations	82	83	83	82	86	87	88	88	89	89
Parks, recreation and cultural										
Number of County parks	9	11	12	12	12	10	10	13	13	13
Acreage of County parks	900	925	1002	1002	1002	1025	1025	1432	1432	1432
Number of Regional parks (5)	2	2	2	2	2	3	3	0	0	0
Acreage of Regional parks (5)	215	215	215	215	215	157	157	0	0	0
State and National parks (1,184 acres)	1	1	1	1	1	1	1	2	2	2
Playgrounds (county & schools)	22	24	24	24	24	24	25	25	25	25
Athletic fields (county & schools)	55	72	75	75	80	82	82	82	82	82
Tennis courts (county & schools)	20	19	19	19	19	19	19	19	19	19
Campgrounds (48 acres)	1	1	1	1	1	1	1	1	1	1
Private golf courses (9 holes)	1	1	1	1	1	1	1	1	1	1
Public golf courses (18 holes)	3	3	3	3	3	3	3	3	3	3
National historic attractions	10	10	10	10	10	10	10	10	10	10
Public beaches/waterfront parks (48 acres)	2	2	2	2	2	2	2	2	2	2
Public swimming pools	2	2	2	2	2	2	2	2	2	2
Public fishing lakes	3	3	3	3	3	2	2	2	2	2
Public boat ramps	2	2	2	2	2	3	3	3	3	3

COUNTY OF STAFFORD, VIRGINIA

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CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Years 2003 - 2012

(unaudited) (1)

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Parks, recreation and cultural (cont.)										
Public marinas	2	2	2	2	2	2	2	2	2	2
Skateboard parks	2	2	2	2	2	2	2	2	2	2
Senior citizens centers	1	1	1	1	1	1	1	1	1	1
Gymnastics training centers	1	1	1	1	1	1	1	1	1	1
Community centers	3	3	3	3	3	3	3	3	2	2
Community development										
Libraries (3)	1	1	1	1	1	1	1	1	2	2

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

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

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

(4) County owned facilities only.

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

Source: Various Stafford County Departments



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COMPLIANCE SECTION



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

To the Honorable Members of the Board of Supervisors
County of Stafford, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Stafford, Virginia (the "County") as of and for the year ended June 30, 2012, and have issued our report thereon dated November 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia which are described in the accompanying schedule of findings and questioned costs as item 2012-01.

We noted certain other matters that we reported to management of the County in a separate letter dated November 26, 2012.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Finance and Budget Committee, the Board of Supervisors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Belknap & Holland, LLP

Richmond, Virginia
November 26, 2012



**Independent Auditors' Report On Compliance With Requirements
That Could Have a Direct and Material Effect on Each Major Program and
on Internal Control Over Compliance in Accordance With OMB Circular A-133**

To the Honorable Members of the Board of Supervisors
County of Stafford, Virginia

Compliance

We have audited the compliance of County of Stafford, Virginia (the "County"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the

purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a possibility material compliance with a type of compliance requirement of a federal program will not be prevented detected and corrected on a timely basis.

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

This report is intended for the information of the Finance and Budget Committee, the Board of Supervisors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, BeRaeut & Holland, LLP

Richmond, Virginia
November 26, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass Through Payments:			
Department of Social Services			
State Administrative Matching Grants for			
Food Stamp Program	10.561	0010112-90103 0010112-90223 0040112-90104 0040112-90224	\$ 575,392
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 575,392
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass Through Payments:			
Department of Social Services			
Social Services Block Grant	93.667	1000112-90648 1000112-90335 1000112-90340 1000112-90123 1000112-90124 1000112-90240 1000112-90242 1000112-90243 1000112-90244 1000112-90245 1000112-90246 1000112-90262 1000112-90351 1000112-90379	331,568
Child Care Assistance			
Child Care and Development Block Grant	93.575	0770111-90544 0770111-90545	482,422
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760112-90116 0760112-90117 0760112-90118 0760112-90236 0760112-90237 0760112-90238 0760112-90529	307,841
Administration for Children and Families			
Chafee Education and Training Vouchers Program	93.599	9160111-90353	4,840
Child Welfare Services - State Grants	93.645	0900112-90251	1,431

