

Stafford County Public Schools

Comprehensive Annual Financial Report

(A Component Unit of Stafford County, Virginia)



Inspiring Excellence and Life-Long Learning

Fiscal Year 2011
(July 1, 2010— June 30, 2011)

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2011



Members of the Stafford County Board of Supervisors

Mr. L. Mark Dudenhefer, Garrisonville District – Chairman
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Ms. Patricia Mancini, George Washington District
Ms. Doreen Phillips, Hartwood District

Officials of Stafford County Public Schools

Dr. Randy Bridges, Superintendent
Dr. Andre Nougaret, Interim (and Deputy) Superintendent
Dr. Lisa Martin, Assistant Superintendent for Secondary Education & Support Services
Dr. Pamela Kahle, Assistant Superintendent for Elementary Education & Support Services
Dr. Chris Quinn, Assistant Superintendent for Instruction
Wayne C. Carruthers, CPA, Assistant Superintendent for Financial Services
G. Scott Horan, Assistant Superintendent for Facilities
Dr. David Mirra, Executive Director for Technology
Daryl Nelson, Executive Director for Legal Services
Rick Fitzgerald, Executive Director for Human Resources
Valerie Cottongim, Public Information Officer

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2011

2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2011
(July 1, 2010 – July 30, 2011)

Prepared By:

Department of Financial Services

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Director of Finance & Accounting

Andrea Light
Supervisor of Finance & Accounting

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Accounting Manager



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

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2011

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STAFFORD COUNTY PUBLIC SCHOOLS

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

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

December 9, 2011

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

We hereby submit the Comprehensive Annual Financial Report (CAFR) of Stafford County Public Schools (SCPS, or the division) for the fiscal year ended June 30, 2011. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of SCPS. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities and funds of SCPS.

Overview of the Comprehensive Annual Financial Report

This CAFR is divided into four sections: (1) Introductory, (2) Financial, (3) Statistical, and (4) Compliance. The Introductory section includes this Letter of Transmittal, a list of SCPS' School Board members and principal officials, and an organizational chart. The Financial section, prepared in accordance with the Governmental Accounting Standards Board's Statement No. 34 (GASB 34), includes the independent auditors' report, Management's Discussion and Analysis (MD&A), the basic financial statements plus the accompanying notes to the financial statements, and Required Supplementary Information (RSI).

In addition, the Financial section contains other supplementary information, including the combining financial statements. The MD&A is management's narrative overview and analysis of the basic financial statements, which should be read in conjunction with this Letter of Transmittal. The Statistical section contains selected financial and demographic information generally presented on a multi-year basis. The final section is the Compliance section, which includes information with respect to the Single Audit Act (see below).

Independent Audit

SCPS' financial statements have been audited by the accounting firm of Robinson, Farmer, Cox Associates, PLLC (RFCA) and earned an unqualified opinion. RFCA examined, on a test basis, documents supporting the amounts and disclosures in the financial statements, assessed the accounting principles used and significant estimates made by management, and evaluated the overall financial statement presentation. The independent auditors' report is included as the first document in the Financial section of this report. RFCA did not report any audit findings for fiscal year 2011.

Single Audit Act

SCPS is required to undergo an annual single audit in conformity with the provision of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including a Schedule of Expenditures of Federal Awards, the independent auditors' report on internal control and compliance with applicable laws, regulations, contracts and grants, and a Schedule of Findings and Questioned Costs, if any, are included in the compliance section of CAFR. We are pleased to report RFCA did not report any findings or management comments related to Single Audit Act compliance for fiscal year 2011.

Profile of the County of Stafford and Stafford County Public Schools

The County of Stafford

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

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

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

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

Stafford County Public Schools

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

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

The School Board employs a superintendent of schools to administer the public school system. As of September 30, 2011, a full range of public educational services are provided to 26,257 students from grades kindergarten through 12th grade at 31 main school sites, including Head Start. The school enrollment for the 2011-2012 school year was projected in the School Board's adopted budget to be 26,838.

Economic Outlook

Median Household Income

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

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

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

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

Composite Index

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

Impact of State Funding

The composite index as discussed above attempts to bring equity across the State. State funds are disbursed based on this index. As a locality acquires greater wealth, the State adjusts the index upward which reduces State funding and increases the locality's funding responsibility. The State is anticipating a slightly improved revenue picture in fiscal year 2012 due to the economy's slow recovery from a recession

Major Initiatives and Accomplishments

HeatherEmpfield Day School and Transition Center

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

Before and After School Child Care Program

Beginning with school year 2006-2007, the Rappahannock Area YMCA was authorized to offer a Before and After School Child Care program at 5 elementary schools as a pilot program for pre-K and school-age children. In school year 2008-2009, the successful program expanded to all 17 elementary schools. In addition, at the conclusion of the 2009-2010 school year (for the 2010 summer season), a summer program was started at two of the elementary schools and was expanded to five elementary schools for the 2010-2011 school year (the 2011 summer season).

International Baccalaureate Program

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

Energy Efficiency Program

In fiscal year 2011, SCPS consumed less energy for a net cost savings of \$1,080,055, the equivalent to energy costs for operating 6 middle schools or between 3 and 4 high schools. SCPS is exercising environmental stewardship and reducing costs by emitting 250,330,000 less pounds of carbon dioxide (CO₂) into the atmosphere.

Telephone Study

SCPS began a comprehensive review of its existing telephone equipment, lines and services in fiscal year 2009, and \$15,539 of total annualized cost savings were realized. Additional credits for overcharges of \$16,225 and service package savings of \$57,672 were also realized in fiscal year 2010. In fiscal year 2011, further efforts resulted in additional savings of \$29,725. In fiscal year 2012, CPS will continue to review the telecommunications services being provided by its telephone providers and consultants.

Technology

Through wireless Wide Area Network (WAN) technologies, SCPS has leveraged the use of free space on two privately owned cell towers to provide high bandwidth data services to 16 of 34 division sites, which enables the division to save on monthly fees for service from 3rd party providers. In addition, implementation of the School Interoperability Framework (SIF) standard in the School Nutrition Accountability Program (SNAP) software has improved efficiency with one-time data entry of student information, resulting in a lower error rate, automation of manual processes, and real-time transmittal of student information to cafeterias.

The cyclic replacement of mobile laptop computer laboratory carts has placed current technology in the hands of students at elementary and middle schools within the division, as the division participated in a vendor buy-back program to save dollars and ensure obsolete equipment is replaced in accordance with its technology plan.

SCPS continues to experience explosive growth in the information services and instructional technology arenas. Over the last 5-6 years, demand for Internet bandwidth has increased more than 10-fold. The majority of existing connectivity is provided via either leased lines or the WAN, while the district begins installing a fiber optic network to connect all school sites and support facilities. In fiscal year 2009, the first fiber optic link was established, which has already resulted in increased capacity and longevity. Although leased lines offer finite bandwidth for a fixed price with incremental annual recurring price increases for additional capacity, owning a fiber optic network offers virtually limitless capacity, which can be increased by switching out equipment on each end of a strand of fiber. In fiscal year 2012, SCPS is continuing to install fiber optics as funds become available.

Food and Nutrition Services

SCPS' school cafeterias provide a nutritious breakfast and lunch daily to all Stafford County students. In fiscal year 2011, 822,646 breakfasts (daily average of 4,810) and 2,821,385 lunches (daily average of 16,050) lunches were served. In addition, 419,436 free and 64,917 reduced breakfasts plus 737,985 free and 153,272 reduced lunches were served to qualifying students under the National School Lunch and Breakfast Program in fiscal year 2011. Meals are \$1.20 for breakfast, \$2.15 for elementary school lunch, and \$2.25 for middle and high school lunch.

Transportation Services

Our school buses transport children daily in a safe and timely manner throughout the school year. With a fleet of 240 mainstream buses, bus drivers made 13,786 bus stops over 842 bus routes with an average of 20,007 riders daily, including both regular and special program routes. Total miles traveled for fiscal year 2011 was 3.5 million miles. In fiscal year 2009, the construction of a new transportation facility began which was completed and opened in early fiscal year 2010. This new facility provides staff with ample space and state-of-the-art communications to properly schedule and track the bus fleet on a daily basis. GPS devices were also installed in some buses in fiscal year 2010.

Other Post-Employment Benefits (OPEB) Trust Fund

SCPS established an irrevocable trust to invest funds to cover the OPEB liability for current and future retiree health benefit costs. In fiscal year 2011, no contribution was made to the OPEB Trust Fund. The market value of the trust fund investments at June 30, 2011 was \$2,700,962 million. The School Board is currently in the process of evaluating its options, for fiscal year 2012.

Accreditation

For the third consecutive year, 100% of our schools have earned full state accreditation. In Virginia public school accreditation is based on Standards of Learning (SOL) test results from the previous academic year or may include a three year average of achievement in the academic areas of English, History, Mathematics, and Science. In order to earn full accreditation, a school must meet or exceed minimum benchmarks for SOL passing rates in English, History, Mathematics and Science during the previous school year or cumulatively over the past three school years.

Accreditation with Warning means that a school met or exceeded minimum benchmarks in every academic area except the area(s) cited. Accreditation Denied means that the school failed to meet the requirements for full accreditation for four consecutive years. Conditionally Accredited rating can apply to a new school, or a school that fails to meet full accreditation for four consecutive years. Historical accreditation data is also included in the statistical section of this document.

Adequate Yearly Progress (AYP)

For the 2010-2011 school year, 37% of our schools made AYP. However, the school division overall did not achieve AYP. Public schools and school divisions in Virginia are assessed annually by the AYP standard of the No Child Left Behind law. To achieve AYP, a school or school division must meet 29 individual benchmarks as defined by No Child Left Behind. Of these 29 benchmarks, 28 relate to student participation and performance on state reading and mathematics tests from the previous school year.

Additionally, schools must meet or exceed the "Other Academic Indicator," defined as graduation rate at the high school level and can be state history, science, or writing test performance or attendance rate at middle and elementary school levels. For each AYP benchmark, a school or school division is rated against an annual measurable objective (AMO). For the 2010-11 school year, the AMO for Reading was 86%, while the AMO for Math was 85%.

Under the No Child Left Behind law, these AMOs will continue to increase each year until ultimately reaching 100% in 2013-2014. Schools or school divisions utilize the higher of the 2010-11 Standards of Learning test results or the cumulative three-year Standards of Learning test result average (2007-08, 2008-09, 2009-10) for each reporting category, in accordance with No Child Left Behind scoring and reporting guidelines. A school or school division may also make Adequate Yearly Progress in any category using “safe harbor,” if the failure rate in that category decreased by 10% from the previous school year.

Financial Information

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

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

Internal Controls

The internal control system is designed to provide reasonable, but not absolute, assurance that SCPS' management objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. A component of an internal control system should reduce to a relatively low level the risk that material errors or fraud may occur. Materiality is determined in relation to the financial statements as a whole. The system should ensure any material errors or fraud that occur are detected in a timely manner by employees in the normal course of performing their duties.

Budgetary Controls

SCPS' management maintains budgetary controls to ensure compliance with the annual appropriated budget adopted by the School Board. In accordance with state law, the advertised budget is submitted to the Board of Supervisors (BOS) for appropriation. The BOS determines the level of local funding to be provided to SCPS. Based on that appropriation, the School Board makes changes in its advertised budget and adopts the approved budget in and about the May timeframe.

Legal spending control is placed on the individual fund categorical levels with regard to the County appropriations. However, SCPS has established account level control over the budget with functional reporting. The Department of Financial Services ensures that purchase orders and other procurement methods comply with legal purchasing requirements and sufficient budgeted funds are available for the purchases.

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

Risk Management

The risk management program endeavors to minimize or eliminate, when possible, risks that endanger the safety and environmental health of the students, staff, property and financial resources of SCPS. These objectives are met by identifying risk exposures, measuring and analyzing them, and implementing appropriate procedures to correct them. The results are evaluated for effectiveness and revised, as necessary.

Liability risk is managed through insurance. SCPS' insurance policies include: property insurance, surety bonds, fiduciary insurance and catastrophic medical insurance for participants in the Virginia High School League. The self-insurance programs cover: health benefits to employees and workers' compensation. SCPS also retains the professional services of Rosenthal Insurance Consulting of Richmond, Virginia to lead and participate in identifying and analyzing areas of concern and providing assistance, ideas and solutions to reduce and control overall risk.

Cash Management

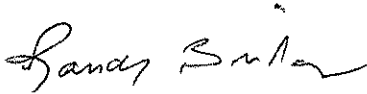
The County is the custodian of all cash and investments of SCPS except certain cash on hand, investments held for certain capital projects, and funds held in local student activity accounts. SCPS' does not report a year-end cash balance as it is County policy to reclassify our year-end cash balances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

Acknowledgements

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

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

Respectfully,

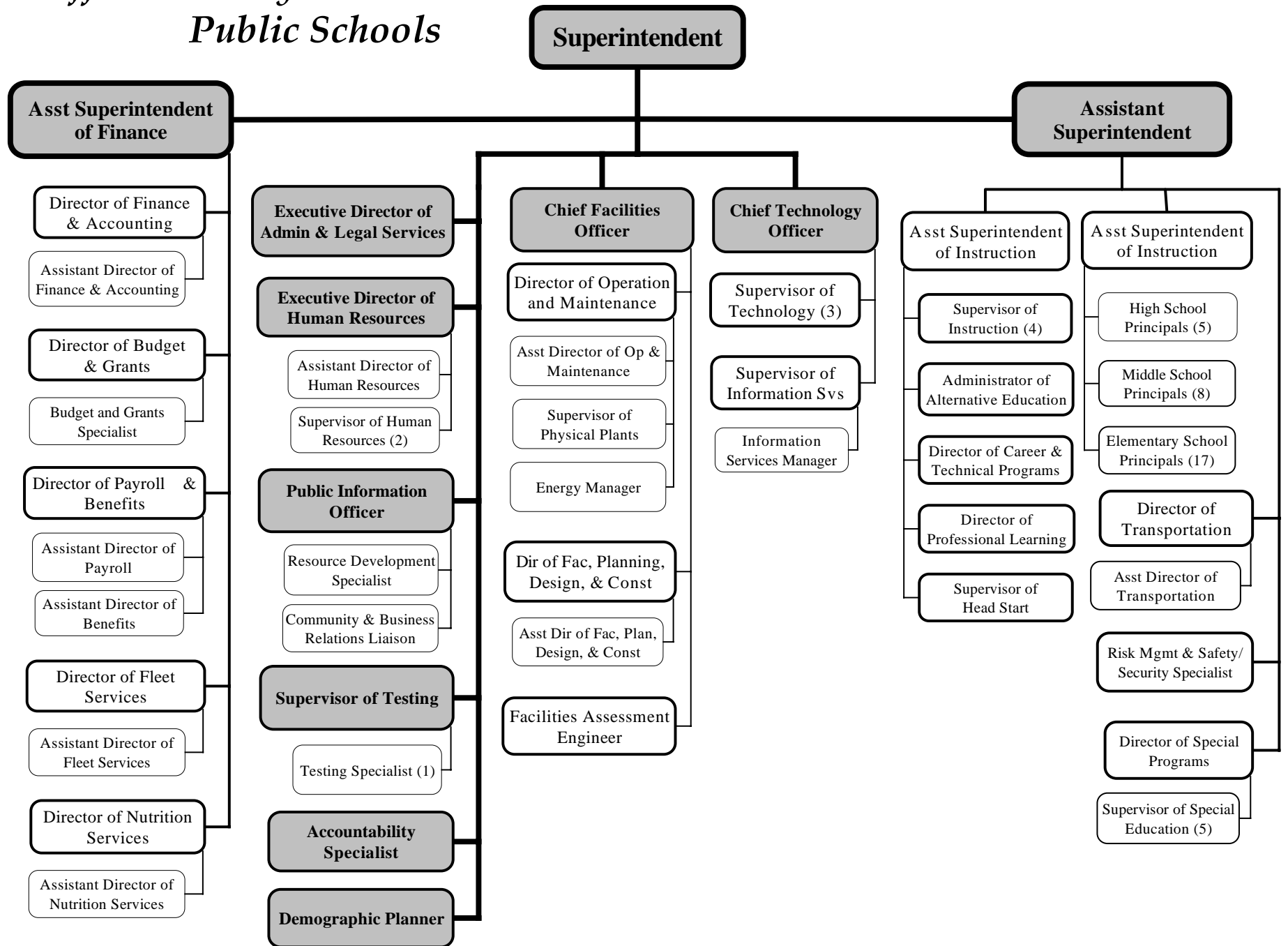


Randy Bridges, Ed. D.
Superintendent



Wayne C. Carruthers, CPA,
Assistant Superintendent for Financial Services

Stafford County Public Schools



Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2011

INDEPENDENT AUDITORS' REPORT

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stafford County Public Schools (a component unit of Stafford County, Virginia), as of and for the year ended June 30, 2011, which collectively comprise the Stafford County Public Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Stafford County Public School's management. Our responsibility is to express 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 Authorities, Boards, and Commissions*, 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Stafford County Public Schools, as of June 30, 2011, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Stafford County Public Schools adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2011, on our consideration of the Stafford County Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 information, and schedules of pension and OPEB funding progress 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 management's discussion and analysis and schedules of funding progress 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 management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stafford County Public Schools' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, 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 presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 11, 2011

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

**STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

INTRODUCTION

As management of Stafford County Public Schools ("SCPS"), we offer readers an overview and analysis of financial activities for the fiscal year ended June 30, 2011. This section of the Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the overall financial performance of SCPS during the fiscal year ended June 30, 2011. Readers are encouraged to consider this information in conjunction with SCPS' transmittal letter, basic financial statements and notes to the basic financial statements to enhance their understanding and use of the basic financial statements.

