STAFFORD COUNTY Public Schools

Inspire and empower all learners to **THRIVE!**

Comprehensive Annual Financial Report

(A Component Unit of Stafford County, Virginia)

Fiscal Year 2019

(July 1, 2018 – June 30, 2019)

Stafford County Public Schools
Inspire | Empower | Excel

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2019

2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019
(July 1, 2018 – July 30, 2019)

Prepared By:

Department of Financial Services

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Assistant Superintendent of Finance and Administration

Joy S. Eure, CPA
Supervisor of Accounting and Financial Reporting

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Supervisor of Accounting

Kimberly J. Washington
Accounting Specialist

Stafford County
Public Schools

OUR VISION:

Stafford County Public Schools is a dynamic, goal-oriented learning community committed to preparing our students for success in further education, work, and citizenship.

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2019

Members of the Stafford County Board of Supervisors
Ms. Meg Bohmke, Falmouth District – Chairman
Mr. Tom Coen, George Washington District – Vice-Chairman
Ms. Cindy Shelton - Aquia District
Mr. L. Mark Dudenhefer, Garrisonville District
Ms. Tinesha Allen, Griffis-Widewater District
Mr. Gary Snellings, Hartwood District
Ms. Crystal Vanuch, Rock Hill District

Members of the School Board
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Ms. Irene M. Hollerback, Aquia District – Vice-Chair
Dr. Sarah Chase, Falmouth District
Ms. R. Pamela Yeung, Garrisonville District
Ms. Susan Randall, George Washington District
Dr. Elizabeth Warner, Griffis-Widewater District
Ms. Patricia Healy, Rock Hill District

Officials of Stafford County Public Schools
Dr. Scott R. Kizner, Superintendent
Ms. Pamela M. Kahle, Associate Superintendent of Instructional Services
Mr. Chris R. Fulmer, Assistant Superintendent of Finance and Administration
Mr. Thomas M. Nichols, Chief High School Officer
Dr. Andrew T. Grider, Chief Middle School Officer
Ms. Carrie B. Neely, Chief Elementary School Officer
Dr. Janis S. Streich, Executive Director of Learning and Organizational Development
Dr. George C. Hummer, Executive Director of Student Services & Special Education
Ms. Lisa F. Boatwright, Executive Director of Administrative and Legal Services
Mr. John A. Anderson, Executive Director of Facilities and Maintenance
Mr. Patrick J. Byrnett, Executive Director of Human Resources
Mr. Peter L. Taylor, Executive Director of Technology

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2019

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INTRODUCTORY SECTION

STAFFORD COUNTY PUBLIC SCHOOLS

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The mission of Stafford County Public Schools is to "inspire and empower all learners to thrive."

January 10, 2020

Members of the Stafford County School Board
Stafford County Public Schools
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, 2019. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of SCPS. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities and funds of SCPS.

Overview of the Comprehensive Annual Financial Report

This CAFR is divided into four sections: (1) Introductory, (2) Financial, (3) Statistical, and (4) Compliance. The Introductory section includes this Letter of Transmittal, plus a list of the School Board members and principal officials and the organizational chart for SCPS. The Financial section, prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), includes the Report of Independent Auditor, Management's Discussion and Analysis (MD&A), the basic financial statements and accompanying notes to the financial statements, and Required Supplementary Information (RSI).

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

Independent Audit

SCPS' financial statements have been audited by the accounting firm of Cherry Bekaert LLP and earned an unmodified opinion. Cherry Bekaert LLP audited, 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 Report of Independent Auditor is included as the first document in the Financial section of this report.

Single Audit Act

SCPS is required to undergo an annual single audit in conformity with the provision of the U.S. Office of Management and Budget's (OMB) *Compliance Supplement* and Title 2 *U.S. Code of Federal Regulations* Part 200 *Uniform Guidance*. Information related to this single audit, including a Schedule of Expenditures of Federal Awards, the Report of Independent Auditor on Compliance for each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance, the Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*, and a Schedule of Findings and Questioned Costs, are included in the compliance section of the CAFR

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 (Stafford County, or the county).

Located across the Rappahannock River from the City of Fredericksburg, Stafford County's rich history is evident in places like Ferry Farm, George Washington's boyhood home; Chatham, an 18th century manor house; and Belmont, artist Gari Melchers' 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.

An elected seven-member Board of Supervisors, representing the following districts, governs Stafford County: Aquia, Falmouth, Garrisonville, George Washington, Griffis-Widewater, Hartwood, and Rockhill. The Board of Supervisors has established the following priorities for the community: public safety, education, economic development, infrastructure, and service excellence, all encompassed by fiscal responsibility and reducing the tax burden. With a 2018 population of 149,110, Stafford is now the 3rd fastest growing county in the Commonwealth of Virginia, with populations over 25,000. Stafford is located between the major commuting centers of Washington, D.C. and Richmond, Virginia. According to a 2018 study by Weldon Cooper, an estimated 38,000 County residents commute out of County for employment, compared to an estimated 22,000 who commute in. Approximately 10,000 people live and work within Stafford County

Stafford County Public Schools

The citizens of Stafford County expect and support a quality educational system. Our students regularly score at or above the state and national averages on standardized tests and earn awards at the regional, state, and national levels.

Programs and policies of SCPS are established by an elected seven-member School Board representing the same districts as the county's Board of Supervisors. The School Board itself has no power to levy and collect taxes, or to increase the budget. The county's Board of Supervisors appropriates all funds (other major sources of revenue for SCPS include state and federal funds, as well as grants) to SCPS for educational expenditures, plus levies taxes and issues debt on behalf of SCPS.

The School Board employs a superintendent of schools to administer the public school division. A full range of public educational services, including special education, vocational education, and gifted education, are provided to students from kindergarten through 12th grades at 30 school sites. A full complement of academic programs, including Advanced Placement, Dual Enrollment, International Baccalaureate World Schools, and a variety of Career and Technical Education programs are available to high school students. The school division also embraces the fine and performing arts as well as service learning opportunities across all grade levels.

Economic Outlook

Median Household Income

Median household income in Stafford County in 2017 was estimated at $111,184 *(Census Small Area Income and Poverty Estimates data)*, the fifth highest household income in Virginia. This compares to an average $71,518 household income in Virginia.

Stafford County's highly educated workforce comprises residents as well as commuters from outside the county. In 2017, an estimated 51.3% of Stafford County's at-place workers had a 2-year degree or higher, on par with Virginia where 52.1% of workers have this level of education. *(Chmura Economics & Analytics)*

Annual retail sales grew 6.4% in Stafford in 2017, much faster than the 2.6% growth in Virginia. From 2012 to 2017, retail sales averaged 4.5% annualized growth in Stafford, outpacing the state (2.7%) and Northern Virginia (2.5%). Stafford ranks 19th in annualized retail sales growth in the state over the past year. The six-month moving average of single-family building permits in Stafford County bottomed out in April 2009 and has since expanded 423% as of March, 2018. *(Economic Development Authority 2018 Annual Report)*

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, as summarized in *Management's Discussion* & *Analysis.* The Composite Index determines how much the required local match contribution to state funding for the standards of quality (SOQ) programs, incentive programs, and the lottery funded programs. The Composite Index has increased from .3445 in the state biennium covering fiscal years 2017 and 2018, to .3462 in the state biennium covering fiscal years 2019 and 2020.

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. While Virginia has been slow to recover from the recession, it is still widely regarded as an excellent state for business, an important component of a state's health and economic growth.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Learning and Organizational Development (LOD)

There was a significant investment and focus on improving instructional programs, curriculum development and school improvement processes during the 2018-2019 school year. Working closely with the Instructional Services team, and educational leaders from all of our schools, 2018-2019 Learning and Organizational Development accomplishments are highlighted below:

Professional Learning

PL Framework defined: Foundations in Teaching, Skillful Teacher, and Responsive Classroom,

SCPS continues its collaboration with Research for Better Teaching (RBT) to address teacher retention by offering in depth, specialized learning to new and novice SCPS teachers during their first year on the job. In addition to our teacher mentoring program, we launched our Foundations in Teaching (FIT) Cohorts. These professional learning experiences are taught by our own administrators and teacher leaders. These experiences are designed to improve consistent, high-quality teaching and learning practices in every classroom for all students in SCPS. Evaluations and feedback indicate that SCPS educators greatly value these high-quality professional learning experiences. There were 10 FIT cohorts provided to all new SCPS teachers during the 2018-2019 school year.

In addition, in depth professional learning continued in Tiered instructional support in our middle schools. Middle School leadership received personalized coaching on PLCs, RtI, with specific strategies customized for their own cultures. The school year ended with a professional learning for interested Middle School educators on Tier 1 instruction and our RtI model.

Teaching and Learning Summit/C5W Learning Walks

In June 2019, the third Teaching and Learning Summit took place at Stafford High School. Approximately five hundred teachers and 150 administrators participated in the event. The Summit is a professional learning experience that is centered around three focal points of growth in our division: C5W (All Centuries, All Learners) and its alignment with VDOE's profile of the graduate, designing lesson activities to increase cognitive engagement, and working collaboratively with job-like peers. Job-like peer collaboration took place for educators at all levels of the organization who attended the event.

Additional 2018-2019 professional learning accomplishments

- Focus on STEM infused-instruction with SeaPerch, Vernier probeware, field experiences
- Launched Instructional Coaching Academy for elementary schools
- Launched professional learning series to address rigor for AP/IB educators
- Ex-Cel grant learning
- Secondary Writing project launched in one high school

Teaching and Learning

The LOD team responded to multiple needs from all levels of the organization and in all curricular areas. In partnership and collaboration with other departments and educator teams representing all SCPS schools and programs, 2018-2019 SCPS Curriculum & Instructional accomplishments are highlighted below:

Curriculum/Content/Pedagogy/Processes

- Elementary Literacy Framework completed
- Secondary Literacy Framework completed
- World Language Framework began
- Implemented math blended learning summer course for rising middle school students
- Updated Gifted Identification process
- Designed new middle school coursework
- Designed a fire fighting program and partnership with Stafford County
- Implemented new curriculum in math and literacy areas
- Identified and funded Tier 3 interventions in the middle schools
- Provided direct instructional and coaching support to schools and leaders

Department of Student Services

VDOE Annual Performance Report
The Virginia Department of Education (VDOE) designated SCPS as ***Meets Requirements*** (highest rating) for the 2017-2018 reporting year. The VDOE determines this rating based on whether the school division is in compliance with State Performance Indicators. Areas monitored by VDOE include: compliance indicators for suspension and expulsion of students with disabilities, disproportionate representation of racial and ethnic groups in special education, timelines for eligibility, post-secondary goals for transition, correct and timely submission of data, and percentage of students with disabilities participating in statewide assessments and graduation. VDOE reports data on these indicators in August for the previous school year; data for 2018-2019 will be available in August 2020.

Multi-Sensory Reading Training for Staff
The Department of Student Services and Special Education provided supplemental multi-sensory reading training for 30 K-12 teachers (one per building). The training took place over three days and provided teachers with tools and strategies to work more exclusively with students that have reading difficulties, to include dyslexia.

Project SEARCH
In June 2019, the Department of Student Services and Special Education celebrated the graduation of candidates from the Project SEARCH program. The program provided an opportunity for three 10-week internships in a job setting for students with various disabilities. During the 2018-2019 school year, SCPS partnered with Mary Washington Healthcare, the Department of Aging and Rehabilitative Services (DARS), and Rehabilitative Services and Vocational Placement (RSVP) to teach students a variety of job skills in the Mary Washington Healthcare hospital setting. This program will provide positive outcomes for all involved. Eight new students started their internship on August 12, 2019 for the 2019-2020 school year.

Mental Wellness and Equity Training
In an effort to provide building level staff with appropriate supports, the Department of Student Services and Special Education teamed with the Office of Equity and Accountability to conduct a county wide training. All licensed staff participated, and the training focused on mental wellness and equity of all staff and students. Psychologists, counselors, social workers, and other staff helped put on this training, as well as the accountability and equity department.

Nutrition Services

Nutrition Services saw an increase in total meals served in 2018-2019 in comparison to the 2017-2018 school year. We served approximately 19,000 more student lunches and 12,000 more student breakfasts. In addition, there were slight increases in the overall student meal participation rate.

Human Resources

The Department of Human Resources (DHR) continued to pursue strong staffing in licensed, classified, and administrative positions for schools and departments. In accordance with the Staffing Standards Plan adopted in March 2016, as well as School Board-adopted priorities for FY19 that emphasized reduced classroom size at the elementary level at levels exceeding state requirements, DHR emphasized recruitment of teachers and paraprofessionals for primary grades (K-2). DHR also made minor amendments to job descriptions and contract lengths for some licensed staff, enabling select positions to become 11-month positions (e.g., some JROTC instructors) to reflect their actual duties, with accompanying increase in compensation. By the beginning of the 2019-2020 school year (slightly after the end of FY19), over 97% of licensed positions were filled in the division.

DHR also partnered with Evergreen Solutions, LLC to conduct a compensation and classification review for all administrative positions and all classified positions that had not migrated to the division's adopted Pay Band structure in FY 18 (transportation, maintenance/operations, paraprofessionals, and information technology positions). As the result of that review, which found significant compression of compensation in most positions towards the low end of market-competitive pay bands, the School Board adopted a unified pay scale for all studied positions with new pay grade placement. The Board's adopted budget FY20 made significant progress to ensuring that any employee whose compensation fell below the minimum of the relevant grade on the unified pay scale received an increase in salary to make up at least 50% of the gap between their FY19 compensation and the minimum of the relevant grade for FY20.

Instructional Technology and Information Services

In coordination with school principals, instructional leaders, parents, teachers, and students, the department developed and published the SCPS Technology Strategic Plan 2019. The following accomplishments align with the Stafford County Public Schools Strategic Plan and the SCPS Technology Strategy.

<u>Assistive Technology</u>
Snap and Read is a software program added to Chromebooks that will turn any text into read aloud content. Originally created for special needs students, this software is also useful for new and struggling readers at all levels. The Snap and Read Pilot involved three elementary and one middle school. The extension will be used with students in their special education resource setting and with their peers in the general education class. This will give special education students an opportunity to access grade level material alongside their general education peers as they learn and work together.

As a result of the successful pilot, Snap and Read has been made available for all general education students who may benefit from its text reader and literacy tools this school year.

<u>Take Home Technology</u>
The Kajeet mobile internet device and Chromebook take-home pilot program was implemented in seven Title 1 schools this school year. Students are able to checkout a Chromebook to use at home and a filtered WiFi hotspot as needed. Having access to the Internet at home is one way SCPS is working to bridge the technology divide for these students. The Take Home Technology program was expanded to all schools for the 2019-2020 school year.

<u>Network Infrastructure</u>
SCPS Technology installed dedicated filter hardware at all high schools and middle schools to deliver increased bandwidth and capacity. Additionally, all high schools and middle schools have been augmented to have one wireless network access point per two classrooms to provide higher device density and increased bandwidth to staff and students.

Computer Systems
Working closely with instructional leaders throughout the division, Chromebook laptops for student use have been deployed in alignment with instructional initiatives in Math, Science, Reading, and Social Studies. All secondary schools have been provisioned with Chromebooks for every classroom in these core subject areas with a minimum baseline of one Chromebook for every two students being implemented at all schools.

Security
The Technology department continues to increase the effectiveness of security devices throughout the school division in collaboration with Risk Management, the Stafford County Sheriff's Department, and the 911 Emergency Call Center. In FY19, IT staff upgraded to high definition security cameras in four of the middle schools with the help of the 2018 VDOE Security Grant.

In the network security realm, SCPS Technology has engaged the Department of Homeland Security to continuous monitor all Internet connected systems for security vulnerabilities.

Records Management
Online Record Request Service for Alumni
SCPS high schools began using ScribOrder as our partner for student transcript record requests beginning October 1, 2019. ScribOrder, by Scribbles Software, is an online student record request solution used in thousands of school districts across the US, including many in Virginia. The implementation of ScribOrder transitions the existing manual, paper-based, records request process into an automated solution that streamlines the acceptance, payment, and fulfillment of student record requests. When approved by the former student, transcripts can be sent to organizations for hiring, education verification, and legal requests.

Digitizing Student Records
SCPS Technology continues to digitize the thousands of historical student and staff records. Paper records of graduates in the high schools have been organized and digitization is ongoing. This process will streamline requests for records, free up space, and improve access for alumni.

Student Information System/Data Integration
The SCPS Technology department identified and purchased a district-wide data dashboard tool to provide management information to SCPS leadership and the public, enabling a detailed view into how the organization is performing. The implementation of the dashboard is part of the overall Data Strategy and will be fully operational in early 2020.

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 84% of the current operating costs are related to employee compensation and providing competitive salaries and benefits to attract and retain qualified staff. This remains a top priority for SCPS in the fiscal year 2021 budget development process.

SCPS will experience limited growth in state funding in the near future. Funding from the Commonwealth of Virginia is expected to increase only in proportion to student growth and modest amounts for inflation, which will be mitigated by the increase in the Composite Index as the county grows in wealth compared to the rest of the Commonwealth.

Other Postemployment Benefits (OPEB) Trust Fund
SCPS established an irrevocable trust to invest funds to cover the OPEB liability for current and future retiree health benefit costs. In fiscal year 2019, a contribution was not authorized to be made to the OPEB Trust Fund. The market value of the trust fund investments at June 30, 2019 and 2018 were $23,702,883 and $22,685,048, respectively. The cost value of the trust fund investments at June 30, 2019 and 2018 were $14,893,472 and $14,909,939, respectively.

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. The 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 taken as a whole. The internal control system should ensure that any material errors or fraud that occurs are detected in a timely manner by employees in the normal course of performing their job duties and responsibilities.

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 appropriated to SCPS. Based on their appropriation, the School Board makes changes to its advertised budget and usually adopts the approved budget, as amended, by late April or early May, depending upon the timing of the Virginia General Assembly's adoption of the state budget.

Legal spending control is placed on the individual fund level with regard to the county appropriations. However, SCPS has established account level control over the budget with functional reporting. The Financial Services Department 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 the purchased goods or services are received and payment is due. Outstanding encumbrances are reported as a reservation of fund balance.

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 mitigate them. The results are monitored and evaluated for effectiveness and revised, as necessary.

Liability risk is managed through insurance. SCPS' insurance policies include: property insurance, surety bonds, fiduciary insurance and catastrophic medical insurance for participants in the Virginia High School League. The self-insurance program provides health benefits for active employees and retirees and workers' compensation benefits for active employees. SCPS also retains an insurance broker to render professional services, lead and participate in identifying and analyzing areas of concern and to provide assistance, ideas and solutions to reduce and control risk.

Cash Management

The county is the custodian of all the 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 SCPS' year-end cash and equivalents balances as "Due from Primary Government". The Treasurer's Office has custodial and internal control responsibilities over SCPS' cash and cash equivalents, with the exception of SCPS' fiduciary funds, which is explained in Note 1, section F, of the financial statements.

Acknowledgements

We would like to express our sincere gratitude to all the members of the Financial Services Department who were involved in or assisted with the preparation of this report. Our dedicated finance and accounting staff has accomplished the major task of preparing this Comprehensive Annual Financial Report and remains committed to the ongoing goal of continuously improving our financial accountability to the citizens of the County of Stafford.

We would also like to thank the School Board for its leadership, oversight and support in conducting the financial affairs of SCPS in a responsible and progressive manner. Your steady support is vital to the financial health of the school division and the accomplishment of its mission.

Respectfully,

Scott R. Kizner, Ph.D.
Superintendent

Chris R. Fulmer, CPA CFE
Asst. Superintendent of Finance & Administration

Stafford County Public Schools

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Organizational Chart

As of 04/09/2019

- School Board
  - Clerk of the Board
  - Superintendent
    - Program Evaluation and Special Projects
    - Assistant to the Superintendent
    - Executive Director of Special Education and Student Services
    - Director of Equity and Accountability
    - Associate Superintendent of Instruction
      - Chief Officer of Middle Schools
      - Chief Officer of Elementary Schools
      - Executive DIrector of Learning and Organizational Development
      - Chief Officer of High Schools and School Safety
        - Director of Safety, Security and Risk Management
      - Executive Director of Technology and Information Services
    - Assistant Superintendent of Finance and Administration
      - Executive Director of Facilities and Maintenance
      - Supervisor of Demographics, Planning and Capital Projects
      - Director of Nutrition Services
      - Executive Director of Fleet Services and Transportation
      - Financial Services
    - Director of Strategic Communication and Community Engagement
    - Executive Director of Policy, Legal Services and Title IX
    - Executive DIrector of Human Resources

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITOR

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stafford County School Board (the "School Board"), a component unit of Stafford County, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 School Board, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 18 to the financial statements, effective July 1, 2018, the School Board changed its accounting for prepaid expenditures from the consumption method to the purchases method. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board's basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

The Other Supplementary Information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2020, on our consideration of the School Board's 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 solely 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 effectiveness of the School Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tysons Corner, Virginia
January 10, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of Stafford County Public Schools (SCPS), we offer readers an overview and analysis of financial activities for the fiscal year ended June 30, 2019. This section of the Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the overall financial performance of SCPS during the fiscal year ended June 30, 2019. 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 position (assets plus deferred outflows of resources less liabilities less deferred inflows of resources) on a government-wide basis was $85.6 million at June 30, 2019, representing an increase of $7.3 million, or 9.3%, from the total net position of $78.4 million, as restated, at June 30, 2018. The increase was due to an increase in net investment in capital assets of $18.7 million; offset by a decrease restricted net position of $10.2 million and unrestricted net position (deficit) of $1.2 million. Restricted cash decreased by $13.2 million due to the use of Virginia Public School Authority (VPSA) bond proceeds for construction projects. Current liabilities increased by $17.4 million in fiscal year 2019 over fiscal year 2018 primarily from an increase in accrued salaries and benefits related to payroll timing. Accounts payable and contract retainage also increased by $2.8 million and $1.2 million, respectively. Noncurrent liabilities (other than for pensions and other postemployment benefits (OPEB)) decreased by $0.8 million in fiscal year 2019 over fiscal year 2018 due to a decrease in the noncurrent portion of debt service payments on long term debt and leases.

