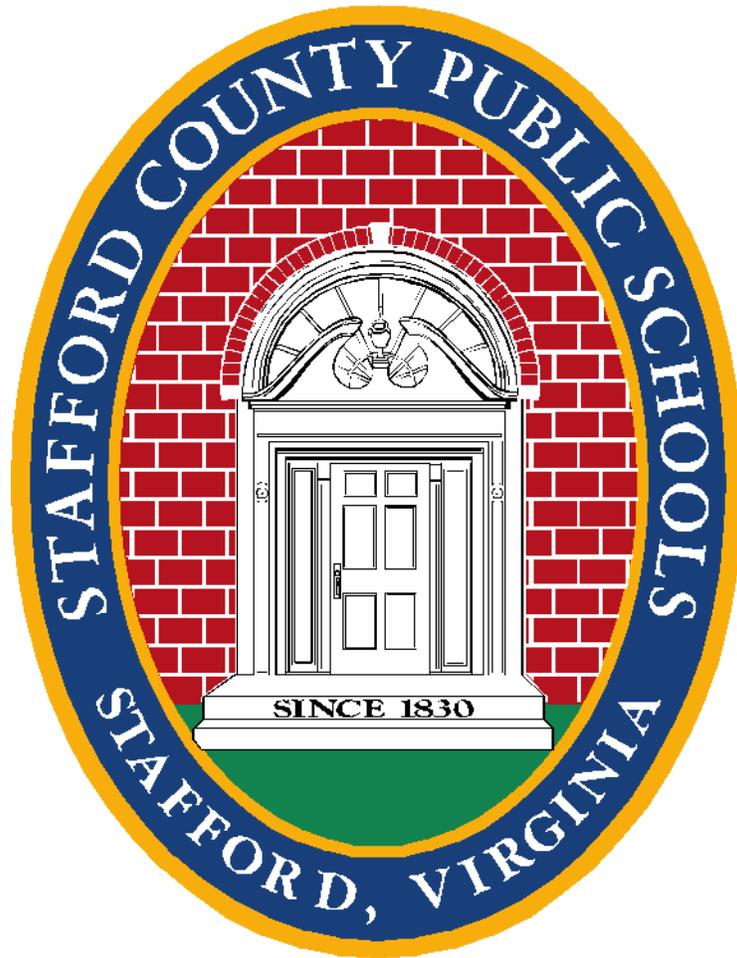


Stafford County Public Schools

Comprehensive Annual Financial Report

(A Component Unit of Stafford County, Virginia)



Inspiring Excellence and Life-Long Learning

Fiscal Year 2008
(July 1, 2007— June 30, 2008)

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2008



Members of the Stafford County Board of Supervisors

Mr. George H. Schwartz, Falmouth District – Chairman
Mr. M.S. “Joe” Brito, Hartwood District – Vice-Chairman
Mr. Harry E. Crisp II, George Washington District
Mr. L. Mark Dudenhefer, Garrisonville District
Mr. Paul E. Milde III, Aquia District
Mr. Cord A. Sterling, Rockhill District
Mr. Robert “Bob” Woodson, Griffis-Widewater District

Members of the School Board

Ms. Patricia Healy, Rockhill – Chairman
Ms. Nanette Kidby, Garrisonville – Vice-Chairman
Mr. Robert S. Belman, Falmouth
Mr. John Ledoux, Aquia
Ms. Patricia Mancini, George Washington
Ms. Doreen Phillips, Hartwood
Ms. Dana Reinbolt, Widewater

Officials of Stafford County Public Schools

Dr. David Sawyer, Superintendent
Dr. Andre Nougaret, Deputy Superintendent
Chris Quinn, Assistant Superintendent of Instruction
Wayne C. Carruthers, CPA, Assistant Superintendent of Finance
Dr. Andrea Bengier, Chief Academic Officer
G. Scott Horan, Chief Facilities Officer
David Mirra, Chief Technology Officer
Daryl Nelson, Executive Director of Administrative and Legal Services
Rick Fitzgerald, Executive Director of Human Resources
Doug Schuch, Executive Director of Accountability
Valerie Cottongim, Public Information Officer

Stafford County Public Schools
A Component Unit of Stafford County, Virginia

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008
(July 1, 2007 – July 30, 2008)

Prepared By:

Department of Financial Services

Lance W. Wolff, CPA
Director of Finance & Accounting

Andrea Light
Assistant Director of Accounting

Eileen Leonard, CPA
Accounting Manager

Special Thanks To:

Gladys M. Gomez, CPA
Former Director of Finance & Accounting



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

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2008

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Transmittal Letter	i
Organization Chart	vii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
<i>Government-wide Financial Statements</i>	
Statement of Net Assets (Exhibit A)	11
Statement of Activities (Exhibit B)	12
<i>Fund Financial Statements</i>	
Governmental Funds Financial Statements	
Balance Sheet (Exhibit C)	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Exhibit C-1)	14
Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit D)	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit D-1)	16
Proprietary Funds Financial Statements	
Statement of Net Assets (Exhibit E)	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets (Exhibit F)	18
Statement of Cash Flows (Exhibit G)	19
Fiduciary Fund Financial Statement	
Statement of Fiduciary Net Assets (Exhibit H)	20
Notes to the Basic Financial Statements	21
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Exhibit I)	40
Schedule of Funding Progress for Defined Pension Benefit Plan (Exhibit J)	41
Notes to Required Supplementary Information	42
Other Supplementary Information	
Combining Statements for Nonmajor Governmental Funds: Special Revenue Funds	
Combining Balance Sheet (Exhibit K)	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit L)	44
Combining Statements for Proprietary Funds: Internal Service Funds	
Combining Statement of Net Assets (Exhibit M)	45
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets (Exhibit N)	46
Combining Statement of Cash Flows (Exhibit O)	47
Fiduciary Fund	
Statement of Changes in Assets and Liabilities - Agency Fund (Exhibit P)	48

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2008

TABLE OF CONTENTS (continued)

	<u>Page</u>
STATISTICAL SECTION	
Statistical Section Overview	49
Financial Trends	
Net Assets by Component (Table S-1)	50
Changes in Net Assets by Component (Table S-2)	51
Fund Balances – Governmental Funds (Table S-3)	52
Changes in Fund Balances – Governmental Funds (Table S-4)	53
Demographic Information	
General Information (Table S-5)	54
Full-time Equivalent Employees (Contracted) (Table S-6)	55
Numbers of Schools (Table S-7)	56
Division-wide Enrollment (Table S-8)	57
Operating Information	
Various operating indicators (Table S-9)	58
Transportation operating indicators (Table S-10)	59
Food and Nutrition Services operating indicators (Table S-11)	60
Fleet Services operating indicators (Table S-12)	61
Average SAT scores (Table S-13)	62
Standards of Learning Test Passing Rates (Table S-14A – Table S-14D)	63
School Accreditation and Adequate Yearly Progress (Table S-15)	67
COMPLIANCE SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	68
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	70
Schedule of Expenditures of Federal Awards	72
Notes to the Schedule of Expenditures of Federal Awards	73
Schedule of Findings and Questioned Costs	74
Summary Schedule of Prior Year Findings	75

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2008

INTRODUCTORY SECTION



STAFFORD COUNTY PUBLIC SCHOOLS

Department of Financial Services
31 Stafford Avenue
Stafford, Virginia 22554-7246
Phone: (540) 658-6000
Fax: (540) 658-6600
Web site: <http://stafford.schoolfusion.us>

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

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

December 4, 2008

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, 2008. 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: introductory, financial, statistical and 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 34 (GASB 34), includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements including the notes, and the required supplementary information. In addition, the financial section contains other supplemental information, including the combining statements. The MD&A is management's narrative overview and analysis of the 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 that 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. We are pleased to report RFCA had no comments or audit findings for FY 2008.

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 had no comments or audit findings for FY 2008.

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 2006, the County experienced increases in population and was the fourth fastest-growing locality in Virginia. An American Community Survey Data Profile (Survey) provides information about this increase in population. The Survey showed that during the same period the population of the County became more diversified, including over doubling of the Latino population from 3.6% to 7.6%.

That same survey provides additional insight into the County. Approximately 91% of the County's residents were high school graduates in 2006 as compared to 89% in 2000. The average for 2006 for Virginia is 85%, which increased from 82% in 2000. Stafford residents also have slightly longer commute to work destination than residents of other locales in the state, according to the report. The mean travel time to work for Stafford residents was 39.2 minutes in 2006. The statewide average travel time to work was 26.9 minutes.

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, SCPS is a component unit of the County.

The School Board employs a superintendent of schools to administer the public school system. A full range of public educational services are provided to approximately 26,400 students from grades kindergarten through 12th grade at 30 main school sites, plus adult education. The school enrollment is projected to be 26,392 in the 2008-2009 school year.

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 2007. The County's median household income was \$85,014, which is an 8% increase from \$78,675 in 2005. As a result, the County ranks 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 positive growth. In calendar year 2007 a total of 947,478 square feet of new commercial space was added, and at the beginning of calendar year 2008 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 that offer up-scale amenities. Single-family structures over 2,500 square feet are being developed by such affinity developers as Augustine Homes. Once the housing sector recovers, growth in the student population naturally follows such 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*. It is the composite index that determines how much the County directly funds SCPS through the required local effort. For fiscal years 2007 and 2008, SCPS had a composite index of .3503. The 2008-2010 Composite Index for SCPS is .3632 which will impact fiscal years 2009 and 2010. The impact on SCPS of an increased composite index demands greater reliance on local funding from the County.

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. Such is the case in Stafford – the most recent adjustment affecting the next biennium has resulted in an annual decrease in State funds of \$2.1 million per year.

- The State is currently experiencing declining revenues as the country has entered a recession. As of the publication date of this CAFR, the projected State revenue shortfall for the biennium is expected to be \$2.5 billion plus. The Governor and the General Assembly will face budgetary challenges as a result of the recession. It is anticipated that K12 education will face lesser appropriations from the State.
- As authorized in Chapter 847, 2008 Acts of Assembly, SCPS will carry forward \$1.8 million of state revenue into fiscal year 2009 to mitigate future revenue shortfalls that may occur in State funding.

Major Initiatives and Accomplishments

Opening of a New Middle School

The Shirley C. Heim Middle School welcomed students for school year 2008-2009. Middle schools are named for Stafford County educators who have made significant contributions to the school division.

Before and After School Care

Beginning with school year 2006-2007, the Rappahannock Area YMCA and SCPS partnered to offer Before and After School Child Care in 5 elementary schools as a pilot program. In school year 2008-2009 all 17 elementary schools had Before and After School Child Care.

Energy Efficiency Program

Given the recent volatility in the energy market SCPS preceded this challenging time by having the foresight to hire an energy manager and embark on a mission to conserve energy through an energy performance contract funded by a lease which paid for modernization of facility building systems.

SCPS for fiscal year 2007 consumed less energy with a net savings of approximately \$440,000. This result is equivalent to enough energy to operate four (4) Stafford County middle schools or two (2) high schools. These efforts allowed the division to exercise environmental stewardship and reduce costs by emitting approximately 15,129,000 less pounds of carbon dioxide (CO₂) into the atmosphere.

This project was funded in fiscal year 2007 (i.e., the summer of 2006) through an energy 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. Much to the disappointment of SCPS, it is not always able to retain its operational savings.

Technology

Through innovative implementation and upgrade of wireless Wide Area Network (WAN) technologies, SCPS has leveraged the use of free space on two privately owned cell towers to provide high bandwidth data services to 16 of 30 division sites. The use of these technologies allows the division to save on monthly fees for service from 3rd party providers such as Verizon, Sprint, and Nextel.

SCPS implementation of the School Interoperability Framework (SIF) standard in the food services School Nutrition Accountability Program (SNAP) software application has caused the realization of improved efficiencies through one-time data entry of student information. This fosters a lower data entry error rate, automation of previous manual processes, and allows for real-time transmittal of student information to cafeteria workstations.