FINANCIAL HIGHLIGHTS

SCPS' total net assets (assets less liabilities) on a government-wide basis were \$382.3 million at June 30, 2011, representing a decrease of \$4.3 million, or 1.1%, from the total net assets of \$386.6 million at June 30, 2010. This decrease was primarily due to a \$3.9 million reduction in revenues received from Stafford County during fiscal year 2011. Noncurrent liabilities increased by \$8.9 million in fiscal year 2011 over fiscal year 2010 due to an \$8.0 million increase in the OPEB liability and a \$1.3 million increase in the non-current portion of long-term debt resulting from a note payable executed with the County. Current liabilities decreased by \$1.4 million over fiscal year 2010 due primarily to a decrease in accounts payable.

For fiscal year 2011, SCPS' governmental activities expenses of \$281.8 million exceeded program revenues (charges for services plus grants and contributions) of \$81.6 million by \$200.2 million. This excess is a 3.7% decrease in the \$207.8 million excess, as restated for fiscal year 2010. Additionally, general revenues, unreserved funds available for all educational purposes, including contributions from the County and general contributions from the state and federal governments, decreased by \$3.6 million, or 1.8%, from \$199.6 million, as restated, in fiscal year 2010 to \$196.0 million in fiscal year 2011.

SCPS' General Fund (otherwise referred to as the Operating Fund) reported a fund balance of \$8.0 million for the fiscal year ended June 30, 2011. This represents an increase of \$4.4 million, or 122.2%, as compared to the June 30, 2010 fund balance of \$3.6 million. This is due to an increase in encumbrances at the end of fiscal year 2011.

OVERVIEW OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

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

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

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

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

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

**STAFFORD COUNTY PUBLIC SCHOOLS
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OVERVIEW OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) (Continued)

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

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

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

THE BASIC FINANCIAL STATEMENTS

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

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

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

**STAFFORD COUNTY PUBLIC SCHOOLS
 COMPONENT UNIT OF THE COUNTY OF STAFFORD
 MANAGEMENT'S DISCUSSION AND ANALYSIS
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THE BASIC FINANCIAL STATEMENTS (Continued)

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

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

**STAFFORD COUNTY PUBLIC SCHOOLS
 COMPONENT UNIT OF THE COUNTY OF STAFFORD
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FINANCIAL ANALYSIS OF SCPS AS A WHOLE

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

Net Assets

Total net assets at June 30, 2011 decreased by \$4.3 million, or 1.1%, over June 30, 2010. Current assets increased by \$7.5 million, or 9.9%, due to an increase in cash of \$4.3 million and an increase in accounts receivable of \$3.2 million from 2010 to 2011. Restricted assets increased by \$1.6 million, or 23.5%, from 2010 to 2011 due to an increase in VPSA bond proceeds received from the County. The investment in capital assets, net of related debt, decreased by \$5.6 million, or 1.5%, due to depreciation and assets disposals in excess of asset purchases in fiscal year 2011. Noncurrent liabilities increased by 48.9 million due to an increase in the OPEB liability of \$8.0 million from 2010 to 2011. The restricted net assets increased by \$4.9 million, or 73.5%, due to (1) the increase in the encumbrances classified as restricted from the Operating Fund, (2) \$8.2 million of the net assets from the Capital Project Fund being restricted, and (3) the Food and Nutrition Services Fund's net assets are classified as restricted. The unrestricted net assets decreased by \$3.6 million, or 42.8%, due to the decrease in encumbrances classified as unrestricted in the governmental funds and the net loss from the internal service funds of \$6.0 million (\$5.4 million of which is from the Health Benefits Fund).

The following table provides a summary of SCPS' net assets as of June 30, 2011 and 2010:

Summary of Net Assets

As of June 30,

(In thousands of dollars)

| | Governmental Activities | | | |
|--|--------------------------------|-------------------|-------------------|-----------------|
| | 2011 | 2010 | Change | % Change |
| Assets: | | | | |
| Current assets | \$ 83,138 | \$ 75,656 | \$ 7,482 | 9.9 % |
| Noncurrent assets: | | | | |
| Restricted assets | 8,168 | 6,616 | 1,552 | 23.5 % |
| Capital assets | 368,070 | 373,948 | (5,878) | (1.6) % |
| Total assets | 459,376 | 456,220 | 3,156 | 0.7 % |
| Liabilities: | | | | |
| Current liabilities | 48,558 | 50,037 | (1,479) | (3.0) % |
| Noncurrent liabilities | 28,536 | 19,601 | 8,935 | 45.6 % |
| Total liabilities | 77,094 | 69,638 | 7,456 | 10.7 % |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 366,030 | 371,616 | (5,586) | (1.5) % |
| Restricted | 11,479 | 6,616 | 4,863 | 73.5 % |
| Unrestricted | 4,773 | 8,350 | (3,577) | (42.8) % |
| Total net assets | \$ 382,282 | \$ 386,582 | \$ (4,300) | (1.1) % |

**STAFFORD COUNTY PUBLIC SCHOOLS
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FINANCIAL ANALYSIS OF SCPS AS A WHOLE (Continued)

Changes in Net Assets

Program revenues from the Federal Government increased as a result of the State Fiscal Stabilization fund received during fiscal year 2011 as compared to fiscal year 2010. General revenues decreased due to a decrease in funds received from the County. Facility program expenses increased due to a reclassification of depreciation expense from capital outlays, this in turn reduced capital outlay expenses.

The following table summarizes SCPS' changes in net assets for the fiscal years ended June 30, 2011 and 2010 restated :

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

| | Governmental Activities | | | |
|---|--------------------------------|-------------------|-------------------|-------------------|
| | 2011 | 2010 | Variance | % Variance |
| Revenues: | | | | |
| <i>Program revenues:</i> | | | | |
| Charges for services | \$ 17,283 | \$ 15,803 | \$ 1,480 | 9 % |
| Operating grants and contributions | 55,910 | 45,562 | 10,348 | 23 % |
| Capital grants and contributions | 8,412 | 6,190 | 2,222 | 36 % |
| <i>General revenues:</i> | | | | |
| Sales tax | 22,460 | 21,618 | 842 | 4 % |
| Basic aid | 73,735 | 72,965 | 770 | 1 % |
| Unrestricted grants and contributions | 99,324 | 103,190 | (3,866) | (4) % |
| Investment earnings | 22 | 24 | (2) | (8) % |
| Gain (loss) on capital asset disposal | 80 | (10) | 90 | (900) % |
| Miscellaneous | 332 | 1,792 | (1,460) | (81) % |
| Total Revenues | 277,558 | 267,134 | 10,424 | 4 % |
| <i>Program expenses:</i> | | | | |
| Education: | | | | |
| Instruction | 166,801 | 168,071 | (1,270) | (1) % |
| Administrative, attendance, and health services | 41,072 | 39,585 | 1,487 | 4 % |
| Pupil transportation | 13,459 | 13,039 | 420 | 3 % |
| Operation and maintenance | 20,326 | 19,758 | 568 | 3 % |
| Nutrition services | 10,564 | 10,085 | 479 | 5 % |
| Facilities | 11,885 | 250 | 11,635 | 4,654 % |
| Technology | 14,167 | 11,521 | 2,646 | 23 % |
| Capital outlay | 3,482 | 12,929 | (9,447) | (73) % |
| Interest and fiscal charges | 102 | 107 | (5) | (5) % |
| Total program expenses | 281,858 | 275,345 | 6,513 | 2 % |
| Change in net assets | (4,300) | (8,211) | 3,911 | (48) % |
| Beginning net assets | 386,582 | 394,793 | (8,211) | (2) % |
| Ending net assets | \$ 382,282 | \$ 386,582 | \$ (4,300) | (1) % |

Note: 2010 revenue data has been restated for comparability purposes.

**STAFFORD COUNTY PUBLIC SCHOOLS
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GENERAL FUND BUDGETARY HIGHLIGHTS

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

Below is a summary of SCPS' operating fund budget for the fiscal year ended June 30, 2011:

Operating Fund Budget Summary
 For the fiscal year ended June 30, 2011

| <u>Operating Activity Category</u> | <u>Budget</u> | | <u>Actual</u> | <u>Variance from Final Budget</u> | |
|------------------------------------|-----------------|--------------|---------------|-----------------------------------|---------|
| | <u>Original</u> | <u>Final</u> | | <u>Favorable (Unfavorable)</u> | |
| Total revenues | \$ 222,331 | \$ 222,831 | \$ 222,571 | \$ | (260) |
| Total expenditures | (222,431) | (226,497) | (216,411) | | 10,086 |
| Total other financing uses | 100 | 100 | (1,758) | | (1,858) |
| Net change in fund balance | \$ - | \$ (3,566) | \$ 4,402 | \$ | 7,968 |

CAPITAL ASSETS

Below is a summary of SCPS' net capital assets as of June 30, 2011 and 2010:

Net Capital Assets Summary

As of June 30,

(Net of depreciation, in thousands of dollars)

| <u>Capital Asset Category</u> | <u>Governmental Funds</u> | | <u>Internal Service Funds</u> | |
|------------------------------------|---------------------------|-------------|-------------------------------|-------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Land & land improvements | \$ 55,227 | \$ 54,577 | \$ 754 | \$ 802 |
| Assets not yet placed in service | 154 | 119 | - | - |
| Construction in progress | 4,413 | 4,868 | - | - |
| Building & building improvements | 294,012 | 299,572 | 468 | 503 |
| Furniture & equipment | 3,361 | 3,401 | 72 | 72 |
| Vehicles | 8,326 | 8,679 | 16 | 20 |
| Software | 181 | 213 | 55 | 71 |
| Technology infrastructure | 769 | 753 | - | - |
| Distribution and collection system | 262 | 299 | - | - |
| Total net capital assets | \$ 366,705 | \$ 372,481 | \$ 1,365 | \$ 1,468 |

**STAFFORD COUNTY PUBLIC SCHOOLS
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CAPITAL ASSETS (Continued)

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

Governmental Funds:

Building improvements increased due to: (a) a roof replacement at both Brooke Point High School (\$1.5 million) and Widewater Elementary School (\$.5 million), (b) various improvements to the Headstart complex (\$.4 million), and (c) security entrance upgrades at Moncure Elementary School (\$.3 million), Stafford Elementary School (\$.4 million), and Hartwood Elementary School (\$.5 million). Building improvements had a net decrease in value due to depreciation of \$10.1 million.

Vehicles decreased due to the purchase of 6 new buses (\$.5 million) and the deletion of 29 buses.

Construction in progress decreased due the write-down of \$2.0 million expended for engineering, planning and research related to the construction of a new high school that has been placed on hold until 2020 and various assets placed in service: (a) Moncure Elementary School parking lot improvements (\$.6 million), (b) Brooke Point High School roof replacement (see above) and (c) Brooke Point High School athletic fields' improvements (\$.4 million).

Technology infrastructure increased with the installation and operation of the fiber optic network (\$.1 million).

Depreciation expense exceeded net additions by \$5.8 million in fiscal year 2011.

Internal Service Funds:

There were no major capital asset transactions other than depreciation expense during fiscal year 2011.

ENERGY PERFORMANCE CAPITAL LEASE

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

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

In fiscal year 2011, the energy reduction efforts started in fiscal year 2010 were finalized. SCPS consumed approximately 49,234,107 million less MBTU's, rendering a savings of approximately \$1,466,963, which when reduced by the \$386,908 capital lease payment, rendered estimated net savings of \$1,080,055. This is equivalent of enough energy to operate six (6) SCPS middle schools or between three (3) and four (4) high schools. As a result of these efforts, SCPS emitted approximately 250,330,000 less pounds of carbon dioxide (CO₂) into the atmosphere from 2009 to 2010. In 2011, SCPS retro-commissioned Mountain View High School and is continuing the spring break and summer reduction settings. Also in 2011, SCPS started a water conservation program that has been implemented in at Drew Middle School, Alvin Bandy Complex and the maintenance building. SCPS' future plans include the retro-commissioning of one (1) high school, two (2) middle schools, and three (3) elementary schools.

Through the American Recovery and Reinvestment Act (ARRA) federally subsidized financing for certain public school capital expenditures can be made through the Qualified School Construction Bond. SCPS participated in the bond pool and received \$1,305,000 in July 2010. These bonds have strict requirements that include a mandatory three-year spend-down, Davis-Bacon Act compliance, and a maximum maturity of 17 years. SCPS will use these funds to further its energy management efforts. At various sites improvements will be made through the replacement of existing lighting fixtures with high-efficiency fixtures, the addition of occupancy sensors, the installation of low flush water closets and urinals, the installation of variable frequency drives, and the replacement of old motors with premium efficiency motors. In addition, Rockhill Elementary School is replacing its windows with energy efficient windows.

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COMPOSITE INDEX

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

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

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

The Composite Index, as developed by the State, is designed to bring equity across the State. State funds are disbursed based on this index. As a locality acquires greater wealth, the State adjusts the index upward, which reduces State funding and increases the locality's funding responsibility. Such is the case in Stafford County. The current Composite Index of .3305 was released in November 2011 for the current biennium covering fiscal years 2012 through 2014. SCPS anticipates that the Governor's proposed Caboose Bill may update the Composite Index once the General Assembly convenes in January 2012.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Since adopting the fiscal year 2012 budget, some factors have surfaced that may impact SCPS' financial operations:

- The economy is slowly recovering from the recession and the State is anticipating a slightly improved revenue picture in fiscal year 2012. However, the loss of the Federal education jobs funds received in fiscal year 2012 will still create a "funding cliff" of approximately \$5.6 million in fiscal year 2013.
- The board of supervisors unanimously on April 19, 2011 in resolution R11-140 adopted and approved fiscal year 2012 county budgets. The resolution encouraged the school board to implement six different budget expenditures, but the school board only implemented the following two budget expenditures:
 - * Provide a 2.5% salary increase for employees at a cost of \$4.3 million.
 - * Restore 56.5 positions eliminated in the school boards approved budget at a cost of \$2.8 million.

Both of the foregoing totaled \$7.1 million and were funded by a reduction of the school boards operating transfer to the health benefits fund for FY 2012. As a result of funding the two recommended expenditures from the operating transfer to the health benefits fund, the health benefits fund will have only \$18.2 million in revenue to meet the \$25.3 million in budgeted expenditures. This will decrease the fund balance of the health benefits fund by \$7.1 million.

- The county's fiscal year 2012 budget adopted by the board of supervisors included a local operating transfer to the school division of \$101.7 million, but only \$96.7 million was appropriated. The balance of \$5.1 million was held back pending a mid-year review. These funds won't be available to the school division until appropriated by the board of supervisors.
- The real estate market continues to suffer from depressed sales activities, continued foreclosures, and a major decline in the assessed valuation of real property within the County. These trends are expected to continue in fiscal year 2012. For both the Commonwealth and the County, much of their revenue is dependent on the housing/real estate sector of the economy, which in turn impacts appropriations to SCPS.
- New car sales have stabilized since the federal "cash for clunkers" program ended in early 2010. The "big three" U.S. car manufacturers have undergone significant restructuring. For both the Commonwealth and the County, state revenue remains highly dependent on the automotive sector of the economy.

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

- Funding SCPS' Other Post Employment Benefits (OPEB) liability is a major concern, considering the county is one of the two major sources of funding. For fiscal year 2011, the county appropriation was not increased sufficiently to enable annual funding of SCPS' OPEB liability. SCPS' annual required contribution (ARC) for OPEB was approximately \$9.1 million in fiscal year 2011, an increase of \$3.7 million from the \$5.4 million ARC in fiscal year 2010. The school board is currently in the process of evaluating its available funding options, which includes a \$5.5 million contribution based on the adopted budget for fiscal year 2012. Continuing to under-fund the OPEB liability may adversely impact the County's bond rating. The Governmental Accounting Standards Board is likely to adopt tougher reporting standards for the OPEB liability. More disclosure with shorter amortization periods of the liability will increase the annual required contribution (ARC).
- The potential for increased energy costs, specifically oil, has a major financial impact on SCPS operations. SCPS consumes approximately 540,000 gallons of fuel annually transporting students and operates 34 facilities that heat and cool approximately 3,977,500 square feet of space, as well as the maintenance of approximately 1,140 acres of school division property. SCPS' magnitude of operations subjects its financial health to volatility in the local, national and global energy marketplaces.
- In spite of the recent recession, growth in the student population for SCPS returned in fiscal years 2010 and 2011, which increases the State revenues received by SCPS, as the majority of state revenues are driven by the student membership. This growth in revenue is mitigated by required increases in expenditures to accommodate the additional students. In addition, the state has eliminated School Construction funds and used the former lottery revenue for non-categorical revenues.
- Providing competitive salaries continues to put pressure on SCPS resources as contiguous neighboring counties have exceeded SCPS teacher salaries. This factor inhibits the ability to attract and sustain a quality teacher population, especially in critical expertise areas.
- SCPS continues to experience growing student populations in English as a Second Language (ESL), autism, and children who qualify for free and reduced lunch. These special populations add additional expenses beyond the general education requirements.
- The implementation of Base Realignment & Closure (BRAC) and its resulting impact on Quantico Marine Base and installations just to the north still remains uncertain as to how many new students' families may relocate to Stafford County. SCPS and the County will continue to monitor and assess this situation going forward.
- The Virginia Retirement Systems net assets have declined due to two factors. First, the current volatility and previous declines in market value have reduced the investment; secondly, the General Assembly did not make a contribution during fiscal year 2011 and will be making an increased, but not a fully restored, contribution during fiscal year 2012. This resulted in lower funding levels, which may impact the VRS' ability to meet employees' and retirees' needs in the future. Therefore, to ensure full funding of retiree programs, the localities may be required to increase their contribution in subsequent years. The impact of these increases may begin in fiscal year 2013.