For fiscal year 2019, SCPS' governmental activities expenses of $327.2 million exceeded program revenues (charges for services plus grants and contributions) of $97.8 million by $229.4 million. This deficit is a $6.9 million increase from the $222.5 million deficit, as restated, for fiscal year 2018. Additionally, 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 $6.7 million, or 2.9%, from $230.0 million in fiscal year 2018 to $236.7 million in fiscal year 2019.

SCPS' General Fund (otherwise referred to as the Operating Fund) reported a fund balance of $6.7 million as of June 30, 2019. This represents a decrease of $2.6 million, or 28.0%, as compared to the June 30, 2018 fund balance of $9.3 million, as restated.

OVERVIEW OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

According to the Governmental 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, MD&A, basic financial statements, required supplementary information (other than the MD&A), combining and individual fund statements, schedules, narrative explanations, and a statistical section". The GASB has further identified a set of basic financial statements and Required Supplementary Information (RSI) disclosures that are required to be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and the minimum required contents of a governmental entity's financial report, which are as follows:

- MD&A as RSI
- Basic Financial Statements
    - Government-wide Financial Statements
    - Fund Financial Statements
    - Notes to the Financial Statements
- RSI other than MD&A

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

OVERVIEW OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (Continued)

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

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

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 and economic status of the governmental entity. This section presents tables with 10-year historical information on financial trends, revenue capacity, debt capacity, demographic and economic information and operating data. This section is unaudited.

GAAP requires the content of the statistical section to include five categories: (1) financial trend information; (2) revenue capacity information; (3) debt capacity information; (4) demographic and economic information; and (5) operating information. Sources and assumptions must be described for all statistical information presented. Other information is permissible as long as it supports the goal of improving a user's basic understanding and analysis of the governmental entity's economic condition.

Compliance section: The final section is the compliance section, which includes information with respect to the Single Audit Act (discussed in the Transmittal Letter) as well as the following two auditor's reports: (1) Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* and (2) Report of Independent Auditor on Compliance for the Major Federal Programs and Report on Internal Control Over Compliance required by the Uniform Guidance. The Schedule of Expenditures of Federal Awards along with the related note disclosures is also included in this section.

THE BASIC FINANCIAL STATEMENTS

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

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

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

THE BASIC FINANCIAL STATEMENTS (Continued)

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

	Government-wide	Fund Financial Statements		
	Financial Statements	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire school division	Activities of school system not fiduciary or proprietary, such as Operating Fund, Capital Projects Fund, Food and Nutrition Services Fund and Grants Fund	Activities of school system operating similar to private businesses, such as Fleet Services Fund, Health Benefits Fund and Workers' Compensation Funds	Activities of school system with an agent or trustee overseeing resources, such as OPEB Trust Fund, Scholarship and Endowment Trust Funds, School Activity Agency Funds, Employee Flexible Spending Agency Fund, Fiduciary Services Fund and Stafford Education Foundation Fund
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses, and Changes in Net Position • Statement of Cash Flows	• Statement of Net Position • Statements of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Agency Fund – cash basis of accounting Trust Fund – accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital and short-term and long-term	Agency Fund – does not contain capital assets nor liabilities Trust Fund – all financial assets and liabilities, short-term and long-term
Type of inflow/outflow information	All revenues earned and expenses incurred during year, regardless of when cash is received or paid	Revenues when cash is received during or soon after year-end; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues earned and expenses incurred during year, regardless of when cash is received or paid	Agency Fund – all receipts as received and disbursements as paid Trust Fund – all revenues earned and expenses incurred during year

FINANCIAL ANALYSIS OF SCPS AS A WHOLE

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

Net Position

Total net position at June 30, 2019 increased by $7.3 million, or 9.3%, over June 30, 2018, as restated. Current assets increased by $11.5 million, or 13.2%, due primarily to an increase in due from Primary Government of $10.8 million from 2018 to 2019. Restricted assets decreased by $13.2 million, or 68.3%, from 2018 to 2019 due to a decrease in VPSA bond proceeds available for construction projects. Capital assets increased by $18.3 million, or 4.1%, due primarily to the rebuild of Moncure Elementary School and the purchase and renovation of the North Star Early Childhood Education Center. Current liabilities increased by $17.4 million, or 40.9%, due primarily to an increase in accrued salaries and benefits of $13.0 million related to payroll timing. Accounts payable and contract retainage also increased by $2.8 million and $1.2 million, respectively. Noncurrent liabilities (excluding OPEB and pension) decreased by $0.8 million due to a decrease in the noncurrent portion of debt service payments on long term debt and leases. The restricted net positon decreased by $10.2 million, or 44.1%, primarily due to a decrease in VPSA bond proceeds and construction commitments in the Capital Projects Fund.

The following table provides a summary of SCPS' net position as of June 30, 2019 and 2018.

Summary of Net Position
As of June 30, 2019 and 2018
(In thousands of dollars)

	Governmental Activities			
	2019	**(Restated)* 2018**	**Net Change**	**Net % Change**
Assets:				
Current assets	$ 98,535	$ 87,059	$ 11,476	13.2 %
Noncurrent assets:				
Restricted assets	6,154	19,383	(13,229)	(68.3) %
Capital assets	469,157	450,851	18,306	4.1 %
Total assets	573,846	557,293	16,553	3.0 %
Deferred outflows of resources:				
Pension deferrals	30,827	32,691	(1,864)	(5.7) %
OPEB deferrals	7,312	7,464	(152)	
Total deferred outflows of resources	38,139	40,155	(2,016)	(5.0) %
Liabilities:				
Current liabilities	59,807	42,456	17,351	40.9 %
Noncurrent liabilities	6,873	7,633	(760)	(10.0) %
Net OPEB liability	177,015	175,820	1,195	0.7 %
Net pension liability	221,605	236,628	(15,023)	(6.3) %
Total liabilities	465,300	462,537	2,763	0.6 %
Deferred inflows of resources:				
Pension deferrals	31,444	31,754	(310)	(1.0) %
OPEB deferrals	29,595	24,804	4,791	
Total deferred inflows of resources	61,039	56,558	4,481	7.9 %
Net position:				
Net investment in capital assets	467,481	448,765	18,716	4.2 %
Restricted	12,946	23,154	(10,208)	(44.1) %
Unrestricted (deficit)	(394,781)	(393,566)	(1,215)	0.3 %
Total net position	$ 85,646	$ 78,353	$ 7,293	9.3 %

** FY 2018 restated for a change in accounting principle for prepaid expenditures.*

FINANCIAL ANALYSIS OF SCPS AS A WHOLE (Continued)

Changes in Net Position

Revenue increased by a net of $4.4 million, or 1.3%. The increase in revenue primarily consists of increases in basic aid of $3.8 million and sales tax of $2.6 million, offset by a decrease in capital grants and contributions of $2.3 million. Program expenses increased by $4.7 million, or 1.4%, which consists primarily of increases of $2.3 million for instruction and $1.0 million for operation and maintenance. The following table summarizes SCPS' changes in net position for the fiscal years ended June 30, 2019 and 2018.

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2019 and 2018

(In thousands of dollars)

	Governmental Activities			
	2019	(Restated)* 2018	Change	% Change
Revenues:				
Program revenues				
Charges for services	$ 17,973	$ 18,723	$ (750)	(4.0) %
Operating grants and contributions	63,676	62,835	841	1.3 %
Capital grants and contributions	16,169	18,501	(2,332)	(12.6) %
General revenues				
Sales Tax	30,167	27,609	2,558	9.3 %
Basic aid	89,114	85,304	3,810	4.5 %
Unrestricted grants and contributions	116,796	116,441	355	0.3 %
Investment earnings	292	340	(48)	(14.1) %
Gain on capital asset disposal	29	25	4	16.0 %
Miscellaneous	281	272	9	3.3 %
Total revenues	334,497	330,050	4,447	1.3 %
Program expenses:				
Educational:				
Instruction	200,598	198,291	2,307	1.2 %
Administration, attendance and health	41,179	41,037	142	0.3 %
Pupil transportation	14,909	14,334	575	4.0 %
Operation and maintenance	22,493	21,541	952	4.4 %
Food and nutrition services	11,633	11,530	103	0.9 %
Facilities	20,764	19,710	1,054	5.3 %
Technology	15,598	16,069	(471)	(2.9) %
Interest and fiscal charges	30	38	(8)	(21.1) %
Total program expenses	327,204	322,550	4,654	1.4 %
Change in net position	7,293	7,500	(207)	(2.8) %
Net position, July 1, restated	78,353	70,853	7,500	10.6 %
Net position, ending, restated	$ 85,646	$ 78,353	$ 7,293	9.3 %

** FY 2018 restated for a change in accounting principle for prepaid expenditures.*

GENERAL FUND BUDGETARY HIGHLIGHTS

It is the duty of each division's superintendent to prepare and submit to the school board a recommended budget with the estimated funding needed during the next fiscal year to support the division. The School Board, after a public hearing to receive the views of the public, shall submit to the Board of Supervisors an approved budget, with the estimated funding needed during the next fiscal year to support the public schools of the division, by April 1st.

The estimate shall set up the amount needed by each major classification prescribed by the Board of Education and such other headings or items as may be necessary. The Board of Supervisors must approve the School Board's budget and the School Board must adopt the approved budget by May 1 of each year or within 30 days after the close of the General Assembly, whichever is later.

Below is a summary of the SCPS operating fund budget for the fiscal year ended June 30, 2019:

Operating Fund Budget Summary
For the fiscal year ended June 30, 2019
(In thousands of dollars)

Operating Activity Category	Operating Budget Original	Operating Budget Final	Actual	Variance from Final Budget Over (Under)
Total revenues	$ 289,691	$ 289,691	$ 287,334	$ (2,357)
Total expenditures	(289,691)	(298,761)	(289,359)	(9,402)
Total other financing uses	-	-	(556)	556
Net change in fund balance	$ -	$ (9,070)	$ (2,581)	$ (6,489)

CAPITAL ASSETS

Below is a summary of SCPS' net capital assets as of June 30, 2019 and 2018, respectively. Additional information on capital assets can be found in Note 8 to the financial statements.

Net Capital Assets Summary
As of June 30, 2019 and 2018
(In thousands of dollars)

Capital Asset Category	2019	2018	Change	% Change
Land & land improvements	$ 99,109	$ 98,056	$ 1,053	1.07 %
Construction in progress	42,948	15,412	27,536	178.67 %
Building & building improvements	539,103	531,493	7,610	1.43 %
Furniture, fixtures & equipment	14,464	12,065	2,399	19.88 %
Vehicles	25,365	24,271	1,094	4.51 %
Software	2,299	2,299	-	- %
Technology infrastructure	4,197	4,190	7	0.17 %
Water treatment system	1,320	958	362	37.79 %
Less: accumulated depreciation and amortization	(259,648)	(237,893)	(21,755)	9.14 %
Total net capital assets	$ 469,157	$ 450,851	$ 18,306	4.06 %

CAPITAL ASSETS (Continued)

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

Land and land improvements increased primarily due to the replacement of the track at Colonial Forge High School ($0.9 million).

Construction in progress increased significantly due to the rebuild of Moncure Elementary School ($18.2 million) and the purchase and renovation of the North Star Early Childhood Education Center ($8.8 million). Completed projects totaling $2.9 million were reclassified from construction in progress to various other categories.

Building improvements increased primarily due to the following completed projects: repair interior finishes at A.G. Wright Middle School ($2.1 million) and roof projects at various schools ($3.3 million).

Furniture, fixtures, and equipment increased primarily due to the installation of a new digital communications system for transportation ($1.6 million).

Vehicles increased primarily due to the purchase of nine new buses for student transportation ($0.9 million).

Depreciation and amortization expense for 2019 was $22.4 million.

COMPOSITE INDEX

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

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

The sum of the first component and the second component is multiplied by the third component, which is set at .45 each year. The Composite Index, as developed by the state, is designed to create equity across the state. State funds are disbursed based on the Composite Index. As a locality acquires greater wealth, the Composite Index increases, which reduces state funding and increases a locality's funding responsibility, which is the case in Stafford County.

The current Composite Index increased from .3445 in the state biennium covering fiscal years 2016 and 2017 to .3462 in the state biennium covering fiscal years 2018 and 2019.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Since adopting the fiscal year 2020 budget, some factors have surfaced that may impact SCPS' financial operations:

- On May 7, 2019, the Board of Supervisors adopted and approved fiscal year 2020 County budgets, in resolution R19 - 72. The County's fiscal year 2020 budget adopted by the Board of Supervisors included a local operating transfer to the school division of $126.9 million. The County appropriates 95% of the budget and the remaining funds are held back and will not be available to the division until appropriated by the Board of Supervisors pending a mid-year review, subject to the results of the fiscal year 2019 annual audit.

- The potential for increased energy costs, specifically oil, has a major financial impact on SCPS operations. SCPS consumes approximately 560,000 gallons of fuel annually transporting students, operates 36 facilities that heat and cool approximately 4.3 million square feet of space, and maintains approximately 1,340 acres of school division property. The magnitude of SCPS' operations subjects its financial health to continuous volatility in the local, regional, national, and global energy marketplaces.

- In spite of the recent great recession, growth in the student population for SCPS returned for fiscal years 2010 through 2019, which increases the Commonwealth revenues received by SCPS, as the majority of Commonwealth revenues are driven by the average daily student membership. The extent of this growth in revenue is mitigated by required increases in expenditures to accommodate the additional students.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

- Providing competitive salaries continues to put pressure on SCPS' resources as contiguous neighboring counties have historically exceeded SCPS teacher and service employee salaries. While SCPS has seen improvements in the pay scales recently, scarce resources continue to inhibit the division's ability to achieve its target for all levels.

- SCPS continues to experience growing student populations in English as a Second Language (ESL), autism, and children who qualify for free or reduced lunch. These special populations add additional expenses beyond the general educational requirements.

- The state has released the composite index for the biennium covering fiscal years 2021 and 2022. The SCPS composite index has increased from .3462 to .3470.

CONTACTING SCPS MANAGEMENT

This financial report is designed to provide citizens, taxpayers, parents and guardians, and creditors with a general overview of SCPS' finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need any additional financial information, please contact Chris R. Fulmer, CPA, CFE, Assistant Superintendent of Finance & Administration, Stafford County Public Schools, 31 Stafford Avenue, Stafford, VA 22554, by email at fulmercr@staffordschools.net or by telephone at 540-658-6000.

BASIC FINANCIAL STATEMENTS

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit A**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2019

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	46,619,575
Accounts receivable		13,185,702
Due from Primary Government		37,879,454
Inventory		850,349
Restricted cash and cash equivalents		6,153,667
Capital assets:		
Land		34,000,628
Land improvements		65,108,854
Construction in progress		42,948,101
Buildings and building improvements		539,103,274
Water treatment system		1,319,841
Furniture, fixtures and equipment		14,463,918
Technology infrastructure		4,196,620
Software		2,299,106
Vehicles		25,364,618
Less: accumulated depreciation and amortization		(259,647,786)
Total capital assets		469,157,174
Total assets		573,845,921
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals		30,827,107
OPEB deferrals		7,312,232
Total deferred outflows of resources		38,139,339
LIABILITIES		
Current liabilities:		
Accounts payable		9,675,159
Accrued salaries and benefits		41,008,904
Contract retainage		1,776,533
Accrued insurance claims		6,023,211
Current portion of long-term debt		988,897
Unearned revenues		334,758
Noncurrent portion of accrued insurance claims		130,382
Noncurrent portion of long-term debt		6,742,356
Net OPEB liability		177,014,744
Net pension liability		221,604,878
Total liabilities		465,299,822
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals		31,444,228
OPEB deferrals		29,595,359
Total deferred inflows of resources		61,039,587
NET POSITION		
Net investment in capital assets		467,480,838
Restricted for:		
Capital Projects		5,911,621
School Nutrition		6,916,437
Grants		117,907
Unrestricted (deficit)		(394,780,952)
Total net position	$	85,645,851

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, 2019

Exhibit B

		Program Revenues			Net (Expenses),
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Revenues and Changes in Net Position**
Governmental activities:					
Education:					
Instruction	$200,598,199	$ 1,455,061	$ 56,664,013	$ -	$ (142,479,125)
Administration, attendance and health	41,178,901	6,504,211	-	-	(34,674,690)
Pupil transportation	14,909,045	1,118,960	-	-	(13,790,085)
Operation and maintenance	22,492,616	103,932	-	-	(22,388,684)
Food and nutrition services	11,633,584	6,709,453	7,012,130	-	2,087,999
Facilities	20,764,240	1,655,823	-	16,169,481	(2,938,936)
Technology	15,597,503	425,613	-	-	(15,171,890)
Interest and fiscal charges	30,337	-	-	-	(30,337)
Total governmental activities	$327,204,425	$ 17,973,053	$ 63,676,143	$ 16,169,481	(229,385,748)
General revenues:					
Sales tax					30,166,950
Basic aid					89,113,745
Payments from Stafford County					116,796,434
Investment earnings					291,944
Gain on capital asset disposals and other sales					28,506
Miscellaneous					280,767
Total general revenues					236,678,346
Change in net position					7,292,598
Net position, beginning - July 1, 2018, as restated (Note 18)					78,353,253
Net position, ending - June 30, 2019					$ 85,645,851

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

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit C**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	Operating Fund	Capital Projects Fund	Special Revenue Funds: Grants Fund	Special Revenue Funds: Food and Nutrition Services Fund	Total Governmental Funds
ASSETS					
Pooled cash and investments	$ 2,000	$ 5,245,714	$ 121,180	$ 8,354,952	$ 13,723,846
Restricted cash and investments	-	6,153,667	-	-	6,153,667
Accounts receivable	642,178	22,097	-	16,645	680,920
Intergovernmental receivables:					
Federal Government	156,101	-	8,240,372	296,044	8,692,517
Commonwealth of Virginia	3,705,086	-	89,978	-	3,795,064
Due from Primary Government	37,804,622	-	-	-	37,804,622
Due from other funds	8,202,509	-	-	-	8,202,509
Inventory	-	-	-	589,964	589,964
Total assets	$ 50,512,496	$ 11,421,478	$ 8,451,530	$ 9,257,605	$ 79,643,109
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 3,722,456	$ 3,809,454	$ 9,934	$ 461,275	$ 8,003,119
Accrued salaries and benefits	39,816,355	15,163	-	1,073,948	40,905,466
Contract retainage	91,537	1,684,996	-	-	1,776,533
Unearned revenues	-	-	121,180	213,578	334,758
Due to other funds	181,074	244	8,202,509	2,403	8,386,230
Total liabilities	43,811,422	5,509,857	8,333,623	1,751,204	59,406,106
Fund balance:					
Nonspendable:					
Inventory	-	-	-	589,964	589,964
Total nonspendable	-	-	-	589,964	589,964
Restricted:					
Capital projects	-	5,911,621	-	-	5,911,621
Food and nutrition services	-	-	-	6,916,437	6,916,437
Grants	-	-	117,907	-	117,907
Total restricted	-	5,911,621	117,907	6,916,437	12,945,965
Assigned:					
Operating	6,701,074	-	-	-	6,701,074
Total assigned	6,701,074	-	-	-	6,701,074
Total fund balance	6,701,074	5,911,621	117,907	7,506,401	20,237,003
Total liabilities and fund balance	$ 50,512,496	$ 11,421,478	$ 8,451,530	$ 9,257,605	$ 79,643,109

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

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit C-1**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019

Fund balance - total governmental funds		$ 20,237,003
Amounts reported for governmental activities in the Statement of Net Position 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	$ 725,070,552	
Less accumulated depreciation and amortization	(257,545,916)	
Net capital assets		467,524,636
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds.		37,911,182
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 Position.		
Assets	35,064,910	
Deferred outflows of resources	228,157	
Liabilities	(11,030,165)	
Deferred inflows of resources	(423,502)	
Net position		23,839,400
Long-term liabilities consist of a capital lease, note payable and compensated absences that are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Capital lease	(947,249)	
Compensated absences	(5,906,758)	
Stafford County loan	(630,000)	
Net OPEB liability	(175,985,310)	
Net pension liability	(219,780,968)	
Total		(403,250,285)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental funds.		(60,616,085)
Net position of governmental activities		$ 85,645,851

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

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit D**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