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

SCPS has experienced explosive growth in the information services and instructional technology arenas. Demand for Internet bandwidth has increased approximately 10 fold within the last 5 years. To date the majority of our connectivity is provided via leased lines and our Wireless Wide Area Network. The district is in the process of publishing a Request for Proposal for installation of a fiber network to connect all school sites and support facilities. There are significant benefits of owning versus leasing related to capacity and longevity. Leased lines offer finite bandwidth for a fixed price with incremental annual recurring price increases for additional capacity. Owning a fiber network offers virtually limitless capacity, which can be increased by simply switching out equipment on each end of a strand of fiber.

Fleet Services

One of the most important responsibilities for our Fleet Services group is to ensure our school fleet is ready for safe and efficient operation throughout the school year. Over the summer months all necessary preventive maintenance and inspections were completed on the 389 SCPS vehicles to ensure their efficient and safe operation. Fleet Services also provides timely and critical maintenance for all County vehicles, most importantly are the sheriff cars, fire trucks and rescue vehicles. Parts Department efficiency was improved by redesigning shipping and receiving procedures resulting in less downtime for vehicle repair.

Globally, this past year fuel prices became very volatile. SCPS consumes approximately 564,000 gallons of fuel annually, controlling this cost became critical. Given this volatility, the responsibility for monitoring fuel costs was reassigned to Fleet Services. All bus fueling information was downloaded daily into the fleet maintenance system in order to analyze usage and monitor fuel efficiency. New efforts are underway to investigate the feasibility of other types of fuel, including the use of hybrid vehicles, natural gas, and bio-diesel.

Food and Nutrition Services

Our 30 school cafeterias provide a nutritious breakfast and lunch daily to all Stafford County students. Over the course of fiscal year 2008, the total number of lunches served was 2,792,007 with a daily average of 15,774. Breakfast participation was 500,873 for the fiscal year with a daily average of 4,192. SCPS participates in the National School Lunch and Breakfast Program which makes available free meals to qualifying students. Of our 15,774 average daily lunches served, 2,829 were free meals. Meal charges to student are very reasonable at \$1.10 for breakfast, \$2.00 for the elementary lunch and \$2.10 for the middle and high school lunch.

The Nutrition Department, in conjunction with our Health and P.E. Department, has been awarded a \$37,376 grant to participate in the Governor's Scorecard for Improving Nutrition and Physical Activity. School Nutrition's part of this grant is \$21,698, of which over half was spent on Software and a Dietician for nutrition analysis of our menus.

Transportation Services

Our school buses transport children in a safe and timely manner every day throughout the school year. With a fleet of 228 buses, our bus drivers make 13,753 bus stops over 1,218 bus routes with almost 17,727 riders daily. These include both mainstream and special program routes. Total miles traveled for fiscal year 2008 was 3.6 million miles.

Accreditation

100% of our schools have earned full state accreditation for 2008-09. In Virginia public school accreditation is based on Standards of Learning (SOL) test results from the previous three school years 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. Historical accreditation data is also included in the statistical section of this document.

Adequate Yearly Progress (AYP)

For 2008-09, 55% of our schools made Adequate Yearly Progress, however, although the division overall did not achieve AYP, it did meet or exceed 26 of 29 (90%) AYP benchmarks. Historical AYP data is also included in the statistical section of this document.

Public schools and school divisions in Virginia are annually assessed by the Adequate Yearly Progress standard of the No Child Left Behind law. In order to make Adequate Yearly Progress, 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" which is defined as graduation rate at the high school level and can be state history, science, or writing test performance or attendance rate at the middle and elementary school levels.

For each Adequate Yearly Progress benchmark, a school or school division is rated against an annual measurable objective (AMO). For the 2007-08 school year the AMO for Reading was 77%, while the AMO for Math was 75%. Under the No Child Left Behind law, these AMOs will continue to increase each year until ultimately reaching 100% in 2013-14.

Schools or school divisions utilize the higher of the 2007-08 Standards of Learning test results or the cumulative three-year Standards of Learning test result average (2005-06, 2006-07, 2007-08) for each reporting category, in accordance with No Child Left Behind scoring and reporting guidelines. A school or school division may also make Adequate Yearly Progress in any category, if the failure rate in that category decreased by 10% from the previous school year. This provision is known as "safe harbor."

Financial Information

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

SPCS 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. Appropriations from the County are expected to increase based on 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 level control is placed at the individual fund level 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 needed.

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 analyzing areas of concern and assist with ideas to reduce and control overall risk.

Cash Management

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

Acknowledgements

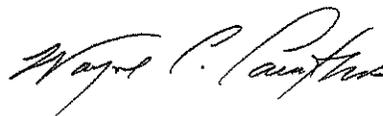
We would like to express our sincere gratitude to all members of the Department of Financial Services who assisted with the preparation of this report. The dedicated finance staff accomplished the major task of preparing this Comprehensive Annual Financial Report recognizing that our goal is to continuously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

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

Respectfully submitted,



Dr. David E. Sawyer, Ed.D
Superintendent



Wayne C. Carruthers, CPA
Assistant Superintendent
Chief Financial Officer

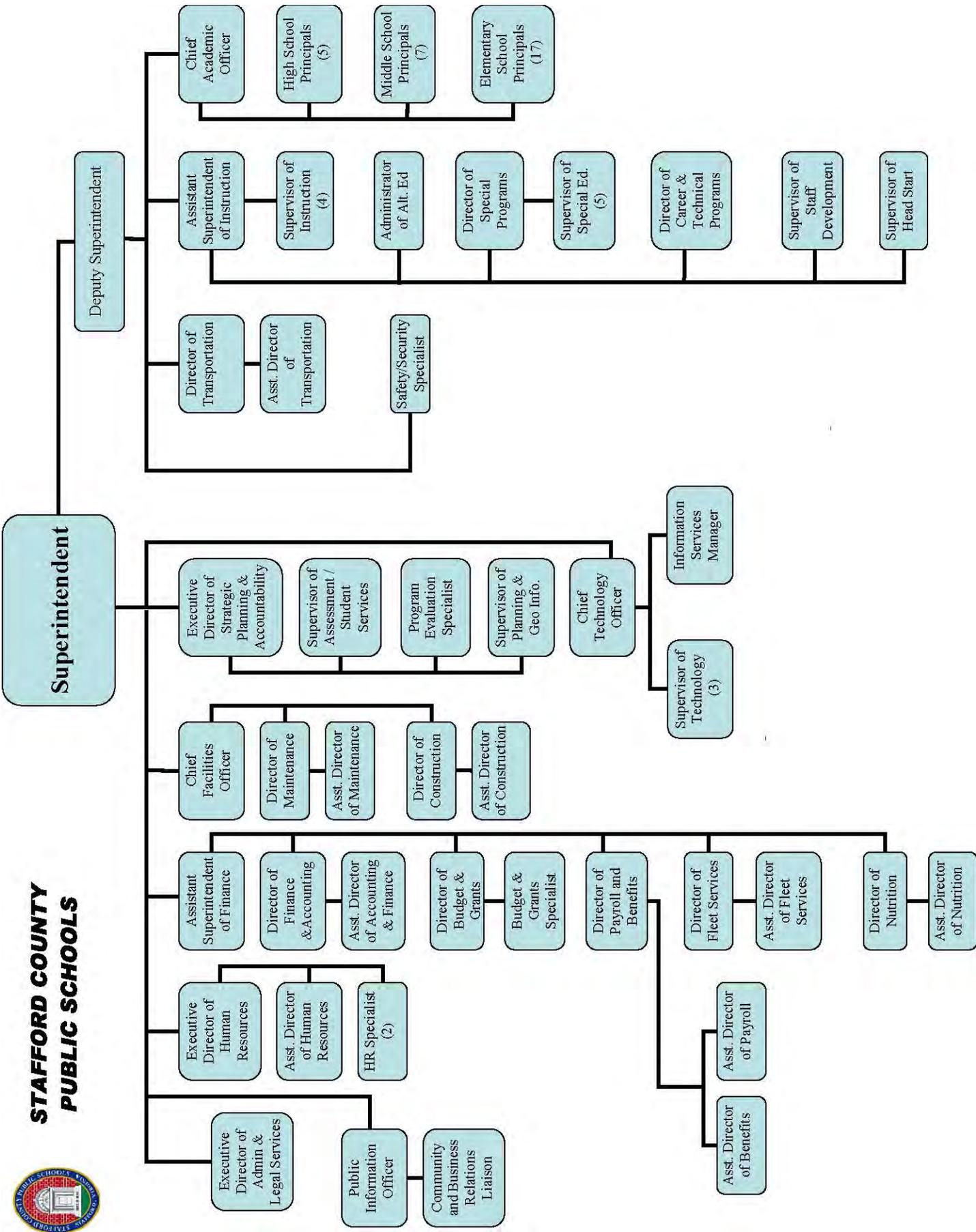
Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2008

[CLICK HERE TO GO BACK
TO THE TABLE OF CONTENTS](#)

INDEPENDENT AUDITORS' REPORT



**STAFFORD COUNTY
PUBLIC SCHOOLS**



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, 2008, 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 *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2008, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 17, 2008

[CLICK HERE TO GO BACK
TO THE TABLE OF CONTENTS](#)

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

**STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

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, 2008. This section of the Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis of the overall financial performance of SCPS during the fiscal year ended June 30, 2008. 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 \$400.6 million at June 30, 2008, representing an increase of \$14.0 million or 3.6% percent over June 30, 2007. This increase was primarily due to the increase in revenues received from the Commonwealth of Virginia and Stafford County during fiscal year 2008. Noncurrent liabilities increased by \$6.3 million over fiscal year 2007 due to the reporting of the OPEB liability. Current liabilities increased by \$12.4 million over fiscal year 2007 due to the increase in accrued salaries and benefits.

For the fiscal year, SCPS' governmental activities' expenses of \$269.3 million exceeded program revenues (charges for services plus operating grants and contributions) of \$156.8 million by \$112.5 million. This excess is an 11.4% increase over the \$101.0 million excess reported in fiscal year 2007. General revenues, unreserved funds available for all educational purposes, including contributions from the County and general contributions from the state and federal governments, increased by \$12.7 million, or 7.8%, over fiscal year 2007 to \$126.5 million

SCPS' General Fund (otherwise referred to as the Operating Fund) reported a fund balance of \$9.2 million for the fiscal year. This represents an increase of \$3.4 million, or 58.6%, from the June 30, 2007 fund balance of \$5.8 million.

OVERVIEW OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

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

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

The CAFR is to include four major sections: introductory, financial, statistical, and 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 notes), required supplementary information and other supplementary information.

**STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

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 often presents a number of tables with 10 year historical information on financial trends, revenue capacity, debt capacity, demographic and economic information and operating data. This section is also 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: financial trend information; revenue capacity information; debt capacity information; demographic and economic information and 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 reader's understanding and analysis of the governmental entity's economic condition.

Compliance section: The final section is the compliance section that includes information with respect to the Single Audit Act (discussed in the transmittal letter) as well as the following auditor's reports: Report on Internal Control over Financial Reporting and on Compliance and Other Matters and 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 footnotes is also included in this section.

THE BASIC FINANCIAL STATEMENTS

There are two types of financial statement presentations, one for the SCPS as whole (government-wide) and the fund financial statements. 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 the SCPS' operations in more 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 data. Following the 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 the SCPS' financial statements and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

THE BASIC FINANCIAL STATEMENTS (Continued)

Major Features of Government-wide and Fund Financial Statements:

	Government-wide statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire school system	The activities of the school system that are not proprietary or fiduciary such as General, Nutrition, and Capital Projects Funds	Activities the school system operates similar to private businesses, such as Fleet Services, Health Benefits, and Workers Compensation Funds	Instances in which the school system is the trustee or agent for someone else's resources, such as the Student Activity 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 change in fund balances 	<ul style="list-style-type: none"> • Statements of net assets • Statement of revenues, expenses, and change in net assets • Statement of cash flows 	Statement of 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	Cash basis of accounting
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	The school system's fund does not currently contain capital assets nor liabilities
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received an payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All receipts and disbursements during year, when cash is received or paid, rather than when an obligation is incurred

**STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

FINANCIAL ANALYSIS OF SCPS AS A WHOLE

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

Net Assets

Total net assets increased by \$14 million or 3.6% over June 30, 2007. The investment in capital assets, net of related debt, increased \$12.6 million due to the capitalized cost of a new middle school opening in 2009. The unrestricted net assets increased by \$1.4 million due to the \$1.8 million carryover of state revenues to 2009.