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)			
Pass Through Payments:			
Department of Social Services			
Temporary Assistance for Needy Families	93.558	0400112-90109 0400112-90110 0400112-90111 0400112-90112 0400112-90127 0400112-90229 0400112-90230 0400112-90231 0400112-90232 0400112-90247 0400112-90249 0400112-90365 0400112-90377	\$ 486,162
Refugee and Entrant Assistance - State Administered Programs	93.566	0500112-90623 0500112-90113 0500112-90233	3,737
Low-Income Home Energy Assistance	93.568	0600412-90114 0600412-90115 0600412-90234 0600412-90235	20,767
Foster Care Title IV-E	93.658	1100112-90639 1100112-90658 1100112-90105 1100112-90106 1100112-90147 1100112-90225 1100112-90226 1100112-90227 1100112-90253 1100112-90258 1100112-90267 1100112-90268	240,837
Adoption Assistance	93.659	1120112-90606 1120112-90607 1120112-90228	365,812
Chafee Foster Care Independence Program	93.674	9150112-90254 9150112-90356	14,155
State Children's Insurance Program	93.767	0540112-90102 0540112-90222	15,000
Medical Assistance Program (Medicaid; Title XIX)	93.778	1200112-90101 1200112-90146 1200112-90221 1200112-90266	<u>365,909</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ <u>2,640,481</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures
DEPARTMENT OF DEFENSE			
Direct Payments:			
Office of Economic Adjustment			
Community Economic Adjustment Assistance			
Diversification Planning	12.614	not applicable	\$ 39,424
Department of the Army			
Payments to States in Lieu of Real Estate Taxes	12.112	not applicable	5,586
TOTAL DEPARTMENT OF DEFENSE			\$ 45,010
DEPARTMENT OF THE INTERIOR			
Direct payments:			
National Park Service			
American Battlefield Protection	15.926	GA-2255-10-021	34,446
U.S. DEPARTMENT OF JUSTICE			
Direct Payments:			
Bulletproof Vest Partnership Program	16.607	not applicable	8,110
Edward Byrne Memorial Justice Assistance Grant Program	16.738	not applicable	33,369
Juvenile Justice and Delinquency Prevention -			
Developing, Testing and Demonstrating Promising New Program	16.541	not applicable	1,597
Pass Through Payments:			
Office of Victims of Crime			
Crime Victim Assistance	16.575	12-O9564VW11	57,481
Edward Byrne Justice Assistance Grant Program-Localities	16.592	12-C5761AD09	37,500
TOTAL U.S. DEPARTMENT OF JUSTICE			138,057
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Payments:			
Federal Highway Administration			
Highway Planning and Construction	20.205	not applicable	1,070,880
Pass Through Payments:			
Department of Motor Vehicles			
State and Community Highway Safety (Section 402)	20.600	154AL-2012-52219-4597	80,674
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			1,151,554

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures
DEPARTMENT OF HOMELAND SECURITY			
Direct Payments:			
Staffing for Adequate Fire and Rescue Response	97.044	EMW-2010-FH-00962	\$ 364,558
State Homeland Security Grant	97.073	10-A2168HS09 11-A2315HS10 2008SHSPG 2009SHSPG 2010SHSPG	1,054,743
Interoperable Emergency Communications	97.055	2010CKWX031 2010 IECGP	205,526
Pass Through Payments:			
Department of Emergency Management			
Emergency Management Performance Grant	97.042	2010-EP-EO-0039	17,987
Disaster Grants - Public Assistance	97.036	179-99179-00	5,778
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>\$ 1,648,592</u>
U.S. ELECTION ASSISTANCE COMMISSION			
Pass Through Payments:			
Help America Vote Act	90.401	132-0701-72302-4003010	<u>8,500</u>
GRAND TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 6,242,032</u>

COUNTY OF STAFFORD, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

Note 1. Significant Accounting Policies

A. BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **UNQUALIFIED OPINION**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **NO**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **NO**
4. Noncompliance, which is material to the financial statements: **YES, 2012-01**
5. Significant deficiencies in internal control over major programs: **NO**
6. Material weaknesses in internal control over major programs: **NO**
7. The type of report issued on compliance for major programs: **UNQUALIFIED OPINION**
8. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **NO**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.575 / 93.596	Child Care and Development Block Grant Cluster
93.659	Adoption Assistance
20.205	Highway Planning and Construction

10. Dollar threshold used to distinguish between type A and type B programs: **\$300,000**
11. Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **YES**

B. Findings – Financial Statement Audit
NONE

C. Findings and Questioned Costs-Major Federal Awards
NONE

D. Resolution of Prior Year's Findings
There were no findings reported in the prior year.

COUNTY OF STAFFORD, VIRGINIA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

Noncompliance:

2012.01

Criteria – Chapter 31 (Section 2.2-3115 et. seq.) of Title 2.2 of the Code of Virginia requires local government officials to file a statement of economic interest disclosure form with the clerk of the County on or before January 15th of each year.

Condition – During the audit, we tested 55 conflicts of interest forms for their timely submission of which 12 had not been submitted on or before January 15th.

Effect – The County was not in compliance with Chapter 31 (Section 2.2-3115 et. seq.) of Title 2.2 of the Code of Virginia.

Questioned Costs – None.

Recommendation – We recommend a process be established to ensure the timely submission of the statement of economic interest disclosure form.

Management's Response – It is County policy to comply with the provisions of the State and Local Government Conflict of Interests Act. Each year, the assistant to the County Administrator sends necessary forms and website information to all affected individuals. Additionally, e-mail reminders are sent and follow-up phone calls are made.

The delinquency rate for the late forms ranged from 2 to 4 days. County employees with late submissions have received counsel with regard to the importance of timely submission.



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