CONTACTING SCPS MANAGEMENT

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2011

Exhibit A

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 33,148,018 |
| Accounts receivable, net of allowance for uncollectibles | 9,487,489 |
| Due from primary government | 39,913,414 |
| Inventory | 589,412 |
| Total current assets | <u>83,138,333</u> |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | 8,168,063 |
| Capital assets: | |
| Land | 27,122,597 |
| Land improvements | 38,036,915 |
| Construction in progress | 4,567,282 |
| Buildings and building improvements | 409,716,574 |
| Water treatment system | 635,154 |
| Furniture, fixtures and equipment | 8,680,933 |
| Technology infrastructure | 834,063 |
| Software | 475,255 |
| Vehicles | 19,669,894 |
| Less: Accumulated depreciation | <u>(141,668,706)</u> |
| Total noncurrent assets | <u>376,238,024</u> |
| Total assets | <u>\$ 459,376,357</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 5,898,668 |
| Contract retainage payable | 47,873 |
| Accrued salaries and benefits | 37,427,861 |
| Accrued insurance claims | 4,396,648 |
| Unearned revenue | 5,750 |
| Current portion of long-term debt | 781,377 |
| Total current liabilities | <u>48,558,177</u> |
| Noncurrent liabilities: | |
| Noncurrent portion of accrued insurance claims | 79,838 |
| Noncurrent portion of long-term debt | 8,053,493 |
| Noncurrent portion of OPEB liability | 20,402,575 |
| Total noncurrent liabilities | <u>28,535,906</u> |
| Total liabilities | <u>77,094,083</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 366,030,043 |
| Restricted | 11,479,446 |
| Unrestricted | 4,772,785 |
| Total net assets | <u>382,282,274</u> |
| Total liabilities and net assets | <u>\$ 459,376,357</u> |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Exhibit B

| Functions/Programs | Expenses | Program Revenues | | Capital Grants and Contributions | Net (Expenses), Revenues and Changes in Net Assets |
|---------------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|--|
| | | Charges for Services | Operating Grants and Contributions | | |
| Governmental activities: | | | | | |
| Education: | | | | | |
| Instruction | \$ 166,801,172 | \$ 1,167,780 | \$ 51,341,520 | \$ - | \$ (114,291,872) |
| Administration, attendance and health | 41,072,014 | 6,896,034 | - | - | (34,175,980) |
| Pupil transportation | 13,458,559 | 1,648,959 | - | - | (11,809,600) |
| Operation and maintenance | 20,325,800 | - | - | - | (20,325,800) |
| Food and nutrition services | 10,564,263 | 7,271,562 | 4,568,268 | - | 1,275,567 |
| Facilities | 11,885,109 | 94,690 | - | - | (11,790,419) |
| Technology | 14,167,123 | - | - | - | (14,167,123) |
| Capital outlay | 3,481,863 | 203,700 | - | 8,411,858 | 5,133,695 |
| Interest and fiscal charges | 102,347 | - | - | - | (102,347) |
| Total governmental activities | <u>\$ 281,858,250</u> | <u>\$ 17,282,725</u> | <u>\$ 55,909,788</u> | <u>\$ 8,411,858</u> | <u>(200,253,879)</u> |
| General revenues: | | | | | |
| Sales tax | | | | | 22,459,885 |
| Basic aid | | | | | 73,735,359 |
| Unrestricted grants and contributions | | | | | 99,323,620 |
| Investment earnings | | | | | 22,090 |
| Gain on capital asset disposal | | | | | 80,567 |
| Miscellaneous | | | | | 332,453 |
| Total general revenues | | | | | <u>195,953,974</u> |
| Change in net assets | | | | | <u>(4,299,905)</u> |
| Net assets, beginning - July 1, 2010 | | | | | <u>386,582,179</u> |
| Net assets, ending - June 30, 2011 | | | | | <u>\$ 382,282,274</u> |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

Exhibit C

| | Operating Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|-------------------------------------|----------------------|-----------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | |
| Pooled cash and investments | \$ 5,750 | \$ 2,777,996 | \$ 3,149,460 | \$ 5,933,206 |
| Restricted cash and investments | - | 8,168,063 | - | 8,168,063 |
| Accounts receivable | 553,783 | 42,850 | 19,070 | 615,703 |
| Intergovernmental receivables: | | | | |
| Federal Government | 95,118 | - | 4,780,111 | 4,875,229 |
| Commonwealth of Virginia | 3,908,241 | - | 11,152 | 3,919,393 |
| Due from primary government | 39,913,414 | - | - | 39,913,414 |
| Due from other funds | 4,458,594 | - | - | 4,458,594 |
| Inventory | - | - | 234,485 | 234,485 |
| Total assets | <u>\$ 48,934,900</u> | <u>\$ 10,988,909</u> | <u>\$ 8,194,278</u> | <u>\$ 68,118,087</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 3,525,512 | \$ 985,586 | \$ 106,396 | \$ 4,617,494 |
| Contract retainage payable | - | 47,873 | - | 47,873 |
| Accrued salaries and benefits | 36,292,064 | 4,860 | \$ 975,691 | 37,272,615 |
| Deferred revenue | 5,750 | - | - | 5,750 |
| Due to other funds | 1,143,604 | 779 | \$ 4,526,833 | 5,671,216 |
| Total liabilities | <u>40,966,930</u> | <u>1,039,098</u> | <u>5,608,920</u> | <u>47,614,948</u> |
| Fund balance: | | | | |
| Nonspendable: | | | | |
| Inventory | - | - | 234,485 | 234,485 |
| Total nonspendable | <u>-</u> | <u>-</u> | <u>234,485</u> | <u>234,485</u> |
| Restricted: | | | | |
| Operating | 960,510 | - | - | 960,510 |
| Capital projects | - | 8,168,063 | - | 8,168,063 |
| Food and nutrition services | - | - | 2,273,740 | 2,273,740 |
| Grants | - | - | 77,133 | 77,133 |
| Total restricted fund balance | <u>960,510</u> | <u>8,168,063</u> | <u>2,350,873</u> | <u>11,479,446</u> |
| Committed: | | | | |
| Capital projects | - | 1,781,748 | - | 1,781,748 |
| Total committed fund balance | <u>-</u> | <u>1,781,748</u> | <u>-</u> | <u>1,781,748</u> |
| Assigned: | | | | |
| Operating | 7,007,460 | - | - | 7,007,460 |
| Total assigned fund balance | <u>7,007,460</u> | <u>-</u> | <u>-</u> | <u>7,007,460</u> |
| Total fund balance | <u>7,967,970</u> | <u>9,949,811</u> | <u>2,585,358</u> | <u>20,503,139</u> |
| Total liabilities and fund balance | <u>\$ 48,934,900</u> | <u>\$ 10,988,909</u> | <u>\$ 8,194,278</u> | <u>\$ 68,118,087</u> |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2011

Exhibit C-1

Fund balance - total governmental funds \$ 20,503,139

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

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

| | | |
|-------------------------------|----------------------|-------------|
| Governmental capital assets | \$ 507,348,476 | |
| Less accumulated depreciation | <u>(140,643,752)</u> | |
| Net capital assets | | 366,704,724 |

Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.

| | | |
|-------------|---------------------|-----------|
| Assets | \$ 30,230,619 | |
| Liabilities | <u>(26,461,455)</u> | |
| Net assets | | 3,769,164 |

Long-term liabilities consist of capital leases and compensated absences that are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

| | | |
|--|--------------------|-------------|
| Noresco energy performance capital lease | \$ (2,039,918) | |
| Compensated absences | (5,424,835) | |
| Stafford County loan | <u>(1,230,000)</u> | |
| Total | | (8,694,753) |

| | | |
|---------------------------------------|--|------------------------------|
| Net assets of governmental activities | | <u><u>\$ 382,282,274</u></u> |
|---------------------------------------|--|------------------------------|

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

Exhibit D

| | Operating Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|-----------------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Stafford County | \$ 99,323,620 | \$ 8,411,858 | \$ - | \$ 107,735,478 |
| Commonwealth of Virginia | 118,558,352 | - | 292,778 | 118,851,130 |
| Federal Government | 2,503,520 | - | 30,750,382 | 33,253,902 |
| Total intergovernmental revenues | 220,385,492 | 8,411,858 | 31,043,160 | 259,840,510 |
| Charges for services: | | | | |
| Tuition and fees | 695,978 | - | - | 695,978 |
| Food sales | - | - | 7,316,875 | 7,316,875 |
| Recovered costs | 1,167,239 | 203,700 | - | 1,370,939 |
| Miscellaneous | 322,248 | - | 10,205 | 332,453 |
| Interest | 22 | 12,307 | - | 12,329 |
| Total revenues | 222,570,979 | 8,627,865 | 38,370,240 | 269,569,084 |
| EXPENDITURES | | | | |
| Current operating: | | | | |
| Education: | | | | |
| Instruction | 156,693,360 | - | 24,380,141 | 181,073,501 |
| Administration, attendance and health | 9,688,371 | - | - | 9,688,371 |
| Pupil transportation | 11,203,365 | - | 1,502,921 | 12,706,286 |
| Operation and maintenance | 20,957,014 | - | - | 20,957,014 |
| Food and nutrition services | 210,244 | - | 10,951,904 | 11,162,148 |
| Facilities | 187,981 | - | - | 187,981 |
| Technology | 14,342,481 | - | 239,407 | 14,581,888 |
| Capital outlay | 2,658,483 | 8,346,210 | 513,456 | 11,518,149 |
| Debt service: | | | | |
| Principal | 367,517 | - | - | 367,517 |
| Interest and fiscal charges | 102,347 | - | - | 102,347 |
| Total expenditures | 216,411,163 | 8,346,210 | 37,587,829 | 262,345,202 |
| Excess (deficiency) of revenues over (under) expenditures | 6,159,816 | 281,655 | 782,411 | 7,223,882 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | 100,000 | 1,858,212 | - | 1,958,212 |
| Transfers to other funds | (1,858,212) | - | (100,000) | (1,958,212) |
| Loan from Stafford County | | 1,305,000 | | 1,305,000 |
| Total other financing uses | (1,758,212) | 3,163,212 | (100,000) | 1,305,000 |
| Net change in fund balance | 4,401,604 | 3,444,867 | 682,411 | 8,528,882 |
| Fund balance, beginning - July 1, 2010 | 3,566,366 | 6,504,944 | 1,902,947 | 11,974,257 |
| Fund balance, ending - June 30, 2011 | \$ 7,967,970 | \$ 9,949,811 | \$ 2,585,358 | \$ 20,503,139 |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Exhibit D-1

Net change in fund balance - total governmental funds \$ 8,528,882

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

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

| | | |
|--|---------------------|-------------|
| Expenditures for acquisition of capital assets | 10,138,329 | |
| Less: Depreciation expense | <u>(13,812,110)</u> | |
| Excess of depreciaton over capital outlay | | (3,673,781) |

The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals and donations) is to decrease net assets. (2,102,043)

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

Principal repayments:

| | | |
|--|---------------|---------|
| Noresco energy performance capital lease | 292,517 | |
| Stafford County loan | <u>75,000</u> | |
| | | 367,517 |

Loan proceeds are revenue in the governmental funds, but proceeds increase the long-term liabilities in the Statement Of Net Assets

| | | |
|-------------------------------|--|-------------|
| Stafford County Loan proceeds | | (1,305,000) |
|-------------------------------|--|-------------|

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

| | | |
|----------------------|--|-----------|
| Compensated absences | | (109,357) |
|----------------------|--|-----------|

Internal service funds are used by management to charge the costs of vehicle maintenance and employee benefits to individual funds. The net expense is reported with governmental funds.

| | | |
|---|---------------------|--------------------|
| Total revenues and transfers from other funds | 29,527,312 | |
| Total expenses | <u>(35,533,435)</u> | |
| | | <u>(6,006,123)</u> |

| | | |
|---|--|-----------------------|
| Change in net assets of governmental activities | | <u>\$ (4,299,905)</u> |
|---|--|-----------------------|

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

Exhibit E

| | Governmental Activities - Internal Service Funds |
|---|---|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 27,214,812 |
| Accounts receivable | 77,164 |
| Due from other funds | 1,218,479 |
| Inventory | 354,927 |
| Total current assets | <u>28,865,382</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Land | 37,357 |
| Land improvements | 942,970 |
| Buildings and building improvements | 1,167,490 |
| Furniture, fixtures and equipment | 130,372 |
| Vehicles | 33,277 |
| Software | 78,725 |
| Less: accumulated depreciation | (1,024,954) |
| Total noncurrent assets | <u>1,365,237</u> |
| Total assets | <u>\$ 30,230,619</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 1,281,174 |
| Accrued salaries and benefits | 155,246 |
| Current portion of accrued insurance claims | 4,396,648 |
| Due to other funds | 5,857 |
| Current portion of compensated absences | 9,287 |
| Total current liabilities | <u>5,848,212</u> |
| Noncurrent liabilities: | |
| Noncurrent portion of accrued insurance claims | 79,838 |
| Noncurrent portion of compensated absences | 130,830 |
| Noncurrent portion of OPEB Liability | 20,402,575 |
| Total noncurrent liabilities | <u>20,613,243</u> |
| Total liabilities | <u>26,461,455</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 1,365,237 |
| Unrestricted | 2,403,927 |
| Total net assets | <u>3,769,164</u> |
| Total liabilities and net assets | <u>\$ 30,230,619</u> |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

Exhibit F

| | Governmental Activities - Internal Service Funds |
|--|---|
| Operating revenues: | |
| Charges for services | \$ 29,436,984 |
| Operating expenses: | |
| Personnel services | 2,145,388 |
| Contractual services | 31,699,804 |
| Materials and supplies | 1,519,019 |
| Heat, light and power | 24,922 |
| Telecommunication | 33,315 |
| Depreciation | 110,987 |
| Total operating expenses | <u>35,533,435</u> |
| Operating income (loss) | (6,096,451) |
| Nonoperating revenues: | |
| Interest and investment revenue | 9,761 |
| Gain (Loss) on disposal of capital assets | 1,458 |
| Vehicle sales | 79,109 |
| Total nonoperating revenues, net | <u>90,328</u> |
| Change in net assets | (6,006,123) |
| Total net assets, beginning - July 1, 2010 | 9,775,287 |
| Total net assets, ending - June 30, 2011 | <u>\$ 3,769,164</u> |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

Exhibit G

| | Governmental Activities - Internal Service Funds |
|---|---|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 29,296,474 |
| Payments to suppliers | (24,847,475) |
| Payments to employees | (2,153,212) |
| Net cash provided by operating activities | <u>2,295,787</u> |
| Cash flows from capital and related financing activities: | |
| Proceeds from vehicle sales | 80,567 |
| Acquisition and construction of capital assets | (8,527) |
| Net cash provided by capital and related financing activities | <u>72,040</u> |
| Cash flows from investing activities: | |
| Interest earned on investments | 9,761 |
| Net cash provided by investing activities | <u>9,761</u> |
| Net increase in cash and cash equivalents | 2,377,588 |
| Cash and cash equivalents, beginning - July 1, 2010 | 24,837,224 |
| Cash and cash equivalents, ending - June 30, 2011 | <u>\$ 27,214,812</u> |
| Reconciliation of operating loss to net cash provided by operating activities: | |
| Operating loss | \$ (6,096,451) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation expense | 110,987 |
| Changes in assets and liabilities: | |
| Increase in accounts receivable | (140,510) |
| Decrease in inventory | 9,091 |
| Decrease in prepaid insurance | 96,820 |
| Increase in accounts payable and accrued expenses | 335,219 |
| Increase in compensated absences | 12,196 |
| Increase in OPEB liability | 7,968,435 |
| Total adjustments | <u>8,392,238</u> |
| Net cash provided by operating activities | <u>\$ 2,295,787</u> |

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - TRUST AND AGENCY FUNDS
June 30, 2011**

Exhibit H

| | OPEB Trust Fund | Trust Funds Scholarship Trust Fund | Endowment Trust Fund | Agency Fund School Activity Funds |
|----------------------------------|----------------------------|---|---------------------------------|--|
| ASSETS | | | | |
| Restricted investments | \$ 2,700,962 | \$ 5,355 | \$ 32,149 | \$ 2,729,114 |
| LIABILITIES | | | | |
| Scholarships payable | \$ - | \$ (5,300) | \$ - | \$ - |
| Reserve for future expenditures | - | - | - | 2,729,114 |
| Total liabilities | <u>\$ -</u> | <u>\$ (5,300)</u> | <u>\$ -</u> | <u>\$ 2,729,114</u> |
| NET ASSETS | | | | |
| Net assets held for OPEB | \$ 2,700,962 | \$ - | \$ - | \$ - |
| Net assets held for scholarships | - | 55 | - | - |
| Net assets held for investment | - | - | 32,149 | - |
| Total net assets | <u>\$ 2,700,962</u> | <u>\$ 55</u> | <u>\$ 32,149</u> | <u>\$ -</u> |

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND - OPEB TRUST FUND
For the Fiscal Year Ended June 30, 2011**