The following table provides a summary of SCPS' net assets as of June 30, 2008 and 2007:

Summary of Net Assets

As of June 30

(in thousands of dollars)

	Governmental Activities			
	2008	2007	Change	% Change
Assets:				
Current assets	\$ 68,630	\$ 48,759	\$ 19,871	40.75%
Noncurrent assets	22,544	20,901	1,643	7.86%
Capital assets	375,694	363,424	12,270	3.38%
Total assets	466,868	433,084	33,784	7.80%
Liabilities:				
Current liabilities	52,733	39,271	12,403	35.62%
Noncurrent liabilities	13,506	7,181	6,325	88.08%
Total liabilities	66,239	46,452	19,787	42.60%
Net assets:				
Invested in capital assets, net of related debt	372,812	360,220	12,473	3.46%
Unrestricted	27,817	26,412	1,405	5.32%
Total net assets	\$ 400,629	\$ 386,632	\$ 13,997	3.62%

**STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

FINANCIAL ANALYSIS OF SCPS AS A WHOLE (Continued)

Changes in Net Assets

Program revenues increased due to higher Basic Aid, VRS retirement contributions and Supplemental payments received during the fiscal year than during fiscal year 2007. General revenues increased due to an increase in funds from the county. Program expenses – administration, attendance and health services increased due to increased costs related to worker's compensation and health benefits.

The following table provides a summary of the changes in net assets for SCPS for the years ended June 30, 2008 and 2007:

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

	Governmental Activities			
	2008	2007	Variance	% Variance
Revenues:				
<i>Program revenues:</i>				
Charges for services	\$ 10,738	\$ 12,905	\$ (2,167)	16.80%
Operating grants and contributions	146,067	140,951	5,116	3.63%
<i>General revenues:</i>				
Unrestricted grants and contributions	124,008	110,970	13,038	11.75%
Investment earnings	955	1,636	(681)	(41.63%)
Miscellaneous	1,487	1,152	335	29.08%
Total Revenues	283,255	267,614	15,641	5.84%
Program expenses:				
Education:				
Instruction	180,336	165,234	15,102	9.14%
Administrative, attendance and health services	43,773	33,164	10,609	31.99%
Pupil transportation	13,895	14,286	(391)	(2.74%)
Operation and maintenance	19,665	17,961	1,704	9.49%
Nutrition services	9,985	9,165	820	8.95%
Construction	74	10,611	(10,537)	(99.30%)
Capital outlay	1,420	4,289	(2,869)	(66.89%)
Interest and fiscal charges	110	139	(29)	(20.86%)
Total program expenses	269,259	254,849	14,409	5.65%
Change in net assets	13,997	12,765	1,232	9.65
Beginning net assets	386,632	373,867	12,765	3.41%
Ending net assets	\$400,629	\$ 386,632	\$13,997	3.62%

**STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

GENERAL FUND BUDGETARY HIGHLIGHTS

The Code of Virginia requires the Superintendent to submit a budget to the County of Stafford Board of Supervisors after the School Board of Stafford County (School Board) has approved it. The Superintendent's Proposed Budget is released each February. The School Board conducts a series of public hearings and work sessions before adopting the advertised budget. In April, this budget is forwarded to the County of Stafford Board of Supervisors. After public hearings, the entire County budget is approved and the level of funding authorized for each County entity, one of which is SCPS, is established.

Operating Fund Budget Comparison
For the Fiscal Year Ended June 30, 2008
(In thousands of dollars)

Operating Activity Category	Original	Budget Final	Actual	Variance from Final Budget Positive (Negative)
Total revenues	\$249,844	\$255,442	\$ 245,134	\$ (10,308)
Total expenditures	246,744	249,928	237,654	12,274
Total other financing sources (uses)	100	(4,089)	(4,089)	-
Net change in fund balance	<u>\$ 3,200</u>	<u>\$ 1,425</u>	<u>\$ 3,391</u>	<u>1,966</u>

CAPITAL ASSETS

Below is a summary of SCPS' net capital assets as of June 30, 2008 and 2007:

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

Capital Asset Category	Governmental Funds		Internal Service Funds	
	2008	2007	2008	2007
Land & improvements	\$ 46,427	\$ 45,871	\$ 897	\$ 944
Building & improvements	280,032	276,174	583	310
Equipment	2,830	2,865	71	46
Software	219	0	0	0
Technology Infrastructure	42	0	0	0
Vehicles	8,632	8,049	28	19
Water treatment system	374	368	0	0
Construction in progress	35,559	28,708	0	69
Total	<u>\$374,115</u>	<u>\$ 362,035</u>	<u>\$ 1,579</u>	<u>\$ 1,388</u>

The major transactions attributing to the change in net capital assets were:

Governmental Funds

- Acquisition of 19 buses and 7 vehicles totaling \$1.6 million.
- Increase in construction in progress due to building Shirley Heim Middle School - \$12.2 million.
- Increase in accumulated depreciation of \$11.4 million.
- Completion of major renovations at A. G. Wright Middle School – 3.9 million.

**STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

CAPITAL ASSETS (Continued)

Internal Service Funds

- Roof replacement of Fleet Services' building.

ENERGY LEASE

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.

In fiscal year 2008, the energy reduction efforts for fiscal year 2007 were finalized. SCPS consumed approximately 38,493,000 million less MBTUs, rendering a savings of approximately \$835,000, and when reduced by the \$395,000 lease payment, rendered a net savings of approximately \$440,000. This result is equivalent to enough energy to operate four (4) Stafford County middle schools or two (2) high schools. Through these environmentally conscious efforts, SCPS emitted approximately 15,129,000 less pounds of carbon dioxide (CO₂) into the atmosphere.

This project was funded in fiscal year 2007 (i.e., the summer of 2006) through an energy 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 NORESCO 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.

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 first component is added to the second component. The sum of these is then multiplied by the third component which is set at .45 each year.

This composite index, developed by the State, 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. Such is the case in Stafford – the most recent adjustment affecting this year and next has resulted in an annual decrease in State funds of \$2.1 million per year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Subsequent to the adoption of the budget for fiscal year 2009, some relevant factors have surfaced that may impact SCPS' financial operations:

- The economy has entered a recession and the State is projecting a revenue shortfall for the biennium that is expected to be \$2.5 billion plus. It is anticipated that K12 education will face lesser appropriations from the State and, as authorized in Chapter 847, 2008 Acts of Assembly, SCPS will carry forward \$1.8 million of state revenue into fiscal year 2009 to mitigate any revenue shortfalls that may occur in State funding.
- A potential exists for SCPS to experience an unfavorable variance in sales tax revenue for fiscal year 2009. In the Commonwealth of Virginia, 1.125% of the 5% levied for sales tax is returned to school districts.
- The real estate market continues to suffer from low sales activities, increased foreclosures, and a major decline in the fair market value of real property. These trends are expected to continue well into calendar year 2009. 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 the SCPS.

**STAFFORD COUNTY PUBLIC SCHOOLS
COMPONENT UNIT OF THE COUNTY OF STAFFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

- New car sales have decreased significantly and the “big three” U.S. car manufacturers are seeking federal government loans and guarantees. For both the Commonwealth and the County, much of their revenue is dependent on the automotive sector of the economy, which in turn impacts appropriations to the SCPS.
- At the board of supervisor's request, the school board authorized, and by resolution, returned to the county \$1.5 million of its fiscal year 2008 appropriation. Subsequent to year end as the county continued to experience a financial decline, the board of supervisors requested that the school board render additional financial assistance by reducing its expenditures by approximately \$2.0 million for fiscal year 2009. The proposed effect of this would result in a decrease of the county appropriation to schools by \$2.0 million, thereby increasing the county's fund balance. Continued and increased requests of this nature, greatly diminishes SCPS ability to be flexible and responsive to potential reductions in state appropriations, while also meeting its own needs.
- Funding SCPS's Other Post Employment Benefits (OPEB) liability is of growing concern, considering the county is one of the two major sources of funding. For fiscal year 2009, the county appropriation was not increased sufficiently to enable annual funding of SCPS's OPEB liability. Preliminary budget requests for fiscal year 2010 indicate the county is requesting funding for the county's OPEB liability, but not for SCPS. SCPS's annual contribution for OPEB is currently estimated at \$3.6 million. Lack of funding the annual contribution for the OPEB liability has the potential to impact the county's bond rating.
- The most recent volatility in energy costs, specifically oil, has a major financial impact on SCPS operations. SCPS consumes approximately 564,000 gallons of fuel annually transporting students and operates 34 facilities that heat and cool approximately 3,924,000 square feet of space. SCPS's magnitude of operations subjects its financial health to volatility in the local, national and global energy marketplaces.
- Growth in the student population for SCPS has returned in fiscal year 2009, which increases State revenues as most of the revenue line items are driven by student membership. This growth is mitigated by required increases in expenditures to accommodate the additional students.
- Providing competitive salaries continues to put pressure on SCPS resources as contiguous neighboring counties have exceeded SCPS teacher salaries. This factor inhibits the ability to attract and sustain a quality teacher population, especially in critical expertise areas.
- SCPS continues to experience growing student populations in English as a Second Language (ESL), autism, and children who qualify for free and reduced lunch. These populations add additional expenses beyond the general education requirements.
- The implementation of Base Realignment and Closure (BRAC) as it impacts Quantico Marine Base and installations just to the north remains uncertain as to how many new students' families may locate to Stafford County. Both the SCPS and the County will continue to monitor this situation and assess the impact going forward.

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 additional financial information, contact Wayne C. Carruthers, CPA, Assistant Superintendent for Financial Services, Stafford County Public Schools, 31 Stafford Ave., Stafford, VA 22554, by email carrutherswc@staffordschools.net, or by telephone 540-658-6584.

[CLICK HERE TO GO BACK
TO THE TABLE OF CONTENTS](#)

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2008

FINANCIAL SECTION

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2008

[CLICK HERE TO GO BACK
TO THE TABLE OF CONTENTS](#)

BASIC FINANCIAL STATEMENTS

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2008

Exhibit A

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 20,311,672
Accounts receivable, net of allowance for uncollectibles	5,642,740
Due from primary government	42,076,901
Prepaid expenses	2,009
Inventory	596,851
Total current assets	68,630,173
Noncurrent assets:	
Restricted cash and cash equivalents	22,544,690
Capital assets:	
Land	25,540,999
Construction in progress	35,558,822
Land improvements	25,728,644
Buildings and building improvements	366,600,376
Water treatment system	635,154
Furniture, fixtures and equipment	6,606,940
Technology infrastructure	42,742
Software	243,515
Vehicles	18,946,943
Less: Accumulated depreciation	(104,210,553)
Total noncurrent assets	398,238,272
Total assets	\$ 466,868,445
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 8,072,429
Retainage payable	2,115,633
Accrued salaries and benefits	36,835,270
Arbitrage rebate liability	115,372
Accrued insurance claims	3,805,719
Deferred revenue	67,415
Current portion of long-term debt	662,251
Current portion of OPEB liability	1,058,479
Total current liabilities	52,732,568
Noncurrent liabilities:	
Noncurrent portion of long-term debt	7,442,251
Noncurrent portion of OPEB liability	6,064,225
Total noncurrent liabilities	13,506,476
Total liabilities	66,239,044
NET ASSETS	
Invested in capital assets, net of related debt	372,811,891
Unrestricted	27,817,510
Total net assets	400,629,401
Total liabilities and net assets	\$ 466,868,445

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, 2008

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expenses), Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Education:				
Instruction	\$ 180,335,502	\$ 448,696	\$ 142,545,372	\$ (37,341,434)
Administration, attendance and health	43,773,426	2,340,431	-	(41,432,995)
Pupil transportation	13,894,832	1,000,854	-	(12,893,978)
Operation and maintenance	19,665,727	-	-	(19,665,727)
Nutrition services	9,985,079	6,948,489	3,521,823	485,233
Construction	73,908	-	-	(73,908)
Capital outlay	1,420,065	-	-	(1,420,065)
Interest and fiscal charges	110,444	-	-	(110,444)
Total governmental activities	<u>\$ 269,258,983</u>	<u>\$ 10,738,470</u>	<u>\$ 146,067,195</u>	<u>(112,453,318)</u>
General revenues:				
				124,008,330
				954,628
				1,487,211
				<u>126,450,169</u>
				13,996,851
				<u>386,632,550</u>
				<u>\$ 400,629,401</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, 2008

