

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: November 28, 2012
Memorandum To: Stafford County Public Schools
From: Robinson, Farmer, Cox Associates
Regarding: Audit for year ended June 30, 2012

In planning and performing our audit of the financial statements of the Stafford County Public Schools for the year ended June 30, 2012, we considered the School Board's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated November 28, 2012, on the financial statements of the Stafford County Public Schools. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Division Wide Activity Fund

There is a division wide activity fund which is reported in the separately issued Cash Basis Financial Statement of the Public School Activity Funds of the County of Stafford, Virginia. While all other activity funds are maintained at individual schools under the direction of the respective Principal of that school the Division Wide Activity Fund is controlled at the Central Office. We recommend that the types of resources going into this fund be analyzed. Any funds which should be budgeted for should be brought into the Operating Fund and the revenues and expenditures should be included in the budgetary process. Funds that are raised by students should be sent to the appropriate school for inclusion in their funds. Funds raised by school board employees for the benefit of school board employees through vending commissions etc. should be included in a separate employee benefit agency fund.

Deficit Net Assets

The Health Benefits Fund had deficit net assets at June 30, 2012 in the amount of \$5,670,268. This deficit is caused by increases in the Other Post-Employment Benefits (OPEB) liability. It is possible that underfunding this liability could eventually have an adverse impact on the bond rating of the County of Stafford, Virginia. The School Board should continue to monitor the net assets in the Health Benefits Fund and specifically the OPEB liability and develop a long-term approach to funding this liability.

Governmental Accounting Standards Board Pronouncement

In order to assist your staff in preparing for upcoming accounting changes, we have included the following summary of the Governmental Accounting Standards Board (GASB) pronouncement that will affect the School Board in upcoming years.

GASB No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position - This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This pronouncement will take effect for the fiscal year ending June 30, 2013.

GASB No. 68 Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27 - The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This pronouncement will take effect for the fiscal year ending June 30, 2015.