			Special Revenue Funds		
	Operating Fund	Capital Projects Fund	Grants Fund	Food and Nutrition Services Fund	Total Governmental Funds
REVENUES					
Intergovernmental:					
Stafford County	$ 116,796,434	$ 16,169,481	$ -	$ -	$ 132,965,915
Commonwealth of Virginia	163,535,886	-	278,321	229,347	164,043,554
Federal Government	2,538,690	-	9,591,811	6,782,783	18,913,284
Total intergovernmental revenues	282,871,010	16,169,481	9,870,132	7,012,130	315,922,753
Charges for services:					
Tuition and fees	772,915	-	-	-	772,915
Food sales	-	-	-	6,709,453	6,709,453
Recovered costs	3,601,347	96,090	-	-	3,697,437
Miscellaneous	89,067	-	273,104	7,663	369,834
Interest	-	174,164	-	-	174,164
Total revenues	287,334,339	16,439,735	10,143,236	13,729,246	327,646,556
EXPENDITURES					
Current operating:					
Education:					
Instruction	214,777,095	-	9,810,619	-	224,587,714
Administration, attendance and health	12,242,038	-	-	-	12,242,038
Pupil transportation	14,734,707	-	-	-	14,734,707
Operation and maintenance	23,032,559	-	-	-	23,032,559
Food and nutrition services	235,601	-	-	12,155,787	12,391,388
Facilities	344,084	-	-	-	344,084
Technology	15,286,679	-	246,558	246,644	15,779,881
Capital outlay	8,300,694	34,076,234	113,464	35,178	42,525,570
Debt service:					
Principal	378,329	-	-	-	378,329
Interest and fiscal charges	26,900	-	-	-	26,900
Total expenditures	289,358,686	34,076,234	10,170,641	12,437,609	346,043,170
Excess (deficiency) of revenues over (under) expenditures	(2,024,347)	(17,636,499)	(27,405)	1,291,637	(18,396,614)
OTHER FINANCING USES					
Net transfers to other funds	(556,118)	-	-	(22,018)	(578,136)
Total other financing uses	(556,118)	-	-	(22,018)	(578,136)
Change in fund balance	(2,580,465)	(17,636,499)	(27,405)	1,269,619	(18,974,750)
Fund balance, beginning - July 1, 2018, as restated	9,281,539	23,548,120	145,312	6,236,782	39,211,753
Fund balance, ending - June 30, 2019	$ 6,701,074	$ 5,911,621	$ 117,907	$ 7,506,401	$ 20,237,003

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

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit D-1**
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, 2019

Net change in fund balance - total governmental funds		$ (18,974,750)
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 and amortization expense.		
Expenditures for acquisition of capital assets	$ 40,564,139	
Less: Depreciation and amortization expense	(22,231,862)	
Excess of capital outlay over depreciation and amortization		18,332,277
The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals and donations) is to decrease net position.		(11,266)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Position.		
Principal repayments:		
Capital lease	303,329	
Stafford County loan	75,000	
		378,329
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	307,391	
OPEB expense	(6,082,878)	
Pension expense	13,358,215	
		7,582,728
Internal service funds are used by management to charge the costs of vehicle maintenance and employee benefits to individual funds. The net expense is reported with governmental funds.		
Total revenues and transfers from other funds	33,883,552	
Total expenses	(33,898,272)	
		(14,720)
Change in net position of governmental activities		$ 7,292,598

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

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit E**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

		Governmental Activities - Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	$	32,895,729
Accounts receivable		17,201
Accounts receivable - due from Primary Government		74,832
Due from other funds		184,225
Inventory		260,385
Capital assets:		
Land		37,357
Land improvements		1,268,429
Construction in progress		166,551
Buildings and building improvements		1,861,024
Furniture, fixtures and equipment		248,489
Software		78,725
Vehicles		73,833
Less: accumulated depreciation and amortization		(2,101,870)
Total capital assets		1,632,538
Total assets		35,064,910
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals		191,151
OPEB deferrals		37,006
Total deferred outflows of resources		228,157
LIABILITIES		
Current liabilities:		
Accounts payable		1,672,040
Accrued salaries and benefits		103,438
Due to other funds		503
Current portion of accrued insurance claims		6,023,211
Current portion of capital lease		32,114
Current portion of compensated absences		16,010
Noncurrent portion of accrued insurance claims		130,382
Noncurrent portion of capital lease		66,973
Noncurrent portion of compensated absences		132,150
Net OPEB liability		1,029,434
Net pension liability		1,823,910
Total liabilities		11,030,165
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals		157,631
OPEB deferrals		265,871
Total deferred inflows of resources		423,502
NET POSITION		
Net investment in capital assets		1,533,451
Unrestricted		22,305,949
Total net position	$	23,839,400

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

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit F**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services	$ 33,159,130
Operating expenses:	
Personnel services	2,004,269
Contractual services	30,039,224
Materials and supplies	1,649,490
Utilities	17,004
Telecommunication	26,149
Depreciation and amortization	149,665
Total operating expenses	33,885,801
Operating loss	(726,671)
Nonoperating revenues (expenses):	
Interest and investment revenue	117,780
Interest expense	(3,437)
Loss on disposal of capital assets	(9,034)
Vehicle and other sales	28,506
Total nonoperating revenues, net	133,815
Loss before transfers	(592,856)
Transfers from other funds	578,136
Change in net position	(14,720)
Net position, beginning - July 1, 2018	23,854,120
Net position, ending - June 30, 2019	$ 23,839,400

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

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit G**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

		Governmental Activities - Internal Service Funds
Cash flows from operating activities:		
Receipts from customers	$	33,073,362
Payments to suppliers		(31,219,098)
Payments to employees		(1,920,718)
Net cash used in operating activities		(66,454)
Cash flows from noncapital and related financing activities:		
Transfers from other funds, net		578,136
Net cash provided by noncapital and related financing activities		578,136
Cash flows from capital and related financing activities:		
Proceeds from vehicle and supply sales		28,506
Principal paid on capital lease		(31,232)
Interest paid on capital lease		(3,437)
Acquisition and construction of capital assets		(144,100)
Net cash used in capital and related financing activities		(150,263)
Cash flows from investing activities:		
Interest earned on investments		117,780
Net cash provided by investing activities		117,780
Net increase in cash and cash equivalents		479,199
Cash and cash equivalents, beginning - July 1, 2018		32,416,530
Cash and cash equivalents, ending - June 30, 2019	$	32,895,729
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(726,671)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense		149,665
Changes in assets and liabilities:		
Increase in accounts receivable		(85,768)
Increase in inventory		(15,452)
Decrease in deferred outflows of resources		12,457
Increase in accounts payable and accrued expenses		674,297
Decrease in compensated absences		(7,126)
Decrease in net pension liability		(104,640)
Increase in deferred inflows of resources		23,174
Increase in net OPEB liability		13,610
Total adjustments		660,217
Net cash used in operating activities	$	(66,454)

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

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit H**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - TRUST AND AGENCY FUNDS
June 30, 2019

	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	$ -	$ -	$ 3,664,553
Restricted investments	23,702,883	32,703	-
Total assets	$ 23,702,883	$ 32,703	$ 3,664,553
LIABILITIES			
Scholarships payable	$ -	$ -	$ -
Reserved for future expenditures	-	-	3,664,553
Total liabilities	-	-	$ 3,664,553
NET POSITION			
Restricted for OPEB	23,702,883	-	
Restricted for scholarships	-	3,672	
Restricted for endowment	-	29,031	
Total restricted net position	$ 23,702,883	$ 32,703	

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

Exhibit I

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2019

	OPEB Trust Fund	Private Purpose Trust Funds
ADDITIONS		
Contributions from donors	$ -	$ -
Investment earnings:		
Investment interest income	-	734
Investment gains, net	1,042,981	-
Total investment earnings	1,042,981	734
Less investment expense	25,146	-
Net investment earnings	1,017,835	734
Total additions	1,017,835	734
DEDUCTIONS		
Benefits	-	-
Total deductions	-	-
Change in net position	1,017,835	734
Restricted net position - beginning	22,685,048	31,969
Restricted net position - ending	$ 23,702,883	$ 32,703

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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 (School Board) are elected by the citizens of the County to serve 4-year terms. Each of the County's seven districts has a School Board member who represents its constituents. The School Board is responsible for setting the educational policies of SCPS and appoints a superintendent to implement the School 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 School Board.

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

A. THE FINANCIAL REPORTING ENTITY

A financial reporting entity is comprised of the Primary Government, component units and other organizations that are included to ensure the basic financial statements are not misleading. The Primary Government for SCPS includes all funds and departments that are not legally separate from SCPS. SCPS is not financially accountable for any legally separate organizations; therefore, it has no component units. However, because SCPS is fiscally dependent on the County and SCPS' operations are funded by payments from the County's general fund, SCPS is considered a component unit of the County. Other significant determining factors also include: the County approves SCPS' budget, the County funds any deficits, and the County issues 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 (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB), which 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 four major governmental funds and no non-major governmental funds as follows:

Major Governmental Funds

- **General Fund (hereafter referred to as the Operating Fund):** The Operating Fund is SCPS' primary fund to account for and report the assets, liabilities, fund balance, revenues and expenditures associated with SCPS' operations, including financial resources not required to be accounted for and reported in another fund.

- **Capital Projects Fund:** This fund accounts for and reports the assets, liabilities, fund balance, revenues and expenditures that are restricted, committed or assigned to SCPS' capital projects, including the acquisition, construction and equipping of new schools and the renovation, improvement and repairing of existing schools.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. <u>FUND ACCOUNTING (Continued)</u>

- ***Grants Fund*** - accounts for the assets, liabilities, fund balance, revenues and expenditures associated with grants received and used by SCPS to supplement operations.

- ***Food and Nutrition Services Fund*** - accounts for the assets, liabilities, fund balance, revenues and expenditures associated with the provision of food and nutrition services within SCPS' school cafeterias.

Both the Grants Fund and the Food and Nutrition Services Fund are special revenue funds used to account for and report proceeds of specific revenue sources, other than major capital projects, in which expenditures are restricted or committed for a specific purpose.

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

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

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

- ***Fleet Services Fund*** **–** accounts for the assets, liabilities, net position, deferred outflows and inflows of resources, revenues and expenses associated with the provision of vehicle maintenance services on a cost reimbursement basis to the departments and agencies of the County and SCPS.

- ***Health Benefits Fund*** – accounts for the assets, liabilities, net position, revenues and expenses associated with the provision of health benefits to the enrolled employees and retirees of SCPS under a comprehensive health benefits self-insurance program.

- ***Workers' Compensation Fund*** – accounts for the assets, liabilities, net position, revenues and expenses associated with the administration of the workers' compensation self-insurance program and the provision of workers' compensation benefits to the injured employees of SCPS.

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

- ***OPEB Trust Fund*** – accounts for the assets, liabilities, net position and changes in net position (additions and deletions) associated with the investment of funds contributed into an irrevocable trust and used to cover current and future retiree health benefit costs.

- ***Scholarship Trust Fund*** **–** accounts for the assets, liabilities, net position and changes in net position (additions and deletions) associated with scholarship programs administered by SCPS.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FUND ACCOUNTING (Continued)

- ***Endowment Trust Fund*** **–** accounts for the assets, liabilities, net position and changes in net position (additions and deletions) associated with endowment programs administered by SCPS.

- ***School Activity Funds*** **–** account for the cash, cash receipts and cash disbursements associated with the various activities conducted at the individual school sites in connection with student athletics, classes, clubs, and various fundraising activities and private donations. In addition, each school also has a faculty activity fund. SCPS is liable if any school is unable to meet its obligations with respect to these funds.

- ***Fiduciary Services Fund*** – accounts for the cash, cash receipts and cash disbursements associated with certain activities conducted on a division-wide level, in connection with private donations and sales tax collections. SCPS is liable for any obligation this fund is unable to meet.

- ***Employee Flexible Spending Fund*** – accounts for the cash, cash receipts and cash disbursements associated with the employee flexible spending program, which includes medical expense reimbursements and dependent care reimbursements.

- ***Stafford Education Foundation Fund*** **–** accounts for the cash, cash receipts and cash disbursements associated with the Stafford Education Foundation (Foundation). SCPS, as the fiduciary agent, provides accounting support for the Foundation.

C. BASIS OF FINANCIAL STATEMENT PRESENTATION

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

The basic financial statements consist of the government-wide statements, including the Statement of Net Position 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 Position 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 Position presents the overall financial condition of SCPS at fiscal year-end. Presence and size of the net position is an indication of SCPS' ability to cover its costs and continue to provide services in the future.

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

FUND FINANCIAL STATEMENTS

In order to provide budgetary controls and maintain legal compliance, SCPS records transactions in separate funds rendering a more detailed level. SCPS' Operating Fund, Capital Projects Fund, Grants Fund, and Food and Nutrition Services Fund are all deemed to be major governmental funds; therefore, they are separately reported in the governmental fund statements. The internal service funds are presented in the proprietary fund statements; SCPS has three internal service funds. There are seven fiduciary funds, made up of three trust funds and four agency funds. The trust funds include (1) the OPEB (Other Postemployment Benefits) Trust Fund, an irrevocable trust, and involves the measurement of OPEB plan operations; (2) the Scholarship Trust Fund, a fund involved in the collection of donations for the distribution of scholarships to students; and (3) the Endowment Trust Fund, a fund involved in the collection of donations used for investment purposes and whose earnings are then distributed as scholarships. The agency funds include (1) School Activity Funds (one at each of the 30 schools); (2) Fiduciary Services Fund, (3) Flexible Spending Fund and (4) Stafford Education Foundation Fund. Agency funds do 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 Position, which includes capital assets (i.e., land, buildings, improvements, and other capital assets) as well as long-term liabilities (i.e., capital lease obligations, compensated absences, accrued insurance claims, and OPEB liability).

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

FUND FINANCIAL STATEMENTS

Governmental Funds

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

Proprietary Funds

All proprietary funds are accounted for on the economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. Proprietary fund equity (i.e., net position) is segregated into unrestricted and net investment in capital assets. The proprietary fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS (Continued)

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

E. BASIS OF ACCOUNTING

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

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

In the fund financial 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 for the school lunch program is recognized as program revenue at the time the meals are provided. 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 sources for non-operating revenue are interest income, vehicle sales, and other sales.

EXPENDITURES/EXPENSES
On the accrual basis of accounting, expenses are recorded when incurred. On 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 certain general long-term obligations, such as compensated absences and pension obligations, which 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. CASH AND CASH EQUIVALENTS

Cash on deposit with the Treasurer's Office at the County represents the majority of SCPS' available cash throughout the fiscal year. At the close of the fiscal year, substantially all available cash in the Operating Fund is reclassified to Due from Primary Government 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 County. 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. At June 30, 2019, all of the County's deposits were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act established a single body of law applicable to the pledge of security as collateral for public funds on deposit in banking institutions so that the procedure for securing public deposits is uniform throughout the Commonwealth. Under the Act, banks holding public deposits must pledge certain levels of collateral and make monthly filings with the State Treasury Board.

RESTRICTED CASH
The Capital Projects Fund restricted cash and investments represent proceeds from school bonds held by the Virginia State Non-Arbitrage Program (SNAP).

G. DEPOSITS AND INVESTMENTS

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

H. INVENTORIES

The Food and Nutrition Services Fund (a major governmental special revenue 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. The inventory 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 considered expenditures 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 considered non-spendable fund balance. The Internal Service Fund inventory is comprised of expendable supplies held for consumption.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. CAPITAL ASSETS

Capital assets are reported in the government-wide financial statements and proprietary fund statements and include property, plant, equipment, and infrastructure assets with a cost of $5,000 or more. Depreciation and amortization is recorded on capital assets in the government-wide statements and proprietary fund statements using the straight-line method. Capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their acquisition value on the date of the donation. Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation and amortization, 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 the construction is capitalized.

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

Land improvements	5 – 20 years
Buildings and building improvements	4 – 50 years
Water treatment system	15 – 20 years
Furniture, fixtures and equipment	5 – 20 years
Vehicles	8 – 15 years
Software	5 – 15 years
Technology infrastructure	20 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 are recorded as liabilities in the government-wide financial statements only. Current and long-term compensated absences liabilities for proprietary funds are recorded in the government-wide and proprietary fund financial statements.

K. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SCPS retirement plans net fiduciary positions have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

RETIREE HEALTH INSURANCE

The SCPS postemployment medical plan (the plan) is a single-employer defined benefit health care plan which provides health insurance to retired employees. The fiduciary net position of the plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the postemployment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the plan fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HEALTH INSURANCE CREDIT PROGRAM

The Health Insurance Credit (HIC) Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired employees of participating employers. The HIC Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net HIC Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC Program OPEB, and the HIC Program OPEB expense, information about the fiduciary net position of the VRS HIC Program; and the additions to/deductions from the VRS HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

GROUP LIFE INSURANCE

The VRS Group Life Insurance (GLI) Program is a multiple employer, cost- sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI program OPEB and the additions to/deductions from the VRS GLI Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. ACCRUED LIABILITIES AND LONG-TERM DEBT

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

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources representing a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until that time. Items related to the SCPS' retirement and OPEB plans qualify for reporting in this category, including contributions to the SCPS' retirement and OPEB plans subsequent to the actuarial measurement date, changes in proportionate share, changes in assumptions, and the difference between expected and actual experience. The actuarial experience and assumption change impacts are amortized over the average expected remaining service life of the plan membership as of the measurement date.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources representing an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Items related to the SCPS' retirement and OPEB plans qualify for reporting in this category, including the net difference between projected and actual earnings on plan investments, changes in proportionate share, changes in assumptions, and the difference between expected and actual experience. The actuarial experience and assumption change impacts are amortized over the average expected remaining service life of the plan membership as of the measurement date, and investment gains/losses are amortized over five years.

Deferred outflows of resources and deferred inflows of resources are reported in the government-wide Statement of Net Position and the proprietary funds' Statement of Net Position. These are explained in more detail in separate notes to the financial statements.

O. NET POSITION

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources in the government-wide and proprietary funds' financial statements. The net position of SCPS falls into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The first category represents the portion of net position related to capital assets, net of accumulated depreciation and amortization, reduced by the outstanding capital lease obligations and note payable to the County incurred to acquire these assets (see Notes 6 and 7). The second category represents the portion restricted by external parties and/or transactions. The unrestricted portion is reported in the third category.

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 its responsibility for maintenance and insurance.

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

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

The County concluded that while joint tenancy would resolve a deficit in the Primary Government's net position, the continual computation process that would be required to allocate principal, interest, asset additions and depreciation and amortization 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. ENCUMBRANCES

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

Q. 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. Actual results could differ from these estimates.

R. 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 Board of Supervisors of the County.

2. Prior to April 1, the County Administrator submits a proposed budget (operating and capital) to the Board of Supervisors of the County 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 of the County to obtain taxpayer and citizen comments.

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

Stafford County Public Schools' Budgets

Governmental Funds:

Operating Fund
Capital Projects Fund
Food and Nutrition Services Fund
Grants Fund

Proprietary Funds – Internal Service Funds:

Fleet Services Fund
Health Benefits Fund
Workers' Compensation Fund

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING (Continued)

Budgets are adopted on a basis consistent with GAAP. 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, 2019, there were no expenditures in excess of budgetary appropriations.

The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, comparing actual revenue and expenditures with budgeted amounts as originally adopted, and as amended by the Board of Supervisors through June 30, 2019. Individual amendments were not material in relation to the original appropriations.

S. FUND BALANCES

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

The School Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the School Board through the adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service, or for other purposes).

Note 2. DEPOSITS AND INVESTMENTS

DEPOSITS

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2-2-400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully insured or collateralized.

Note 2. DEPOSITS AND INVESTMENTS (Continued)

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, bankers’ acceptances, repurchase agreements, SNAP, and the State Treasurer’s Local Government Investment Pool (LGIP).

CUSTODIAL CREDIT RISK

The School Board’s investments at June 30, 2019 were held by the School Board or in the School Board’s name by the County’s custodial accounts.

CREDIT RISK OF SECURITIES

Stafford County Public Schools’ investments as of June 30, 2019 were rated by Standard & Poor’s and/or an equivalent national rating organization. The ratings using Standard & Poor’s rating scale are presented below:

		AAAm
VACo/VML Pooled OPEB Trust	$	23,702,883
LGIP		5,009,224
SNAP		6,153,667
Total	$	34,865,774

EXTERNAL INVESTMENT POOLS

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

		Fair Value		Less than 1 Year
LGIP	$	5,009,224	$	5,009,224
SNAP		6,153,667		6,153,667
Total	$	11,162,891	$	11,162,891

The School Board categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

LGIP, SNAP, and VACo/VML Pooled OPEB Trust funds not publicly traded on an open market and significant information about the underlying assets are unknown to the School Board. Therefore, the School Board records these funds at net asset value, which represents fair value based on observable data such as ongoing redemption and/or subscription activity. There are no features associated with the LGIP, SNAP, and VACo/VML Pooled OPEB Trust funds that management believes requires an adjustment to the net asset value.

The School Board has the following recurring fair value measurements as of June 30, 2019:

- SNAP securities of $6,153,667 are valued using quoted market prices (Level 2 inputs).
- VACo/VML Pooled OPEB Trust of $23,702,883 are valued using quoted market prices (Level 2 inputs).
- LGIP of $5,009,224 are valued using quoted market prices (Level 2 inputs).

Note 3. DUE FROM STAFFORD COUNTY (PRIMARY GOVERNMENT)

The receivable due from Stafford County at June 30, 2019 represents SCPS' ending cash balance, excluding the balance reported as "Pooled cash and investments", which was reclassified and reported at year-end as "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, 2019 were as follows:

Intergovernmental Receivables:	Governmental Funds – Operating Fund	Governmental Funds – Grants Fund	Governmental Funds – Food and Nutrition Services Fund	Governmental Funds Total
Commonwealth of Virginia	$ 3,705,086	$ 89,978	$ -	$ 3,795,064
Federal Government	156,101	8,240,372	296,044	8,692,517
Total	$ 3,861,187	$ 8,330,350	$ 296,044	$ 12,487,581

The receivable from the Commonwealth of Virginia in the Operating Fund is primarily attributed to state sales taxes due to the school system. The Virginia Retail Sales and Use Tax Act requires one and one-eighth cents out of every five cents collected in State Sales Tax be distributed to school divisions based on school-age population. The amount due from the Commonwealth of Virginia in the Grants Fund is primarily attributed to the Jails – New Special Ed Regulation.