Exhibit C

	Operating Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Pooled cash and investments	\$ 1,883,926	\$ 2,513,980	\$ 2,235,793	\$ 6,633,699
Restricted cash and investments	-	21,478,106	7,343	21,485,449
Accounts receivable	217,007	-	11,457	228,464
Intergovernmental receivables:	-	-	-	-
Federal Government	1,014,803	-	120,623	1,135,426
Commonwealth of Virginia	4,232,347	-	-	4,232,347
Due from primary government	42,076,901	-	-	42,076,901
Prepaid expenses	-	-	2,009	2,009
Inventory	-	-	288,621	288,621
Total assets	<u>\$ 49,424,984</u>	<u>\$ 23,992,086</u>	<u>\$ 2,665,846</u>	<u>\$ 76,082,916</u>
LIABILITIES AND FUND BALANCE				
Accounts payable	\$ 3,391,390	\$ 3,170,284	\$ 78,413	\$ 6,640,087
Contract retainage payable	-	2,115,633	-	2,115,633
Accrued salaries and benefits	35,700,735	18,634	932,998	36,652,367
Arbitrage rebate liability	-	115,372	-	115,372
Deferred revenue	67,415	-	-	67,415
Due to other funds	1,076,293	836	73,678	1,150,807
Total liabilities	<u>40,235,833</u>	<u>5,420,759</u>	<u>1,085,089</u>	<u>46,741,681</u>
Fund balance:				
Reserved for:				
Inventory	-	-	288,621	288,621
Encumbrances	7,396,302	9,916,007	51,427	17,363,736
Designated for future expenditures	1,792,849	-	-	1,792,849
Unreserved fund balance	-	8,655,320	1,240,709	9,896,029
Total fund balance	<u>9,189,151</u>	<u>18,571,327</u>	<u>1,580,757</u>	<u>29,341,235</u>
Total liabilities and fund balance	<u>\$ 49,424,984</u>	<u>\$ 23,992,086</u>	<u>\$ 2,665,846</u>	<u>\$ 76,082,916</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, 2008

Exhibit C-1

Fund balance - total governmental funds		\$ 29,341,235
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	\$ 477,585,737	
Less accumulated depreciation	<u>(103,470,947)</u>	
Net Capital Assets		374,114,790
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	\$ 17,826,106	
Liabilities	<u>(12,685,370)</u>	
Net Assets		5,140,736
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.		
Energy Lease	\$ (2,881,691)	
Compensated absences	<u>(5,085,669)</u>	
Total		(7,967,360)
Net assets of governmental activities		<u><u>\$ 400,629,401</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
For the Fiscal Year Ended June 30, 2008 and 2007

Exhibit D

	Operating Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental:				
Stafford County	\$ 100,817,432	\$ 23,190,898	\$ -	\$ 124,008,330
Commonwealth of Virginia	132,445,931	-	162,564	132,608,495
Federal Government	10,099,441	-	3,359,259	13,458,700
Total intergovernmental revenues	243,362,804	23,190,898	3,521,823	270,075,525
Charges for services:				
Tuition and fees	448,696	-	-	448,696
Food sales	-	-	6,948,489	6,948,489
Recovered costs	1,217,023	-	-	1,217,023
Miscellaneous	105,550	-	19,229	124,779
Interest	-	728,733	14,027	742,760
Total revenues	245,134,073	23,919,631	10,503,568	279,557,272
EXPENDITURES				
Current operating:				
Education:				
Instruction	184,897,493	-	-	184,897,493
Administration, attendance and health	16,360,660	-	-	16,360,660
Pupil transportation	13,001,603	-	-	13,001,603
Operation and maintenance	20,624,177	-	-	20,624,177
Nutrition services	216,455	-	10,450,452	10,666,907
Construction	73,908	-	-	73,908
Capital outlay	3,761,107	21,025,616	115,369	24,902,092
Debt service:				
Principal	282,456	40,039	-	322,495
Interest and fiscal charges	110,444	-	-	110,444
Total expenditures	239,328,303	21,065,655	10,565,821	270,959,779
Excess (deficiency) of revenues over (under) expenditures	5,805,770	2,853,976	(62,253)	8,597,493
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	100,000	-	-	100,000
Transfers to other funds	(2,514,486)	(149,336)	(100,843)	(2,764,665)
Total other financing uses	(2,414,486)	(149,336)	(100,843)	(2,664,665)
Net change in fund balance	3,391,284	2,704,640	(163,096)	5,932,828
Fund balance, beginning - July 1, 2007	5,797,867	15,866,687	1,743,853	23,408,407
Fund balance, ending - June 30, 2008	\$ 9,189,151	\$ 18,571,327	\$ 1,580,757	\$ 29,341,235

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, 2007

Exhibit D-1

Net change in fund balance - total governmental funds \$ 5,932,828

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 capital assets	23,941,945	
Less: Depreciation expense	<u>(11,380,909)</u>	
Excess of capital outlay over depreciation		12,561,036

The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets. (481,484)

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 capital lease		322,495
---	--	---------

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		(673,267)
----------------------	--	-----------

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	28,981,459	
Total expenses	<u>(32,646,216)</u>	
		<u>(3,664,757)</u>

Change in net assets of governmental activities		<u><u>\$ 13,996,851</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 NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

Exhibit E

	<u>Governmental Activities - Internal Service Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 13,677,973
Accounts receivable	46,503
Due from other funds	1,155,367
Inventory	308,230
Total current assets	<u>15,188,073</u>
Noncurrent assets:	
Restricted cash and cash equivalents	1,059,241
Capital assets:	
Land	37,357
Land improvements	942,970
Buildings and building improvements	1,200,740
Furniture, fixtures and equipment	104,054
Vehicles	33,277
Less: Accumulated depreciation	<u>(739,606)</u>
Total noncurrent assets	<u>2,638,033</u>
Total assets	<u><u>\$ 17,826,106</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,432,342
Accrued salaries and benefits	182,903
Accrued insurance claims	3,805,719
Due to other funds	4,560
Current portion of compensated absences	6,056
Current portion of OPEB liability	1,058,479
Total current liabilities	<u>6,490,059</u>
Noncurrent liabilities:	
Noncurrent portion of compensated absences	131,086
Noncurrent portion of OPEB Liability	6,064,225
Total noncurrent liabilities	<u>6,195,311</u>
Total liabilities	<u>12,685,370</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,578,792
Unrestricted	3,561,944
Total net assets	<u>5,140,736</u>
Total liabilities and net assets	<u><u>\$ 17,826,106</u></u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

Exhibit F

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services	<u>\$ 25,959,517</u>
Operating expenses:	
Personnel services	2,115,995
Contractual services	29,432,055
Materials and supplies	976,174
Heat, light and power	22,803
Telecommunication and internal services	11,219
Depreciation	87,970
Total operating expenses	<u>32,646,216</u>
Operating income (loss)	(6,686,699)
Nonoperating revenues:	
Interest and investment revenue	211,868
Vehicle sales	145,409
Transfers from other funds, net	2,664,665
Total nonoperating revenues, net	<u>3,021,942</u>
Change in net assets	(3,664,757)
Total net assets, beginning - July 1, 2007	<u>8,805,493</u>
Total net assets, ending - June 30, 2008	<u><u>\$ 5,140,736</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 CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

Exhibit G

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Receipts from customers	\$ 25,453,044
Payments to suppliers	(21,868,945)
Payments to employees	(1,987,592)
Net cash provided by operating activities	<u>1,596,507</u>
Cash flows from noncapital and related financing activities:	
Transfers from other funds, net	<u>2,664,665</u>
Net cash provided by noncapital and related financing activities	<u>2,664,665</u>
Cash flows from capital and related financing activities:	
Proceeds from vehicle sales	145,409
Acquisition and construction of capital assets	(278,007)
Net cash used in capital and related financing activities	<u>(132,598)</u>
Cash flows from investing activities:	
Interest earned on investments	<u>211,868</u>
Net cash provided by investing activities	<u>211,868</u>
Net increase in cash and cash equivalents	4,340,442
Cash and cash equivalents, beginning - July 1, 2007	<u>10,396,772</u>
Cash and cash equivalents, ending - June 30, 2008	<u>\$ 14,737,214</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	<u>\$ (6,686,699)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	87,970
Changes in assets and liabilities:	
Increase in accounts receivable	(506,473)
Decrease in inventory	9,826
Increase in accounts payable and accrued expenses	1,552,901
Increase in compensated absences	16,278
Increase in OPEB liability	<u>7,122,704</u>
Total adjustments	<u>8,283,206</u>
Net cash provided by operating activities	<u>\$ 1,596,507</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 FUND
June 30, 2008

Exhibit H

	<u>Agency Fund</u>
	<u>School Activity Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,323,047
	<u>2,323,047</u>
LIABILITIES	
Reserve for future expenditures	\$ 2,323,047
	<u>2,323,047</u>

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

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2008

[CLICK HERE TO GO BACK
TO THE TABLE OF CONTENTS](#)

NOTES TO THE BASIC FINANCIAL STATEMENTS

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

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 SPCS 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 funds, SCPS is considered a Component Unit of the County. Other significant determining factors also include: the County approves SCPS’ budget, the County funds any deficits, and the County issues bonds and contracts debt to finance capital projects for SCPS. Also, SCPS provides services, which primarily benefit the citizens of the County.

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

B. FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

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

Major Governmental Funds

- **General Fund (hereafter referred to as the Operating Fund):** The *Operating Fund* is SCPS’ primary fund for financial transactions. It is used to account for financial resources except those required to be accounted for in another fund. Basically, the operating fund accounts for the operations of the County’s public school system, including grants and self-supporting programs.
- **Capital Projects Fund:** This fund is used to account for financial resources to be used in the acquisition, construction and renovation of school sites and buildings and other major capital facilities.

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

B. FUND ACCOUNTING (Continued)

Nonmajor Governmental Funds

- **Special Revenue Funds:** The special revenue funds are used to account for proceeds of specific revenue sources, other than major capital projects, in which expenditures are restricted for a specific purpose. SCPS has two special revenue funds:
 - ***Food and Nutrition Services Fund*** - accounts for the proceeds from the school cafeterias.
 - ***Construction, Renovation and Maintenance Fund*** - accounts for the revenues and expenditures associated with the sale of a portion of Trigon stock to be used solely for the purposes as stated in the fund name.

PROPRIETARY FUNDS

Proprietary Funds describe funds that are used to account for activities that are similar to those often engaged in by profit-seeking businesses. These funds account for the financing of services provided by one fund to other funds of SCPS and the County on a cost reimbursement basis. Operating revenues include charges for services and operating expenses include 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 such funds:

- ***Fleet Services Fund*** - accounts for the revenues and expenses associated with providing vehicle maintenance services to departments and agencies of SCPS and the County on a cost reimbursement basis.
- ***Health Benefits Fund*** - accounts for the revenues and expenses associated with the provision of health-related benefits to employees of SCPS under a comprehensive health benefits self-insurance program.
- ***Worker's Compensation Fund*** – accounts for the revenues and expense associated with the administration of the worker's compensation insurance program for employees of SCPS under a self-insurance program.

FIDUCIARY FUNDS

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

- ***Activity Funds*** – accounts for the monies collected at each school site 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.

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

C. BASIS OF FINANCIAL STATEMENT PRESENTATION

GASB has established requirements and a reporting model for the annual financial reports of state and local governments. The reporting model was developed to make Comprehensive Annual Financial Report's (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 each of SCPS' major functions, while net revenue or expense indicates whether the 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 that are not directly related to a program are reported as general revenues. These include SCPS' portion of property tax revenues, which are received as payments from the County, as well as certain other unrestricted amounts received from the Commonwealth of Virginia and the Federal government. SCPC does not allocate indirect expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

FUND FINANCIAL STATEMENTS

In order to provide budgetary controls and maintain legal compliance, SCPS records transactions in separate funds rendering a more detailed level. SCPS' General Fund (hereafter referred to as the *Operating Fund*) and Capital Projects Fund are deemed to be the major governmental funds; therefore, they are separately reported on the governmental funds 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 is only one fiduciary fund, an agency fund that comprises the activity funds at all 29 schools and one division-wide activity fund. This agency fund is purely custodial (i.e. assets equal liabilities) and does not involve the measurement of operations.