Exhibit I

| | Trust Fund | | | |
|-----------------------------------|--|-------------------|-------------------|---|
| | OPEB Trust Fund | | | |
| | Fiduciary Net Assets - July 1, 2010 | Additions | Deductions | Fiduciary Net Assets - June 30, 2011 |
| ASSETS | | | | |
| Restricted investments: | | | | |
| Beginning balance | \$ 2,236,275 | \$ - | \$ - | \$ 2,236,275 |
| Contributions from employer | - | - | - | - |
| Investment gains (losses) | - | 468,020 | - | 468,020 |
| Investment interest income | - | 148 | - | 148 |
| Investment expenses | - | - | (3,481) | (3,481) |
| Ending balance | <u>\$ 2,236,275</u> | <u>\$ 468,168</u> | <u>\$ (3,481)</u> | <u>\$ 2,700,962</u> |
| LIABILITIES | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| NET ASSETS | | | | |
| Net assets held for OPEB purposes | <u>\$ 2,236,275</u> | <u>\$ 468,168</u> | <u>\$ (3,481)</u> | <u>\$ 2,700,962</u> |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND - SCHOLARSHIP TRUST FUND
For the Fiscal Year Ended June 30, 2011

Exhibit J

| | Trust Fund | | | |
|----------------------------------|--|------------------|-------------------|---|
| | Scholarship Trust Fund | | | |
| | Fiduciary Net Assets - July 1, 2010 | Additions | Deductions | Fiduciary Net Assets - June 30, 2011 |
| ASSETS | | | | |
| Restricted investments: | | | | |
| Beginning balance | \$ 109 | \$ - | \$ - | \$ 109 |
| Contributions from donors | - | 5,245 | - | 5,245 |
| Investment interest income | - | 1 | - | 1 |
| Scholarships paid | - | - | - | - |
| Ending balance | <u>\$ 109</u> | <u>\$ 5,246</u> | <u>\$ -</u> | <u>\$ 5,355</u> |
| LIABILITIES | | | | |
| Scholarships payable | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (5,300)</u> | <u>\$ (5,300)</u> |
| NET ASSETS | | | | |
| Net assets held for scholarships | <u>\$ 109</u> | <u>\$ 5,246</u> | <u>\$ (5,300)</u> | <u>\$ 55</u> |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND - ENDOWMENT TRUST FUND
For the Fiscal Year Ended June 30, 2011

Exhibit K

| | Trust Fund | | | |
|---|--|------------------|-------------------|---|
| | Endowment Trust Fund | | | Fiduciary Net Assets - June 30, 2011 |
| | Fiduciary Net Assets - July 1, 2010 | Additions | Deductions | |
| ASSETS | | | | |
| Restricted investments: | | | | |
| Beginning balance | \$ 35,940 | \$ - | \$ - | \$ 35,940 |
| Contributions from donors | - | 180 | - | 180 |
| Investment interest income | - | 71 | - | 71 |
| Scholarships paid | - | - | (4,042) | (4,042) |
| Ending balance | <u>\$ 35,940</u> | <u>\$ 251</u> | <u>\$ (4,042)</u> | <u>\$ 32,149</u> |
| LIABILITIES | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| NET ASSETS | | | | |
| Net assets held for investment purposes | <u>\$ 35,940</u> | <u>\$ 251</u> | <u>\$ (4,042)</u> | <u>\$ 32,149</u> |

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. THE FINANCIAL REPORTING ENTITY

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

The accompanying financial statements presented for SCPS conform to accounting principles generally accepted in the United States of America applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for establishing governmental accounting and financial reporting principles.

B. FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

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

Major Governmental Funds

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

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B. FUND ACCOUNTING (Continued)

Non-major Governmental Funds

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

PROPRIETARY FUNDS

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

Enterprise Funds

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

Internal Service Funds

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

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by a government acting as a trustee or agent for entities external to the governmental unit: individuals, organizations or other governmental units. There are four types of fiduciary funds: agency funds; private-purpose trust funds; investment trust funds; and pension and other employee benefit trust funds. Fiduciary funds are not included in the government-wide financial statements. SCPS has three trust funds and one agency fund as follows:

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B. FUND ACCOUNTING (Continued)

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

C. BASIS OF FINANCIAL STATEMENT PRESENTATION

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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C. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

FUND FINANCIAL STATEMENTS

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

D. MEASUREMENT FOCUS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

Governmental Funds

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

Proprietary Funds

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

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D. MEASUREMENT FOCUS (Continued)

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

Fiduciary Funds

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

E. BASIS OF ACCOUNTING

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

REVENUES

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

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

EXPENDITURES/EXPENSES

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

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

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F. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. In order to maximize investment returns, cash and cash equivalents are maintained in a fully insured or collateralized investment pool administered by the Treasurer's Office of the County of Stafford. At June 30, 2011, all of the County's deposits were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act established a single body of law applicable to the pledge of security as collateral for public funds on deposit in banking institutions so that the procedure for securing public deposits is uniform throughout the Commonwealth. Under the Act, banks holding public deposits must pledge certain levels of collateral and make monthly filings with the State Treasury Board.

RESTRICTED CASH

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

G. DEPOSITS AND INVESTMENTS

Cash resources of the individual funds, excluding cash held with fiscal agents in the Capital Projects Fund, Proprietary Funds, and Fiduciary Funds, are combined by County policy to form a pool of cash and investments to maximize interest earnings. Investments in the pool consist of repurchase agreements, commercial paper and obligations of the federal government, which are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. Investment earnings are allocated to the various funds based on equity in the investment pool. The fair value of investments is based on quoted market prices and no investments are valued at cost. All investments in external investment pools are reported at fair value.

H. INVENTORIES

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

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

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

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I. CAPITAL ASSETS

Capital assets are reported in the government-wide financial statements and proprietary fund statements and include land, buildings, improvements, furniture and equipment with a cost of \$5,000 or more. Depreciation is recorded on capital assets in the government-wide statements and proprietary fund statements using the straight-line method. Capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair market value on the date of the donation. Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is recorded in the results of operations.

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

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

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

J. COMPENSATED ABSENCES

SCPS employees accumulate vacation time and sick leave depending upon their length of service. SCPS has established accumulated leave balance thresholds for vacation leave. Excess days above the allowed carry-over are converted to sick leave days. There is no threshold on accumulated sick leave. Vacation leave up to the established threshold and a portion of sick leave time is payable upon termination of employment.

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

K. ACCRUED LIABILITIES AND LONG-TERM DEBT

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

L. NET ASSETS

Net assets represent the difference between assets and liabilities in the government-wide and proprietary fund financial statements. The net assets of SCPS fall into three categories: (1) net assets invested in capital assets, net of related debt, (2) restricted net assets and (3) unrestricted net assets.. The first category represents the portion of net assets related to capital assets, net of accumulated depreciation, reduced by the outstanding capital lease obligations incurred to acquire these assets. The second category represents the portion of the net assets restricted by external parties and /or transactions. All the remaining net assets are reported in the third category as unrestricted.

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L. NET ASSETS (Continued)

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

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

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

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

M. ENCUMBRANCES

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

N. USE OF ESTIMATES

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

O. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING

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

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

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O. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING (Continued)

2. Prior to April 1, the County Administrator submits a proposed budget (operating and capital) to the Board of Supervisors for the fiscal year commencing the following July 1. The budget includes proposed obligations and the means of financing them. The budget embodies estimates of specific amounts of revenue.
3. Public hearings are conducted by the Board of Supervisors to obtain taxpayer and citizen comments.
4. Prior to June 30, the County's budget, which includes SCPS as a component unit, is legally enacted through passage of a resolution by the Board of Supervisors. The School Board then adopts the budget approved by the County and the following individual fund budgets are legally adopted:

Stafford County Public Schools' Budgets

Governmental Funds:

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

Proprietary Funds – Internal Service Funds:

- Fleet Services Fund
- Health Benefits Fund
- Workers' Compensation Fund

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The budget for the proprietary funds serves as a guide and not as legally binding limitations. Although legal restrictions on expenditures are established at the departmental level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets. For the year ended June 30, 2011, there were no expenditures in excess of budgetary appropriations.

The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, comparing actual revenue and expenditures with budgeted amounts as originally adopted, and as amended by the Board of Supervisors through June 30, 2011. Individual amendments were not material in relation to the original appropriations.

P. Fund Equity

Beginning with fiscal year 2011, the SCPS implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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P. Fund Equity (Continued)

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is SCPS's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The School Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the School Board through the adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service, or for other purposes). SCPS staff has drafted but the School Board has not yet adopted a formal policy regarding fund balance as of June 30, 2011.

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 2-2-400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by 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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

INVESTMENTS

Statutes authorize the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

CUSTODIAL CREDIT RISK

The School Board's investments at June 30, 2011 were held by the School Board or in the School Board's name by the School Board's custodial banks.

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CREDIT RISK OF DEBT SECURITIES

Stafford County Public Schools' debt investments as of June 30, 2011 were rated by Standard & Poor's and/or an equivalent national rating organization. The ratings using Standard & Poor's rating scale are presented below:

| | <u>AAAm</u> | <u>AAA</u> | <u>A1</u> |
|----------------------------|---------------|------------|-----------|
| VACo/VML Pooled OPEB Trust | \$ 2,700,962 | \$ - | \$ - |
| LGIP | 4,713,003 | - | - |
| SNAP | 8,168,063 | - | - |
| Total | \$ 15,582,028 | \$ - | \$ - |

EXTERNAL INVESTMENT POOLS

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

Note 3. DUE FROM STAFFORD COUNTY (PRIMARY GOVERNMENT)

The receivable due from Stafford County at June 30, 2011 represents SCPS' ending cash balance, excluding the balance reported as "Pooled cash and investments", which was reclassified at year-end to "Due from primary government" in the Operating Fund.

Note 4. DUE FROM COMMONWEALTH OF VIRGINIA AND FEDERAL GOVERNMENT

Significant amounts of intergovernmental receivables due from other governments at June 30, 2011 were as follows:

| <i>Intergovernmental Receivables:</i> | Nonmajor Governmental | | Nonmajor Governmental | | Governmental Funds Total |
|---|---|--|--------------------------|-----------------------|-----------------------------|
| | Governmental Funds - Operating Fund | Funds - Food and Nutrition Services Fund | Funds - Grants Funds | Governmental Funds | |
| Commonwealth of Virginia | \$ 3,908,241 | \$ - | \$ 11,152 | \$ 3,919,393 | \$ 3,919,393 |
| Federal Government | 95,118 | 229,689 | 4,550,422 | 4,875,229 | 4,875,229 |
| Total | \$ 4,003,359 | \$ 229,689 | \$ 4,561,574 | \$ 8,794,622 | \$ 8,794,622 |

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

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

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

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Note 5. INTERFUND TRANSFERS

In the fiscal year ended June 30, 2011, the majority of the inter-fund transfers made were from the Operating Fund to the Health Benefits Fund. During the fiscal year, each fund accounted for healthcare premium payments to the Health Benefits Fund totaling \$23,906,811, which was classified as administrative, attendance and health expenditures. The inter-fund transfers made during the year ended June 30, 2011 were, as follows:

| <i>Transfer from:</i> | Food and Nutrition | | Total |
|-----------------------|-------------------------------|----------------------|---------------------|
| | Operating Fund | Services Fund | |
| <i>Transfer to:</i> | | | |
| Operating Fund | \$ - | \$ 100,000 | \$ 100,000 |
| Capital Projects Fund | 1,858,212 | - | 1,858,212 |
| Total | <u>\$ 1,858,212</u> | <u>\$ 100,000</u> | <u>\$ 1,958,212</u> |

Note 6. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term liability activity of SCPS for the year ended June 30, 2011:

| | Amounts Payable at 7/1/10 | Increases | Decreases | Amounts Payable at 6/30/11 | Amounts Due within One Year |
|---------------------------------|--|---------------------|-------------------|---|--|
| <i>Governmental Activities:</i> | | | | | |
| General Long-Term Debt: | | | | | |
| Capital Lease | \$ 2,332,435 | \$ - | \$ 292,517 | \$ 2,039,918 | \$ 305,132 |
| Compensated Absences * | 5,315,478 | 109,357 | - | 5,424,835 | 391,958 |
| Note Payable - Stafford County | - | 1,305,000 | 75,000 | 1,230,000 | 75,000 |
| <i>Internal Service Funds:</i> | | | | | |
| Compensated Absences | 127,921 | 12,196 | - | 140,117 | 9,287 |
| Total | <u>\$ 7,775,834</u> | <u>\$ 1,426,553</u> | <u>\$ 367,517</u> | <u>\$ 8,834,870</u> | <u>\$ 781,377</u> |

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

**STAFFORD COUNTY PUBLIC SCHOOLS
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Note 6. CHANGES IN LONG-TERM DEBT (continued)

On July 8, 2010, SCPS received the proceeds of a note payable from Stafford County in the amount of \$1,305,000. The note is related to a VPSA bond Stafford County received from Virginia Public School Authority. It is a principal only note with an annual payment due June 30th each year for 17 years. The payments are as follows:

| <u>Fiscal year ending June 30:</u> | <u>Amount</u> |
|------------------------------------|---------------------|
| 2012 | \$ 75,000 |
| 2013 | 75,000 |
| 2014 | 75,000 |
| 2015 | 75,000 |
| 2016 | 75,000 |
| 2017-2021 | 375,000 |
| 2022-2026 | 400,000 |
| 2027 | 80,000 |
| Total future payments | <u>\$ 1,230,000</u> |

Note 7. CAPITAL LEASE OBLIGATIONS

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

The financing for this project was structured as a Tax-exempt Municipal Lease and qualifies as a capital lease for accounting purposes. The total amount financed was \$3,204,186, including capitalized interest of \$60,289, and \$2,039,918 is outstanding as of June 30, 2011.

For the year ended June 30, 2011, interest expense from the capital lease obligation totaled \$94,392.

The maturities of future minimum lease payments and the net present value of capitalized lease obligations as of June 30, 2011 are as follows:

| <u>Fiscal year ending June 30:</u> | <u>Amount</u> |
|--|---------------------|
| 2012 | \$ 386,909 |
| 2013 | 386,909 |
| 2014 | 386,909 |
| 2015 | 386,909 |
| 2016 | 386,909 |
| 2017 | 386,907 |
| Total future minimum lease payments | 2,321,452 |
| Less: interest included in total future minimum lease payments | 281,534 |
| Net present value of capitalized lease obligations | <u>\$ 2,039,918</u> |

STAFFORD COUNTY PUBLIC SCHOOLS
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Note 8. CAPITAL ASSETS

The following is a summary of the changes in *Total capital assets, net - governmental activities* for the fiscal year ended June 30, 2011:

| | Balance July 1, 2010 | Increases | Decreases | Re- classifications | Balance June 30, 2011 |
|--|---------------------------------|-----------------------|-----------------------|--------------------------------|----------------------------------|
| <i>Governmental Activities :</i> | | | | | |
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 26,839,959 | \$ 276,983 | \$ (31,702) | \$ - | \$ 27,085,240 |
| Assets not yet placed in service | 119,260 | 135,993 | - | (101,371) | 153,882 |
| Construction in progress | 4,868,002 | 3,639,203 | (2,017,986) | (2,075,819) | 4,413,400 |
| Total non-depreciable capital assets | 31,827,221 | 4,052,179 | (2,049,688) | (2,177,190) | 31,652,522 |
| <u>Depreciable capital assets:</u> | | | | | |
| Land improvements | 34,823,628 | 1,181,661 | (26,772) | 1,115,428 | 37,093,945 |
| Buildings & building improvements | 403,985,744 | 3,628,101 | (25,152) | 960,391 | 408,549,084 |
| Furniture, fixtures & equipment | 8,109,107 | 503,568 | (163,485) | 101,371 | 8,550,561 |
| Vehicles | 20,271,853 | 673,591 | (1,308,827) | - | 19,636,617 |
| Software | 353,668 | 42,862 | - | - | 396,530 |
| Technology infrastructure | 777,696 | 56,367 | - | - | 834,063 |
| Water treatment system | 635,154 | - | - | - | 635,154 |
| Total depreciable capital assets | 468,956,850 | 6,086,150 | (1,524,236) | 2,177,190 | 475,695,954 |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Land improvements | (7,087,493) | (1,883,877) | 18,741 | - | (8,952,629) |
| Buildings & building improvements | (104,413,738) | (10,145,448) | 22,433 | - | (114,536,753) |
| Furniture, fixtures & equipment | (4,707,867) | (643,249) | 161,977 | - | (5,189,139) |
| Vehicles | (11,592,943) | (986,987) | 1,268,730 | - | (11,311,200) |
| Software | (140,630) | (75,020) | - | - | (215,650) |
| Technology infrastructure | (24,875) | (40,294) | - | - | (65,169) |
| Water treatment system | (335,977) | (37,235) | - | - | (373,212) |
| Total accumulated depreciation | (128,303,523) | (13,812,110) | 1,471,881 | - | (140,643,752) |
| Total depreciable capital assets, net | 340,653,327 | (7,725,960) | (52,355) | - | 335,052,202 |
| Total capital assets, net - governmental activities | \$372,480,548 | \$ (3,673,781) | \$ (2,102,043) | \$ - | \$ 366,704,724 |

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Note 8. CAPITAL ASSETS (Continued)

The following is a summary of the changes in *Total capital assets, propriety funds* (i.e., for SCPS' Fleet Services Fund, an internal service fund) for the fiscal year ended June 30, 2011:

| | Balance | | | Re- | Balance |
|--|---------------------|---------------------|------------------|------------------------|----------------------|
| | July 1, 2010 | Increases | Decreases | classifications | June 30, 2011 |
| <i>Internal - Service activities:</i> | | | | | |
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 37,357 | \$ - | \$ - | \$ - | \$ 37,357 |
| Construction in progress | - | - | - | - | - |
| Total non-depreciable capital assets | 37,357 | - | - | - | 37,357 |
| <u>Depreciable capital assets:</u> | | | | | |
| Land improvements | 942,970 | - | - | - | 942,970 |
| Buildings & building improvements | 1,167,490 | - | - | - | 1,167,490 |
| Furniture, fixtures & equipment | 121,845 | 8,527 | - | - | 130,372 |
| Vehicles | 33,277 | - | - | - | 33,277 |
| Software | 78,725 | - | - | - | 78,725 |
| Total depreciable capital assets | 2,344,307 | 8,527 | - | - | 2,352,834 |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Land improvements | (178,727) | (47,515) | - | - | (226,242) |
| Buildings & building improvements | (664,528) | (34,664) | - | - | (699,192) |
| Furniture, fixtures & equipment | (49,952) | (8,904) | - | - | (58,856) |
| Vehicles | (12,888) | (4,159) | - | - | (17,047) |
| Software | (7,872) | (15,745) | - | - | (23,617) |
| Total accumulated depreciation | (913,967) | (110,987) | - | - | (1,024,954) |
| Total depreciable capital assets, net | 1,430,340 | (102,460) | - | - | 1,327,880 |
| Total capital assets, net | | | | | |
| - internal - service activities | \$ 1,467,697 | \$ (102,460) | \$ - | \$ - | \$ 1,365,237 |

Note 9. CONSTRUCTION COMMITMENTS

At June 30, 2011, SCPS had contractual commitments of \$2.3 million in the Capital Projects Fund for construction of various projects.