Amounts due from the federal government in the Operating Fund are attributed to the U.S. Department of Defense and Medicaid reimbursements. Amounts due from the federal government in the Food and Nutrition Services Fund are attributed solely to the free and reduced breakfast and lunch programs. The Grants Fund federal receivable primarily consists of Title 1 and Title II Part A programs that enhance the instruction for disadvantaged children, Title VI-B programs to supplement special education, and the Head Start program.

SCPS' receivables are considered fully collectible and, therefore, an allowance for uncollectible accounts does not apply to these receivables.

Note 5. INTERFUND TRANSFERS

The inter-fund transfers made during the year ended June 30, 2019 were as follows:

Transfer from:	Operating Fund	Food and Nutrition Services Fund	Fleet Services Fund	Total
Transfer to:				
Workers' Compensation Fund	$ 556,118	$ 22,018	$ 7,307	$ 585,443

The transfer from the Operating Fund, Food and Nutrition Services Fund, and Fleet Services Fund to the Workers' Compensation Fund was to cover the costs incurred in the Workers' Compensation Fund.

Note 6. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term liability activity of SCPS for the year ended June 30, 2019:

Governmental Activities:	Amounts Payable at July 1, 2018	Increases	Decreases	Amounts Payable at June 30, 2019	Amounts Due within One Year
Capital Leases	$ 1,380,897	$ -	$ 334,559	$ 1,046,336	$ 341,570
Note Payable	705,000	-	75,000	630,000	75,000
Compensated Absences	6,369,433	233,925	548,441	6,054,917	572,327
Net OPEB Liability	175,819,571	36,993,406	35,798,233	177,014,744	-
Net Pension Liability	236,628,109	51,013,952	66,037,183	221,604,878	-
Total	$ 420,903,010	$ 88,241,283	$ 102,793,417	$ 406,350,875	$ 988,897

On July 8, 2010, SCPS received the proceeds of a note from the County in the amount of $1,305,000. The note is related to a bond the County received from the Virginia Public School Authority. It is a principal only note with an annual payment due June 30th each year for 17 years, with the final payment coming due in 2027. The payment schedule is as follows:

Fiscal year ending June 30:	Amount
2020	$ 75,000
2021	75,000
2022	80,000
2023	80,000
2024	80,000
2025-2027	240,000
Total future payments	$ 630,000

Note 7. CAPITAL LEASE OBLIGATIONS

In May 2015, SCPS executed a contract for the purchase of an enterprise resource planning (ERP) system. The financing for this project was funded by a Master Equipment Lease/Purchase Agreement and qualifies as a capital lease for accounting purposes. The total amount financed was $2,125,000, of which $947,249 was outstanding as of June 30, 2019.

For the year ended June 30, 2019, interest expense from the ERP capital lease obligation totaled $22,604.

The maturities of future minimum lease payments and the net present value of capitalized lease obligations as of June 30, 2019 are as follows:

Fiscal year ending June 30:	Amount
2020	$ 326,949
2021	326,949
2022	326,949
Total future minimum lease payments	980,847
Less: interest included in total future minimum lease payments	(33,598)
Net present value of capitalized lease obligations	$ 947,249

Note 7. CAPITAL LEASE OBLIGATIONS (Continued)

In August 2012, the School Board entered into a lease agreement with the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia to finance the purchase of three Steril Koni Eco 60-13 Heavy Duty In-ground Axle Engaging Lifts installed at Fleet Services.

The financing for this project was structured as a Tax-exempt Lease/Purchase Agreement and qualifies as a capital lease for accounting purposes. The total amount financed was $300,500, including capitalized interest of $500, of which $99,087 is outstanding as of June 30, 2019.

For the year ended June 30, 2019, interest expense from the capital lease obligation totaled $3,437.

The maturities of future minimum lease payments and the net present value of the capitalized lease obligation as of June 30, 2019 are as follows:

Fiscal year ending June 30:		Amount
2020	$	34,668
2021		34,668
2022		34,671
Total future minimum lease payments		104,007
Less: interest included in total future minimum lease payments		(4,920)
Net present value of capitalized lease obligations	$	99,087

Assets acquired under capital leases at June 30, 2019 are summarized below:

		Amount
Software	$	1,413,062
Buildings & building improvements		329,793
Total assets, at cost		1,742,855
Accumulated depreciation		(248,489)
Total assets, net	$	1,494,366

Note 8. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Increases	Decreases	Re-classifications	Balance June 30, 2019
Capital assets not being depreciated or amortized:					
Land	$ 34,000,628	$ -	$ -	$ -	$ 34,000,628
Construction in progress	15,411,924	30,407,765	-	(2,871,588)	42,948,101
Total capital assets not being depreciated or amortized	49,412,552	30,407,765	-	(2,871,588)	76,948,729
Capital assets being depreciated or amortized					
Land improvements	64,056,821	1,137,689	(85,656)	-	65,108,854
Buildings & building improvements	531,492,752	6,500,948	(116,019)	1,225,593	539,103,274
Furniture, fixtures & equipment	12,064,755	884,527	(42,413)	1,557,050	14,463,918
Vehicles	24,270,140	1,336,809	(242,332)	-	25,364,618
Software	2,299,106	-	-	-	2,299,106
Technology infrastructure	4,190,020	6,600	-	-	4,196,620
Water treatment system	958,180	433,903	(161,186)	88,945	1,319,841
Total capital assets being depreciated or amortized	639,331,775	10,300,475	(647,606)	2,871,588	651,856,231
Less accumulated depreciation or amortization for:					
Land improvements	(27,211,943)	(3,362,177)	85,400	-	(30,488,720)
Buildings & building improvements	(189,491,800)	(15,945,986)	116,019	-	(205,321,767)
Furniture, fixtures & equipment	(6,887,811)	(1,074,477)	28,811	-	(7,933,477)
Vehicles	(11,967,941)	(1,574,101)	235,890	-	(13,306,153)
Software	(842,806)	(158,242)	-	-	(1,001,047)
Technology infrastructure	(884,707)	(209,847)	-	-	(1,094,554)
Water treatment system	(606,557)	(56,697)	161,186	-	(502,068)
Total accumulated depreciation or amortization	(237,893,565)	(22,381,527)	627,305	-	(259,647,786)
Total capital assets being depreciated or amortized, net	401,438,210	(12,081,052)	(20,301)	2,871,588	392,208,445
Total capital assets, net	$ 450,850,762	$ 18,326,713	$ (20,301)	$ -	$ 469,157,174

Depreciation and amortization expense was allocated to the government-wide functions as follows:

	Amount
Instruction	$ 571,756
Administration, attendance and health	238,124
Pupil transportation	1,670,222
Operation and maintenance	423,773
Food and nutrition services	158,405
Facilities	18,471,665
Technology	847,582
Total depreciation and amortization expense	$ 22,381,527

Note 9. CONSTRUCTION COMMITMENTS

At June 30, 2019, SCPS had contractual commitments for significant construction projects of $4.6 million in the Capital Projects Fund, including the rebuild of Moncure Elementary School and the replacement of the mechanical system at Rockhill Elementary School.

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

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

Note 12. RISK MANAGEMENT

SCPS is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which SCPS carries commercial insurance through VACoRP. Settled claims from these risks have not exceeded commercial coverage for the past three years.

SCPS is a member of the Virginia Municipal League Programs (VML or 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 to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The total estimated workers' compensation insurance claims payable as of June 30, 2019 was $608,693, of which $478,311 was estimated to be current claims payable. The change in the workers' compensation claims liability balance during the past two years is as follows:

Fiscal Year Ended:	June 30, 2019	June 30, 2018
Unpaid claims, beginning of fiscal year	$ 661,500	$ 508,496
Incurred claims (including IBNR)	576,842	747,995
Claims payments	(629,649)	(594,991)
Unpaid claims, end of fiscal year	$ 608,693	$ 661,500

SCPS carries commercial insurance for all risks of loss, except for workers' compensation. Like the County, SCPS participates in the Virginia Risk Sharing Association, sponsored by VML. Settled claims have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year.

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 SCPS to a claims administrator who processes all claims.

Note 12. RISK MANAGEMENT (Continued)

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 health insurance claims liability balance during the past two years is as follows:

Fiscal Year Ended:	June 30, 2019	June 30, 2018
Unpaid claims, beginning of fiscal year	$ 5,237,900	$ 4,974,900
Incurred claims (including IBNR)	27,797,700	25,687,492
Claims payments	(27,490,700)	(25,424,492)
Unpaid claims, end of fiscal year	$ 5,544,900	$ 5,237,900

Note 13. LITIGATION AND CONTINGENT LIABILITIES

SCPS is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. It is the opinion of SCPS' management, based on advice from legal counsel, that any losses incurred as a result of claims existing as of June 30, 2019 will not be material to the financial statements.

Federal programs in which the School Board participates were audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While matters of noncompliance may be disclosed by our audit, the grantors may also subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would likely be immaterial.

Note 14. PENSION PLAN

A. PLAN DESCRIPTION

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virgini*a, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

Plan 1	Plan 2	Hybrid Retirement Plan
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. ▪ The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. ▪ The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
		About the Hybrid Retirement Plan (Continued) ▪ In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: ▪ School division employees ▪ Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 Those employees eligible for an optional retirement plan (ORP) must elect the ORP or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or the ORP.
Hybrid Opt-In Election VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	

Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **<u>Defined Benefit Component</u>** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **<u>Defined Contributions Component</u>** Under the defined contribution component, creditable service is used to determine vesting for the employer portion of the plan.

Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **<u>Defined Benefit Component</u>** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **<u>Defined Contributions Component</u>** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. ▪ After two years, a member is 50% vested and may withdraw 50% of employer contributions. ▪ After three years, a member is 75% vested and may withdraw 75% of employer contributions.

Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
		Defined Contributions Component (Continued) After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component** See definition under Plan 1. **Defined Contribution Component** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.	**Service Retirement Multiplier** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** **Defined Benefit Component** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Defined Benefit Component** Not applicable.

Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Normal Retirement Age Age 65.	**Normal Retirement Age** Normal Social Security retirement age.	**Normal Retirement Age** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	**Earliest Unreduced Retirement Eligibility** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component** Age 60 with at least five years (60 months) of creditable service. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 14. PENSION PLAN (Continued)

A. <u>PLAN DESCRIPTION (Continued)</u>

Plan 1	Plan 2	Hybrid Retirement Plan
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable.
<u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. **<u>Exceptions to COLA Effective Dates:</u>** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: ▪ The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. ▪ The member retires on disability. ▪ The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.	**<u>Eligibility:</u>** Same as Plan 1.	**<u>Eligibility:</u>** Same as Plan 1 and Plan 2.

Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Cost-of-Living Adjustment (COLA) in Retirement (Continued) **Exceptions to COLA Effective Dates:** ▪ The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)** **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.	**Disability Coverage** Employees of school divisions (teachers), including Plan 1 and Plan 2 opt-ins, participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: ▪ Hybrid Retirement Plan members are ineligible for ported service. **<u>Defined Contribution Component:</u>** Not applicable.

School Board Non-Professional

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	178
Inactive members:	
Vested inactive members	35
Non-vested inactive members	105
Inactive members active elsewhere in VRS	52
Total inactive members	192
Active members	306
Total covered employees	676

Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

School Board Non-Professional

The School Board's non-professional contractually required employer contribution rate for the year ended June 30, 2019 was 5.15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the non-professional plan were $429,340 and $508,852 for the years ended June 30, 2019 and 2018, respectively.

School Board Professional

The School Board's professional contractually required contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the professional plan were $24,354,767 and $24,089,529 for the years ended June 30, 2019 and 2018, respectively.

B. NET PENSION LIABILITY

The School Board's non-professional plan net pension liabilities were measured as of June 30, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

At June 30, 2019, the School Board reported a liability for the professional plan of $221,585,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board's proportion was 1.88423% as compared to 1.91638% at June 30, 2017.

Note 14. PENSION PLAN (Continued)

B. NET PENSION LIABILITY (Continued)

Actuarial Assumptions – School Board Non-Professional Plan

The total pension liability for non-professionals in the School Board's retirement plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 %
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality Rates:	15% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

– Mortality Rates (Pre-retirement, post-retirement healthy, and disabled):	Update to a more current mortality table – RP-2014 projected to 2020
– Retirement Rates:	Lowered rates at older ages and changed final retirement from 70 to 75
– Withdrawal Rates:	Adjusted rates to better fit experience at each year age and service through 9 years of service
– Disability Rates:	Lowered rates
– Salary Scale:	No change
– Line of Duty Disability:	Increase rate from 14% to 15%

Note 14. PENSION PLAN (Continued)

B. NET PENSION LIABILITY (Continued)

Actuarial Assumptions – School Board Professional Plan

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality Rates:

– Pre-retirement:	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
– Post-retirement:	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

– Mortality Rates (Pre-retirement, post-retirement healthy, and disabled):	Update to a more current mortality table – RP-2014 projected to 2020
– Retirement Rates:	Lowered rates at older ages and changed final retirement from 70 to 75
– Withdrawal Rates:	Adjusted rates to better fit experience at each year age and service through 9 years of service
– Disability Rates:	Adjusted rates to better match experience
– Salary Scale:	No change

Note 14. PENSION PLAN (Continued)

B. NET PENSION LIABILITY (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Entity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
*Expected arithmetic nominal return			7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate – School Board Non-Professional Plan

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Note 14. PENSION PLAN (Continued)

B. NET PENSION LIABILITY (Continued)

Discount Rate – School Board Professional Plan

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

C. CHANGES IN THE NET PENSION LIABILITY

School Board Non-Professional

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2017	$ 28,419,547	$ 27,467,438	$ 952,109
Changes for the Year:			
Service cost	792,512	-	792,512
Interest	1,942,465	-	1,942,465
Difference between expected and actual experience	(743,289)	-	(743,289)
Contributions – employer	-	509,433	(509,433)
Contributions – employee	-	415,354	(415,354)
Net investment income	-	2,018,373	(2,018,373)
Benefit payments, including refunds of employee contributions	(1,340,098)	(1,340,098)	-
Administrative expense	-	(17,438)	17,438
Other changes	-	(1,803)	1,803
Net changes	651,590	1,583,821	(932,231)
Balances at June 30, 2018	$ 29,071,137	$ 29,051,259	$ 19,878

Note 14. PENSION PLAN (Continued)

C. <u>CHANGES IN THE NET PENSION LIABILITY (Continued)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liabilities of the School Board non-professional plan and the School Board professional plan, using the discount rate of 7.00%, as well as what the School Board's non-professional plan and the School Board's professional plan net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board's non-professional net pension liability (asset)	$3,614,983	$19,878	($2,988,006)
School Board's professional net pension liability	$338,477,000	$221,585,000	$124,831,000

Pension Plan Data

Detailed information about the pension plans' Fiduciary Net Position is available in the separately issued VRS financial reports. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules and the VRS Teacher Retirement Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2018 CAFR. A copy of the 2018 VRS CAFR may be downloaded from the VRS website at **http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf**, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500

D. <u>PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS</u>

School Board Non-Professional

For the year ended June 30, 2019, the School Board recognized pension expense of ($558,520) related to its non-professional plan. At June 30, 2019, the School Board also reported deferred outflows of resources and deferred inflows of resources related to its non-professional pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 830,876
Changes of assumptions	-	85,476
Net difference between projected and actual earnings on plan investments	-	234,876
Employer contributions subsequent to the measurement date	429,340	-
Total	$ 429,340	$ 1,151,228

The $429,340 reported as deferred outflows of resources related to pensions resulting from the School Board's non-professional plan contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Note 14. PENSION PLAN (Continued)

D. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

Amounts reported as deferred inflows of resources related to pensions for the School Board non-professional plan will be recognized in pension expense as follows:

Fiscal year ending June 30:	Amount
2020	$ (506,702)
2021	(295,688)
2022	(326,665)
2023	(22,173)
2024	-
Thereafter	-
	$ (1,151,228)

School Board Professional

For the year ended June 30, 2019, the School Board recognized pension expense related to the professional plan of $11,873,528. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions for the professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 18,948,000
Changes of assumptions	2,645,000	-
Net difference between projected and actual earnings on plan investments	-	4,699,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,398,000	6,646,000
Employer contributions subsequent to the measurement date	24,354,767	-
Total	$ 30,397,767	$ 30,293,000

The $24,354,767 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions for the professional plan subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2020.

Note 14. PENSION PLAN (Continued)

D. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Fiscal year ending June 30:	Amount
2020	$ (4,412,000)
2021	(5,764,000)
2022	(9,712,000)
2023	(3,133,000)
2024	(1,229,000)
Thereafter	-
	$ (24,250,000)

Note 15. OTHER POSTEMPLOYMENT BENEFITS (OPEB) MEDICAL PLAN

A. PLAN DESCRIPTION

SCPS' postemployment medical plan (the plan) is a single-employer defined benefit health care plan that offers health insurance for retired employees. The School Board administers the plan, which has no separate financial report.

Provided Benefits

Plan participants are eligible for coverage based upon the following, in accordance with the eligibility provisions of the VRS retirement plan:

- Normal retirement at age 65 with 5 years of service
- Normal retirement at age 50 with 30 years of service
- Early retirement at age 50 with 10 years of service
- Early retirement at age 55 with 5 years of service

In addition, plan participants are also eligible to receive a 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 postemployment 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 is used. For active participants, the HIC provided by VRS is determined by multiplying the participants' years of service (up to a maximum of 30 years) by $1.50 for non-professional employees and $4.00 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.

Note 15. OTHER POSTEMPLOYMENT BENEFITS (OPEB) MEDICAL PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Survivor Benefits
Surviving spouses of participants with dependent coverage can stay on 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 secondarily to Medicare.

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

Membership

At June 30, 2018 membership consisted of:

Retirees and beneficiaries currently receiving benefits	555
Active employees	4,133
Total	4,688

Contributions

The School Board establishes employer contribution rates for plan participants as part of the annual budget process. The School Board also determines whether to partially or fully fund the plan during the annual budget process. Funding for these benefits is currently made on a pay-as-you-go basis. Contributions from the School Board to program were $1,845,771 and $2,658,722 for the years ended June 30, 2019 and June 30, 2018, respectively.

The contribution requirements of plan members are established and may be amended by the School Board. Dental insurance for retirees is paid 100% by the retiree. Life insurance for retirees is covered by the Virginia Retirement System.

B. NET OPEB LIABILITY

The School Board's net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, and rolled forward to the measurement date of June 30, 2018.

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Discount rate 3.75%
- Inflation 2.3%
- Medical Trend Society of Actuaries Long-Run Medical Cost Trend Model baseline assumptions

Note 15. OTHER POSTEMPLOYMENT BENEFITS (OPEB) MEDICAL PLAN (Continued)

B. NET OPEB LIABILITY (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table Scale AA to 2020, with pre-retirement males set back 3 years and females set back 5 years, and post-retirement males set back 2 years and females set back 3 years. Other assumptions were those used by VRS to value the School Board - Professional Pension Plan (see Note 14).

Discount Rate

The discount rate on the measurement date of June 30, 2018, was 3.75%. The estimated future benefit payment stream was discounted based on an index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher for years when the projected benefit payouts are expected to be unfunded and 7.00% for years when the projected benefit payouts are expected to be funded. A long-term expected rate of return on assets of 7.00% and a long-term expected rate of return on internal fund rate of 3.62% as of June 30, 2018, was used in the calculations.

Net OPEB Liability

The components of the net OPEB liability of the School Board as of June 30, 2019, were as follows:

		Amount
Total OPEB Liability	$	192,888,437
Plan Fiduciary Net Position		(23,702,883)
Net OPEB Liability	$	169,185,554
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		12.29%

C. INVESTMENT POLICY

The School Board's assets are invested in the VACo/VML Pooled OPEB Trust – Portfolio I. Listed below are the target allocation and expected returns:

VACo/VML Pooled OPEB Trust Portfolio I	Target Allocation	Expected LT Return (Nomial)	Expected LT Inflation	Expected LT Return (Real)
Total Equity	**65%**	**10.59%**	**2.75%**	**7.84%**
Large Cap Equity (Domestic)	26%	9.95%	2.75%	7.20%
Small Cap Equity (Domestic)	10%	11.16%	2.75%	8.41%
International Equity (Developed)	13%	10.89%	2.75%	8.14%
Emerging Markets	5%	12.14%	2.75%	9.39%
Private Equity	5%	13.15%	2.75%	10.40%
Long/Short Equity	6%	8.39%	2.75%	5.64%
Fixed Income	**25%**	**5.70%**	**2.75%**	**2.95%**
Core Bonds	7%	5.37%	2.75%	2.62%
Core Plus	14%	5.64%	2.75%	2.89%
Liquid Absolute Return	4%	6.50%	2.75%	3.75%
Real Assets	**10%**	**7.50%**	**2.75%**	**4.75%**
Real Estate	7%	9.54%	2.75%	6.79%
Commodities	3%	2.75%	2.75%	0.00%

Note 15. OTHER POSTEMPLOYMENT BENEFITS (OPEB) MEDICAL PLAN (Continued)

C. INVESTMENT POLICY (Continued)

Concentrations

For the OPEB Medical plan, the Trust does not hold investments in any one organization that represent five percent or more of the OPEB Trust's Fiduciary Net Position.