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; therefore, the non-current (i.e., land, buildings, improvements, and other capital assets) as well as long-term liabilities (i.e., capital lease liabilities, compensated absences and actuarial claims payable) are included in this statement.

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

D. MEASUREMENT FOCUS (Continued)

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. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of 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 the governmental fund statements are presented on a different measurement focus than the government-wide statements, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the governmental fund financial statements to the governmental activities of 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.

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 Fund

The agency fiduciary fund has no measurement focus and reports only assets and related liabilities, primarily to student groups within SCPS.

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.

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

E. BASIS OF ACCOUNTING (Continued)

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 the 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 60 days after fiscal year end for its funds availability criteria. Non-exchange transactions, where 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 interfund 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.

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, 2008, 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.

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

F. CASH AND CASH EQUIVALENTS (Continued)

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 Fund, 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 and are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. Investment earnings are allocated to the various funds based on equity in the investment pool. The fair value of investments is based on quoted market prices; no investments are valued at cost. All investments in external investment pools are reported at fair value.

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.

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 on the government-wide basis 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 donated. Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is recorded in the results of operations.

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 was capitalized.

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

I. CAPITAL ASSETS (Continued)

All reported capital assets except land and construction in progress are depreciated. Accumulated depreciation is recorded as a reduction to the 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 OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements as well as in the proprietary fund financial statements. The long-term obligations are segregated between those due within one year and those due beyond one year. Payables and accrued liabilities that will be paid from current financial resources are reported as obligations of the funds.

L. NET ASSETS

Net assets represent the difference between assets and liabilities in the government-wide and proprietary fund financial statements. The net assets of SCPS fall into two categories: net assets invested in capital assets, net of related debt; and 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 to acquire these assets. The remaining net assets are reported as unrestricted.

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 with the County debt as a liability of the primary government, thereby reducing the net assets of the primary government. The corresponding capital assets are reported as assets of the Component Unit – SCPS (title holder), thereby increasing the net assets of SCPS.

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

L. NET ASSETS (Continued)

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 any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt. The legislation allows local governments to elect not to acquire a tenancy in common by adopting a resolution to that effect.

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

M. ENCUMBRANCES

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

N. USE OF ESTIMATES

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

O. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING

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

1. SCPS' Superintendent prepares an annual budget that is presented to the School Board. The School Board then reviews and requests changes be made or approves the Superintendent's Budget and presents it to the County Board of Supervisors.
2. Prior to April 1, the County Administrator submits a proposed budget (operating and capital) to the Board of Supervisors for the fiscal year commencing the following July 1. The budget includes proposed obligations and the means of financing them. The budget embodies estimates of specific amounts of revenue.
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 the Component Unit – Stafford County Public Schools, 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
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

O. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING (Continued)

Stafford County Public Schools' Budgets

Governmental Funds:

Operating Fund
Capital Projects Fund
Food and Nutrition Services Fund

Proprietary Funds – Internal Service Funds:

Fleet Services Fund
Health Benefits Fund
Worker's 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, 2008, there were no expenditures in excess of appropriations.

The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare actual revenue and expenditures with budgeted amounts as originally adopted, and as amended by the Board of Supervisors through June 30, 2008. Individual amendments were not material in relation to the original appropriations.

Note 2. DEPOSITS AND INVESTMENTS

DEPOSITS

All cash of the School Board is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

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, 2008 were held by the School Board or in the School Board's name by the School Board's custodial banks.

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

Note 2. DEPOSITS AND INVESTMENTS (Continued)

CREDIT RISK OF DEBT SECURITIES

Stafford County Public Schools' debt investments as of June 30, 2008 were rated by Standard & Poor's and/or an equivalent national rating organization and these ratings are presented below using Standard & Poor's rating scale.

	<u>AAAm</u>	<u>AAA</u>	<u>A1</u>
U.S. Treasuries	\$ 64	\$ -	\$ -
Commercial Paper	-	-	454,242
LGIP	4,610,170	-	-
SNAP	21,478,042	-	-
Total	\$26,088,276	\$ -	\$ 454,242

EXTERNAL INVESTMENT POOLS

The fair value of the positions in the external investment pools (Local Government Investment Pool) 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, 2008 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, 2008 were as follows:

<i>Intergovernmental Receivables:</i>	Governmental Funds – Operating Fund	Nonmajor Governmental Funds – Food and Nutrition Services Fund	Totals
Commonwealth of Virginia	\$4,232,347	\$ -	\$4,232,347
Federal Government	1,014,803	120,623	1,135,426
Total	\$5,247,150	\$120,623	\$5,367,773

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 cent of every five cents collected in State Sales Tax to be distributed to school divisions based on school-age population. The receivable from the Commonwealth of Virginia also includes SCPS' allocation of the Virginia Public School Authority Educational Technology note proceeds. These proceeds are available to school divisions for qualified technology expenditures.

Amounts due from the federal government in the Operating Fund are attributed primarily to grants from the Title I and Title II Part A programs that enhance the instruction for disadvantaged children. 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.

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

Note 5. INTERFUND TRANSFERS

In the year ended June 30, 2008, the majority of the interfund transfers made were from the Operating Fund to the Health Benefits Fund. During the current year, each fund accounted for healthcare premium payments to the Health Benefits Fund totaling \$22,618,232 were classified as expenditures, whereas in prior years these amounts were reflected as transfers. The interfund transfers made during the year ended June 30, 2008 were as follows:

<i>Transfer from:</i>					
	Operating Fund	Nutrition and Food Services Fund	Capital Projects Fund	School Construction, Renovation and Maintenance Fund	Total
<i>Transfer to:</i>					
Fleet Services Fund	\$ -	\$ -	\$149,336	\$ -	\$149,336
Operating Fund	-	100,000	-	-	100,000
Health Benefits Fund	2,514,486	-	-	843	2,515,329
Total	\$2,514,486	\$100,000	\$149,336	\$843	\$2,764,665

Note 6. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of long-term liability activity of SCPS for the year ended June 30, 2008:

	Amounts Payable at 7/1/07	Increases	Decreases	Amounts Payable at 6/30/08	Amounts Due within One Year
Governmental Activities:					
General Long-Term Debt:					
Capital Lease	\$3,204,186	\$ -	\$322,495	\$2,881,691	\$268,828
Compensated Absences *	4,533,266	552,403	-	5,085,669	387,367
Internal Service Funds:					
Compensated Absences	120,864	16,278	-	137,142	6,056
Total	\$7,858,316	\$578,681	\$322,495	\$8,102,504	\$634,802

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

Note 7. CAPITAL LEASE

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 \$2,881,691 is outstanding as of June 30, 2008.

For the year ended June 30, 2008, interest revenue totaled \$110,444.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

Note 7. CAPITAL LEASE (Continued)

The future minimum lease payments and the net present value of capitalized lease obligations as of June 30, 2008 are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2009	\$386,909
2010	386,909
2011	386,909
2012	386,909
2013	386,909
2014 - 2018	<u>1,547,635</u>
Total future minimum lease payments	3,482,180
Less amount representing interest	<u>600,489</u>
Net present value of capitalized lease obligations	<u><u>\$2,881,691</u></u>

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

Note 8. CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2008:

<i>Governmental Activities:</i>	Balance			Balance
	July 1, 2007	Increases	Decreases	June 30, 2008
Capital assets not being depreciated:				
Land	\$25,470,721	\$ 32,921	\$ -	\$25,503,642
Construction in progress	28,708,043	16,870,340	(10,019,561)	35,558,822
Total capital assets not being depreciated	<u>54,178,764</u>	<u>16,903,261</u>	<u>(10,019,561)</u>	<u>61,062,464</u>
Capital assets being depreciated:				
Land improvements	23,032,904	2,045,496	(292,727)	24,785,673
Buildings and building improvements	353,156,245	12,476,008	(232,617)	365,399,636
Furniture, fixtures and equipment	5,908,529	614,095	(19,739)	6,502,885
Vehicles	17,765,667	1,617,169	(469,167)	18,913,669
Software	-	243,515	-	243,515
Technology Infrastructure	-	42,742	-	42,742
Distribution and collection systems	594,028	41,126	-	635,154
Total capital assets being depreciated	<u>400,457,373</u>	<u>17,080,151</u>	<u>(1,014,250)</u>	<u>416,523,274</u>
Less accumulated depreciation for:				
Land improvements	(2,632,181)	(1,252,298)	21,955	(3,862,524)
Buildings and building improvements	(76,982,424)	(8,387,451)	2,326	(85,367,549)
Furniture, fixtures and equipment	(3,043,758)	(648,604)	19,740	(3,672,622)
Vehicles	(9,716,893)	(1,033,597)	469,165	(10,281,325)
Software	-	(24,351)	-	(24,351)
Technology Infrastructure	-	(1,069)	-	(1,069)
Distribution and collection systems	(225,643)	(35,864)	-	(261,507)
Total accumulated depreciation	<u>(92,600,899)</u>	<u>(11,383,234)</u>	<u>513,186</u>	<u>(103,470,947)</u>
Total capital assets being depreciated, net	<u>307,856,474</u>	<u>5,696,917</u>	<u>501,064</u>	<u>313,052,327</u>
Total capital assets, governmental activities	<u><u>\$362,035,238</u></u>	<u><u>\$22,600,178</u></u>	<u><u>\$(10,520,625)</u></u>	<u><u>\$374,114,791</u></u>

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

Note 8. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for SCPS' proprietary fund (i.e., an internal service fund) for the fiscal year ended June 30, 2008:

<i>Business-Type Activities:</i>	Balance			Balance
Proprietary Fund - Fleet Services	July 1, 2007	Increases	Decreases	June 30, 2008
Capital assets not being depreciated:				
Land	\$ 37,357	\$ -	\$ -	\$ 37,357
Construction in progress	69,031	-	(69,031)	-
Total capital assets not being depreciated	<u>106,388</u>	-	(69,031)	<u>37,357</u>
Capital assets being depreciated:				
Land improvements	942,971	-	-	942,971
Buildings and building improvements	898,009	302,730	-	1,200,739
Furniture, fixtures and equipment	73,113	30,941	-	104,054
Vehicles	19,910	13,367	-	33,277
Total capital assets being depreciated	<u>1,934,003</u>	<u>347,038</u>	-	<u>2,281,041</u>
Less accumulated depreciation for:				
Land improvements	(36,184)	(47,514)	-	(83,698)
Buildings and building improvements	(587,291)	(30,508)	-	(617,799)
Furniture, fixtures and equipment	(26,918)	(6,623)	-	(33,541)
Vehicles	(1,244)	(3,324)	-	(4,568)
Total accumulated depreciation	<u>(651,637)</u>	<u>(87,969)</u>	-	<u>(739,606)</u>
Total capital assets being depreciated, net	<u>1,282,366</u>	<u>259,069</u>	-	<u>1,541,435</u>
Total capital assets, business-type activities	<u><u>\$1,388,754</u></u>	<u><u>\$259,069</u></u>	<u><u>\$(69,031)</u></u>	<u><u>\$1,578,792</u></u>

Note 9. CONSTRUCTION COMMITMENTS

At June 30, 2008, SCPS had contractual commitments of \$7.8 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.

Note 11. DEBT SERVICE RESPONSIBILITY

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

Note 12. RISK MANAGEMENT

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

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

SCPS carries commercial insurance for all risks of loss, except for workers' compensation. Like the County, SCPS participates in the VML public entity risk pool. Settled claims have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year. Total workers' compensation estimated claims as of June 30, 2008 were \$318,197 of which all were 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:

Year Ended June 30,	2008	2007
Unpaid claims, beginning of year	\$3,443,000	\$3,241,000
Incurred claims (including IBNR)	19,887,537	18,486,216
Claim payments	(19,843,015)	(18,284,216)
Unpaid claims, end of year	\$3,487,522	\$3,443,000

Note 13. LITIGATION AND CONTINGENT LIABILITIES

SCPS is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. It is the opinion of SCPS' management, based on advice from legal counsel, that any losses incurred as a result of claims existing as of June 20, 2008 will not be material to the financial statements.