Note 10. RELATED PARTIES

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

**STAFFORD COUNTY PUBLIC SCHOOLS
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Note 11. DEBT SERVICE

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

Note 12. RISK MANAGEMENT

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

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

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

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

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

| Fiscal Year Ended June 30, | 2011 | 2010 |
|---|---------------------|---------------------|
| Unpaid claims, beginning of fiscal year | \$ 4,006,316 | \$ 3,434,279 |
| Incurred claims (including IBNR) | 22,250,561 | 22,083,764 |
| Claims payments | (21,996,169) | (21,511,727) |
| Unpaid claims, end of fiscal year | <u>\$ 4,260,708</u> | <u>\$ 4,006,316</u> |

Note 13. LITIGATION AND CONTINGENT LIABILITIES

SCPS is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. It is the opinion of SCPS' management, based on advice from legal counsel, that any losses incurred as a result of claims existing as of June 30, 2011 will not be material to the financial statements.

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Note 13. LITIGATION AND CONTINGENT LIABILITIES (Continued)

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

Note 14. DEFINED BENEFIT PENSION PLAN

A. PLAN DESCRIPTION

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

All full-time, salaried permanent (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 10 years of service credit or age 50 with at least five 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.

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Note 14. DEFINED BENEFIT PENSION PLAN (Continued)

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 report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. FUNDING POLICY

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the SCPS 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. This 5% member contribution may be assumed by the employer. The SCPS contribution rate for professional and non-professional employees for the fiscal year ended 2011 was 13.81% and 13.68%, respectively, of annual covered payroll.

Total contributions to the VRS State Teachers Pool for the fiscal years ended June 30, 2009 through June 30, 2011 were \$18,967,991, \$15,704,158, and \$12,511,835 (including both the employer and employee portions) respectively, representing 13.81%, 11.24% and 8.93%, respectively, of the annual covered payroll for the three fiscal years then ended.

C. ANNUAL PENSION COST

For fiscal year 2011, SCPS' actual annual pension cost of \$1,196,986 was equal to its required contribution.

Three-year Pension Trend Information for SCPS:

| Fiscal Year Ending | Annual Pension Cost (APC) | % of APC Contributed | Net Pension Obligation |
|---------------------------|----------------------------------|-----------------------------|-------------------------------|
| June 30, 2011 | \$1,196,986 | 100.00% | - |
| June 30, 2010 | \$1,323,860 | 100.00% | - |
| June 30, 2009 | \$1,348,849 | 100.00% | - |

The FY 2011 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 SCPS'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. SCPS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

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D. FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2010, the most recent actuarial valuation date, the School Board's plan was 76.94% funded. The actuarial accrued liability for benefits was \$22,318,924, and the actuarial value of assets was \$17,171,281, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,147,643. The covered payroll (annual payroll of active employees covered by the plan) was \$9,204,760 and the ratio of the UAAL to the covered payroll was 55.92%.

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

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

A. PLAN DESCRIPTION

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

RETIREMENT BENEFITS

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

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

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

DISABILITY BENEFITS

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

SURVIVOR BENEFITS

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

MEDICARE COVERAGE OPTIONS

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

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A. PLAN DESCRIPTION (continued)

ACTUARIAL METHODS AND ASSUMPTIONS

Cost Method

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

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

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

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

Interest Assumptions

The actuarial assumptions of the plan as of June 30, 2011 are as follows:

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

B. FUNDING POLICY

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

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

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

The School Board's annual OPEB cost (expense) for the year ended June 30, 2011 was \$9,106,473 (comprised of the ARC of \$9,071,000 plus interest on the beginning net OPEB obligation of \$497,365 less an ARC adjustment of \$461,892), the total medical claims paid were \$1,138,038, yielding an unfunded ARC of \$7,932,962.

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C. ANNUAL OPEB COST AND NET OPEB OBLIGATION (Continued)

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for fiscal years 2011, 2010, 2009 and 2008 are as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Annual Contribution</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------------|-----------------------------|--------------------------------|---|--------------------------------|
| June 30, 2011 | \$9,106,473 | \$1,138,038 | 12.50% | \$20,402,575 |
| June 30, 2010 | \$5,552,873 | \$2,737,604 | 49.30% | \$12,434,140 |
| June 30, 2009 | \$5,517,873 | \$3,021,706 | 54.76% | \$9,618,871 |
| June 30, 2008 | \$8,258,000 | \$1,135,296 | 13.75% | \$7,122,704 |

D. FUNDED STATUS AND PROGRESS

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

Note 16. VRS HEALTH INSURANCE CREDIT OPEB PLAN

A. PLAN DESCRIPTION

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

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

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

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

A. PLAN DESCRIPTION (Continued)

ACTUARIAL METHODS AND ASSUMPTIONS

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

Cost Method

The entry age normal cost method was used to determine the plan’s funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2010 was 26 years.

B. FUNDING POLICY

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

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, is based on the annual required contribution (ARC) determined for each fiscal year. SCPS is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2011, SCPS’ contribution of \$22,750 was equal to the ARC and OPEB cost. SCPS’ annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for 2011, 2010 and 2009 are as follows:

| Fiscal Year Ending | OPEB Cost (ARC) | Percentage of ARC Contributed | Net OPEB Obligation |
|-----------------------|--------------------|-------------------------------------|------------------------|
| 6/30/2011 | \$ 22,750 | 100.00% | - |
| 6/30/2010 | \$ 37,331 | 100.00% | - |
| 6/30/2009 | \$ 38,036 | 100.00% | - |

D. FUNDED STATUS AND FUNDING PROGRESS

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

D. FUNDED STATUS AND FUNDING PROGRESS (continued)

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

E. PROFESSIONAL EMPLOYEES

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 0.60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2011, 2010, and 2009 were \$760,296, \$1,170,804, and \$1,489,996, respectively and equaled the required contributions for each year.

Note 17. SUBSEQUENT EVENTS

In July and October 2011, SCPS entered into two (2) contracts to purchase six (6) parcels of land for a new site on which to construct a replacement building for Moncure Elementary School. Both contracts were executed with required deposits of \$40,000 and \$50,000, respectively, which are being held in trust in an interest-bearing escrow savings account. As of November 30, 2011, the total interest earned to date in the account was \$42, and the account balance was \$90,042.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Operating Fund
For the Fiscal Year Ended June 30, 2011

Exhibit L

| | Budget | | Actual (Budget Basis) | Variance from |
|--|--------------------|-----------------------|--------------------------|------------------------------|
| | Original | Final | | Final Budget Over (Under) |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Stafford County | \$100,693,774 | \$100,693,774 | \$ 99,323,620 | \$ (1,370,154) |
| Commonwealth of Virginia | 118,109,934 | 118,129,336 | 118,558,352 | 429,016 |
| Federal Government | 1,620,000 | 1,620,000 | 2,503,520 | 883,520 |
| Total intergovernmental revenues | <u>220,423,708</u> | <u>220,443,110</u> | <u>220,385,492</u> | <u>(57,618)</u> |
| Charges for services: | | | | |
| Tuition and fees | 792,500 | 940,649 | 695,978 | (244,671) |
| Recovered costs | 715,000 | 1,024,732 | 1,167,239 | 142,507 |
| Miscellaneous | 400,000 | 422,717 | 322,248 | (100,469) |
| Interest | - | - | 22 | 22 |
| Total revenues | <u>222,331,208</u> | <u>222,831,208</u> | <u>222,570,979</u> | <u>(260,229)</u> |
| EXPENDITURES | | | | |
| Current operating: | | | | |
| Instruction | 160,890,030 | 162,544,751 | 156,693,360 | (5,851,391) |
| Administration, attendance and health | 10,618,167 | 9,826,785 | 9,688,371 | (138,414) |
| Pupil transportation | 13,686,186 | 11,163,172 | 11,203,365 | 40,193 |
| Operation and maintenance | 22,385,220 | 21,949,768 | 20,957,014 | (992,754) |
| Food and nutrition services | 192,494 | 210,247 | 210,244 | (3) |
| Facilities | 300,000 | 427,786 | 187,981 | (239,805) |
| Technology | 13,034,216 | 15,258,573 | 14,342,481 | (916,092) |
| Capital outlay | 937,985 | 4,646,627 | 2,658,483 | (1,988,144) |
| Debt service: | | | | |
| Principal | 386,910 | 367,518 | 367,517 | (1) |
| Interest and fiscal charges | - | 102,347 | 102,347 | - |
| Total expenditures | <u>222,431,208</u> | <u>226,497,574</u> | <u>216,411,163</u> | <u>(10,086,411)</u> |
| Excess of revenues over expenditures | (100,000) | (3,666,366) | 6,159,816 | 9,826,182 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from (to) other funds, net | 100,000 | 100,000 | (1,758,212) | (1,858,212) |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (3,566,366)</u> | 4,401,604 | <u>\$ 7,967,970</u> |
| Fund balance, beginning - July 1, 2010 | | | <u>3,566,366</u> | |
| Fund balance, ending - June 30, 2011 | | | <u>\$ 7,967,970</u> | |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF FUNDING PROGRESS FOR DEFINED PENSION BENEFIT PLAN
Last Five Fiscal Years

Exhibit M

A. Virginia Retirement System

For Non-professional Employees:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded Actuarial Accrued Liability (UAAL) (b) - (a) | Funded Ratio (a) / (b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll {(b) - (a)} / (c) |
|--------------------------|-------------------------------|---------------------------------------|---|------------------------|----------------------------|---|
| June 30, 2010 | 17,171,281 | 22,318,924 | 5,147,643 | 76.94% | 9,204,760 | 55.92% |
| June 30, 2009 | 16,407,925 | 19,741,420 | 3,333,495 | 83.11% | 9,355,749 | 35.63% |
| June 30, 2008 | 15,105,330 | 18,143,961 | 3,038,631 | 83.25% | 9,423,081 | 32.25% |
| June 30, 2007 | 12,924,290 | 16,463,072 | 3,538,782 | 78.50% | 9,275,202 | 38.15% |
| June 30, 2006 | 10,838,222 | 13,684,813 | 2,846,591 | 79.20% | 7,927,683 | 35.91% |

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

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

For Professional and Non-professional Employees:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded Actuarial Accrued Liability (UAAL) (b) - (a) | Funded Ratio (a) / (b) | Annual Covered Payroll (c) | UAAL as of a Percentage of Covered Payroll {(b) - (a)} / (c) |
|----------------------------|-------------------------------|---------------------------------------|---|------------------------|----------------------------|--|
| After Plan Design Change: | | | | | | |
| July 1, 2010 | 2,236,000 | 89,408,000 | 87,172,000 | 2.50% | 102,349,123 | 85.17% |
| July 1, 2008 | 1,058,479 | 50,636,479 | 49,578,000 | 2.09% | 106,020,819 | 46.76% |
| Before Plan Design Change: | | | | | | |
| July 1, 2007 | - | 7,967,000 | 7,967,000 | 0.00% | 103,300,000 | 7.71% |

C. VRS Health Insurance Credit OPEB Plan

For Non-professional Employees:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded Actuarial Accrued Liability (UAAL) (b) - (a) | Funded Ratio (a) / (b) | Annual Covered Payroll (c) | UAAL as of a Percentage of Covered Payroll {(b) - (a)} / (c) |
|--------------------------|-------------------------------|---------------------------------------|---|------------------------|----------------------------|--|
| September 30, 2010 | 138,036 | 300,205 | 162,169 | 45.98% | 9,204,760 | 1.76% |
| September 30, 2009 | 102,886 | 260,568 | 157,682 | 39.49% | 9,355,749 | 1.69% |
| September 30, 2008 | 101,971 | 303,765 | 201,794 | 33.57% | 9,423,081 | 2.14% |
| September 30, 2007 | 73,627 | 417,967 | 344,340 | 17.62% | 9,275,502 | 3.71% |

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011**

A. BUDGETS AND BUDGETARY ACCOUNTING

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

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

Stafford County Public Schools

Governmental Funds:

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

Proprietary Funds – Internal Service Funds:

- Fleet Services Fund
- Health Benefits Fund
- Worker's Compensation Fund

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT OF STAFFORD COUNTY, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011**

Exhibit N

| | <u>Special Revenue Funds</u> | | Total Nonmajor Governmental Funds |
|-------------------------------------|---|------------------------|--|
| | Food and Nutrition Services Fund | Grants Fund | |
| ASSETS | | | |
| Pooled cash and investments | \$ 3,149,460 | \$ - | \$ 3,149,460 |
| Accounts receivable | 1,778 | 17,292 | 19,070 |
| Intergovernmental receivables: | | | |
| Federal Government | 229,689 | 4,550,422 | 4,780,111 |
| Commonwealth of Virginia | - | 11,152 | 11,152 |
| Inventory | 234,485 | - | 234,485 |
| Total assets | <u>\$ 3,615,412</u> | <u>\$ 4,578,866</u> | <u>\$ 8,194,278</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities: | | | |
| Accounts payable | \$ 63,257 | \$ 43,139 | \$ 106,396 |
| Accrued salaries and benefits | 975,691 | - | 975,691 |
| Due to other funds | 68,239 | 4,458,594 | 4,526,833 |
| Total liabilities | <u>1,107,187</u> | <u>4,501,733</u> | <u>5,608,920</u> |
| Fund balance: | | | |
| Nonspendable: | | | |
| Inventory | 234,485 | - | 234,485 |
| Total nonspendable | <u>234,485</u> | <u>-</u> | <u>234,485</u> |
| Restricted: | | | |
| Food and nutrition services | 2,273,740 | - | 2,273,740 |
| Grants | - | 77,133 | 77,133 |
| Total restricted fund balance | <u>2,273,740</u> | <u>77,133</u> | <u>2,350,873</u> |
| Total fund balance | <u>2,508,225</u> | <u>77,133</u> | <u>2,585,358</u> |
| Total liabilities and fund balance | <u>\$ 3,615,412</u> | <u>\$ 4,578,866</u> | <u>\$ 8,194,278</u> |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT OF STAFFORD COUNTY, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL GRANTS FUNDS
June 30, 2011

Exhibit O

| | <u>Special Revenue Funds</u> | | Total Nonmajor Governmental Grants Funds |
|-------------------------------------|---|------------------------|---|
| | State Stabilization Fund | Grants Fund | |
| ASSETS | | | |
| Accounts receivable | \$ - | \$ 17,292 | \$ 17,292 |
| Intergovernmental receivables: | | | |
| Federal Government | 2,853,045 | 1,697,377 | 4,550,422 |
| Commonwealth of Virginia | - | 11,152 | 11,152 |
| Total assets | <u>\$ 2,853,045</u> | <u>\$ 1,725,821</u> | <u>\$ 4,578,866</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities: | | | |
| Accounts payable | \$ - | \$ 43,139 | \$ 43,139 |
| Due to other funds | 2,853,045 | 1,605,549 | 4,458,594 |
| Total liabilities | <u>2,853,045</u> | <u>1,648,688</u> | <u>4,501,733</u> |
| Fund balance: | | | |
| Restricted: | | | |
| Grants | - | 77,133 | 77,133 |
| Total restricted fund balance | <u>-</u> | <u>77,133</u> | <u>77,133</u> |
| Total fund balance | <u>-</u> | <u>77,133</u> | <u>77,133</u> |
| Total liabilities and fund balance | <u>\$ 2,853,045</u> | <u>\$ 1,725,821</u> | <u>\$ 4,578,866</u> |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

Exhibit P

| | Special Revenue Funds | | Total Nonmajor Governmental Funds |
|--|---|----------------|--|
| | Food and Nutrition Services Fund | Grants Fund | |
| REVENUES | | | |
| Intergovernmental: | | | |
| Commonwealth of Virginia | \$ 179,779 | \$ 112,999 | \$ 292,778 |
| Federal Government | 4,388,489 | 26,361,893 | 30,750,382 |
| Total intergovernmental revenues | 4,568,268 | 26,474,892 | 31,043,160 |
| Charges for services: | | | |
| Food sales | 7,316,875 | - | 7,316,875 |
| Miscellaneous | - | 10,205 | 10,205 |
| Total revenues | 11,885,143 | 26,485,097 | 38,370,240 |
| EXPENDITURES | | | |
| Current operating: | | | |
| Education: | | | |
| Instruction | - | 24,380,141 | 24,380,141 |
| Pupil transportation | - | 1,502,921 | 1,502,921 |
| Food and nutrition services | 10,951,904 | - | 10,951,904 |
| Technology | 131,870 | 107,537 | 239,407 |
| Capital outlay | 48,976 | 464,480 | 513,456 |
| Total expenditures | 11,132,750 | 26,455,079 | 37,587,829 |
| Excess of revenues over expenditures | 752,393 | 30,018 | 782,411 |
| OTHER FINANCING USES | | | |
| Transfers to other funds | (100,000) | - | (100,000) |
| Net change in fund balance | 652,393 | 30,018 | 682,411 |
| Fund balance, beginning - July 1, 2010 | 1,855,832 | 47,115 | 1,902,947 |
| Fund balance, ending - June 30, 2011 | \$ 2,508,225 | \$ 77,133 | \$ 2,585,358 |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL GRANTS FUNDS
For the Fiscal Year Ended June 30, 2011