Rate of Return

For the year ended June 30, 2019 the annual money weighted rate of return on investments, net of investment expense, was 4.67%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. CHANGES IN THE NET OPEB LIABILITY

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2017	$ 158,903,791	$ 20,724,834	$ 138,178,957
Changes for the Year:			
Service cost	8,503,360	-	8,503,360
Interest	5,698,104	-	5,698,104
Experience Losses/(Gains)	(3,477,196)	-	(3,477,196)
Assumption changes	(4,390,470)	-	(4,390,470)
Contributions – employer	-	2,658,722	(2,658,722)
Net investment income	-	1,960,214	(1,960,214)
Benefit payments	(2,658,722)	(2,658,722)	-
Net changes	3,675,076	1,960,214	1,714,862
Balances at June 30, 2018	$ 162,578,867	$ 22,685,048	$ 139,893,819
Funded status			13.95%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Total and Net OPEB liabilities, using the discount rate of 3.75%, as well as what the Total and Net OPEB liabilities would be if they were calculated using a discount rate that is one percentage point lower (2.75%) or one percentage point higher (4.75%) than the current rate:

	1% Decrease (2.61%)	Discount Rate (3.61%)	1% Increase (4.61%)
Total OPEB Liability	$197,624,617	$162,578,867	$135,254,531
Net OPEB Liability	$174,939,569	$139,893,819	$112,569,483

Note 15. OTHER POSTEMPLOYMENT BENEFITS (OPEB) MEDICAL PLAN (Continued)

D. CHANGES IN THE NET OPEB LIABILITY (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the Total and Net OPEB liabilities, using the ultimate health care cost trend rate of 3.94%, as well as what the Total and Net OPEB liabilities would be if they were calculated using a ultimate health care cost trend rate that is one percentage point lower (2.94%) or one percentage point higher (4.94%) than the current rate:

	1% Decrease (2.94%)	Medical Trend (3.94%)	1% Increase (4.94%)
Total OPEB Liability	$131,566,844	$162,578,867	$204,043,538
Net OPEB Liability	$108,881,796	$139,893,819	$181,358,490

E. OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2019, the School Board recognized OPEB expense of $8,788,296. The School Board also reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 7,457,620
Changes of assumptions	-	18,942,664
Net difference between projected and actual earnings on plan investments	-	1,049,430
Employer contributions subsequent to the measurement date	1,845,771	-
Total	$ 1,845,771	$ 27,449,714

The $1,845,771 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The OPEB plan does not make contributions based on payroll; therefore, a Schedule of Contributions is not required or included.

Other amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal year ending June 30:	Amount
2020	$ (3,962,430)
2021	(3,962,430)
2022	(3,962,432)
2023	(3,748,482)
2024	(3,646,586)
Thereafter	(8,167,354)
	$ (27,449,714)

Note 16. HEALTH INSURANCE CREDIT (HIC) OPEB PLAN

A. PLAN DESCRIPTION

All full-time, salaried permanent employees are automatically covered by the VRS HIC Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the HIC Program OPEB, including eligibility, coverage and benefits is set out below:

Eligible Employees – The Retiree HIC Program was established July 1, 1993 for retired employees with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include full-time permanent salaried employees who are covered under the VRS pension plan.

Benefit Amount

School Board Non Professional

At Retirement – For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month.
Disability Retirement - For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.

School Board Professional

At Retirement – For teachers and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
Disability Retirement - For teachers and other professional school employees who retire on disability or go on long-term disability under VLDP, the monthly benefit is either $4.00 per month multiplied by twice the amount of service credit, or $4.00 per month multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Program Notes:
The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

A. <u>PLAN DESCRIPTION (Continued)</u>

Employees Covered by Benefit Terms

School Board Non Professional

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	47
Inactive members:	
Vested inactive members	2
Non-vested inactive members	0
Inactive members active elsewhere in VRS	0
Total inactive members	49
Active members	306
Total covered employees	355

Contributions

School Board Non Professional

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided by the Virginia General Assembly. The contractually required employer contribution rate for the year ended June 30, 2019 was 0.22% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the HIC Program were $19,607 and $19,105 for the years ended June 30, 2019 and June 30, 2018, respectively.

School Board Professional

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided by the Virginia General Assembly. The contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the HIC Program were $1,928,014 and $1,865,257 for the years ended June 30, 2019 and June 30, 2018, respectively.

B. <u>NET HIC OPEB LIABILITY</u>

The School Board's non-professional plan net HIC OPEB liability was measured as of June 30, 2018. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

B. NET HIC OPEB LIABILITY (Continued)

At June 30, 2019, the School Board reported a liability for the professional plan of $24,058,000 for its proportionate share of the Net HIC Program OPEB Liability. The Net HIC Program OPEB Liability was measured as of June 30, 2018 and the total HIC Program OPEB liability used to calculate the Net HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net HIC Program OPEB Liability was based on the School Board's actuarially determined employer contributions to the Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 1.89482% as compared to 1.92437% at June 30, 2017.

Actuarial Assumptions – School Board Non-Professional Plan

The total HIC OPEB liability for non-professionals was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 %
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates:

– Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

– Mortality Rates (Pre-retirement, post-retirement healthy, and disabled):	Update to a more current mortality table – RP-2014 projected to 2020
– Retirement Rates:	Lowered rates at older ages and changed final retirement age from 70 to 75
– Withdrawal Rates:	Adjusted rates to better fit experience at each year age and service year
– Disability Rates:	Lowered rates
– Salary Scale:	No change
– Line of Duty Disability:	Increase rate from 14% to 15%

Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

B. NET HIC OPEB LIABILITY (Continued)

Actuarial Assumptions – School Board Professional Plan

The total HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates:

– Pre-retirement:	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
– Post-retirement:	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

– Mortality Rates (Pre-retirement, post-retirement healthy, and disabled):	Update to a more current mortality table – RP-2014 projected to 2020
– Retirement Rates:	Lowered rates at older ages and changed final retirement from 70 to 75
– Withdrawal Rates:	Adjusted rates to better fit experience at each year age and service through 9 years of service
– Disability Rates:	Adjusted rates to better match experience
– Salary Scale:	No change

Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

B. NET HIC OPEB LIABILITY (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Entity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
*Expected arithmetic nominal return			7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made in accordance with the VRS funding policy and at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees.

Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the School Board's HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

B. NET HIC OPEB LIABILITY (Continued)

Net HIC OPEB Liability - School Board Professional Plan

The net OPEB liability (NOL) for the HIC Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the HIC Program is as follows:

	Amount
Total HIC OPEB Liability	$ 1,381,313,000
Plan Fiduciary Net Position	111,639,000
Employers' Net HIC OPEB Liability	$ 1,269,674,000
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	8.08%

The total HIC OPEB liability is calculated by the HIC System's actuary, and each plan's fiduciary net position is reported in the HIC System's financial statements. The net HIC OPEB liability is disclosed in accordance with the requirements of GAAP in the HIC System's notes to the financial statements and required supplementary information.

C. CHANGES IN THE NET HIC OPEB LIABILITY

School Board Non-Professional

	Increase (Decrease)		
	Total HIC OPEB Liability	Plan Fiduciary Net Position	Net HIC OPEB Liability
Balances at June 30, 2017	$ 390,767	$ 259,153	$ 131,614
Changes for the year:			
Service cost	10,258	-	10,258
Interest	26,440	-	26,440
Difference between expected and actual experience	(15,854)	-	(15,854)
Contributions – employer	-	19,152	(19,152)
Net investment income	-	18,142	(18,142)
Benefit payments	(26,099)	(26,099)	-
Administrative expense	-	(421)	421
Other changes	-	(1,340)	1,340
Net changes	(5,255)	9,434	(14,689)
Balances at June 30, 2018	$ 385,512	$ 268,587	$ 116,925

Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

C. CHANGES IN THE NET HIC OPEB LIABILITY (Continued)

Sensitivity of the Net HIC OPEB Liability to Changes in the Discount Rate

The following presents the net HIC OPEB liabilities of the School Board non-professional plan and the School Board professional plan, using the discount rate of 7.00%, as well as what the School Board's non-professional plan and the School Board's professional plan net HIC OPEB liabilities would be if they were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board's non-professional HIC OPEB liability	$158,536	$116,925	$81,333
School Board's professional HIC OPEB liability	$26,871,000	$24,058,000	$21,666,000

Detailed information about the HIC programs' Fiduciary Net Position is available in the separately issued VRS 2018 CAFR. A copy of the 2018 VRS CAFR may be downloaded from the VRS website at **http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf**, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

D. HIC PROGRAM EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO HIC PROGRAM OPEB

School Board Non-Professional

For the year ended June 30, 2019, the School Board recognized HIC OPEB expense related to its non-professional plan of $14,330. The School Board also reported deferred outflows of resources and deferred inflows of resources related to its non-professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 13,220
Changes of assumptions	-	5,878
Net difference between projected and actual earnings on plan investments	-	6,547
Employer contributions subsequent to the measurement date	19,607	-
Total	$ 19,607	$ 25,645

The $19,607 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board's non-professional plan contributions subsequent to the measurement date will be recognized as a reduction of the HIC OPEB liability in the year ending June 30, 2020.

Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

D. HIC PROGRAM EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO HIC PROGRAM OPEB (Continued)

Other amounts reported as deferred inflows of resources related to the HIC OPEB for the School Board non-professional plan will be recognized in HIC OPEB expense as follows:

Fiscal year ending June 30:		Amount
2020	$	(6,246)
2021		(6,246)
2022		(6,248)
2023		(4,147)
2024		(2,708)
Thereafter		(50)
	$	(25,645)

School Board Professional

For the year ended June 30, 2019, the School Board recognized HIC OPEB expense related to the professional plan of $1,957,257. Since there was a change in proportionate share between measurement dates, a portion of the HIC OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to its professional plan from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	-	$	118,000
Changes of assumptions		-		210,000
Changes in proportionate share		373,000		330,000
Net difference between projected and actual earnings on plan investments		-		18,000
Employer contributions subsequent to the measurement date		1,928,014		-
Total	$	2,301,014	$	676,000

The $1,928,014 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board's professional plan contributions subsequent to the measurement date will be recognized as a reduction of the HIC OPEB liability in the year ending June 30, 2020.

Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

D. HIC PROGRAM EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO HIC PROGRAM OPEB (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB for the School Board professional plan will be recognized in HIC OPEB expense in future reporting periods as follows:

Fiscal year ending June 30:	Amount
2020	$ (47,000)
2021	(47,000)
2022	(47,000)
2023	(36,000)
2024	(39,000)
Thereafter	(87,000)
	$ (303,000)

Note 17. GROUP LIFE INSURANCE (GLI) PLAN

A. PLAN DESCRIPTION

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

The specific information for the GLI Program OPEB, including eligibility, coverage and benefits is set out below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Note 17. GROUP LIFE INSURANCE PLAN (Continued)

A. <u>PLAN DESCRIPTION (Continued)</u>

Benefit Amounts

The benefits payable under the GLI Program have several components.

- **Natural Death Benefit –** The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions –** In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. The School Board has elected to pay both the employee and employer contributions. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability

School Board Non-Professional

Contributions to the GLI Program from the School Board for the non-professional plan were $108,430 and $113,900 for the years ended June 30, 2019 and June 30, 2018, respectively.

School Board Professional

Contributions to the GLI Program from the School Board for the professional plan were $2,110,410 and $2,007,810 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 17. GROUP LIFE INSURANCE PLAN (Continued)

B. NET GROUP LIFE INSURANCE OPEB LIABILITY

At June 30, 2019, the School Board reported a liability for the non-professional plan of $696,000 and for the professional plan of $12,250,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net GLI OPEB Liability was based on the School Board's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board's proportion for the non-professional plan was 0.04588% as compared to 0.04586% at June 30, 2017. At June 30, 2018, the School Board's proportion for the professional plan was 0.80662% as compared to 0.82442% at June 30, 2017.

Actuarial Assumptions – School Board Non-Professional

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 %
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates:

– Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

– Mortality Rates (Pre-retirement, post-retirement healthy, and disabled):	Update to a more current mortality table – RP-2014 projected to 2020
– Retirement Rates:	Lowered rates at older ages and changed final retirement from 70 to 75
– Withdrawal Rates:	Adjusted rates to better fit experience at each age and service year
– Disability Rates:	Lowered rates
– Salary Scale:	No change
– Line of Duty Disability:	Increase rate from 14% to 15%

Note 17. GROUP LIFE INSURANCE PLAN (Continued)

B. <u>NET GROUP LIFE INSURANCE OPEB LIABILITY (Continued)</u>

Actuarial Assumptions – School Board Professional

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates:

– Pre-retirement:	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
– Post-retirement:	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

– Mortality Rates (Pre-retirement, post-retirement healthy, and disabled):	Update to a more current mortality table – RP-2014 projected to 2020
– Retirement Rates:	Lowered rates at older ages and changed final retirement from 70 to 75
– Withdrawal Rates:	Adjusted rates to better fit experience at each year age and service through 9 years of service
– Disability Rates:	Adjusted rates to better match experience
– Salary Scale:	No change

Note 17. GROUP LIFE INSURANCE PLAN (Continued)

B. NET GROUP LIFE INSURANCE OPEB LIABILITY (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on GLI System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of GLI System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Entity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	*Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 17. GROUP LIFE INSURANCE PLAN (Continued)

B. NET GROUP LIFE INSURANCE OPEB LIABILITY (Continued)

Net GLI OPEB Liability - School Board Professional Plan

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program is as follows:

	Amount
Total GLI OPEB Liability	$ 3,113,508,000
Plan Fiduciary Net Position	1,594,773,000
Employers' Net GLI OPEB Liability	$ 1,518,735,000
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

The total GLI OPEB liability is calculated by the GLI System's actuary, and each plan's fiduciary net position is reported in the GLI System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GAAP in the GLI System's notes to the financial statements and required supplementary information.

C. CHANGES IN THE NET GROUP LIFE INSURANCE OPEB LIABILITY

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the School Board's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the School Board's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board's proportionate share of the non-professional net GLI OPEB liability	$910,000	$696,000	$523,000
School Board's proportionate share of the professional net GLI OPEB liability	$16,009,000	$12,250,000	$9,198,000

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 CAFR. A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 17. GROUP LIFE INSURANCE PLAN (Continued)

D. GLI OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO THE GROUP LIFE INSURANCE PROGRAM OPEB

School Board Non-Professional

For the year ended June 30, 2019, the School Board recognized GLI OPEB expense related to its non-professional plan of $72,900. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to its non-professional GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 34,000	$ 12,000
Changes of assumptions	-	29,000
Net difference between projected and actual earnings on plan investments	-	23,000
Employer contributions subsequent to the measurement date	108,430	-
Total	$ 142,430	$ 64,000

The $108,430 reported as deferred outflows of resources related to the GLI OPEB resulting from the School Board's non-professional plan contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Fiscal year ending June 30:	Amount
2020	$ (10,000)
2021	(10,000)
2022	(10,000)
2023	(4,000)
2024	2,000
Thereafter	2,000
	$ (30,000)

Note 17. GROUP LIFE INSURANCE PLAN (Continued)

D. GLI OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO THE GROUP LIFE INSURANCE PROGRAM OPEB (Continued)

School Board Professional

For the year ended June 30, 2019, the School Board recognized GLI OPEB expense related to its professional plan of $1,317,810. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to its professional GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 599,000	$ 219,000
Changes of assumptions	-	511,000
Changes in proportionate share	294,000	251,000
Net difference between projected and actual earnings on plan investments	-	399,000
Employer contributions subsequent to the measurement date	2,110,410	-
Total	$ 3,003,410	$ 1,380,000

The $2,110,410 reported as deferred outflows of resources related to the GLI OPEB resulting from the School Board's professional plan contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Fiscal year ending June 30:	Amount
2020	$ (162,000)
2021	(162,000)
2022	(162,000)
2023	(48,000)
2024	20,000
Thereafter	27,000
	$ (487,000)

Note 18. CHANGE IN ACCOUNTING PRINCIPLES – PREPAID EXPENDITURES

On July 1, 2018, SCPS elected to change its method of accounting for prepaid expenditures to the purchases method thereby recognizing the entire amount of any prepayments as an expenditure in the fiscal year in which the payment occurred. In prior fiscal years, prepaid expenditures were accounted for under the consumption method, with expenditures recorded proportionately over the applicable period of performance. The new method of accounting for prepaid expenditures was adopted in order to provide better matching of expenditures and revenues under the modified accrual basis of accounting. Most prepaid expenditures of SCPS provide technology and instructional support for a school year. Comparative financial statements of prior years have been adjusted to apply the new method retrospectively.

The following adjustments were made to the beginning net position of the Governmental Activities at July 1, 2018:

		Amount
Net position, beginning of year, as previously reported	$	79,076,793
Change in accounting principles		(723,540)
Net position, beginning of year, as restated	$	78,353,253

The following adjustments were made to the beginning fund balance of the Operating Fund at July 1, 2018:

		Amount
Fund balance, beginning of year, as previously reported	$	10,005,079
Change in accounting principles		(723,540)
Fund balance, beginning of year, as restated	$	9,281,539

Note 19. PENDING ACCOUNTING STANDARDS OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD

At June 30, 2019, the GASB had issued statements not yet implemented by SCPS. The statements which might impact SCPS are as follows:

GASB Statement No. 84, "Fiduciary Activities," will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, "Leases," will increase the usefulness of the School Board's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 90, "Majority Equity Interests," revises and clarifies the guidance for reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. Statement No. 90 will be effective for fiscal years beginning after December 15, 2018.

Management has not determined the effects these new Statements may have on prospective financial statements.

Note 20. SUBSEQUENT EVENTS

The School Board has evaluated subsequent events through January 10, 2020, the date on which the financial statements were available to be issued.   On October 17, 2019 the School Board entered into an Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp for $10,650,651 for the purpose of making various energy efficiency improvements to SCPS facilities.

REQUIRED SUPPLEMENTARY INFORMATION

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit J**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Operating Fund
For the Fiscal Year Ended June 30, 2019

	Budget			Variance from Final Budget
	Original	**Final**	**Actual**	**Over (Under)**
REVENUES				
Intergovernmental:				
Stafford County	$ 122,317,574	$ 120,871,709	$ 116,796,434	$ (4,075,275)
Commonwealth of Virginia	161,521,678	163,225,852	163,535,886	310,034
Federal Government	2,038,000	2,038,000	2,538,690	500,690
Total intergovernmental revenues	285,877,252	286,135,561	282,871,010	(3,264,551)
Charges for services:				
Tuition and fees	795,000	899,203	772,915	(126,288)
Recovered costs	2,894,911	2,507,804	3,601,347	1,093,543
Miscellaneous	124,000	148,595	89,067	(59,528)
Total revenues	289,691,163	289,691,163	287,334,339	(2,356,824)
EXPENDITURES				
Current operating:				
Instruction	219,250,855	218,930,107	214,777,095	(4,153,012)
Administration, attendance and health	14,408,926	13,235,652	12,242,038	(993,614)
Pupil transportation	14,568,339	14,865,650	14,734,707	(130,943)
Operation and maintenance	22,226,430	24,040,780	23,032,559	(1,008,221)
Food and nutrition services	231,565	231,565	235,601	4,036
Facilities	180,000	695,646	344,084	(351,562)
Technology	15,724,973	16,330,830	15,286,679	(1,044,151)
Capital outlay	2,693,126	10,023,940	8,300,694	(1,723,246)
Debt service:				
Principal	378,329	378,329	378,329	-
Interest and fiscal charges	28,620	28,620	26,900	(1,720)
Total expenditures	289,691,163	298,761,118	289,358,686	(9,402,432)
Excess (deficiency) of revenues over (under) expenditures	-	(9,069,955)	(2,024,347)	7,045,608
OTHER FINANCING (USES)				
Transfers (to) other funds	-	-	(556,118)	(556,118)
Net change in fund balance	$ -	$ (9,069,955)	(2,580,465)	$ 6,489,490
Fund balance, beginning - July 1, 2018, as restated			9,281,539	
Fund balance, ending - June 30, 2019			$ 6,701,074	

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit K**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF CHANGES IN THE SCHOOL BOARD NON-PROFESSIONAL
NET PENSION LIABILITY AND RELATED RATIOS - VIRGINIA RETIREMENT SYSTEM

	As of June 30,				
	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	$ 792,512	$ 811,596	$ 853,719	$ 917,801	$ 931,365
Interest	1,942,465	1,893,932	1,856,844	1,773,289	1,679,630
Differences between expected and actual experience	(743,289)	(466,649)	(868,215)	(171,518)	-
Changes of assumptions	-	(230,348)	-	-	-
Benefit payments, including refunds of employee contributions	(1,340,098)	(1,290,317)	(1,334,723)	(1,317,128)	(1,228,897)
Net change in total pension liability	651,590	718,214	507,625	1,202,444	1,382,098
Total pension liability - beginning	28,419,547	27,701,333	27,193,708	25,991,264	24,609,166
Total pension liability - ending (a)	$29,071,137	$28,419,547	$27,701,333	$27,193,708	$25,991,264
Plan Fiduciary Net Position					
Contributions - employer	$ 509,433	$ 505,800	$ 687,268	$ 700,475	$ 828,505
Contributions - employee	415,354	409,474	406,077	412,685	433,951
Net investment income	2,018,373	3,015,642	436,457	1,081,570	3,247,485
Benefit payments, including refunds of employee contributions	(1,340,098)	(1,290,317)	(1,334,723)	(1,317,128)	(1,228,897)
Administrative expense	(17,438)	(17,420)	(15,244)	(14,788)	(17,281)
Other	(1,803)	(2,684)	(182)	(227)	171
Net change in plan fiduciary net position	1,583,821	2,620,495	179,653	862,587	3,263,934
Plan fiduciary net position - beginning	27,467,438	24,846,943	24,667,290	23,804,703	20,540,769
Plan fiduciary net position - ending (b)	$29,051,259	$27,467,438	$24,846,943	$24,667,290	$23,804,703
School Board non-professional net pension liability - ending (a) - (b)	$ 19,878	$ 952,109	$ 2,854,390	$ 2,526,418	$ 2,186,561
Plan fiduciary net position as a percentage of the total pension liability	99.93%	96.65%	89.70%	90.71%	91.59%
Employer's covered payroll	$ 8,704,683	$ 8,450,346	$ 8,163,550	$ 8,451,460	$ 8,577,515
School Board's non-professional net pension liability as a percentage of covered payroll	0.23%	11.27%	34.97%	29.89%	25.49%

Notes to Schedule:

(1) This schedule is presented based on the measurement date used in the actuarial valuation, which is one year prior to the date of the financial statements.