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.

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

Note 14. DEFINED BENEFIT PENSION PLAN

A. PLAN DESCRIPTION

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/2007annurept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

B. FUNDING POLICY

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. SCPS has assumed this 5% member contribution. In addition, SCPS is also required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The School Board's contribution rate for professional employees for the fiscal year ended 2008 was 15.30% of annual covered payroll. SCPS' contribution rate for non-professional employees for the fiscal year ended 2008 was 14.09% of annual covered payroll.

Total contributions to the VRS State Teachers Pool for the years ended June 30, 2006, June 30, 2007 and June 30, 2008 were \$14,212,166, \$18,209,670 and \$20,463,048 respectively, representing 11.62%, 14.2% and 15.3% respectively, of the covered payroll for the three years then ended.

C. ANNUAL PENSION COST

Trend information for the SCPS' non-professional employees is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2006	\$1,012,982	100.00%	-
June 30, 2007	\$1,295,417	100.00%	-
June 30, 2008	\$1,322,906	100.00%	-

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

Note 14. DEFINED BENEFIT PENSION PLAN (Continued)

D. FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2007, the most recent actuarial valuation date, the School Board's plan was 78.50% funded. The actuarial accrued liability for benefits was \$16,463,702, and the actuarial value of assets was \$12,924,290, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,538,782. The covered payroll (annual payroll of active employees covered by the plan) was \$9,275,202, and the ratio of the UAAL to the covered payroll was 38.15%.

Note 15. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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.

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

A. PLAN DESCRIPTION (Continued)

ACTUARIAL METHODS AND ASSUMPTIONS

Cost Method

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 cost for each year from the assumed entry date is determined by applying this level of 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.

Interest Assumptions

The actuarial assumptions of the plan as of June 30, 2008 are as follows:

- Discount rate 4.5%
- 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. In addition, the School Board also determines whether to partially fund or fully fund the plan as part of the annual budget process

C. ANNUAL OPEB COST

For the fiscal year ended June 30, 2008, the School Board implemented Statement No. 45 of the Governmental Accounting Standards Board (GASB) – "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Benefits". In the first year of implementation, the annual cost of other post employment benefits (OPEB) is equal to the annual required contribution (ARC), an amount actuarially determined in accordance with the accounting and financial reporting requirements of the GASB's Statement No. 45. The ARC represents an actuarially computed annual level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of OPEB and amortize the unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The School Board's annual OPEB cost (expense) for the year ended June 30, 2008 was \$8,258,000 and the total pay-as-you-go amount of cash paid for medical claims was \$1,135,296, yielding an unfunded ARC of \$7,122,704. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 are, as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2008	\$8,258,000	13.75%	\$7,122,704

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

D. FUNDED STATUS AND PROGRESS

The funded status of the Plan as of June 30, 2008 is as follows:

Actuarial accrued liability (AAL)	\$ 76,908,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 76,908,000
Funded ratio (actuarial value of plan assets / AAL)	0.00%
July 1, 2007 Covered payroll (active plan members)	\$103,300,000
UAAL as a percentage of covered payroll	74.45%

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. SUBSEQUENT EVENTS

On October 21, 2008, the Stafford County Board of Supervisors authorized participation in the Fall 2008 Virginia Public School Authority issuance and sale of General Obligation School Bonds in a principal amount not to exceed \$1,700,000. Proceeds of this issue will be used to finance heating, ventilation and air conditioning repairs at Brooke Point High School and A.G. Wright Middle School plus remediation repairs at the Alvin York Bandy administrative complex.

REQUIRED SUPPLEMENTARY INFORMATION (unaudited)

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

Exhibit I

	Budget		Actual (Budget Basis)	Variance from Final Budget Over (Under)
	Original	Final		
REVENUES				
Intergovernmental:				
Stafford County	\$102,317,432	\$ 108,115,305	\$ 100,817,432	\$ (7,297,873)
Commonwealth of Virginia	134,379,227	134,602,309	132,445,931	(2,156,378)
Federal Government	8,951,171	9,807,666	10,099,441	291,775
Total intergovernmental revenues	<u>245,647,830</u>	<u>252,525,280</u>	<u>243,362,804</u>	<u>(9,162,476)</u>
Charges for services:				
Tuition and fees	695,250	695,250	448,696	(246,554)
Recovered costs	380,925	380,925	1,217,023	836,098
Miscellaneous	3,120,000	1,840,423	105,550	(1,734,873)
Total revenues	<u>249,844,005</u>	<u>255,441,878</u>	<u>245,134,073</u>	<u>(10,307,805)</u>
EXPENDITURES				
Current:				
Instruction	192,266,125	192,520,939	184,897,493	(7,623,446)
Administration, attendance and health	15,626,543	17,226,103	16,360,660	(865,443)
Pupil transportation	13,617,570	13,361,096	13,001,603	(359,493)
Operation and maintenance	22,194,394	23,051,184	20,624,177	(2,427,007)
Nutrition services	237,725	207,725	216,455	8,730
Construction	465,000	677,321	73,908	(603,413)
Capital outlay	1,941,750	4,163,553	3,761,107	(402,446)
Debt service:				
Principal	263,030	263,030	282,456	19,426
Interest and fiscal charges	131,868	131,868	110,444	(21,424)
Total expenditures	<u>246,744,005</u>	<u>251,602,819</u>	<u>239,328,303</u>	<u>(12,274,516)</u>
Excess of revenues over expenditures	3,100,000	3,839,059	5,805,770	1,966,711
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds, net	100,000	(2,413,886)	(2,414,486)	(600)
Net change in fund balance	<u>\$ 3,200,000</u>	<u>\$ 1,425,173</u>	3,391,284	<u>\$ 1,966,111</u>
Fund balance, beginning - July 1, 2007			<u>5,797,867</u>	
Fund balance, ending - June 30, 2008			<u>\$ 9,189,151</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
For the Fiscal Year Ended June 30, 2008

Exhibit J

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)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll {(b) - (a)} / (c)
June 30, 2005	9,665,736	12,288,811	2,623,075	78.65%	5,354,505	48.99%
June 30, 2006	10,838,222	13,684,813	2,846,591	79.20%	7,927,683	35.91%
June 30, 2007	12,924,290	16,463,072	3,538,782	78.50%	9,275,202	38.15%

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, 2008**

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 the Component Unit – Stafford County Public Schools) to the Board of Supervisors for the fiscal year commencing the following July 1. This budget includes proposed obligations and the means of financing them and embodies estimates of specific amounts of revenue. Public hearings are conducted by the Board of Supervisors to obtain taxpayer and citizen comments.
5. Prior to June 30, the County's budget is legally enacted through passage of a resolution by the Board of Supervisors. The School Board then adopts SCPS' budget approved by the County, thereby legally adopting the following budgets:

Stafford County Public Schools

Governmental Funds:

- Operating Fund
- Capital Projects Fund
- Food and Nutrition Services 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. Open encumbrances at year-end are reported as a reservation of fund balances. Encumbrances do not constitute expenditures of the current year. Appropriations with outstanding commitments or encumbrances are carried forward into the following 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 liabilities less outstanding encumbrances and less any prepaid items at June 30) reverts to the County before the aforementioned closing process. Appropriations for subsequent fiscal year are increased in the amount necessary to satisfy the outstanding encumbrances at June 30. Encumbered appropriations are liquidated through expenditures in the subsequent fiscal year.

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2008

[CLICK HERE TO GO BACK
TO THE TABLE OF CONTENTS](#)

OTHER SUPPLEMENTARY INFORMATION

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT OF STAFFORD COUNTY, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

Exhibit K

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	Food and Nutrition Services Fund	School Construction, Renovation and Maintenance Fund	
ASSETS			
Pooled cash and investments	\$ 2,235,793	\$ -	\$ 2,235,793
Restricted cash and investments	7,343	-	7,343
Accounts receivable	11,457	-	11,457
Intergovernmental receivables	120,623	-	120,623
Prepaid expenses	2,009	-	2,009
Inventory	288,621	-	288,621
Total assets	<u>2,665,846</u>	<u>-</u>	<u>2,665,846</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	78,413	-	78,413
Accrued salaries and benefits	932,998	-	932,998
Due to other funds	73,678	-	73,678
Total liabilities	<u>1,085,089</u>	<u>-</u>	<u>1,085,089</u>
Fund Balance:			
Reserved for:			
Inventory	288,621	-	288,621
Encumbrances	51,427	-	51,427
Unreserved fund balance	1,240,709	-	1,240,709
Total fund balance	<u>1,580,757</u>	<u>-</u>	<u>1,580,757</u>
Total liabilities and fund balance	<u>\$ 2,665,846</u>	<u>\$ -</u>	<u>\$ 2,665,846</u>

See accompanying independent auditors' report.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008

Exhibit L

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	Food and Nutrition Services Fund	School Construction, Renovation and Maintenance Fund	
REVENUES			
Intergovernmental:			
Commonwealth of Virginia	\$ 162,564	\$ -	\$ 162,564
Federal Government	3,359,259	-	3,359,259
Total intergovernmental revenues	<u>3,521,823</u>	-	<u>3,521,823</u>
Charges for services:			
Food sales	6,948,489	-	6,948,489
Miscellaneous	19,229	-	19,229
Interest	14,027	-	14,027
Total revenues	<u>10,503,568</u>	-	<u>10,503,568</u>
EXPENDITURES			
Current operating:			
Education	10,450,452	-	10,450,452
Capital outlay	115,369	-	115,369
Total expenditures	<u>10,565,821</u>	-	<u>10,565,821</u>
Deficiency of revenues under expenditures	(62,253)	-	(62,253)
OTHER FINANCING USES			
Transfers to other funds	(100,000)	(843)	(100,843)
Net change in fund balance	<u>(162,253)</u>	<u>(843)</u>	<u>(163,096)</u>
Fund balance, beginning - July 1, 2007	1,743,010	843	1,743,853
Fund balance, ending - June 30, 2008	<u>\$ 1,580,757</u>	<u>\$ -</u>	<u>\$ 1,580,757</u>

See accompanying independent auditors' report.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

Exhibit M

	Internal Service Funds			Total Proprietary Funds
	Fleet Services Fund	Health Benefits Fund	Workers' Compensation Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 702,809	\$ 11,156,400	\$ 1,818,764	\$ 13,677,973
Accounts receivable	636	45,867	-	46,503
Due from other funds	-	1,155,367	-	1,155,367
Inventory	308,230	-	-	308,230
Total current assets	<u>1,011,675</u>	<u>12,357,634</u>	<u>1,818,764</u>	<u>15,188,073</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	1,059,241	-	1,059,241
Capital assets:				
Land	37,357	-	-	37,357
Land improvements	942,970	-	-	942,970
Buildings and building improvements	1,200,740	-	-	1,200,740
Furniture, fixtures and equipment	104,054	-	-	104,054
Vehicles	33,277	-	-	33,277
Less accumulated depreciation	(739,606)	-	-	(739,606)
Total noncurrent assets	<u>1,578,792</u>	<u>1,059,241</u>	<u>-</u>	<u>2,638,033</u>
Total assets	<u>\$ 2,590,467</u>	<u>\$ 13,416,875</u>	<u>\$ 1,818,764</u>	<u>\$ 17,826,106</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 56,207	\$ 1,339,838	\$ 36,297	\$ 1,432,342
Accrued salaries and benefits	151,193	26,314	5,396	182,903
Accrued insurance claims	-	3,487,522	318,197	3,805,719
Due to other funds	4,458	-	102	4,560
Current portion of compensated absences	6,056	-	-	6,056
Current portion of OPEB liability	-	1,058,479	-	1,058,479
Total current liabilities	<u>217,914</u>	<u>5,912,153</u>	<u>359,992</u>	<u>6,490,059</u>
Noncurrent liabilities:				
Noncurrent portion of compensated absences	131,086	-	-	131,086
Noncurrent portion of OPEB liability	-	6,064,225	-	6,064,225
Total noncurrent liabilities	<u>131,086</u>	<u>6,064,225</u>	<u>-</u>	<u>6,195,311</u>
Total liabilities	<u>349,000</u>	<u>11,976,378</u>	<u>359,992</u>	<u>12,685,370</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,578,792	-	-	1,578,792
Unrestricted	662,675	1,440,497	1,458,772	3,561,944
Total net assets	<u>2,241,467</u>	<u>1,440,497</u>	<u>1,458,772</u>	<u>5,140,736</u>
Total liabilities and net assets	<u>\$ 2,590,467</u>	<u>\$ 13,416,875</u>	<u>\$ 1,818,764</u>	<u>\$ 17,826,106</u>