Exhibit Q

| | <u>Special Revenue Funds</u> | | Total Nonmajor Governmental Grants Funds |
|--|--|------------------------|---|
| | State Fiscal Stabilization Fund | Grants Fund | |
| REVENUES | | | |
| Intergovernmental: | | | |
| Commonwealth of Virginia | \$ - | \$ 112,999 | \$ 112,999 |
| Federal Government | 14,240,967 | 12,120,926 | 26,361,893 |
| Total intergovernmental revenues | 14,240,967 | 12,233,925 | 26,474,892 |
| Miscellaneous | - | 10,205 | 10,205 |
| Total revenues | 14,240,967 | 12,244,130 | 26,485,097 |
| EXPENDITURES | | | |
| Current operating: | | | |
| Education: | | | |
| Instruction | 14,240,967 | 10,139,174 | 24,380,141 |
| Pupil transportation | - | 1,502,921 | 1,502,921 |
| Technology | - | 107,537 | 107,537 |
| Capital outlay | - | 464,480 | 464,480 |
| Total expenditures | 14,240,967 | 12,214,112 | 26,455,079 |
| Excess of revenues over expenditures / | | | |
| Net change in fund balance | - | 30,018 | 30,018 |
| Fund balance, beginning - July 1, 2010 | - | 47,115 | 47,115 |
| Fund balance, ending - June 30, 2011 | \$ - | \$ 77,133 | \$ 77,133 |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

Exhibit R

| | Internal Service Funds | | | Total Proprietary Funds |
|---|------------------------------------|-------------------------------------|---|--|
| | Fleet Services Fund | Health Benefits Fund | Workers' Compensation Fund | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 855,758 | \$ 24,753,976 | \$ 1,605,078 | \$ 27,214,812 |
| Accounts receivable | 31,949 | 45,215 | - | 77,164 |
| Due from other funds | - | 1,218,479 | - | 1,218,479 |
| Inventory | 354,927 | - | - | 354,927 |
| Total current assets | <u>1,242,634</u> | <u>26,017,670</u> | <u>1,605,078</u> | <u>28,865,382</u> |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Land | 37,357 | - | - | 37,357 |
| Land improvements | 942,970 | - | - | 942,970 |
| Buildings and building improvements | 1,167,490 | - | - | 1,167,490 |
| Furniture, fixtures and equipment | 130,372 | - | - | 130,372 |
| Vehicles | 33,277 | - | - | 33,277 |
| Software | 78,725 | - | - | 78,725 |
| Less accumulated depreciation | (1,024,954) | - | - | (1,024,954) |
| Total noncurrent assets | <u>1,365,237</u> | <u>-</u> | <u>-</u> | <u>1,365,237</u> |
| Total assets | <u>\$ 2,607,871</u> | <u>\$ 26,017,670</u> | <u>\$ 1,605,078</u> | <u>\$ 30,230,619</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 42,684 | \$ 1,218,479 | \$ 20,011 | \$ 1,281,174 |
| Accrued salaries and benefits | 141,299 | 8,610 | 5,337 | 155,246 |
| Current portion of accrued insurance claims | - | 4,260,708 | 135,940 | 4,396,648 |
| Due to other funds | 5,772 | - | 85 | 5,857 |
| Current portion of compensated absences | 9,287 | - | - | 9,287 |
| Total current liabilities | <u>199,042</u> | <u>5,487,797</u> | <u>161,373</u> | <u>5,848,212</u> |
| Noncurrent liabilities: | | | | |
| Noncurrent portion of accrued insurance claims | - | - | 79,838 | 79,838 |
| Noncurrent portion of compensated absences | 130,830 | - | - | 130,830 |
| Noncurrent portion of OPEB liability | - | 20,402,575 | - | 20,402,575 |
| Total noncurrent liabilities | <u>130,830</u> | <u>20,402,575</u> | <u>79,838</u> | <u>20,613,243</u> |
| Total liabilities | <u>329,872</u> | <u>25,890,372</u> | <u>241,211</u> | <u>26,461,455</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 1,365,237 | - | - | 1,365,237 |
| Unrestricted | 912,762 | 127,298 | 1,363,867 | 2,403,927 |
| Total net assets | <u>2,277,999</u> | <u>127,298</u> | <u>1,363,867</u> | <u>3,769,164</u> |
| Total liabilities and net assets | <u>\$ 2,607,871</u> | <u>\$ 26,017,670</u> | <u>\$ 1,605,078</u> | <u>\$ 30,230,619</u> |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

Exhibit S

| | <u>Internal Service Funds</u> | | | <u>Total Proprietary Funds</u> |
|---|------------------------------------|-------------------------------------|---|--|
| | <u>Fleet Services Fund</u> | <u>Health Benefits Fund</u> | <u>Workers' Compensation Fund</u> | |
| Operating revenues: | | | | |
| Charges for services | \$ 3,572,512 | \$ 25,829,720 | \$ 34,752 | \$ 29,436,984 |
| Operating expenses: | | | | |
| Personnel services | 1,904,702 | 169,054 | 71,632 | 2,145,388 |
| Contractual services | 42,297 | 31,117,838 | 539,669 | 31,699,804 |
| Materials and supplies | 1,519,019 | - | - | 1,519,019 |
| Utilities | 24,922 | - | - | 24,922 |
| Telecommunications | 33,315 | - | - | 33,315 |
| Depreciation | 110,987 | - | - | 110,987 |
| Total operating expenses | <u>3,635,242</u> | <u>31,286,892</u> | <u>611,301</u> | <u>35,533,435</u> |
| Operating income (loss) | <u>(62,730)</u> | <u>(5,457,172)</u> | <u>(576,549)</u> | <u>(6,096,451)</u> |
| Nonoperating revenues: | | | | |
| Interest and investment revenue | - | 9,761 | - | 9,761 |
| Gain (Loss) on disposal of capital assets | 1,458 | - | - | 1,458 |
| Vehicle sales | 79,109 | - | - | 79,109 |
| | <u>80,567</u> | <u>9,761</u> | <u>-</u> | <u>90,328</u> |
| Non-operating income (loss) / Change in net assets | 17,837 | (5,447,411) | (576,549) | (6,006,123) |
| Net assets, beginning - July 1, 2010 | 2,260,162 | 5,574,709 | 1,940,416 | 9,775,287 |
| Net assets, ending - June 30, 2011 | <u>\$ 2,277,999</u> | <u>\$ 127,298</u> | <u>\$ 1,363,867</u> | <u>\$ 3,769,164</u> |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

Exhibit T

| | Internal Service Funds | | | Total Proprietary Funds |
|--|---------------------------|----------------------------|----------------------------------|-------------------------------|
| | Fleet Services Fund | Health Benefits Fund | Workers' Compensation Fund | |
| Cash flows from operating activities: | | | | |
| Receipts from customers | \$ 3,542,171 | \$ 25,719,551 | \$ 34,752 | \$ 29,296,474 |
| Payments to suppliers | (1,618,247) | (22,685,462) | (543,766) | (24,847,475) |
| Payments to employees | (1,912,493) | (169,279) | (71,440) | (2,153,212) |
| Net cash provided (used) by operating activities | 11,431 | 2,864,810 | (580,454) | 2,295,787 |
| Cash flows from capital and related financing activities: | | | | |
| Proceeds from vehicle and supply sales | 80,567 | - | - | 80,567 |
| Acquisition and construction of capital assets | (8,527) | - | - | (8,527) |
| Net cash provided by capital and related financing activities | 72,040 | - | - | 72,040 |
| Cash flows from investing activities: | | | | |
| Interest earned on investments | - | 9,761 | - | 9,761 |
| Net cash provided by investing activities | - | 9,761 | - | 9,761 |
| Net increase in cash and cash equivalents | 83,471 | 2,874,571 | (580,454) | 2,377,588 |
| Cash and cash equivalents, beginning July 1, 2010 | 772,287 | 21,879,405 | 2,185,532 | 24,837,224 |
| Cash and cash equivalents, ending June 30, 2011 | <u>\$ 855,758</u> | <u>\$ 24,753,976</u> | <u>\$ 1,605,078</u> | <u>\$ 27,214,812</u> |
| Reconciliation of operating loss to net cash provided by operating activities: | | | | |
| Operating loss | \$ (62,730) | \$ (5,457,172) | \$ (576,549) | \$ (6,096,451) |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities: | | | | |
| Depreciation expense | 110,987 | - | - | 110,987 |
| Changes in assets and liabilities: | | | | |
| Increase in accounts receivables | (30,341) | (110,169) | - | (140,510) |
| Decrease in inventory | 9,091 | - | - | 9,091 |
| Decrease in prepaid insurance | - | 96,820 | - | 96,820 |
| Increase (decrease) in accounts payable and accrued expenses | (27,772) | 366,896 | (3,905) | 335,219 |
| Increase in compensated absences | 12,196 | - | - | 12,196 |
| Increase in OPEB liability | - | 7,968,435 | - | 7,968,435 |
| Total adjustments | 74,161 | 8,321,982 | (3,905) | 8,392,238 |
| Net cash provided (used) by operating activities | <u>\$ 11,431</u> | <u>\$ 2,864,810</u> | <u>\$ (580,454)</u> | <u>\$ 2,295,787</u> |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND - AGENCY FUND
For the Fiscal Year Ended June 30, 2011

Exhibit U

| | <u>Agency Fund</u> | | | |
|---------------------------------|------------------------------|--------------------|----------------------|----------------------|
| | <u>School Activity Funds</u> | | | |
| | <u>Beginning</u> | <u>Additions -</u> | <u>Deductions -</u> | <u>Ending</u> |
| | <u>Balance -</u> | <u>Cash</u> | <u>Cash</u> | <u>Balance -</u> |
| | <u>July 1, 2010</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>June 30, 2011</u> |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,566,423 | \$ 6,273,158 | \$ (6,110,467) | \$ 2,729,114 |
| LIABILITIES | | | | |
| Reserve for future expenditures | \$ 2,566,423 | \$ 6,273,158 | \$ (6,110,467) | \$ 2,729,114 |

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATISTICAL SECTION
June 30, 2011**

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

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

The following information included in this statistical section is unaudited.

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STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY , VIRGINIA
NET ASSETS BY COMPONENT
Fiscal Years 2006 - 2011
(Accrual Basis of Accounting)

Table S-1

| | June 30, | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| NET ASSETS: | | | | | | |
| Invested in capital assets, net of related debt | \$328,150,928 | \$360,219,807 | \$372,811,891 | \$377,290,792 | \$371,615,809 | \$366,030,043 |
| Restricted | 21,388 | 843 | - | - | 6,615,701 | 11,479,446 |
| Unrestricted | 45,517,698 | 26,411,900 | 27,817,509 | 17,502,199 | 8,350,669 | 4,772,785 |
| Total net assets | \$373,690,014 | \$386,632,550 | \$400,629,400 | \$394,792,991 | \$386,582,179 | \$382,282,274 |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
CHANGES IN NET ASSETS BY COMPONENT
Fiscal Years 2006 - 2011
(Accrual Basis of Accounting)

Table S-2

| | For the Fiscal Year Ended June 30, | | | | | |
|---------------------------------------|------------------------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Expenses | | | | | | |
| Governmental activities | \$239,085,262 | \$254,849,234 | \$269,258,983 | \$279,829,235 | \$275,344,685 | \$281,858,250 |
| Program revenues | | | | | | |
| Charges for services | 10,253,513 | 12,905,290 | 10,738,470 | 17,996,927 | 21,992,880 | 15,911,786 |
| Operating grants and contributions | 125,172,680 | 140,951,314 | 146,067,195 | 152,758,520 | 140,144,414 | 160,516,890 |
| Total program revenues | <u>135,426,193</u> | <u>153,856,604</u> | <u>156,805,665</u> | <u>170,755,447</u> | <u>162,137,294</u> | <u>176,428,676</u> |
| Net expenses | <u>(103,659,069)</u> | <u>(100,992,630)</u> | <u>(112,453,318)</u> | <u>(109,073,788)</u> | <u>(113,207,391)</u> | <u>(105,429,574)</u> |
| General revenues | | | | | | |
| Unrestricted grants and contributions | 153,719,718 | 110,969,860 | 124,008,330 | 101,194,329 | 103,808,533 | 99,323,620 |
| Investment earnings | 1,123,206 | 1,635,750 | 954,628 | 411,486 | 24,374 | 22,090 |
| Loss on capital asset disposals | - | - | - | - | - | 80,567 |
| Miscellaneous | 516,691 | 1,151,800 | 1,487,210 | 1,631,563 | 1,782,243 | 1,703,392 |
| Total general revenues | <u>155,359,615</u> | <u>113,757,410</u> | <u>126,450,168</u> | <u>103,237,378</u> | <u>105,615,150</u> | <u>101,129,669</u> |
| Change in net assets | <u>\$ 51,700,546</u> | <u>\$ 12,764,780</u> | <u>\$ 13,996,850</u> | <u>\$ (5,836,410)</u> | <u>\$ (7,592,241)</u> | <u>\$ (4,299,905)</u> |

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS
Fiscal Years 2007 - 2011
(Modified Accrual Basis of Accounting)**

Table S-3

| | June 30, | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| Operating Fund: | | | | | |
| Restricted | \$ - | \$ - | \$ - | \$ - | \$ 960,510 |
| Assigned | - | - | - | - | 7,007,460 |
| Reserved | 5,797,867 | 9,189,151 | 4,329,683 | 3,566,366 | - |
| Designated | - | 1,792,849 | 4,700,000 | 618,571 | - |
| Fund balance - general fund | <u>5,797,867</u> | <u>10,982,000</u> | <u>9,029,683</u> | <u>4,184,937</u> | <u>7,967,970</u> |
| All Other Governmental Funds: | | | | | |
| Reserved: | | | | | |
| Capital Projects Fund | 18,667,695 | 9,916,007 | 1,822,581 | 4,581,296 | - |
| Food and Nutrition Services Fund | 136,083 | 340,048 | 353,134 | 315,257 | - |
| School Construction, Renovation and Maintenance Fund | 843 | - | - | - | - |
| Grants Fund | - | - | 558,638 | 47,115 | - |
| | <u>18,804,621</u> | <u>10,256,055</u> | <u>2,734,353</u> | <u>4,943,668</u> | <u>-</u> |
| Unreserved: | | | | | |
| Capital Projects Fund | (2,801,008) | 8,655,320 | 3,546,746 | 1,923,648 | - |
| Food and Nutrition Services Fund | 1,606,927 | 1,240,709 | 1,375,483 | 1,540,575 | - |
| Grants Fund | - | - | (558,638) | - | - |
| | <u>(1,194,081)</u> | <u>9,896,029</u> | <u>4,363,591</u> | <u>3,464,223</u> | <u>-</u> |
| Nonspendable: | | | | | |
| Food and Nutrition Services Fund | - | - | - | - | 234,485 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>234,485</u> |
| Restricted: | | | | | |
| Capital Projects Fund | - | - | - | - | 8,168,063 |
| Food and Nutrition Services Fund | - | - | - | - | 2,273,740 |
| Grants Fund | - | - | - | - | 77,133 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,518,936</u> |
| Committed: | | | | | |
| Capital Projects Fund | - | - | - | - | 1,781,748 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,781,748</u> |
| Fund balance - other governmental funds | 17,610,540 | 20,152,084 | 7,097,944 | 8,407,891 | 12,535,169 |
| Fund balance - total governmental funds | <u>\$ 23,408,407</u> | <u>\$ 31,134,084</u> | <u>\$ 16,127,627</u> | <u>\$ 12,592,828</u> | <u>\$ 20,503,139</u> |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Fiscal Years 2006 - 2011
(Modified Accrual Basis of Accounting)