(2) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

(3) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2017 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

a. Update to a more current mortality table
b. Lowered retirement rates at older ages and changed final retirement from 70 to 75
c. Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
d. Decrease in disability rates
e. Increased line of duty diability rate from 14% to 15%

(4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit L**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF SCHOOL BOARD SHARE OF NET PENSION LIABILITY
TEACHER RETIREMENT PLAN - VIRGINIA RETIREMENT PLAN

	As of June 30,				
	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	1.88423%	1.91638%	1.88465%	1.87703%	1.96028%
Employer's proportionate share of the net pension liability	$ 221,585,000	$ 235,676,000	$ 264,117,000	$ 236,250,000	$ 236,893,000
Employer's covered payroll	153,228,530	148,882,433	143,696,984	139,553,874	143,355,995
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	144.61%	158.30%	183.80%	169.29%	165.25%
Plan fiduciary net position as a percentage of the total pension liability	74.81%	72.92%	68.28%	70.68%	70.88%

Notes to Schedule:

(1) This schedule is presented based on the measurement date used in the actuarial valuation, which is one year prior to the date of the financial statements.

(2) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

(3) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2017 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

a. Update to a more current mortality table
b. Lowered retirement rates at older ages and changed final retirement from 70 to 75
c. Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
d. Adjusted disability rates to better match experience

(4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF SCHOOL BOARD CONTRIBUTIONS
NON-PROFESSIONAL - VIRGINIA RETIREMENT SYSTEM

Exhibit M

	Fiscal Year Ended					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution (CRC)	$ 460,764	$ 541,431	$ 525,614	$ 1,099,630	$ 825,400	$ 828,505
Contributions in relation to the CRC	460,764	541,431	525,614	1,099,630	825,400	828,505
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 8,944,315	$ 8,704,683	$ 8,450,346	$ 8,163,550	$ 8,451,460	$ 8,577,515
Contributions as a percentage of covered payroll	5.15%	6.22%	6.22%	13.47%	9.77%	9.66%

Notes to Schedule:

(1) Valuation date: June 30, 2017

(2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

(3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26, 20, 19, 18, and 17 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Projected salary increases, including inflation	3.50% - 5.35%
Investment rate of return, including inflation	7.00%
Cost-of-living adjustments	2.25% - 2.50%

(4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years for which information is available.

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit N**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF SCHOOL BOARD CONTRIBUTIONS
TEACHER RETIREMENT PLAN - VIRGINIA RETIREMENT PLAN

	Fiscal Year Ended					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution (CRC)	$ 24,354,767	$ 24,089,529	$ 21,806,528	$ 20,203,796	$ 20,235,599	$ 16,715,309
Contributions in relation to the CRC	24,354,767	24,089,529	21,806,528	20,203,796	20,235,599	16,715,309
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 161,000,993	$ 153,228,530	$ 148,882,433	$ 143,696,984	$ 139,553,875	$ 143,355,995
Contributions as a percentage of covered payroll	15.13%	15.72%	14.65%	14.06%	14.50%	11.66%

Notes to Schedule:

(1) Valuation date: June 30, 2017

(2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

(3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27, 20, 19, 18, and 6 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Payroll growth	3.0%
Projected salary increases, including inflation	3.50% - 5.95%
Investment rate of return	7.0%, net of investment expenses

(4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years for which information is available.

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit O**

A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA

SCHEDULE OF CHANGES IN THE SCHOOL BOARD

NET MEDICAL PLAN OPEB LIABILITY AND RELATED RATIOS

	As of June 30, 2019	As of June 30, 2018	As of June 30, 2017
Total Medical Plan OPEB Liability			
Service cost	$ 9,102,769	$ 8,503,360	$ 9,898,436
Interest	6,050,643	5,698,104	4,889,280
Differences between expected and actual experience	494,952	(3,477,196)	(5,614,431)
Changes of assumptions	17,612,914	(4,390,470)	(19,337,174)
Benefit payments	(2,951,708)	(2,658,722)	(1,397,982)
Net change in total Medical Plan OPEB liability	30,309,570	3,675,076	(11,561,871)
Total Medical Plan OPEB liability - beginning	162,578,867	158,903,791	170,465,662
Total Medical Plan OPEB liability - ending (a)	$ 192,888,437	$ 162,578,867	$ 158,903,791
Plan Fiduciary Net Position			
Contributions - employer	$ 2,951,708	$ 2,658,722	$ 1,397,982
Net investment income	1,017,835	1,960,214	2,355,594
Benefit payments, net of retiree contributions	(2,951,708)	(2,658,722)	(1,397,982)
Net change in plan fiduciary net position	1,017,835	1,960,214	2,355,594
Plan fiduciary net position - beginning	22,685,048	20,724,834	18,369,240
Plan fiduciary net position - ending (b)	$ 23,702,883	$ 22,685,048	$ 20,724,834
School Board net Medical Plan OPEB liability - ending (a) - (b)	$ 169,185,554	$ 139,893,819	$ 138,178,957
Plan fiduciary net position as a percentage of the total Medical Plan OPEB liability	12.29%	13.95%	13.04%
Employer's covered-employee payroll	$ 169,945,308	$ 161,933,213	$ 151,834,911
School Board's net Medical Plan OPEB liability as a percentage of covered-employee payroll	99.55%	86.39%	91.01%

Notes to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

(2) The OPEB medical plan does not make contributions based on payroll; therefore, a Schedule of Contributions is not required or included.

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit P**

A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA

SCHEDULE OF INVESTMENT RETURNS

OTHER POSTEMPLOYMENT BENEFITS MEDICAL PLAN

	June 30, 2019	June 30, 2018
Annual money-weighted rate of return, net of investment expense	4.67%	9.52%

Notes to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF CHANGES IN THE SCHOOL BOARD NON-PROFESSIONAL NET HIC OPEB LIABILITY AND RELATED RATIOS

Exhibit Q

	As of June 30, 2019*	As of June 30, 2018*
Total HIC OPEB Liability		
Service cost	$ 10,258	$ 10,954
Interest	26,440	25,945
Changes of assumptions	-	(8,780)
Difference between expected and actual experience	(15,854)	-
Benefit payments, including refunds of employee contributions	(26,099)	(16,000)
Net change in total HIC OPEB liability	(5,255)	12,119
Total HIC OPEB liability - beginning	390,767	378,648
Total HIC OPEB liability - ending (a)	$ 385,512	$ 390,767
Plan Fiduciary Net Position		
Contributions - employer	$ 19,152	$ 18,590
Net investment income	18,142	26,654
Benefit payments, including refunds of employee contributions	(26,099)	(16,000)
Administrative expense	(421)	(435)
Other	(1,340)	1,340
Net change in plan fiduciary net position	9,434	30,149
Plan fiduciary net position - beginning	259,153	229,004
Plan fiduciary net position - ending (b)	$ 268,587	$ 259,153
School Board non-professional net HIC OPEB liability - ending (a) - (b)	$ 116,925	$ 131,614
Plan fiduciary net position as a percentage of the total HIC OPEB liability	69.67%	66.32%
Employer's covered payroll	$ 8,704,683	$ 8,450,387
School Board's non-professional net HIC OPEB liability as a percentage of covered payroll	1.34%	1.56%

Notes to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

* The amounts presented have a measurement date of the previous fiscal year end.

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit R**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF SCHOOL BOARD SHARE OF NET OPEB LIABILITY
PROFESSIONAL - HEALTH INSURANCE CREDIT PROGRAM

	As of June 30, 2019*	As of June 30, 2018*
Employer's proportion of the net HIC OPEB liability	1.89482%	1.92437%
Employer's proportionate share of the net HIC OPEB liability	$ 24,058,000	$ 24,413,000
Employer's covered payroll	$ 153,241,128	$ 151,871,436
Employer's proportionate share of the net HIC OPEB liability as a percentage of its covered payroll	15.70%	16.07%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	8.08%	7.04%

Notes to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

* The amounts presented have a measurement date of the previous fiscal year end.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF SCHOOL BOARD CONTRIBUTIONS
NON-PROFESSIONAL - HEALTH INSURANCE CREDIT PROGRAM

	Fiscal Year Ended				
	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
Contractually required contribution (CRC)	$ 37,330	$ 22,750	$ 22,421	$ 23,392	$ 24,145
Contributions in relation to the CRC	37,330	22,750	22,421	23,392	24,145
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 9,104,944	$ 8,749,842	$ 8,623,393	$ 8,354,374	$ 8,623,160
Contributions as a percentage of covered payroll	0.41%	0.26%	0.26%	0.28%	0.28%

Exhibit S

Fiscal Year Ended June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	
$ 19,168	$ 18,945	$ 18,590	$ 19,150	$ 19,607	Contractually required contribution (CRC)
19,168	18,945	18,590	19,150	19,607	Contributions in relation to the CRC
$ -	$ -	$ -	$ -	$ -	Contribution deficiency (excess)
$ 8,333,781	$ 8,237,042	$ 8,450,387	$ 8,704,683	$ 8,946,867	Employer's covered payroll
0.23%	0.23%	0.22%	0.22%	0.22%	Contributions as a percentage of covered payroll

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF SCHOOL BOARD CONTRIBUTIONS
PROFESSIONAL - HEALTH INSURANCE CREDIT PROGRAM

	Fiscal Year Ended				
	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
Contractually required contribution (CRC)	$ 1,027,697	$ 841,342	$ 844,081	$ 1,554,883	$ 1,591,451
Contributions in relation to the CRC	1,027,697	841,342	844,081	1,554,883	1,591,451
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 98,817,060	$ 140,223,697	$ 140,680,230	$ 140,079,529	$ 143,373,972
Contributions as a percentage of covered payroll	1.04%	0.60%	0.60%	1.11%	1.11%

Exhibit T

Fiscal Year Ended					
June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	
$ 1,479,292	$ 1,523,188	$ 1,685,773	$ 1,884,866	$ 1,928,014	Contractually required contribution (CRC)
1,479,292	1,523,188	1,685,773	1,884,866	1,928,014	Contributions in relation to the CRC
$ -	$ -	$ -	$ -	$ -	Contribution deficiency (excess)
$ 139,555,858	$ 143,696,986	$ 151,871,436	$ 153,241,128	$ 161,036,564	Employer's covered payroll
1.06%	1.06%	1.11%	1.23%	1.20%	Contributions as a percentage of covered payroll

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit U**

A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA

SCHEDULE OF SCHOOL BOARD SHARE OF NET OPEB LIABILITY

NON-PROFESSIONAL - GROUP LIFE INSURANCE PROGRAM

	As of June 30, 2019*	As of June 30, 2018*
Employer's proportion of the net GLI OPEB liability	0.04588%	0.04586%
Employer's proportionate share of the net GLI OPEB liability	$ 696,000	$ 690,000
Employer's covered payroll	8,724,051	8,459,382
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	7.98%	8.16%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	51.22%	48.86%

Notes to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

* The amounts presented have a measurement date of the previous fiscal year end.

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit V**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF SCHOOL BOARD SHARE OF NET OPEB LIABILITY
PROFESSIONAL - GROUP LIFE INSURANCE PROGRAM

	As of June 30, 2019*	As of June 30, 2018*
Employer's proportion of the net GLI OPEB liability	0.80662%	0.82442%
Employer's proportionate share of the net GLI OPEB liability	$ 12,250,000	$ 12,406,000
Employer's covered payroll	153,377,599	152,067,324
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	7.99%	8.16%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	51.22%	48.86%

Notes to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

* The amounts presented have a measurement date of the previous fiscal year end.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF SCHOOL BOARD CONTRIBUTIONS
NON-PROFESSIONAL - GROUP LIFE INSURANCE PROGRAM

	Fiscal Year Ended				
	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
Contractually required contribution (CRC)	$ 17,911	$ 24,562	$ 24,229	$ 40,058	$ 41,423
Contributions in relation to the CRC	17,911	24,562	24,229	40,058	41,423
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 6,633,831	$ 8,772,319	$ 8,653,225	$ 8,345,360	$ 8,629,723
Contributions as a percentage of covered payroll	0.27%	0.28%	0.28%	0.48%	0.48%

Exhibit W

Fiscal Year Ended June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	
$ 40,121	$ 39,562	$ 43,989	$ 45,365	$ 46,635	Contractually required contribution (CRC)
40,121	39,562	43,989	45,365	46,635	Contributions in relation to the CRC
$ -	$ -	$ -	$ -	$ -	Contribution deficiency (excess)
$ 8,358,626	$ 8,242,052	$ 8,459,382	$ 8,724,051	$ 8,968,209	Employer's covered payroll
0.48%	0.48%	0.52%	0.52%	0.52%	Contributions as a percentage of covered payroll

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF SCHOOL BOARD CONTRIBUTIONS
PROFESSIONAL - GROUP LIFE INSURANCE PROGRAM

	Fiscal Year Ended				
	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
Contractually required contribution (CRC)	$ 266,872	$ 393,021	$ 394,562	$ 673,367	$ 688,808
Contributions in relation to the CRC	266,872	393,021	394,562	673,367	688,808
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 98,841,644	$ 140,364,792	$ 140,915,085	$ 140,284,867	$ 143,501,617
Contributions as a percentage of covered payroll	0.27%	0.28%	0.28%	0.48%	0.48%

Exhibit X

Fiscal Year Ended June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	
$ 670,263	$ 690,132	$ 790,750	$ 797,564	$ 838,158	Contractually required contribution (CRC)
670,263	690,132	790,750	797,564	838,158	Contributions in relation to the CRC
$ -	$ -	$ -	$ -	$ -	Contribution deficiency (excess)
$ 139,638,173	$ 143,777,585	$ 152,067,324	$ 153,377,599	$ 161,184,289	Employer's covered payroll
0.48%	0.48%	0.52%	0.52%	0.52%	Contributions as a percentage of covered payroll

OTHER SUPPLEMENTARY INFORMATION

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit Y**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Internal Service Funds			
	Fleet Services Fund	Health Benefits Fund	Workers' Compensation Fund	Total Proprietary Funds
ASSETS				
Cash and cash equivalents	$ 1,586,777	$ 30,115,797	$ 1,193,155	$ 32,895,729
Accounts receivable	10,216	6,985	-	17,201
Accounts receivable - due from Primary Government	74,832	-	-	74,832
Due from other funds	-	184,225	-	184,225
Inventory	260,385	-	-	260,385
Capital assets:				
Land	37,357	-	-	37,357
Land improvements	1,268,429	-	-	1,268,429
Construction in progress	166,551	-	-	166,551
Buildings and building improvements	1,861,024	-	-	1,861,024
Furniture, fixtures and equipment	248,489	-	-	248,489
Software	78,725	-	-	78,725
Vehicles	73,833	-	-	73,833
Less accumulated depreciation and amortization	(2,101,870)	-	-	(2,101,870)
Total capital assets	1,632,538	-	-	1,632,538
Total assets	3,564,748	30,307,007	1,193,155	35,064,910
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	191,151	-	-	191,151
OPEB deferrals	37,006	-	-	37,006
Total deferred outflows of resources	228,157	-	-	228,157
LIABILITIES				
Currrent liabilities:				
Accounts payable	77,813	1,558,903	35,324	1,672,040
Accrued salaries and benefits	91,923	7,382	4,133	103,438
Due to other funds	437	-	66	503
Current portion of accrued insurance claims	-	5,544,900	478,311	6,023,211
Current portion of capital lease	32,114	-	-	32,114
Current portion of compensated absences	16,010	-	-	16,010
Noncurrent portion of accrued insurance claims	-	-	130,382	130,382
Noncurrent portion of capital lease	66,973	-	-	66,973
Noncurrent portion of compensated absences	132,150	-	-	132,150
Net OPEB liability	1,029,434	-	-	1,029,434
Net pension liability	1,823,910	-	-	1,823,910
Total liabilities	3,270,764	7,111,185	648,216	11,030,165
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	157,631	-	-	157,631
OPEB deferrals	265,871	-	-	265,871
Total deferred inflows of resources	423,502	-	-	423,502
NET POSITION				
Net investment in capital assets	1,533,451	-	-	1,533,451
Unrestricted (deficit)	(1,434,812)	23,195,822	544,939	22,305,949
Total net position	$ 98,639	$ 23,195,822	$ 544,939	$ 23,839,400

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit Z**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Internal Service Funds			
	Fleet Services Fund	**Health Benefits Fund**	**Workers' Compensation Fund**	**Total Proprietary Funds**
Operating revenues:				
Charges for services	$ 3,642,572	$ 29,516,558	$ -	$ 33,159,130
Operating expenses:				
Personnel services	1,765,901	147,814	90,554	2,004,269
Contractual services	20,828	29,441,554	576,842	30,039,224
Materials and supplies	1,649,490	-	-	1,649,490
Utilities	17,004	-	-	17,004
Telecommunications	26,149	-	-	26,149
Depreciation and amortization	149,665	-	-	149,665
Total operating expenses	3,629,037	29,589,368	667,396	33,885,801
Operating income (loss)	13,535	(72,810)	(667,396)	(726,671)
Nonoperating revenues (expenses):				
Interest and investment revenue	-	117,780	-	117,780
Interest expense	(3,437)	-	-	(3,437)
Loss on disposal of capital assets	(9,034)	-	-	(9,034)
Vehicle and other sales	28,506	-	-	28,506
Total nonoperating revenues, net	16,035	117,780	-	133,815
Income (loss) before transfers	29,570	44,970	(667,396)	(592,856)
Net transfers (to) from other funds	(7,307)	-	585,443	578,136
Change in net position	22,263	44,970	(81,953)	(14,720)
Net position, beginning - July 1, 2018	76,376	23,150,852	626,892	23,854,120
Net position, ending - June 30, 2019	$ 98,639	$ 23,195,822	$ 544,939	$ 23,839,400

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit AA**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Internal Service Funds			
	Fleet Services Fund	**Health Benefits Fund**	**Workers' Compensation Fund**	**Total Proprietary Funds**
Cash flows from operating activities:				
Receipts from customers	$ 3,563,790	$ 29,509,572	$ -	$ 33,073,362
Payments to suppliers	(1,745,666)	(28,831,055)	(642,377)	(31,219,098)
Payments to employees	(1,691,165)	(141,669)	(87,884)	(1,920,718)
Net cash provided by (used in) operating activities	126,959	536,848	(730,261)	(66,454)
Cash flows from noncapital financing activities:				
Transfers (to) from other funds, net	(7,307)	-	585,443	578,136
Net cash provided by (used in) noncapital financing activities	(7,307)	-	585,443	578,136
Cash flows from capital and related financing activities:				
Proceeds from vehicle and supply sales	28,506	-	-	28,506
Principal paid on capital lease	(31,232)	-	-	(31,232)
Interest paid on capital lease	(3,437)	-	-	(3,437)
Acquisition and construction of capital assets	(144,100)	-	-	(144,100)
Net cash used in capital and related financing activities	(150,263)	-	-	(150,263)
Cash flows from investing activities:				
Interest earned on investments	-	117,780	-	117,780
Net cash provided by investing activities	-	117,780	-	117,780
Net increase (decrease) in cash and cash equivalents	(30,611)	654,628	(144,818)	479,199
Cash and cash equivalents, beginning July 1, 2018	1,617,388	29,461,169	1,337,973	32,416,530
Cash and cash equivalents, ending June 30, 2019	$ 1,586,777	$ 30,115,797	$ 1,193,155	$ 32,895,729

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 13,535	$ (72,810)	$ (667,396)	$ (726,671)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	149,665	-	-	149,665
Changes in assets and liabilities:				
Increase in accounts receivable	(78,782)	(6,986)	-	(85,768)
Increase in inventory	(15,452)	-	-	(15,452)
Decrease in deferred outflows of resources	12,457	-	-	12,457
Increase (decrease) in accounts payable and accrued expenses	120,518	616,644	(62,865)	674,297
Decrease in compensated absences	(7,126)	-	-	(7,126)
Decrease in net pension liability	(104,640)	-	-	(104,640)
Increase in deferred inflows of resources	23,174	-	-	23,174
Increase in net OPEB liability	13,610	-	-	13,610
Total adjustments	113,424	609,658	(62,865)	660,217
Net cash provided by (used in) operating activities	$ 126,959	$ 536,848	$ (730,261)	$ (66,454)