See accompanying independent auditors' report.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

Exhibit N

	<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	\$ 3,317,726	\$ 20,924,368	\$ 1,717,423	\$ 25,959,517
Operating expenses:				
Personnel services	1,815,361	229,465	71,169	2,115,995
Contractual services	401,227	28,403,715	627,113	29,432,055
Materials and supplies	976,174	-	-	976,174
Heat, light and power	22,803	-	-	22,803
Telecommunication and internal services	11,219	-	-	11,219
Depreciation	87,970	-	-	87,970
Total operating expenses	<u>3,314,754</u>	<u>28,633,180</u>	<u>698,282</u>	<u>32,646,216</u>
Operating income (loss)	<u>2,972</u>	<u>(7,708,812)</u>	<u>1,019,141</u>	<u>(6,686,699)</u>
Nonoperating revenues:				
Interest and investment revenue	-	211,868	-	211,868
Vehicle sales	145,409	-	-	145,409
Transfers from other funds, net	149,336	2,515,329	-	2,664,665
Total nonoperating revenues	<u>294,745</u>	<u>2,727,197</u>	<u>-</u>	<u>3,021,942</u>
Change in net assets	297,717	(4,981,615)	1,019,141	(3,664,757)
Net assets, beginning - July 1, 2007	1,943,750	\$ 6,422,112	439,631	8,805,493
Net assets, ending - June 30, 2008	<u>\$ 2,241,467</u>	<u>\$ 1,440,497</u>	<u>\$ 1,458,772</u>	<u>\$ 5,140,736</u>

See accompanying independent auditors' report.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

Exhibit O

	Internal Service Funds			Total Proprietary Funds
	Fleet Services Fund	Health Benefits Fund	Workers' Compensation Fund	
Cash flows from operating activities:				
Receipts from customers	\$ 3,319,373	\$ 20,416,248	\$ 1,717,423	\$ 25,453,044
Payments to suppliers	(1,413,562)	(19,896,650)	(558,733)	(21,868,945)
Payments to employees	(1,705,730)	(213,584)	(68,278)	(1,987,592)
Net cash provided by operating activities	200,081	306,014	1,090,412	1,596,507
Cash flows from noncapital financing activities:				
Transfers from other funds	149,336	2,515,329	-	2,664,665
Net cash provided by noncapital financing activities	149,336	2,515,329	-	2,664,665
Cash flows from capital and related financing activities:				
Proceeds from vehicle sales	145,409	-	-	145,409
Acquisition and construction of capital assets	(278,007)	-	-	(278,007)
Net cash used in capital and related financing activities	(132,598)	-	-	(132,598)
Cash flows from investing activities:				
Interest on investments	-	211,868	-	211,868
Net cash provided by investing activities	-	211,868	-	211,868
Net increase in cash and cash equivalents	216,819	3,033,211	1,090,412	4,340,442
Cash and cash equivalents, beginning July 1, 2007	485,990	9,182,430	728,352	10,396,772
Cash and cash equivalents, ending June 30, 2008	\$ 702,809	\$ 12,215,641	\$ 1,818,764	\$ 14,737,214
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	2,972	(7,708,812)	1,019,141	(6,686,699)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	87,970	-	-	87,970
Changes in assets and liabilities:				
Decrease (increase) in accounts receivables	1,647	(508,120)	-	(506,473)
Decrease in inventory	9,826	-	-	9,826
Increase in accounts payable and accrued expenses	81,388	1,400,242	71,271	1,552,901
Increase in compensated absences	16,278	-	-	16,278
Increase in OPEB liability compensated absence	-	7,122,704	-	7,122,704
Total adjustments	197,109	8,014,826	71,271	8,283,206
Net cash provided by operating activities	200,081	306,014	1,090,412	1,596,507

See accompanying independent auditors' report.

COUNTY OF STAFFORD, VIRGINIA
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2008

Exhibit P

	Agency Fund			
	School Activity Funds			
	Beginning Balance July 1, 2007	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance June 30, 2008
ASSETS				
Cash and cash equivalents	\$ 2,119,679	\$ 6,199,582	\$ (5,996,214)	\$ 2,323,047
LIABILITIES				
Reserve for future expenditures	\$ 2,119,679	\$ 6,199,582	\$ (5,996,214)	\$ 2,323,047

See accompanying independent auditors' report.

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2008

[CLICK HERE TO GO BACK
TO THE TABLE OF CONTENTS](#)

STATISTICAL SECTION (unaudited)

This section of the CAFR presents detailed information as a context for understanding what the information presented in the financial statements, notes to the financial statements and required supplementary information says about SCPS' overall financial health. It includes information on financial trends, limited demographic statistics and certain operating data.

No information on revenue capacity is presented as 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 because SCPS has no authority to issue debt. The only debt carried by SCPS is in the form of an energy-performance lease that qualifies as a capital lease.

The information included in this statistical section is unaudited.

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY , VIRGINIA
NET ASSETS BY COMPONENT
Fiscal Years 2006 - 2008
(Accrual Basis of Accounting)

Table S-1

	June 30,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 328,150,928	\$ 360,219,807	\$ 372,811,891
Restricted, construction and maintenance	21,388	843	-
Unrestricted	<u>45,517,698</u>	<u>26,411,900</u>	<u>27,817,509</u>
Total net assets	<u><u>\$ 373,690,014</u></u>	<u><u>\$ 386,632,550</u></u>	<u><u>\$ 400,629,400</u></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 NET ASSETS BY COMPONENT
Fiscal Years 2006 - 2008
(Accrual Basis of Accounting)

Table S-2

	For the Fiscal Year Ended June 30,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses			
Governmental activities	\$ 239,085,262	\$ 254,849,234	\$ 269,258,983
Program revenues			
Charges for services	10,253,513	12,905,290	10,738,470
Operating grants and contributions	125,172,680	140,951,314	146,067,195
Total program revenues	<u>135,426,193</u>	<u>153,856,604</u>	<u>156,805,665</u>
Net expenses	<u>(103,659,069)</u>	<u>(100,992,630)</u>	<u>(112,453,318)</u>
General revenues			
Unrestricted grants and contributions	153,719,718	110,969,860	124,008,330
Investment earnings	1,123,206	1,635,750	954,628
Miscellaneous	516,691	1,151,800	1,487,210
Total general revenues	<u>155,359,615</u>	<u>113,757,410</u>	<u>126,450,168</u>
Net change in net assets	<u>\$ 51,700,546</u>	<u>\$ 12,764,780</u>	<u>\$ 13,996,850</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 2006 - 2008
(Modified Accrual Basis of Accounting)**

Table S-3

	June 30,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund:			
Reserved	\$ 6,453,593	\$ 5,797,867	\$ 9,189,151
Designated	-	-	1,792,849
Fund balance - general fund	<u>6,453,593</u>	<u>5,797,867</u>	<u>9,189,151</u>
All Other Governmental Funds:			
Reserved:			
School Capital Projects Fund	23,646,442	18,667,695	9,916,007
Food & Nutrition Services Fund	17,872	136,083	340,048
Capital Projects Fund	800	843	-
	<u>23,665,114</u>	<u>18,804,621</u>	<u>10,256,055</u>
Unreserved:			
School Capital Projects	12,659,776	(2,801,008)	8,655,320
Nutrition	1,518,252	1,606,927	1,240,709
School Construction	-	-	-
	<u>14,178,028</u>	<u>(1,194,081)</u>	<u>9,896,029</u>
Fund balance - all other governmental funds	<u>37,843,142</u>	<u>17,610,540</u>	<u>20,152,084</u>
Total fund balance	<u><u>\$ 44,296,735</u></u>	<u><u>\$ 23,408,407</u></u>	<u><u>\$ 29,341,235</u></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 - 2008
(Modified Accrual Basis of Accounting)

Table S-4

	For the Fiscal Year Ended June 30,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
REVENUES:			
Intergovernmental:			
Stafford County	\$ 153,719,718	\$ 110,969,860	\$ 124,008,330
Commonwealth of Virginia	112,576,745	127,676,745	132,608,495
Federal Government	12,595,935	13,274,571	13,458,700
Total intergovernmental revenues	<u>278,892,398</u>	<u>251,921,176</u>	<u>270,075,525</u>
Charges for services:			
Tuition and fees	882,554	469,534	448,696
Food sales	6,286,732	6,849,080	6,948,489
Recovered costs	-	728,878	1,217,023
Miscellaneous	516,691	399,420	124,779
Interest	937,846	1,386,795	742,760
Total revenues	<u>287,516,221</u>	<u>261,754,883</u>	<u>279,557,272</u>
EXPENDITURES:			
Education:			
Instruction	157,321,292	165,233,993	184,897,493
Administration, attendance and health	10,838,707	12,895,864	16,360,660
Pupil transportation	9,961,980	11,187,407	13,001,603
Operation and maintenance	16,701,941	17,960,887	20,624,177
Nutrition services	8,655,391	9,165,532	10,666,907
Construction	4,555,802	401,980	73,908
Capital outlay	58,510,774	48,922,976	24,902,092
Debt service:			
Principal	228,562	556,414	322,495
Interest and fiscal charges	48,994	138,833	110,444
Total expenditures	<u>266,823,443</u>	<u>266,463,886</u>	<u>270,959,779</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,692,778</u>	<u>(4,709,003)</u>	<u>8,597,493</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	-	100,000	100,000
Transfers to other funds	(15,586,903)	(19,483,531)	(2,764,665)
Total other financing uses, net	<u>(15,586,903)</u>	<u>(19,383,531)</u>	<u>(2,664,665)</u>
Net change in fund balance	<u><u>\$ 5,105,875</u></u>	<u><u>\$ (24,092,534)</u></u>	<u><u>\$ 5,932,828</u></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, 2008

Table S-5

County of Stafford

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

Stafford County Public Schools

Number of Schools:		Fall Membership: (1)	
Early childhood centers	1	Elementary schools	11,419
Elementary schools	17	Middle schools	6,301
Middle schools	7	High schools	<u>8,862</u>
High schools	5	Total	<u><u>26,582</u></u>
Alternative schools	<u>2</u>		
Total	<u><u>32</u></u>		

Contracted Employees:	
Licensed Instructional	2,079
Other Employees	<u>2,537</u>
Total	<u><u>4,616</u></u>

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

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
Fiscal Years 1999 - 2008
(unaudited) (1)

Table S-6

	Full-time Equivalent Employees as of June 30									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Employees:										
Component Unit - School Board										
Licensed Instructional	1,475	1,536	1,635	1,711	1,818	1,907	1,993	2,013	2,015	2,079
Other Employees	1,027	1,087	1,232	1,281	1,352	1,357	1,455	1,464	1,419	2,537
Total	2,502	2,623	2,867	2,992	3,170	3,264	3,448	3,477	3,434	4,616

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 1999 - 2008**

Table S-7

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number of Schools:	12	12	13	13	14	15	15	16	17	17
Elementary Schools	5	5	6	6	6	6	6	6	7	7
Secondary/Elementary Schools	3	4	4	4	4	4	4	5	5	5
High Schools	20	21	23	23	24	25	25	27	29	29
Total										

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 1999 - 2008**

Table S-8

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Student Membership:										
September 30 membership	19,009	19,885	21,124	22,295	24,003	24,626	25,399	25,927	26,274	26,852
Average daily membership as of March 31	19,027	19,946	21,109	22,332	23,698	24,639	25,419	25,871	26,181	26,114
End-of-year membership	18,936	19,970	21,020	22,251	23,561	24,541	25,423	25,733	25,934	26,366
Students enrolled in special education programs	2,087	2,169	2,440	2,589	2,596	2,725	2,655	2,543	2,415	2,372
Students enrolled in English as a Second Language (ESL) programs	184	203	214	270	317	414	697	791	1,040	1,076
Students enrolled in graded K-3	5,759	5,985	5,986	6,708	7,031	7,169	7,303	7,181	7,273	7,186