Table S-4

| | For the Fiscal Year Ended June 30, | | | | | |
|---|------------------------------------|------------------------|---------------------|------------------------|-----------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| REVENUES: | | | | | | |
| Intergovernmental: | | | | | | |
| Stafford County | \$ 153,719,718 | \$ 110,969,860 | \$ 124,008,330 | \$ 101,194,329 | \$ 109,379,789 | \$ 107,735,478 |
| Commonwealth of Virginia | 112,576,745 | 127,676,745 | 132,608,495 | 138,721,700 | 119,332,877 | 118,851,130 |
| Federal Government | 12,595,935 | 13,274,571 | 13,458,700 | 14,036,820 | 20,811,537 | 33,253,902 |
| Total intergovernmental revenues | <u>278,892,398</u> | <u>251,921,176</u> | <u>270,075,525</u> | <u>253,952,849</u> | <u>249,524,203</u> | <u>259,840,510</u> |
| Charges for services: | | | | | | |
| Tuition and fees | 882,554 | 469,534 | 448,696 | 646,368 | 804,273 | 695,978 |
| Food sales | 6,286,732 | 6,849,080 | 6,948,489 | 7,124,957 | 6,817,209 | 7,316,875 |
| Recovered costs | - | 728,878 | 1,217,023 | 1,199,174 | 960,986 | 1,370,939 |
| Miscellaneous | 516,691 | 399,420 | 124,779 | 396,412 | 768,248 | 332,453 |
| Interest | 937,846 | 1,386,795 | 742,760 | 331,375 | 10,472 | 12,329 |
| Total revenues | <u>287,516,221</u> | <u>261,754,883</u> | <u>279,557,272</u> | <u>263,651,135</u> | <u>258,885,391</u> | <u>269,569,084</u> |
| EXPENDITURES: | | | | | | |
| Education: | | | | | | |
| Instruction | 157,321,292 | 165,233,993 | 184,897,493 | 182,434,351 | 181,521,213 | 181,073,501 |
| Administration, attendance and health | 10,838,707 | 12,895,864 | 16,360,660 | 13,411,457 | 12,611,894 | 9,688,371 |
| Pupil transportation | 9,961,980 | 11,187,407 | 13,001,603 | 12,363,412 | 12,279,285 | 12,706,286 |
| Operation and maintenance | 16,701,941 | 17,960,887 | 20,624,177 | 21,287,639 | 19,949,060 | 20,957,014 |
| Food and nutrition services | 8,655,391 | 9,165,532 | 10,666,907 | 10,848,880 | 10,620,763 | 11,162,148 |
| Facilities | 4,555,802 | 401,980 | 73,908 | 524,866 | 250,290 | 187,981 |
| Technology | - | - | - | 12,005,015 | 11,949,997 | 14,581,888 |
| Capital outlay | 58,510,774 | 48,922,976 | 24,902,092 | 18,306,903 | 9,273,865 | 11,518,149 |
| Debt service: | | | | | | |
| Principal | 228,562 | 556,414 | 322,495 | 268,828 | 280,422 | 367,517 |
| Interest and fiscal charges | 48,994 | 138,833 | 110,444 | 118,081 | 106,486 | 102,347 |
| Total expenditures | <u>266,823,443</u> | <u>266,463,886</u> | <u>270,959,779</u> | <u>271,569,432</u> | <u>258,843,275</u> | <u>262,345,202</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>20,692,778</u> | <u>(4,709,003)</u> | <u>8,597,493</u> | <u>(7,918,297)</u> | <u>42,116</u> | <u>7,223,882</u> |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers from other funds | - | 100,000 | 100,000 | 100,000 | 118,434 | 1,958,212 |
| Transfers to other funds | (15,586,903) | (19,483,531) | (2,764,665) | (5,395,311) | (4,313,920) | (1,958,212) |
| Loan from Stafford County | - | - | - | - | - | 1,305,000 |
| Total other financing uses, net | <u>(15,586,903)</u> | <u>(19,383,531)</u> | <u>(2,664,665)</u> | <u>(5,295,311)</u> | <u>(4,195,486)</u> | <u>1,305,000</u> |
| Net change in fund balance | <u>\$ 5,105,875</u> | <u>\$ (24,092,534)</u> | <u>\$ 5,932,828</u> | <u>\$ (13,213,608)</u> | <u>\$ (4,153,370)</u> | <u>\$ 8,528,882</u> |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
GENERAL INFORMATION
June 30, 2011

Table S-5

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

| Stafford County Public Schools | | | |
|---------------------------------------|--------------|-----------------------------|---------------|
| Number of Schools: | | Fall Membership: (1) | |
| Early childhood centers | 1 | Elementary schools | 11,290 |
| Elementary schools | 17 | Middle schools | 6,317 |
| Middle schools | 8 | High schools | 9,151 |
| High schools | 5 | Total | <u>26,758</u> |
| Alternative schools | <u>2</u> | | |
| | <u>33</u> | | |
| | | | |
| Contracted Employees: | | | |
| Licensed Instructional | 2,091 | | |
| Other Employees | <u>1,636</u> | | |
| | <u>3,727</u> | | |

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

(1) Fall membership is defined as the number of students in public school on September 30 of each year. This information is as of September 30, 2010.

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION
Fiscal Years 2002 - 2011**

Table S-6

| | Fiscal Year | | | | | | | | | |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Employees: | | | | | | | | | | |
| Licensed Instructional | 1,711 | 1,818 | 1,907 | 1,993 | 2,013 | 2,015 | 2,079 | 2,125 | 2,186 | 2,149 |
| Other Employees | 1,281 | 1,352 | 1,357 | 1,455 | 1,464 | 1,419 | 2,537 | 2,424 | 1,603 | 1,586 |
| Total | <u>2,992</u> | <u>3,170</u> | <u>3,264</u> | <u>3,448</u> | <u>3,477</u> | <u>3,434</u> | <u>4,616</u> | <u>4,549</u> | <u>3,789</u> | <u>3,735</u> |

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NUMBER OF SCHOOLS IN THE DIVISION
Fiscal Years 2002 - 2011**

Table S-7

| | Fiscal Year | | | | | | | | | |
|----------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Number of Schools: | | | | | | | | | | |
| Elementary Schools | 13 | 14 | 15 | 15 | 16 | 17 | 17 | 17 | 17 | 17 |
| Secondary/ Elementary Schools | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 8 | 8 | 8 |
| High Schools | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 |
| Total | <u>23</u> | <u>24</u> | <u>25</u> | <u>25</u> | <u>27</u> | <u>29</u> | <u>29</u> | <u>30</u> | <u>30</u> | <u>30</u> |

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
DIVISION-WIDE ENROLLMENT
Fiscal Years 2002 - 2011**

Table S-8

| | Fiscal Year | | | | | | | | | |
|---|-------------|--------|--------|--------|--------|--------|--------|--------|------------|------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Student Membership: | | | | | | | | | | |
| September 30 membership | 22,295 | 23,678 | 24,590 | 25,399 | 25,927 | 26,171 | 26,387 | 26,638 | 26,758 | 27,257 |
| Average daily membership as of March 31 | 22,332 | 23,698 | 24,639 | 25,419 | 25,871 | 26,181 | 26,109 | 26,350 | 26,648 | 26,737 |
| End-of-year membership | 22,251 | 23,561 | 24,541 | 25,423 | 25,733 | 25,934 | 26,142 | 26,384 | N/A | N/A |
| Students enrolled in special education programs | 2,589 | 2,596 | 2,725 | 2,655 | 2,543 | 2,415 | 2,346 | 2,410 | 2,391 | 2,412 |
| Students enrolled in English as a Second Language (ESL) program | 270 | 317 | 414 | 697 | 791 | 1,040 | 1,036 | 1,036 | 996 | 1,135 |
| Students enrolled in grades K-3 | 6,708 | 7,031 | 7,169 | 7,303 | 7,181 | 7,273 | 7,186 | 7,320 | 7,416 | 5,471 |

N/A - Not available.

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
VARIOUS OPERATING INDICATORS
Fiscal Years 2002 - 2011**

Table S-9

| | Fiscal Year | | | | | | | | | |
|--------------------------------|-------------|----------|----------|----------|----------|----------|----------|----------|----------|------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Operating Statistics: | | | | | | | | | | |
| Average per pupil expenditures | \$ 6,539 | \$ 6,939 | \$ 7,028 | \$ 7,562 | \$ 8,496 | \$ 8,639 | \$ 9,335 | \$ 9,531 | \$ 9,399 | N/A |
| Average teacher salary | \$43,812 | \$43,109 | \$44,161 | \$46,212 | \$49,068 | \$51,383 | \$52,251 | \$52,202 | \$51,341 | \$50,692 |
| Composite index (1) | 0.3429 | 0.3296 | 0.3296 | 0.3274 | 0.3274 | 0.3503 | 0.3503 | 0.3698 | 0.3629 | 0.3362 |

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

N/A - Not available.

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
TRANSPORTATION OPERATING INDICATORS
Fiscal Years 2002 - 2011**

Table S-10

| | Fiscal Year | | | | | | | | | |
|--------------------------------------|-------------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Transportation Statistics: | | | | | | | | | | |
| Average Ridership (Regular) | 15,877 | 15,947 | 15,419 | 17,749 | 18,844 | 18,619 | 19,404 | 17,997 | 19,950 | 20,007 |
| Average Ridership (Special Needs) | 660 | 615 | 598 | 429 | 412 | 607 | 497 | 532 | 576 | 650 |
| Average Ridership (Head Start) | N/A | N/A | N/A | 185 | 222 | 224 | 225 | 250 | 284 | 300 |
| Buses Operated Daily (Regular) | 143 | 152 | 171 | 171 | 157 | 165 | 168 | 166 | 154 | 159 |
| Buses Operated Daily (Special Needs) | 32 | 38 | 36 | 35 | 39 | 53 | 43 | 41 | 53 | 45 |
| Buses Operated Daily (Head Start) | N/A | N/A | N/A | 10 | 10 | 11 | 11 | 11 | 14 | 12 |
| Special Trip Assignments | 2,580 | 2,600 | 3,564 | 2,703 | 2,365 | 3,100 | 2,587 | 2,600 | 2,132 | 4,214 |
| Miles Traveled (Regular) | 1,513,298 | 1,451,965 | 1,574,528 | 2,133,408 | 2,494,260 | 2,336,706 | 2,889,000 | 1,479,400 | 1,612,567 | 2,118,744 |
| Miles Traveled (Special Needs) | 504,726 | 435,150 | 519,668 | 573,440 | 1,141,920 | 1,272,132 | 1,324,920 | 685,040 | 1,053,310 | 1,331,000 |

N/A - Not available.

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FOOD AND NUTRITION SERVICES OPERATING INDICATORS
Fiscal Years 2002 - 2011

Table S-11

| | Fiscal Year | | | | | | | | | |
|--|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| School Nutrition Program (SNP) | | | | | | | | | | |
| Statistics: | | | | | | | | | | |
| Student Membership | 22,295 | 22,368 | 24,590 | 25,399 | 25,927 | 26,171 | 26,387 | 26,638 | 26,758 | 26,737 |
| Eligible for Free Lunch | 2,264 | 2,464 | 2,412 | 2,651 | 2,982 | 3,091 | 3,263 | 3,727 | 4,632 | 5,277 |
| Percentage | 10.15% | 11.02% | 9.81% | 10.44% | 11.50% | 11.81% | 12.37% | 13.99% | 17.31% | 19.74% |
| Eligible for Reduced Price Lunch | 745 | 851 | 836 | 849 | 928 | 1,042 | 1,112 | 1,237 | 1,281 | 1,106 |
| Percentage | 3.34% | 3.80% | 3.40% | 3.34% | 3.58% | 3.98% | 4.21% | 4.64% | 4.79% | 4.14% |
| Eligible for Free and Reduced Price Lunch - Total | 3,009 | 3,315 | 3,248 | 3,500 | 3,910 | 4,133 | 4,375 | 4,964 | 5,913 | 6,383 |
| Percentage | 13.50% | 14.82% | 13.21% | 13.78% | 15.08% | 15.79% | 16.58% | 18.64% | 22.10% | 23.87% |
| Middle and High School Lunch Prices | \$ 1.45 | \$ 1.55 | \$ 1.55 | \$ 1.75 | \$ 1.85 | \$ 1.85 | \$ 1.85 | \$ 2.10 | \$ 2.25 | \$ 2.25 |
| Elementary School Lunch Prices | \$ 1.35 | \$ 1.45 | \$ 1.45 | \$ 1.65 | \$ 1.75 | \$ 1.75 | \$ 1.75 | \$ 2.10 | \$ 2.15 | \$ 2.15 |

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FLEET SERVICES OPERATING INDICATORS
Fiscal Years 2006 - 2011**

Table S-12A

| | Fiscal Year | | | | | | | | | |
|---|-------------|------------|------------|------------|------------|-----------------|-----------------|------------|-------------|-----------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | | | 2011 | | |
| | | | | | Active | Average Age (2) | Average Mileage | Active | Average Age | Average Mileage |
| Fleet Vehicles Serviced by Fleet Services: | | | | | | | | | | |
| Stafford County Public Schools Fleet Vehicles: | | | | | | | | | | |
| Buses: | | | | | | | | | | |
| Mainstream | 219 | 229 | 232 | 229 | 232 | 8.02 | 21,063 | 240 | 7.69 | 10,284 |
| Special Needs | 57 | 64 | 67 | 69 | 67 | 6.13 | 26,555 | 66 | 6.43 | 19,854 |
| Activity Buses | 5 | 5 | 5 | 5 | 5 | 5.09 | 38,489 | 5 | 6.12 | 18,293 |
| Less: Salvaged (1) | | | | | (5) | | | (20) | | |
| Subtotal Buses | <u>281</u> | <u>298</u> | <u>304</u> | <u>303</u> | <u>299</u> | | | <u>291</u> | | |
| Other School Vehicles: | | | | | | | | | | |
| Administration | 2 | 2 | 2 | 2 | 2 | 2.5 | 37,591 | 2 | 3.5 | 48,496 |
| Driver's Education | 12 | 12 | 12 | 13 | 13 | 4.5 | 48,798 | 13 | 4.4 | 43,594 |
| Fleet Services | 7 | 7 | 8 | 7 | 7 | 8.4 | 49,644 | 7 | 9.2 | 53,194 |
| Head Start | 4 | 4 | 4 | 4 | 4 | 10.5 | 34,655 | 4 | 7.9 | 35,786 |
| Maintenance | 39 | 42 | 42 | 42 | 46 | 7.3 | 75,807 | 48 | 7.8 | 59,690 |
| Food and Nutritional Services | 1 | 1 | 1 | 1 | 1 | 5.1 | | 1 | 6.0 | 39,044 |
| Planning & Construction | 2 | 3 | 4 | 4 | 4 | 4.3 | 27,655 | 4 | 4.8 | 30,314 |
| Security | 5 | 5 | 5 | 5 | 7 | 4.2 | 11,910 | 1 | 1.0 | 1,124 |
| Transportation | 5 | 6 | 7 | 7 | | 3.0 | 33,671 | 7 | 5.2 | 14,813 |
| | | | | | | | | 8 | 7.9 | 35,936 |
| Subtotal Other Vehicles | <u>77</u> | <u>82</u> | <u>85</u> | <u>85</u> | <u>92</u> | | | <u>95</u> | | |
| Total Stafford County Public Schools Fleet Vehicles | <u>358</u> | <u>380</u> | <u>389</u> | <u>388</u> | <u>391</u> | | | <u>386</u> | | |
| County of Stafford Fleet Vehicles: | | | | | | | | | | |
| Fire & Rescue | 126 | 137 | 143 | 142 | 144 | 9.4 | | 151 | 8.8 | N/A |
| Sheriff | 186 | 192 | 190 | 190 | 216 | 5.0 | | 232 | 5.0 | N/A |
| Utilities | 93 | 96 | 101 | 101 | 103 | 8.3 | | 84 | 8.3 | N/A |
| Other | 122 | 129 | 132 | 132 | 127 | 6.7 | | 145 | 7.0 | N/A |
| Total County of Stafford Fleet Vehicles | <u>527</u> | <u>554</u> | <u>566</u> | <u>565</u> | <u>590</u> | <u>7.4</u> | | <u>612</u> | | |
| Total Fleet Vehicles | <u>885</u> | <u>934</u> | <u>955</u> | <u>953</u> | <u>981</u> | | | <u>998</u> | | |
| Other Vehicles Serviced by Fleet Services: | | | | | | | | | | |
| Airport Authority Fleet Vehicles | 3 | 2 | 2 | 2 | 2 | 9.6 | | 2 | N/A | N/A |
| Rappahannock Regional Jail (2) | N/A | N/A | N/A | N/A | 31 | | | N/A | N/A | N/A |
| Vocational Foundation Fleet Vehicles | 1 | 1 | 1 | 1 | 1 | 15.0 | | 1 | N/A | N/A |
| Total Other Vehicles | <u>4</u> | <u>3</u> | <u>3</u> | <u>3</u> | <u>34</u> | | | <u>3</u> | | |

Source: Fleet Services internal records.

(1) To be sold at auction

(2) New Customer - Data Incomplete

N/A - Not available.

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FLEET SERVICES OPERATING INDICATORS
Fiscal Years 2007 - 2011**

Table S-12B

| | Fiscal Years | | | | |
|---------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| FLEET OPERATIONS | | | | | |
| Work orders completed | 6,038 | 6,124 | 6,394 | 6,314 | 6,390 |
| Invoices processed | 5,299 | 5,156 | 5,303 | 5,292 | 5,780 |
| Parts transactions | 23,970 | 25,007 | 22,140 | 27,222 | 20,147 |
| | Fiscal Year | | | | |
| | 2010 | | 2011 | | |
| FLEET FUEL | <u>Schools</u> | <u>County</u> | <u>Schools</u> | <u>County</u> | |
| Gallons Purchased | 541,583 | 487,191 | 562,728 | 443,724 | |
| Cost | \$1,236,772 | \$1,038,981 | \$1,602,158 | \$1,184,052 | |
| | Fiscal Year | | | | |
| | 2010 | | 2011 | | |
| FLEET ACQUISITIONS | <u>Replacement</u> | <u>Additional</u> | <u>Replacement</u> | <u>Additional</u> | |
| School Buses - Mainstream | 16 | - | 6 | - | |
| - Special Needs | 5 | - | - | - | |
| Other School Vehicles | 2 | 1 | 2 | 3 | |
| | Fiscal Year | | | | |
| | 2010 | | 2011 | | |
| FLEET SHOPS | <u>Heavy Duty Shop</u> | <u>Light Duty Shop</u> | <u>Heavy Duty Shop</u> | <u>Light Duty Shop</u> | |
| Vehicles per Technician by Shop | 35.6 | 160 | 32.9 | 173 | |

Source: Fleet Services internal records.