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit BB**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSTION
FIDUCIARY FUNDS - PRIVATE PURPOSE TRUST FUNDS
June 30, 2019

	Scholarship Trust Fund	Endowment Trust Fund	Total Trust Funds
ASSETS			
Restricted investments	$ 3,672	$ 29,031	$ 32,703
LIABILITIES			
Scholarships payable	$ -	$ -	$ -
NET POSITION			
Restricted for OPEB	-	-	-
Restricted for scholarships	3,672	-	3,672
Restricted for endowment	-	29,031	29,031
Total restricted net position	$ 3,672	$ 29,031	$ 32,703

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

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit CC**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2019

	Scholarship Trust Fund	Endowment Trust Fund	Total Trust Funds
ADDITIONS			
Contributions from donors	$ -	$ -	$ -
Investment earnings:			
Investment interest income	-	734	734
Total additions	-	734	734
DEDUCTIONS			
Benefits	-	-	-
Total deductions	-	-	-
Change in net position	-	734	734
Restricted net position - beginning	3,672	28,297	31,969
Restricted net position - ending	$ 3,672	$ 29,031	$ 32,703

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
June 30, 2019

Exhibit DD

	School Activity Funds	Employee Flexible Spending Fund	Fiduciary Services Fund	Stafford Education Foundation	Total Agency Funds
ASSETS					
Cash and cash equivalents	$ 3,264,208	$ 257,935	$ 12,542	$ 129,868	$ 3,664,553
LIABILITIES					
Reserved for future expenditures	$ 3,264,208	$ 257,935	$ 12,542	$ 129,868	$ 3,664,553

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit EE**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND - SCHOOL ACTIVITY FUNDS
For the Fiscal Year Ended June 30, 2019

	Agency Fund			
	School Activity Funds			
	Beginning Balance - July 1, 2018	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance - June 30, 2019
ASSETS				
Cash and cash equivalents	$ 2,920,710	$ 5,432,562	$ (5,089,064)	$ 3,264,208
LIABILITIES				
Reserved for future expenditures	$ 2,920,710	$ 5,432,562	$ (5,089,064)	$ 3,264,208

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit FF**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND - EMPLOYEE FLEXIBLE SPENDING FUND
For the Fiscal Year Ended June 30, 2019

	Agency Fund			
	Employee Flexible Spending Fund			
	Beginning Balance - July 1, 2018	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance - June 30, 2019
ASSETS				
Cash and cash equivalents	$ 296,619	$ 650,375	$ (689,059)	$ 257,935
LIABILITIES				
Reserved for future expenditures	$ 296,619	$ 650,375	$ (689,059)	$ 257,935

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit GG**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND - FIDUCIARY SERVICES FUND
For the Fiscal Year Ended June 30, 2019

	Agency Fund			
	Fiduciary Services Fund			
	Beginning Balance July 1, 2018	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance June 30, 2019
ASSETS				
Cash and cash equivalents	$ 29,355	$ 32,901	$ (49,714)	$ 12,542
LIABILITIES				
Reserved for future expenditures	$ 29,355	$ 32,901	$ (49,714)	$ 12,542

STAFFORD COUNTY PUBLIC SCHOOLS **Exhibit HH**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND - STAFFORD EDUCATION FOUNDATION
For the Fiscal Year Ended June 30, 2019

	Agency Fund			
	Stafford Education Foundation			
	Beginning Balance July 1, 2018	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance June 30, 2019
ASSETS				
Cash and cash equivalents	$ 118,975	$ 54,745	$ (43,852)	$ 129,868
LIABILITIES				
Reserved for future expenditures	$ 118,975	$ 54,745	$ (43,852)	$ 129,868

STATISTICAL SECTION

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

No information on revenue capacity is presented, since SCPS has no taxing authority. SCPS is primarily fiscally dependent on appropriations from the Commonwealth of Virginia and the County of Stafford. Similarly, no information on debt capacity is presented, since SCPS has no debt issuance authority. The only debt carried by SCPS is in the form of an enterprise resource planning system lease and a Fleet Services equipment lease, which both qualify as capital leases.

The following information included in this statistical section is unaudited.

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STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NET POSITION BY COMPONENT
Fiscal Years 2010 - 2019
(Accrual Basis of Accounting)

	June 30,				
	2010	**2011**	**2012**	**2013**	**2014**
NET ASSETS/NET POSITION					
Investment in capital assets, net of related debt	$ 371,615,809	$ 371,880,043	$ 377,833,302	$ -	$ -
Net investment in capital assets	-	-	-	383,728,660	402,418,884
Restricted	6,615,701	11,479,446	17,548,128	21,973,458	49,239,175
Unrestricted	8,350,669	4,772,785	(5,832,921)	5,638,327	(21,932,140)
Total net assets	$ 386,582,179	$ 388,132,274	$ 389,548,509	N/A	N/A
Total net position	N/A	N/A	N/A	$ 411,340,445	$ 429,725,919

NOTE: SCPS implemented GASB Statement 63 in fiscal year 2013, which changed descriptions and definitions. "Net Assets" is now "Net Position" and "Invested in captial assets, net of related debt" is now "Net investment in capital assets". The new statement also changed how these amounts are calculated.

Note: Amounts have been updated to reflect net assets reported were through fiscal year 2012; net position has been reported since fiscal year 2013.

Table S-1

June 30,					
2015	2016	2017	2018	2019	
					NET ASSETS/NET POSITION
$ -	$ -	$ -	$ -	$ -	Investment in capital assets, net of related debt
433,631,721	438,932,856	446,017,755	448,764,864	467,480,838	Net investment in capital assets
21,465,238	12,861,062	25,086,466	23,153,543	12,945,965	Restricted
(258,123,522)	(242,911,240)	(254,876,621)	(392,841,614)	(394,780,952)	Unrestricted
N/A	N/A	N/A	N/A	N/A	**Total net assets**
$ 196,973,437	$ 208,882,678	$ 216,227,600	$ 79,076,793	$ 85,645,851	**Total net position**

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
CHANGES IN NET POSITION BY COMPONENT
Fiscal Years 2010 - 2019
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2010	**2011**	**2012**	**2013**	**2014**
Expenses					
Governmental activities	$ 275,344,685	$ 281,858,250	$ 287,665,251	$ 290,728,443	$ 293,901,842
Program revenues					
Charges for services	21,992,880	17,282,725	16,404,687	17,987,309	18,232,507
Grants and contributions	140,144,414	64,321,646	73,208,380	81,370,952	82,741,613
Total program revenues	162,137,294	81,604,371	89,613,067	99,358,261	100,974,120
Net expenses	(113,207,391)	(200,253,879)	(198,052,184)	(191,370,182)	(192,927,722)
General revenues					
Sales Tax and Basic Aid	*	96,195,244	100,375,990	102,845,402	102,485,508
Unrestricted grants and contributions	103,808,533	99,323,620	98,599,339	108,625,975	108,414,728
Investment earnings	24,374	22,090	33,339	53,507	51,177
Gain on capital asset disposals and other sales	(9,726)	80,567	40,600	1,069,605	117,222
Miscellaneous	1,791,969	332,453	419,151	567,629	244,561
Total general revenues	105,615,150	195,953,974	199,468,419	213,162,118	211,313,196
Change in net position/assets	$ (7,592,241)	$ (4,299,905)	$ 1,416,235	$ 21,791,936	$ 18,385,474

***** Sales tax and basic aid were included in grants and contributions prior to the fiscal year ended June 30, 2011.

	For the Fiscal Year Ended June 30,				
2015	2016	2017	2018	2019	
					Expenses
$ 285,238,534	$ 300,625,771	$ 317,291,665	$ 321,825,800	$ 327,204,425	Governmental activities
					Program revenues
18,902,311	18,372,613	18,061,718	18,722,670	17,973,053	Charges for services
76,415,692	72,638,754	81,463,016	81,336,350	79,845,624	Grants and contributions
95,318,003	91,011,367	99,524,734	100,059,020	97,818,677	**Total program revenues**
(189,920,531)	(209,614,404)	(217,766,931)	(221,766,780)	(229,385,748)	**Net expenses**
					General revenues
107,949,304	109,421,075	112,615,106	112,912,819	119,280,695	Sales Tax and Basic Aid
103,735,323	111,658,395	112,072,289	116,440,953	116,796,434	Unrestricted grants and contributions
42,190	71,599	90,762	339,742	291,944	Investment earnings
133,484	115,058	64,697	24,671	28,506	Gain on capital asset disposals and other sales
276,331	257,518	269,000	272,184	280,767	Miscellaneous
212,136,632	221,523,645	225,111,854	229,990,369	236,678,346	**Total general revenues**
$ 22,216,101	$ 11,909,241	$ 7,344,923	$ 8,223,589	$ 7,292,598	**Change in net position/assets**

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS
Fiscal Years 2010 - 2019
(Modified Accrual Basis of Accounting)

	June 30,				
Operating Fund:	**2010**	**2011**	**2012**	**2013**	**2014**
Nonspendable	$ -	$ -	$ 490,227	$ 525,298	$ 659,455
Restricted	-	960,510	-	-	-
Committed	-	-	4,757,640	7,318,523	2,465,667
Assigned	-	7,007,460	544,058	-	-
Unassigned	-	-	(2,816,334)	(2,329,257)	2,961,531
Reserved	3,566,366	-	-	-	-
Designated	618,571	-	-	-	-
Fund balance - operating fund	4,184,937	7,967,970	2,975,591	5,514,564	6,086,653
All Other Governmental Funds:					
Reserved:					
Capital Projects Fund	4,581,296	-	-	-	-
Food and Nutrition Services Fund	315,257	-	-	-	-
School Construction, Renovation and Maintenance Fund	-	-	-	-	-
Grants Fund	47,115	-	-	-	-
	4,943,668	-	-	-	-
Unreserved:					
Capital Projects Fund	1,923,648	-	-	-	-
Food and Nutrition Services Fund	1,540,575	-	-	-	-
School Construction, Renovation and Maintenance Fund	-	-	-	-	-
Grants Fund	-	-	-	-	-
	3,464,223	-	-	-	-
Nonspendable:					
Food and Nutrition Services Fund	-	234,485	238,566	341,770	297,730
	-	234,485	238,566	341,770	297,730
Restricted:					
Capital Projects Fund	-	8,168,063	14,990,608	19,823,101	46,626,075
Food and Nutrition Services Fund	-	2,273,740	2,395,383	2,109,164	2,508,113
Grants Fund	-	77,133	40,328	41,193	104,987
	-	10,518,936	17,426,319	21,973,458	49,239,175
Committed:					
Capital Projects Fund	-	1,781,748	2,126,770	13,584,453	(10,966,533)
	-	1,781,748	2,126,770	13,584,453	(10,966,533)
Fund balance - other governmental funds	8,407,891	12,535,169	19,791,655	35,899,681	38,570,372
Fund balance - total governmental funds	$ 12,592,828	$ 20,503,139	$ 22,767,246	$ 41,414,245	$ 44,657,025

NOTE: In fiscal year 2011, SCPS implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* , which effectively changed the classifications used to report fund balances. The terms reserved and unreserved are no longer used to describe fund balance. Fund balance is now classified as nonspendable, restricted, committed, assigned, or unassigned.

	June 30, 2015	2016	2017	2018	2019
Operating Fund:					
Nonspendable	$ 444,506	$ 577,597	$ 569,714	$ 723,540	$ -
Restricted	-	-	-	-	-
Committed	3,091,085	-	144,043	211,584	-
Assigned	-	-	-	9,069,955	6,701,074
Unassigned	5,213,871	12,794,590	10,792,575	-	-
Reserved	-	-	-	-	-
Designated	-	-	-	-	-
Fund balance - operating fund	8,749,462	13,372,187	11,506,332	10,005,079	6,701,074
All Other Governmental Funds:					
Reserved:					
Capital Projects Fund	-	-	-	-	-
Food and Nutrition Services Fund	-	-	-	-	-
School Construction, Renovation and Maintenance Fund	-	-	-	-	-
Grants Fund	-	-	-	-	-
	-	-	-	-	-
Unreserved:					
Capital Projects Fund	-	-	-	-	-
Food and Nutrition Services Fund	-	-	-	-	-
School Construction, Renovation and Maintenance Fund					
Grants Fund	-	-	-	-	-
	-	-	-	-	-
Nonspendable:					
Food and Nutrition Services Fund	240,566	260,626	282,149	465,648	589,964
	240,566	260,626	282,149	465,648	589,964
Restricted:					
Capital Projects Fund	18,204,234	8,997,231	20,065,206	17,237,097	5,911,621
Food and Nutrition Services Fund	3,141,740	3,797,665	4,850,254	5,771,134	6,916,437
Grants Fund	119,264	66,166	171,006	145,312	117,907
	21,465,238	12,861,062	25,086,466	23,153,543	12,945,965
Committed:					
Capital Projects Fund	-	2,985,882	-	6,311,023	-
	-	2,985,882	-	6,311,023	-
Fund balance - other governmental funds	21,705,804	16,107,570	25,368,615	29,930,214	13,535,929
Fund balance - total governmental funds	$ 30,455,266	$ 29,479,757	$ 36,874,947	$ 39,935,293	$ 20,237,003

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Fiscal Years 2010 - 2019
(Modified Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2010	2011	2012	2013	2014
REVENUES:					
Intergovernmental:					
Stafford County	$ 109,379,789	$ 107,735,478	$ 123,180,386	$ 142,676,306	$ 141,522,936
Commonwealth of Virginia	119,332,877	118,851,130	126,557,871	133,476,749	135,588,828
Federal Government	20,811,537	33,253,902	22,445,452	16,689,274	16,530,085
Total intergovernmental revenues	249,524,203	259,840,510	272,183,709	292,842,329	293,641,849
Charges for services:					
Tuition and fees	804,273	695,978	721,180	911,220	759,633
Food sales	6,817,209	7,316,875	7,231,445	6,681,246	6,640,211
Recovered costs	960,986	1,370,939	1,180,368	1,767,641	2,059,853
Miscellaneous	768,248	332,453	419,151	587,600	286,236
Interest	10,472	12,329	26,157	45,810	46,322
Total revenues	258,885,391	269,569,084	281,762,010	302,835,846	303,434,104
EXPENDITURES:					
Education:					
Instruction	181,521,213	181,073,501	187,321,574	191,433,956	190,904,984
Administration, attendance and health	12,611,894	9,688,371	10,062,051	10,422,301	10,587,435
Pupil transportation	12,279,285	12,706,286	13,335,894	13,419,206	13,591,390
Operation and maintenance	19,949,060	20,957,014	20,688,827	21,315,872	20,731,939
Food and nutrition services	10,620,763	11,162,148	11,908,144	12,054,783	11,517,146
Facilities	250,290	187,981	182,034	198,990	111,512
Technology	11,949,997	14,581,888	13,887,167	15,129,827	15,320,646
Capital outlay	9,273,865	11,518,149	21,150,304	22,907,317	36,172,121
Debt service:					
Principal	280,422	367,517	380,132	393,292	407,020
Interest and fiscal charges	106,486	102,347	81,776	71,631	68,147
Total expenditures	258,843,275	262,345,202	278,997,903	287,347,175	299,412,340
Excess (deficiency) of revenues over (under) expenditures	42,116	7,223,882	2,764,107	15,488,671	4,021,764
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of land	-	-	-	1,000,000	-
Proceeds from capital lease	-	-	-	-	-
Transfers from other funds	118,434	1,958,212	-	2,361,672	200,000
Transfers to other funds	(4,313,920)	(1,958,212)	(500,000)	(203,343)	(978,985)
Loan from Stafford County	-	1,305,000	-	-	-
Total other financing sources (uses), net	(4,195,486)	1,305,000	(500,000)	3,158,329	(778,985)
Net change in fund balance	$ (4,153,370)	$ 8,528,882	$ 2,264,107	$ 18,647,000	$ 3,242,779

For the Fiscal Year Ended June 30, 2015	2016	2017	2018	2019	
					REVENUES:
					Intergovernmental:
$ 131,198,166	$ 133,899,547	$ 138,999,308	$ 134,942,282	$ 132,965,915	Stafford County
139,495,094	142,268,097	148,896,372	156,289,875	164,043,554	Commonwealth of Virginia
17,407,059	17,550,580	18,254,731	19,457,965	18,913,284	Federal Government
288,100,319	293,718,224	306,150,411	310,690,122	315,922,753	Total intergovernmental revenues
					Charges for services:
867,202	752,941	868,492	783,138	772,915	Tuition and fees
6,684,272	6,754,639	6,762,593	6,587,698	6,709,453	Food sales
2,082,884	2,374,395	2,514,639	3,880,297	3,697,437	Recovered costs
280,754	329,978	454,147	360,930	369,834	Miscellaneous
36,892	56,296	54,853	268,578	174,164	Interest
298,052,323	303,986,473	316,805,135	322,570,763	327,646,556	Total revenues
					EXPENDITURES:
					Education:
190,794,453	196,107,491	206,214,135	217,564,851	224,587,714	Instruction
10,448,126	10,743,059	11,407,604	11,698,247	12,242,038	Administration, attendance and health
12,923,044	12,463,033	12,810,665	13,874,003	14,734,707	Pupil transportation
19,888,292	20,578,357	21,543,418	21,944,518	23,032,559	Operation and maintenance
11,724,692	12,077,813	12,047,774	12,204,242	12,391,388	Food and nutrition services
100,323	161,377	163,332	600,213	344,084	Facilities
15,021,211	16,878,885	15,717,051	15,373,331	15,779,881	Technology
52,277,196	34,604,747	28,145,272	25,278,935	42,525,570	Capital outlay
					Debt service:
421,339	721,941	743,293	372,323	378,329	Principal
49,701	68,115	46,703	33,204	26,900	Interest and fiscal charges
313,648,377	304,404,818	308,839,247	318,943,867	346,043,170	Total expenditures
(15,596,054)	(418,345)	7,965,888	3,626,896	(18,396,614)	Excess (deficiency) of revenues over (under) expenditures
					OTHER FINANCING SOURCES (USES):
-	-	-	-	-	Proceeds from sale of land
2,125,000	-	-	-	-	Proceeds from capital lease
1,302,000	318,630	-	-	-	Transfers from other funds
(2,032,707)	(875,794)	(570,698)	(566,550)	(578,136)	Transfers to other funds
-	-	-	-	-	Loan from Stafford County
1,394,293	(557,164)	(570,698)	(566,550)	(578,136)	Total other financing sources (uses), net
$ (14,201,761)	$ (975,509)	$ 7,395,190	$ 3,060,346	$ (18,974,750)	**Net change in fund balance**

Table S-5

GENERAL INFORMATION

June 30, 2019

Stafford County

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

Stafford County Public Schools

Number of Schools:	
Early childhood centers	2
Elementary schools	17
Middle schools	8
High schools	5
Alternative schools	1
	33

Fall Membership: **(1)**	
Elementary schools	12,398
Middle schools	6,919
High schools	9,476
Total	28,793

Contracted Employees:	**FY 2019**
Licensed Instructional	2,352
Other Employees	1,511
	3,863

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

(1) Fall membership is defined as the number of students enrolled in public school on September 30.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION
Fiscal Years 2010 - 2019

	Fiscal Year				
	2010	**2011**	**2012**	**2013**	**2014**
Contracted Employees:					
Licensed Instructional	2,186	2,149	2,168	2,174	2,139
Other Employees	1,603	1,586	1,537	1,541	1,486
Total	3,789	3,735	3,705	3,715	3,625

Table S-6

Fiscal Year					
2015	2016	2017	2018	2019	
					Contracted Employees:
2,116	2,304	2,480	2,403	2,352	Licensed Instructional
1,428	1,449	1,402	1,517	1,511	Other Employees
3,544	3,753	3,882	3,920	3,863	Total

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NUMBER OF SCHOOLS IN THE DIVISION
Fiscal Years 2010 - 2019

	Fiscal Year				
	2010	**2011**	**2012**	**2013**	**2014**
Number of Schools:					
Elementary Schools	17	17	17	17	17
Middle Schools	8	8	8	8	8
High Schools	5	5	5	5	5
Total	30	30	30	30	30

Table S-7

2015	2016	2017	2018	2019	
					Number of Schools:
17	17	17	17	17	Elementary Schools
8	8	8	8	8	Middle Schools
5	5	5	5	5	High Schools
30	30	30	30	30	Total

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
DIVISION-WIDE ENROLLMENT
Fiscal Years 2010 - 2019

	Fiscal Year				
	2010	**2011**	**2012**	**2013**	**2014**
Student Membership:					
September 30 membership	26,672	26,797	26,815	26,972	26,944
Average daily membership as of March 31	26,648	26,745	26,773	26,904	26,901
End-of-year membership	26,522	26,603	26,681	26,803	26,925
Students enrolled in special education programs	2,391	2,412	2,412	2,559	2,392
English Language Learners	1,135	1,160	1,192	1,121	1,183
Students enrolled in grades K-3	7,416	5,471	5,505	7,526	7,532

Table S-8

	Fiscal Year				
2015	2016	2017	2018	2019	
					Student Membership:
27,218	27,510	28,005	28,793	28,793	September 30 membership
27,197	27,519	28,017	28,487	28,852	Average daily membership as of March 31
27,218	27,474	28,786	28,576	28,869	End-of-year membership
2,532	2,653	2,964	3,303	3,541	Students enrolled in special education programs
1,251	1,352	1,380	1,735	1,734	English Language Learners
7,761	7,822	7,916	8,018	8,018	Students enrolled in grades K-3

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
VARIOUS OPERATING INDICATORS
Fiscal Years 2010 - 2019

	Fiscal Year				
	2010	**2011**	**2012**	**2013**	**2014**
Operating Statistics:					
Average per pupil expenditures **(1)**	$ 9,399	$ 12,387	$ 9,752	$ 9,971	$ 9,285
Average classroom teacher salary	$52,591	$50,692	$51,465	$ 50,864	$ 52,080
Composite index **(2)**	0.3629	0.3362	0.3362	0.3305	0.3305

(1) Average per pupil expenditures based on state and local funding.
(2) 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 Commonwealth.