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 1999 - 2008**

Table S-9

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Average per pupil expenditures	\$ 5,675	\$ 6,093	\$ 6,742	\$ 6,539	\$ 6,939	\$ 7,028	\$ 7,562	\$ 8,496	\$ 8,639	N/C/A
Average teacher salary	\$ 37,186	\$ 37,461	\$ 41,751	\$ 43,812	\$ 43,109	\$ 44,161	\$ 46,212	\$ 49,068	\$ 51,383	N/C/A
Composite index (1)	0.3663	0.3530	0.3429	0.3429	0.3296	0.3296	0.3274	0.3274	0.3503	0.3503

(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/C/A - Not currently 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 1999 - 2008**

Table S-10

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Average Ridership (Regular)	18,801	19,401	14,752	15,877	15,947	15,419	17,749	18,844	18,619	19,404
Average Ridership (Special Needs)	388	521	538	660	615	598	429	412	607	497
Average Ridership (Head Start)	N/A	N/A	N/A	N/A	N/A	N/A	185	222	224	225
Buses Operated Daily (Regular)	139	151	144	143	152	171	171	157	165	168
Buses Operated Daily (Special Needs)	26	27	26	32	38	36	35	39	53	43
Buses Operated Daily (Head Start)	N/A	N/A	N/A	N/A	N/A	N/A	10	10	11	11
Special Trip Assignments	2,200	2,450	2,550	2,580	2,600	3,564	2,703	2,365	3,100	2,587
Miles Traveled (Regular)	2,026,495	1,528,764	1,557,882	1,513,298	1,451,965	1,574,528	2,133,408	2,494,260	2,336,706	2,889,000
Miles Traveled (Special Needs)	504,835	453,149	453,270	504,726	435,150	519,668	573,440	1,141,920	1,272,132	1,324,920

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 1999 - 2008**

Table S-11

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
School Nutrition Program (SNP)										
Membership	19,157	20,061	21,179	22,463	23,863	24,858	25,645	26,228	26,557	26,453
Eligible for Free Lunch	1,949	1,921	2,229	2,264	2,464	2,412	2,651	2,982	3,091	3,263
Percentage	10.17%	9.58%	10.52%	10.08%	10.33%	9.70%	10.34%	11.37%	11.64%	12.34%
Eligible for Reduced Price Lunch	732	714	643	745	851	836	849	928	1,042	1,112
Percentage	3.82%	3.56%	3.04%	3.32%	3.57%	3.36%	3.31%	3.54%	3.92%	4.20%
Eligible for Free and Reduced Price Lunch - Total	2,681	2,635	2,872	3,009	3,315	3,248	3,500	3,910	4,133	4,375
Percentage	13.99%	13.14%	13.56%	13.40%	13.90%	13.06%	13.65%	14.91%	15.56%	16.54%

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 - 2008

Table S-12

	Fiscal Year		
	2006	2007	2008
Vehicles Maintained by Fleet Services:			
Stafford County Public Schools Fleet Vehicles			
Buses:			
Mainstream	219	229	232
Special Needs	57	64	67
Activity Buses	5	5	5
Subtotal Buses	281	298	304
Other School Vehicles			
Administration	2	2	2
Driver's Education	12	12	12
Fleet Services	7	7	8
Head Start	4	4	4
Maintenance	39	42	42
Food and Nutritional Services	1	1	1
Planning & Construction	2	3	4
Security	5	5	5
Transportation	5	6	7
Subtotal Other Vehicles	77	82	85
Total Stafford County Public Schools Fleet Vehicles	358	380	389
County of Stafford Fleet Vehicles			
Fire & Rescue	126	137	143
Sheriff	186	192	190
Utilities	93	96	101
Other	122	129	132
Total County of Stafford Vehicles	527	554	566
Airport Authority Fleet	3	2	2
Vocational Foundation	1	1	1
Total All Vehicles	889	937	958
Operational Statistics:			
Work orders completed	6,485	6,038	6,124
Invoices processed	5,546	5,299	5,156
Parts transactions	30,317	23,970	25,007

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 three years are presented.

[CLICK HERE TO GO BACK
TO THE TABLE OF CONTENTS](#)

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
AVERAGE SAT SCORES**

Table S-13

Fiscal Years 1999 - 2008

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Average SAT Scores:										
Math	503	503	509	509	520	513	531	511	502	509
Verbal	511	511	522	514	519	521	521	(1)	(1)	(1)
Writing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	494	482	488
Critical Reading	N/A	N/A	N/A	N/A	N/A	N/A	N/A	514	508	513

Source: College Board SAT 2007, 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 2006 - 2008**

Table S-14A

Content Area	Grade	STAFFORD COUNTY PUBLIC SCHOOLS			COMMONWEALTH OF VIRGINIA		
		Fiscal Year			Fiscal Year		
		2006	2007	2008	2006	2007	2008
Reading	3	81%	77%	81%	84%	80%	84%
Reading	4	86%	87%	86%	86%	87%	88%
Reading	5	87%	85%	88%	87%	87%	89%
Reading	6	87%	88%	84%	83%	84%	85%
Reading	7	87%	86%	89%	87%	86%	86%
Reading	8	85%	86%	87%	78%	80%	83%
Reading	High School	93%	95%	96%	90%	94%	94%
Writing	5	87%	88%	84%	89%	89%	87%
Writing	8	93%	88%	89%	91%	86%	87%
Writing	High School	91%	92%	95%	88%	92%	92%

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2006 - 2008**

Table S-14B

Content Area	Grade	STAFFORD COUNTY PUBLIC SCHOOLS			COMMONWEALTH OF VIRGINIA		
		Fiscal Year			Fiscal Year		
		2006	2007	2008	2006	2007	2008
History	3	88%	92%	92%	91%	92%	93%
Virginian and U.S. History	High School	96%	96%	97%	92%	93%	94%
World History I	High School	87%	93%	95%	85%	89%	91%
World History II	High School	93%	96%	96%	89%	92%	92%
World Geography	High School	91%	92%	93%	77%	83%	84%
Virginia Studies	Content Specific	84%	80%	79%	85%	83%	93%
U.S. History to 1877	Content Specific	64%	60%	69%	65%	69%	74%
U.S. History 1877 to present	Content Specific	87%	88%	91%	85%	87%	92%
Civics and Economics	Content Specific	87%	81%	84%	84%	83%	84%

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2006 - 2008**

Table S-14C

Content Area	Grade	STAFFORD COUNTY PUBLIC SCHOOLS			COMMONWEALTH OF VIRGINIA		
		Fiscal Year			Fiscal Year		
		2006	2007	2008	2006	2007	2008
Mathematics	3	88%	88%	88%	90%	89%	89%
Mathematics	4	77%	81%	81%	77%	81%	84%
Mathematics	5	81%	86%	86%	83%	87%	88%
Mathematics	6	52%	70%	70%	51%	60%	68%
Mathematics	7	35%	71%	71%	44%	56%	65%
Mathematics	8	83%	85%	85%	76%	77%	83%
Algebra I	High School	87%	93%	93%	88%	92%	93%
Geometry	High School	82%	88%	88%	83%	86%	87%
Algebra II	High School	84%	88%	88%	85%	88%	90%

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2006 - 2008**

Table S-14D

Content Area	Grade	STAFFORD COUNTY PUBLIC SCHOOLS			COMMONWEALTH OF VIRGINIA		
		Fiscal Year			Fiscal Year		
		2006	2007	2008	2006	2007	2008
Science	3	90%	87%	88%	90%	88%	89%
Science	5	86%	85%	88%	85%	88%	88%
Science	8	91%	93%	93%	87%	89%	90%
Biology	High School	90%	91%	93%	83%	87%	88%
Chemistry	High School	97%	96%	94%	87%	91%	92%
Earth Science	High School	86%	89%	92%	82%	85%	86%

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

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHOOL ACCREDITATION AND ADEQUATE YEARLY PROGRESS (AYP)
Fiscal Years 2004 - 2008**

Table S-15

	Fiscal Year				
	2004	2005	2006	2007	2008
School Fully Accredited	96%	100%	100%	100%	97%
Schools that Made AYP	67%	71%	92%	63%	48%
Division AYP	Did not make AYP	Did not make AYP	Did not make AYP	Made AYP	Did not make AYP

Source: Virginia Department of Education School Report Card

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

[CLICK HERE TO GO BACK
TO THE TABLE OF CONTENTS](#)

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2008

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stafford County Public Schools (a component unit of Stafford County, Virginia), as of and for the year ended June 30, 2008, which collectively comprise the Stafford County Public Schools' basic financial statements and have issued our report thereon dated November 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Stafford County Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School Board's financial statements that is more than inconsequential will not be prevented or detected by the School Board's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School Board's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Stafford County Public Schools 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*.

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 17, 2008

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements Applicable to 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 the compliance of the Stafford County Public Schools (a component unit of Stafford County, Virginia), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Stafford County Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Stafford County Public Schools' management. Our responsibility is to express an opinion on the Stafford County Public Schools' compliance based on our audit.

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

In our opinion, the Stafford County Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

A control deficiency in the Stafford County Public Schools' internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Stafford County Public Schools' ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Stafford County Public Schools' internal control.

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 17, 2008

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
<u>Department of Agriculture:</u>		
State Pass-Through Payments:		
Department of Agriculture:		
Food distribution	10.555	\$ 747,585
Department of Education:		
National school breakfast program	10.553	558,752
National school lunch program	10.555	<u>2,052,922</u>
Total Department of Agriculture		<u>3,359,259</u>
<u>Department of Defense:</u>		
Direct Payments:		
JROTC	12.000	<u>150,725</u>
Total Department of Defense		<u>150,725</u>
<u>Department of Labor:</u>		
State Pass-Through Payments:		
Workforce Investment Act - adult program	17.258	10,000
Workforce Investment Act - youth activities	17.259	<u>10,000</u>
Total Department of Labor		<u>20,000</u>
<u>Department of Education:</u>		
Direct Payments:		
School assistance in federally affected areas	84.041	1,660,742
State Pass-Through Payments:		
Department of Education:		
Title I: Educationally deprived children	84.010	1,063,948
Title VI-B: Handicapped state grants	84.027	4,077,840
Vocational Education: Basic grants to states	84.048	236,116
Preschool Handicapped allocations	84.173	91,439
Safe and drug free schools	84.184	35,230
Drug free schools and communities	84.186	29,251
Title X: Homeless education (McKenney-Vento)	84.196	47,109
Improvement of education	84.215	330,301
Title II, Part A	84.367	534,635
Title V: Improving school programs state block grant	84.298	37,180
Technology literacy challenge grant	84.318	11,817
Title III - Language acquisition grant	84.365	122,959
Advanced placement incentive program	84.330	<u>1,007</u>
Total Department of Education		<u>8,279,574</u>
<u>Department of Health and Human Services:</u>		
Direct Payments:		
Head start program	93.600	1,503,506
State Pass-Through Payments:		
Department of Social Services:		
Title XIX: Medical assistance program	93.778	97,905
FAMIS	93.767	<u>47,731</u>
Total Department Health and Human Services		<u>1,649,142</u>
Total Federal Assistance		<u>\$ 13,458,700</u>

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the Stafford County Public Schools. The School Board's reporting entity is defined in note 1 to the School Board's basic financial statements.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in note 1 to the School Board's basic financial statements.

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	\$ 10,099,441
School Special Revenue Fund	<u>3,359,259</u> **
Total federal expenditures per basic financial statements	<u>\$ 13,458,700</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 13,458,700</u>
--	----------------------

** Includes non-cash expenditures - value of donated commodities of \$747,585

**Stafford County Public Schools
A Component Unit of Stafford County, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008**

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
Reportable conditions identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553	National school breakfast program - Child Nutrition Cluster
10.555	Food distribution - Child Nutrition Cluster
10.555	National school lunch program - Child Nutrition Cluster
84.027 /	
84.173	Title VI-B: Handicapped state grants - Preschool Incentive Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$ 403,761
Auditee qualified as low-risk auditee?	No

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
A Component Unit of Stafford County, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2008

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.