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Technology and Information Services
Fiscal Years 2009 - 2011

Table S-13

| | Fiscal Years | | |
|---|---------------------|-------------|-------------|
| | 2009 | 2010 | 2011 |
| Technology Statistics: | | | |
| Number of Sites Serviced (Schools and Support Offices) | 34 | 34 | 34 |
| Computer Statistics: | | | |
| Total Desktop Computers | 6,863 | 6,943 | 7077 |
| Desktops Computers over 5 years old | 608 | 2,073 | 819 |
| Percentage of Desktop Computers over 5 years old | 9% | 30% | 12% |
| Total Laptop Computer | 3,746 | 3,746 | 3731 |
| Laptop Computers over 5 years old | 31 | 617 | 731 |
| Percentage of Laptop Computers over 5 years old | 1% | 16% | 20% |
| Connectivity Statistics by Site12/6/2011 | | | |
| Number of Sites with Wireless LAN connection | 5 | 5 | 34 |
| Percentage of Sites with Wireless LAN connection | 15% | 15% | 100% |
| Number of Sites with Fiber WAN connection | - | 9 | 9 |
| Percentage of Sites with Fiber WAN connection | 0% | 26% | 26% |
| Number of Sites with Wireless WAN connection | 18 | 18 | 18 |
| Percentage of Sites with Wireless WAN connection | 53% | 53% | 53% |
| Number of Sites with T1 WAN connection | 14 | 8 | 8 |
| Percentage of Sites with T1 WAN connection | 41% | 24% | 24% |
| Other Technology Statistics: | | | |
| Number of Sites fully equiped with Mounted Projectors | 3 | 3 | 3 |
| Percentage of Sites fully equiped with Mounted Projectors | 9% | 9% | 9% |
| Number of sites with Interactive White Boards throughout | - | - | - |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Property Data
As of June 30, 2011

Table S-14

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

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Energy Management - Utilities Savings
Calendar Years 2005 - 2010**

Table S-15

| | Calendar Year | | | | |
|--|---------------|-------------|-------------|-------------|-------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| Utilities Summary of All Schools (by Year): | | | | | |
| Thousand British Thermal Units (MBTU) | 231,703,193 | 246,594,352 | 235,724,780 | 217,896,785 | 233,409,383 |
| Square Footage | 3,242,849 | 3,674,303 | 3,820,003 | 3,966,773 | 3,966,773 |
| MBTU/Square Footage | 71.45 | 67.11 | 61.71 | 54.93 | 58.84 |

Utilities Summary by School Level (in MBTU):

Elementary Schools:

| | 2010 | | |
|----------|------------|-------------|------------|
| | Actual | Historical | Savings |
| Electric | 64,960,916 | 73,201,169 | 8,240,253 |
| Gas | 22,311,200 | 28,856,308 | 6,545,108 |
| Oil | 4,174,688 | 5,483,090 | 1,308,402 |
| Propane | 257,315 | 444,762 | 187,447 |
| Subtotal | 91,704,119 | 107,985,329 | 16,281,210 |

Middle Schools:

| | | | |
|----------|------------|------------|-------------|
| Electric | 44,984,756 | 50,820,874 | 5,836,118 |
| Gas | 9,372,100 | 12,105,455 | 2,733,355 |
| Oil | 3,793,790 | 2,305,450 | (1,488,340) |
| Propane | - | 84,500 | 84,500 |
| Subtotal | 58,150,646 | 65,316,279 | 7,165,633 |

High Schools:

| | | | |
|--------------|--------------------|--------------------|-------------------|
| Electric | 52,361,700 | 70,271,798 | 17,910,098 |
| Gas | 9,254,200 | 15,924,720 | 6,670,520 |
| Oil | 12,103,420 | 13,278,411 | 1,174,991 |
| Propane | 60,564 | 92,219 | 31,655 |
| Subtotal | 73,779,884 | 99,567,148 | 25,787,264 |
| Total | 223,634,649 | 272,868,756 | 49,234,107 |

Percentage of Savings 18%
Dollar Savings (net of capital lease payment of \$386,908) \$ 1,080,055

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
AVERAGE SAT SCORES
Fiscal Years 2002 - 2011**

Table S-16

| | Fiscal Year | | | | | | | | | |
|----------------------------|-------------|------|------|------|------|------|------|------|------|------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Average SAT Scores: | | | | | | | | | | |
| Math | 509 | 520 | 513 | 531 | 511 | 502 | 509 | 504 | 509 | 504 |
| Verbal | 514 | 519 | 521 | 521 | (1) | (1) | (1) | (1) | (1) | (1) |
| Writing | N/A | N/A | N/A | N/A | 494 | 482 | 488 | 484 | 493 | 493 |
| Critical Reading | N/A | N/A | N/A | N/A | 514 | 508 | 513 | 506 | 516 | 510 |

Source: College Board SAT 2011, College-Bound Seniors District Highlights Report.

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

N/A - Not applicable.

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2007 - 2011

Table S-17A

| Grade | Location | 2007 | 2008 | 2009 | 2010 | 2011 |
|-------------|----------|---------|------|------|------|------|
| | | Reading | | | | |
| 3 | Division | 77% | 80% | 81% | 84% | 85% |
| | State | 80% | 84% | 89% | 88% | 83% |
| 4 | Division | 87% | 87% | 86% | 88% | 90% |
| | State | 87% | 88% | 89% | 88% | 87% |
| 5 | Division | 85% | 87% | 88% | 89% | 91% |
| | State | 87% | 89% | 92% | 90% | 89% |
| 6 | Division | 88% | 84% | 84% | 85% | 89% |
| | State | 84% | 85% | 86% | 88% | 87% |
| 7 | Division | 86% | 86% | 89% | 86% | 91% |
| | State | 86% | 86% | 88% | 89% | 89% |
| 8 | Division | 86% | 80% | 87% | 83% | 92% |
| | State | 80% | 83% | 87% | 90% | 90% |
| High School | Division | 95% | 94% | 96% | 94% | 96% |
| | State | 94% | 94% | 95% | 94% | 94% |
| Writing | | | | | | |
| 5 | Division | 88% | 89% | 84% | 87% | 91% |
| | State | 89% | 87% | 86% | 88% | 87% |
| 8 | Division | 88% | 86% | 89% | 87% | 90% |
| | State | 86% | 87% | 89% | 91% | 88% |
| High School | Division | 92% | 92% | 95% | 92% | 96% |
| | State | 92% | 92% | 92% | 92% | 93% |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2007 - 2011

Table S-17B

| <u>Grade</u> | <u>Location</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--|-----------------|-------------|-------------|-------------|-------------|-------------|
| History | | | | | | |
| 3 | Division | 92% | 92% | 93% | 94% | 87% |
| | | 92% | 93% | 93% | 93% | 85% |
| 5 | Division | N/A | N/A | N/A | 83% | 100% |
| | | | | 94% | 90% | 80% |
| History and Social Science (Alternative Assessment) | | | | | | |
| 4 | Division | N/A | N/A | N/A | N/A | 88% |
| | | N/A | N/A | 95% | 92% | 87% |
| 6 | Division | N/A | N/A | N/A | 100% | 95% |
| | | N/A | N/A | N/A | 91% | 92% |
| 7 | Division | N/A | N/A | N/A | 100% | 95% |
| | | N/A | N/A | N/A | 92% | 91% |
| High School | Division | N/A | N/A | N/A | 95% | 89% |
| | | N/A | N/A | 90% | 91% | 87% |
| Virginian and U.S. History | | | | | | |
| High School | Division | 96% | 97% | 96% | 97% | 89% |
| | | 93% | 94% | 95% | 95% | 83% |
| World History I | | | | | | |
| High School | Division | 93% | 95% | 96% | 98% | 88% |
| | | 89% | 91% | 93% | 93% | 81% |
| World History II | | | | | | |
| High School | Division | 96% | 96% | 97% | 97% | 88% |
| | | 92% | 92% | 93% | 92% | 82% |
| World Geography | | | | | | |
| High School | Division | 92% | 93% | 96% | 99% | 100% |
| | | 83% | 84% | 86% | 86% | 85% |
| Virginia Studies | | | | | | |
| Content Specific | Division | 80% | 79% | 86% | 87% | 92% |
| | | 83% | 93% | 88% | 87% | 89% |
| U.S. History to 1877 | | | | | | |
| Content Specific | Division | 60% | 69% | 66% | 80% | 84% |
| | | 69% | 74% | 74% | 78% | 81% |
| U.S. History 1877 to present | | | | | | |
| Content Specific | Division | 88% | 91% | 94% | 94% | 88% |
| | | 87% | 92% | 92% | 91% | 85% |
| Civics and Economics | | | | | | |
| Content Specific | Division | 81% | 84% | 81% | 82% | 82% |
| | | 83% | 84% | 84% | 86% | 84% |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2007 - 2011

Table S-17C

| Grade | Location | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-----------------|-------------|-------------|-------------|-------------|-------------|
| Mathematics | | | | | | |
| 3 | Division | 88% | 88% | 88% | 93% | 93% |
| | State | 89% | 89% | 89% | 92% | 91% |
| 4 | Division | 81% | 81% | 84% | 88% | 90% |
| | State | 81% | 84% | 86% | 88% | 89% |
| 5 | Division | 86% | 86% | 87% | 94% | 91% |
| | State | 87% | 88% | 90% | 92% | 89% |
| 6 | Division | 70% | 70% | 76% | 83% | 83% |
| | State | 60% | 68% | 73% | 77% | 73% |
| 7 | Division | 71% | 71% | 66% | 68% | 73% |
| | State | 56% | 65% | 71% | 75% | 77% |
| 8 | Division | 85% | 85% | 90% | 89% | 90% |
| | State | 77% | 83% | 85% | 87% | 82% |
| Mathematics (Alternate Assessment) | | | | | | |
| High School | Division | N/A | 85% | 91% | 95% | 100% |
| | State | 88% | 80% | 81% | 80% | 77% |
| Algebra I | | | | | | |
| High School | Division | 93% | 93% | 94% | 97% | 97% |
| | State | 92% | 93% | 94% | 94% | 94% |
| Geometry | | | | | | |
| High School | Division | 88% | 88% | 91% | 90% | 92% |
| | State | 86% | 87% | 87% | 88% | 87% |
| Algebra II | | | | | | |
| High School | Division | 88% | 88% | 92% | 92% | 92% |
| | State | 88% | 90% | 91% | 91% | 91% |

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2007 - 2011**

Table S-17D

| <u>Grade</u> | <u>Location</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|---------------------------------------|-----------------|-------------|-------------|-------------|-------------|-------------|
| Science | | | | | | |
| 3 | Division | 87% | 88% | 88% | 91% | 90% |
| | State | 88% | 89% | 89% | 91% | 90% |
| 5 | Division | 85% | 88% | 87% | 90% | 86% |
| | State | 88% | 88% | 88% | 88% | 87% |
| 8 | Division | 93% | 93% | 95% | 94% | 96% |
| | State | 89% | 90% | 90% | 92% | 92% |
| Science (Alternate Assessment) | | | | | | |
| High School | Division | N/A | 85% | 100% | 86% | 94% |
| | State | N/A | 84% | 88% | 88% | 90% |
| Biology | | | | | | |
| High School | Division | 91% | 93% | 93% | 93% | 95% |
| | State | 87% | 88% | 88% | 93% | 90% |
| Chemistry | | | | | | |
| High School | Division | 96% | 94% | 97% | 96% | 95% |
| | State | 91% | 92% | 93% | 94% | 93% |
| Earth Science | | | | | | |
| High School | Division | 89% | 92% | 93% | 92% | 93% |
| | State | 85% | 86% | 87% | 88% | 89% |

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHOOL ACCREDITATION AND ADEQUATE YEARLY PROGRESS (AYP)
Fiscal Years 2005 - 2011**

Table S-18

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|------------------------------|------------------|------------------|-------------|------------------|-------------|------------------|------------------|
| Division-wide Status: | | | | | | | |
| Schools Fully Accredited | 100% | 100% | 100% | 97% | 100% | 100% | 100% |
| Schools that Made AYP | 71% | 92% | 63% | 48% | 47% | 53% | 37% |
| Division AYP | Did not make AYP | Did not make AYP | Made AYP | Did not make AYP | Made AYP | Did not make AYP | Did not make AYP |

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

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

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stafford County Public Schools (a component unit of Stafford County, Virginia), as of and for the year ended June 30, 2011, which collectively comprise the Stafford County Public Schools' basic financial statements and have issued our report thereon dated November 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and 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 material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Stafford County Public Schools in a separate letter dated November 11, 2011.

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 11, 2011

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 School Board
Stafford County Public Schools
Stafford, Virginia

Compliance

We have audited Stafford County Public Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Stafford County Public School's major federal programs for the year ended June 30, 2011. Stafford County Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Stafford County Public Schools' management. Our responsibility is to express an opinion on Stafford County Public Schools' compliance based on our audit.

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

In our opinion, the Stafford County Public Schools 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, 2011.

Internal Control Over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 11, 2011

**Stafford County Public Schools
Component Unit of the County of Stafford
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

| Federal Grantor/Pass - Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|--|---------------------------|---|-------------------------|
| Department of Agriculture: | | | |
| Pass Through Payments: | | | |
| Child Nutrition Cluster | | | |
| Department of Agriculture: | | | |
| Food Distribution | 10.555 | 10.555/2011 | \$ 699,938 |
| Department of Education: | | | |
| National school lunch program | 10.555 | 10.555/2011 | <u>2,864,744</u> |
| Total national school lunch program | | | 3,564,682 |
| Department of Education: | | | |
| School breakfast program | 10.553 | 10.553/2011 | 823,807 |
| Schools and Roads - Grants to States | 10.665 | 10.665/2011 | <u>756</u> |
| Total Department of Agriculture | | | <u>4,389,245</u> |
| Department of Commerce: | | | |
| Pass Through Payments: | | | |
| National Oceanic and Atmospheric Administration: | | | |
| Chesapeake Bay Studies | 11.457 | FNA09NMF4570448 | <u>14,874</u> |
| Department of Defense: | | | |
| Direct Payments: | | | |
| JROTC | 12.000 | - | 286,483 |
| Basic and Applied Scientific Research | 12.300 | - | 64,280 |
| Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools | 12.556 | - | <u>159,909</u> |
| Total Department of Defense | | | <u>510,672</u> |
| Department of Homeland Security: | | | |
| Direct Payments: | | | |
| Disaster grants - public assistance (Presidentially Declared Disasters) | 97.036 | - | <u>49,252</u> |
| Department of Education: | | | |
| Direct Payments: | | | |
| Impact Aid | 84.041 | - | 1,821,529 |
| Pass Through Payments: | | | |
| Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | S010A100046 | 1,144,806 |
| Special Education Cluster (IDEA) | | | |
| Special Education - Grants to States | 84.027 | H027A100107 | 4,236,151 |
| ARRA - Special Education - Grants to States | 84.391 | H391A100107 | 2,497,591 |
| Special Education - Preschool Grants | 84.173 | H173A100012 | 96,999 |
| ARRA - Special Education - Preschool Grants | 84.392 | H392A100112 | 102,226 |
| Career and Technical Education - Basic Grants to States | 84.048 | V048A100046 | 219,743 |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | Q186A090048 | 39,539 |
| Education for Homeless Children and Youth Cluster | | | |
| Education for Homeless Children and Youth | 84.196 | S196A100048 | 45,963 |
| ARRA - Education for Homeless Children and Youth | 84.387 | S387A090044 | 33,521 |
| ARRA - State Fiscal Stabilization Funds (SFSF) - Education State Grants | 84.394 | S394A100047 | 14,240,967 |
| Improving Teacher Quality State Grants | 84.367 | S367A100044 | 429,753 |
| Education Technology State Grants | 84.318 | S318X100046 | 9,206 |
| School Improvement Grants | 84.377 | S377A080047 | 18,315 |
| English Language Acquisition Grant | 84.365 | S394A090047 | <u>156,964</u> |
| Total Department of Education | | | <u>25,093,273</u> |
| Department of Health and Human Services: | | | |
| Direct Payments: | | | |
| Head Start Cluster | | | |
| Head Start | 93.600 | - | 2,003,373 |
| ARRA - Head Start | 93.708 | - | 801,460 |
| Pass Through Payments: | | | |
| Department of Social Services: | | | |
| Medical Assistance Program | 93.778 | 93.778/2011 | 23,875 |
| Children's Health Insurance Program | 93.767 | 93.767/2011 | <u>367,878</u> |
| Total Department of Health and Human Services | | | <u>3,196,586</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 33,253,902</u> |

Stafford County Public Schools
Component Unit of the County of Stafford
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Stafford County Public Schools under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Stafford County Public Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Stafford County Public Schools.

Note 2 - Relationship to Financial Statements

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

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

| | |
|---|--------------------------|
| School Operating Fund | \$ 2,503,520 |
| School Grants Fund | 12,120,926 |
| School State Fiscal Stabilization Fund | 14,240,967 |
| School Food and Nutrition Services Fund | <u>4,388,489</u> ** |
| Total federal expenditures per basic financial statements | <u>\$ 33,253,902</u> |
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | <u>\$ 33,253,902</u> |

** Includes non-cash expenditures - value of donated commodities of \$699,938.

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Stafford County Public Schools
 Component Unit of the County of Stafford
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

| CFDA # | Name of Federal Program or Cluster |
|-----------------------------------|---|
| 84.394 | State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act |
| 93.600 / 93.708 | Head Start Cluster |
| 84.027 / 84.173 / 84.391 / 84.392 | Special Education Cluster |
| 10.553/10.555 | Child Nutrition Cluster |

| | |
|---|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs | \$997,617 |
| Auditee qualified as low-risk auditee? | Yes |

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

**Stafford County Public Schools
Component Unity of the County of Stafford
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2011**

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



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