Table S-9

Fiscal Year					
2015	2016	2017	2018	2019	
					Operating Statistics:
$ 8,255	$ 9,514	$ 9,961	$ 9,561	$ 9,937	Average per pupil expenditures **(1)**
$ 52,716	$ 54,490	$ 56,462	$ 52,618	$ 55,463	Average classroom teacher salary
0.3412	0.3412	0.3445	0.3445	0.3462	Composite index **(2)**

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STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
TRANSPORTATION OPERATING INDICATORS
Fiscal Years 2010 - 2019

	Fiscal Year				
	2010	**2011**	**2012**	**2013**	**2014**
Transportation Statistics:					
Average Ridership (Regular)	19,950	20,007	19,991	18,893	16,489
Average Ridership (Special Needs)	576	650	626	566	561
Average Ridership (Head Start)	284	300	300	353	350
Buses Operated Daily (Regular)	154	159	143	150	138
Buses Operated Daily (Special Needs)	53	45	63	70	71
Buses Operated Daily (Head Start)	14	12	11	11	10
Special Trip Assignments	2,132	4,214	4,477	4,048	3,926
Miles Traveled (Regular)	1,612,567	2,118,744	1,529,964	1,269,012	1,421,050
Miles Traveled (Special Needs)	1,053,310	1,331,000	716,207	839,917	860,773

Table S-10

Fiscal Year					
2015	2016	2017	2018	2019	**Transportation Statistics:**
17,048	15,664	17,069	17,089	17,016	Average Ridership (Regular)
726	697	732	799	786	Average Ridership (Special Needs)
350	300	350	350	300	Average Ridership (Head Start)
140	137	139	139	134	Buses Operated Daily (Regular)
71	57	67	69	68	Buses Operated Daily (Special Needs)
10	10	11	12	12	Buses Operated Daily (Head Start)
3,864	3,976	4,217	3,771	4,210	Special Trip Assignments
1,465,231	1,686,888	1,649,558	1,473,182	1,420,849	Miles Traveled (Regular)
865,854	1,103,008	1,291,239	1,007,595	986,505	Miles Traveled (Special Needs)

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FOOD AND NUTRITION SERVICES OPERATING INDICATORS
Fiscal Years 2010 - 2019

	Fiscal Year				
	2010	**2011**	**2012**	**2013**	**2014**
School Nutrition Program (SNP) Statistics:					
September 30 Membership	26,672	26,797	26,815	26,972	26,944
Eligible for Free Lunch	4,632	5,277	5,933	5,993	6,135
Percentage	*17.37%*	*19.69%*	*22.13%*	*22.22%*	*22.77%*
Eligible for Reduced Price Lunch	1,281	1,106	1,520	1,520	1,552
Percentage	*4.80%*	*4.13%*	*5.67%*	*5.64%*	*5.76%*
Eligible for Free and Reduced Price Lunch - Total	5,913	6,383	7,453	7,513	7,687
Percentage	*22.17%*	*23.82%*	*27.79%*	*27.85%*	*28.53%*
High School Lunch Prices	$ 2.25	$ 2.25	$ 2.40	$ 2.40	$ 2.65
Middle School Lunch Prices	$ 2.25	$ 2.25	$ 2.40	$ 2.40	$ 2.55
Elementary School Lunch Prices	$ 2.15	$ 2.15	$ 2.30	$ 2.30	$ 2.45

Table S-11

Fiscal Year 2015	2016	2017	2018	2019	
					School Nutrition Program (SNP) Statistics:
27,173	27,510	28,005	29,025	29,825	September 30 Membership
6,439	7,222	8,035	8,376	8,746	Eligible for Free Lunch
23.70%	*26.25%*	*28.69%*	*28.86%*	*29.32%*	***Percentage***
1,608	1,711	1,617	1,560	1,456	Eligible for Reduced Price Lunch
5.92%	*6.22%*	*5.77%*	*5.37%*	*4.88%*	***Percentage***
8,047	8,933	9,652	9,936	10,202	Eligible for Free and Reduced Price Lunch - Total
29.61%	*32.47%*	*34.47%*	*34.23%*	*34.21%*	***Percentage***
$ 2.75	$ 2.80	$ 2.90	$ 3.00	$ 3.10	High School Lunch Prices
$ 2.65	$ 2.70	$ 2.80	$ 2.90	$ 3.00	Middle School Lunch Prices
$ 2.55	$ 2.60	$ 2.70	$ 2.80	$ 2.90	Elementary School Lunch Prices

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FLEET SERVICES OPERATING INDICATORS
Fiscal Years 2010 - 2019

	Fiscal Year									
	2010	2011	2012	2013	2014			2015		
Fleet Vehicles Serviced by Fleet Services:					*Active*	*Average Age*	*Average Mileage*	*Active*	*Average Age*	*Average Mileage*
Stafford County Public Schools Fleet Vehicles:										
Buses:										
Mainstream	232	240	233	236	223	8.61	10,675	195	9.05	12,606
Special Needs	67	66	62	64	68	6.35	14,627	67	6.66	17,274
Activity Buses	5	5	5	5	5	2.40	21,062	5	3.20	22,632
Less: Salvaged **(1)**	(5)	(20)	(6)	(18)	(27)			(15)		
Subtotal Buses	299	291	294	287	269			252		
Other School Vehicles:										
Administration	2	2	2	2	2	4.50	9,851	2	6.00	10,464
Driver's Education	13	13	13	13	11	7.30	6,253	12	4.50	6,185
Fleet Services	7	7	7	7	6	9.33	3,577	6	7.16	3,276
Head Start	4	4	6	6	6	9.66	2,440	6	10.33	4,423
Maintenance	46	48	51	53	43	10.12	7,786	45	9.75	6,339
Food and Nutritional Services	1	1	1	1	1	9.00	1,693	1	10.00	1,409
Planning & Construction	4	4	4	4	4	7.75	4,342	4	9.00	5,243
Technology	0	1	1	1	1	4.00	2,050	1	5.00	1,813
Security	8	7	7	7	7	7.28	1,631	7	8.85	1,897
Transportation	7	8	8	8	8	7.50	2,153	7	8.00	2,908
Subtotal Other Vehicles	92	95	100	102	89			91		
Total Stafford County Public Schools Fleet Vehicles	391	386	394	389	358			343		
County of Stafford Fleet Vehicles:										
Fire & Rescue	144	151	154	166	169	11.36	N/A	172	11.34	N/A
Sheriff	216	232	223	222	241	5.94	N/A	221	6.01	6,930
Utilities	103	84	105	108	117	8.69	N/A	120	8.38	7,767
Other	127	145	142	145	139	9.28	N/A	153	8.02	N/A
Total County of Stafford Fleet Vehicles	590	612	624	641	666			666		
Total Fleet Vehicles	981	998	1,018	1,030	1,024			1,009		
Other Vehicles Serviced by Fleet Services:										
Airport Authority Fleet Vehicles	2	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vocational Foundation Fleet Vehicles	1	1	1	1	1	19	N/A	1	20	N/A
Total Other Vehicles	3	3	1	1	1			1		

Source: *Fleet Services internal records.*

(1) *To be sold at auction*

N/A - Not available.

	Fiscal Year 2016			2017			2018			2019		
Fleet Vehicles Serviced by Fleet Services:	*Active*	*Average Age*	*Average Mileage*	*Active*	*Average Age*	*Average Mileage*	*Active*	*Average Age*	*Average Mileage*	*Active*	*Average Age*	*Average Mileage*
Stafford County Public Schools Fleet Vehicles:												
Buses:												
Mainstream	192	8.25	14,709	195	7.50	12,921	188	7.99	13,045	187	8.52	13,859
Special Needs	68	6.82	21,283	66	7.30	17,501	67	7.14	18,635	66	7.50	18,499
Activity Buses	5	4.20	23,982	5	5.20	22,085	5	6.20	23,762	5	7.20	21,347
Less: Salvaged **(1)**	(20)			(8)			0			0		
Subtotal Buses	245			258			260			258		
Other School Vehicles:												
Administration	2	6.50	9,555	-	-	-	-	-	-	-	-	-
Driver's Education	13	4.50	7,307	13	3.61	5,770	12	4.20	5,862	12	3.89	5,847
Fleet Services	6	7.16	3,276	6	8.60	4,276	5	5.80	5,035	5	6.60	4,260
Head Start	6	10.60	537	6	12.33	4,543	7	11.40	1,981	5	10.54	1,634
Maintenance	45	8.90	6,803	58	10.00	5,675	59	10.40	6,372	59	10.68	4,688
Food and Nutritional Services	1	11.00	6,803	1	12.00	1,743	2	7.00	1,399	2	9.11	1,033
Planning & Construction	4	10.00	6,803	4	11.00	6,642	4	12.00	6,491	4	13.28	3,817
Technology	1	6.00	6,803	1	7.00	1,993	1	4.00	2,226	1	8.05	2,271
Security	7	9.87	6,803	7	10.00	1,576	6	12.10	1,703	7	11.65	1,369
Transportation	8	7.62	6,803	8	9.00	1,906	8	9.88	2,127	8	11.31	2,052
Subtotal Other Vehicles	93			104			104			103		
Total Stafford County Public Schools Fleet Vehicles	338			362			364			361		
County of Stafford Fleet Vehicles:												
Fire & Rescue	178	11.34	4,318	170	11.97	4,950	174	12.42	4,712	186	12.95	3,281
Sheriff	227	6.01	9,137	259	5.84	9,847	275	5.66	9,497	262	5.56	7,896
Utilities	120	8.38	7,002	134	8.19	10,715	143	8.60	7,940	154	8.80	4,457
Other	157	9.04	4,920	139	11.13	N/A	152	-	N/A	163	-	N/A
Total County of Stafford Fleet Vehicles	682			702			744			765		
Total Fleet Vehicles	1,020			1,064			1,108			1,126		
Other Vehicles Serviced by Fleet Services:												
Airport Authority Fleet Vehicles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Vocational Foundation Fleet Vehicles	1	21	N/A	-	-	N/A	1	-	N/A	1		
Total Other Vehicles	1			-			1			1		

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FLEET SERVICES OPERATING INDICATORS
Fiscal Years 2010 - 2019

	Fiscal Year				
	2010	**2011**	**2012**	**2013**	**2014**
FLEET OPERATIONS					
Work orders completed	6,314	6,390	6,101	5,593	5,638
Invoices processed	5,292	5,780	4,814	4,374	4,670
Parts transactions	27,222	20,147	93,302	95,663	90,926

	Fiscal Year					
	2014		**2015**		**2016**	
FLEET FUEL	**Schools**	**County**	**Schools**	**County**	**Schools**	**County**
Gallons Purchased	514,496	397,319	519,600	392,871	541,287	478,829
Cost	$ 1,606,938	$ 1,190,109	$ 1,171,087	$ 884,457	$ 777,308	$ 733,776

	Fiscal Year					
	2014		**2015**		**2016**	
FLEET ACQUISITIONS	**Replacement**	**Additional**	**Replacement**	**Additional**	**Replacement**	**Additional**
School Buses - Mainstream	11	-	13	-	-	20
- Special Needs	6	-	3	-	-	5
Other School Vehicles	2	-	10	-	3	-

	Fiscal Year					
	2014		**2015**		**2016**	
FLEET SHOPS	**Heavy Duty Shop**	**Light Duty Shop**	**Heavy Duty Shop**	**Light Duty Shop**	**Heavy Duty Shop**	**Light Duty Shop**
Vehicles per Technician by Shop	41	113	35	122	36	124

Source: *Fleet Services internal records.*

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

Table S-12B

Fiscal Year					
2015	2016	2017	2018	2019	
					FLEET OPERATIONS
5,254	5,402	5,220	5,475	5,452	Work orders completed
4,593	4,532	4,443	4,266	4,055	Invoices processed
83,703	80,917	87,410	87,209	87,839	Parts transactions

Fiscal Year						
2017		2018		2019		
Schools	County	Schools	County	Schools	County	**FLEET FUEL**
556,154	487,511	562,598	503,230	560,577	512,084	Gallons Purchased
$ 921,522	$ 785,867	$ 1,171,800	$ 971,072	$ 1,203,317	$ 1,017,771	Cost

Fiscal Year						
2017		2018		2019		
Replacement	Additional	Replacement	Additional	Replacement	Additional	**FLEET ACQUISITIONS**
23	-	7	-	-	-	School Buses - Mainstream
3	-	3	-	7	-	- Special Needs
3	-	6	-	-	-	Other School Vehicles

Fiscal Year						
2017		2018		2019		
Heavy Duty Shop	Light Duty Shop	Heavy Duty Shop	Light Duty Shop	Heavy Duty Shop	Light Duty Shop	**FLEET SHOPS**
36	128	36	148	26	139	Vehicles per Technician by Shop

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Technology and Information Services
Fiscal Years 2010 - 2019

	Fiscal Years				
	2010	**2011**	**2012**	**2013**	**2014**
Technology Statistics:					
Number of Sites Serviced (Schools and Support Offices)	34	34	34	34	34
Computer Statistics:					
Total Desktop Computers	6,943	7,077	7,141	7,141	7,270
Desktop Computers over 5 years old	2,073	819	139	65	138
Percentage of Desktop Computers over 5 years old	30%	12%	2%	1%	2%
Total MacBooks	3,746	3,731	3,825	3,825	3,245
MacBooks over 5 years old	617	731	108	187	600
Percentage of MacBooks over 5 years old	16%	20%	3%	5%	18%
Total Chromebooks	0	0	0	778	1,651
Chromebooks Reaching EOL	0	0	0	0	0
Percentage of Chromebooks Reaching EOL	0%	0%	0%	0%	0%
Total Windows Laptops					
Windows Laptops over 5 years old					
Percentage of Windows Laptops over 5 years old					
Connectivity Statistics by Site					
Number of Sites with Wireless LAN connection	5	34	34	34	34
Percentage of Sites with Wireless LAN connection	15%	100%	100%	100%	100%
Number of Sites with Fiber WAN connection	9	9	18	18	26
Percentage of Sites with Fiber WAN connection	26%	26%	53%	53%	76%
Other Technology Statistics:					
Number of Schools fully equipped with Mounted Projectors	3	3	30	30	30
Percentage of Schools fully equipped with Mounted Projectors	10%	10%	100%	100%	100%

Table S-13

Fiscal Years					
2015	2016	2017	2018	2019	
					Technology Statistics:
34	34	34	35	36	Number of Sites Serviced (Schools and Support Offices)
					Computer Statistics:
7,326	7,457	7,449	7,534	6,668	Total Desktop Computers
174	5	993	554	442	Desktop Computers over 5 years old
2%	0%	13%	7%	7%	Percentage of Desktop Computers over 5 years old
3,135	3,161	2,696	2,246	1,534	Total MacBooks
110	465	290	604	210	MacBooks over 5 years old
4%	15%	11%	27%	14%	Percentage of MacBooks over 5 years old
3,025	6,955	13,867	14,751	17,206	Total Chromebooks
0	0	65	2,308	1,376	Chromebooks Reaching EOL
0%	0%	0%	16%	8%	Percentage of Chromebooks Reaching EOL
			1,336	1,215	Total Windows Laptops
			600	746	Windows Laptops over 5 years old
			45%	61%	Percentage of Windows Laptops over 5 years old
					Connectivity Statistics by Site
34	34	34	35	36	Number of Sites with Wireless LAN connection
100%	100%	100%	100%	100%	Percentage of Sites with Wireless LAN connection
27	31	33	34	36	Number of Sites with Fiber WAN connection
79%	91%	97%	97%	100%	Percentage of Sites with Fiber WAN connection
					Other Technology Statistics:
30	30	30	32	33	Number of Schools fully equipped with Projection Systems in Classrooms
100%	100%	100%	100%	100%	Percentage of Schools fully equipped with Projection Systems

Property Data
June 30, 2019

	Year of Construction	Year of Last Renovation	Building - Square Feet	Site - Acreage
High School Data				
Brooke Point HS	1993	2016	281,637	52.82
Colonial Forge HS	1999	2016	268,091	62.90
Mountain View HS	2005	-	271,439	95.35
North Stafford HS	1981	2003	304,096	88.50
Stafford Senior HS	2015	-	288,253	124.56
Middle School Data				
Edward Drew MS	1951	1998	98,913*	15.31
**6,032 SF is designated to the Heather Empfield Day School*				
Dixon-Smith MS	2006	-	145,700	48.04
H. H. Poole MS	1995	1998	145,140	36.62
Rodney Thompson MS	2000	-	138,199	44.55
Stafford MS	1991	2007	136,677	37.45
Shirley Heim MS	2008	-	146,770	22.00
T.B. Gayle MS	2002	-	148,221	39.98
A.G. Wright MS and Garrisonville ES (combined campus)	1981	2007	195,099	50.20
Elementary School Data				
Anthony Burns ES	2006	-	88,300	38.57
K. W. Barrett ES	2002	-	87,800	20.51
Conway ES	2005	-	88,300	19.92
Falmouth ES	1967	2012	73,725	41.49
Ferry Farm ES	1957	1992	70,550	18.12
Grafton Village ES	1967	2014	81,384	12.16
Hartwood ES	1963	1993	61,068	29.60
Hampton Oaks ES	1992	1996	80,968	18.76
Margaret Brent ES	2004	-	87,800	22.80
Moncure ES	2019	-	105,900	27.00
Park Ridge ES	1990	1994	76,431	20.00
Rockhill ES	1989	1994	76,438	23.38
Rocky Run ES	2000	-	87,700	20.00
Stafford ES	1968	2013	74,317	15.87
Widewater ES	1988	1995	77,108	22.44
Winding Creek ES	1997	-	82,016	20.89
Other Property				
Alvin York Bandy Administration Building and and Professional Development Center	1998	2000	74,124	9.55
Gari Melchers Complex	1931	1990	156,934	29.87
Pupil Transportation (Included in Fleet Acreage)	2009	-	7,362	-
Fleet Services	1980	-	16,000	21.54
Support Services Building (included in Fleet Acreage)	1998	-	25,650	-
Aimee Building (JROTC Office on Stafford Senior HS campus)	1981	-	2,304	-
North Star Early Education Center	2004	2019	39,000	21.15
Land				
High School #6, Clift Farm Road	-	-	-	172.00
Armstrong Property	-	-	-	151.45

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Energy Management - Utilities Savings
Calendar Years 2009 - 2018

	Calendar Year				
	2009	**2010**	**2011**	**2012**	**2013**
Utilities Summary of All Schools (by Year):					
Thousand British Thermal Units (KBTU)	217,896,785	233,409,383	201,773,183	189,007,876	191,080,280
Square Footage	3,771,182	3,771,182	3,771,182	3,771,182	3,771,182
KBTU/Square Footage	57.78	61.89	53.50	50.12	50.67

Utilities Summary by School Level (in KBTU):	2018		
	Actual	**Historical**	**Savings**
Elementary Schools:			
Electric	52,995,762	51,950,565	(1,045,197)
Gas	18,244,820	20,683,312	2,438,492
Oil	-	1,793,485	1,793,485
Propane	31,142	231,343	200,201
Subtotal	71,271,724	74,658,705	3,386,981
Middle Schools:			
Electric	30,447,047	33,757,708	3,310,661
Gas	10,838,767	9,106,331	(1,732,436)
Oil	1,698,642	3,531,138	1,832,496
Propane	50,729	65,290	14,561
Subtotal	43,035,185	46,460,467	3,425,282
High Schools			
Electric	49,439,300	51,586,825	2,147,525
Gas	15,824,716	12,199,073	(3,625,643)
Oil	4,299,252	7,815,381	3,516,129
Propane	282,440	86,327	(196,113)
Subtotal	69,845,708	71,687,606	1,841,898
Total	184,152,617	192,806,778	8,654,161

Percentage of Savings			4.48%
Dollar Savings			$ 251,103

Table S-15

Calendar Year					
2014	2015	2016	2017	2018	
					Utilities Summary of All Schools (by Year):
189,759,963	187,518,601	182,780,846	184,526,886	184,152,617	Thousand British Thermal Units (KBTU)
3,771,182	3,784,663	3,840,542	3,840,542	3,840,542	Square Footage
50.32	49.55	47.59	48.05	47.95	KBTU/Square Footage

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
AVERAGE SAT SCORES
Fiscal Years 2010 - 2019

	2010	2011	2012	2013	2014
Average SAT Scores:					
Math	509	504	505	509	511
Writing	493	486	489	490	493
Critical Reading	516	510	514	514	519

Source: College Board (2019) SAT Suite Assessments Annual Report.

NLG = No longer given

Table S-16

2015	2016	2017	2018	2019	
					Average SAT Scores:
519	513	521	541	546	Mathematics
492	486	542	560	564	Evidence-Based Reading and Writing
522	520	**NLG**	**NLG**	**NLG**	Critical Reading

STAFFORD COUNTY PUBLIC SCHOOLS **Table S-17A**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2010 - 2019

Grade	Location	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
3	Division	84%	85%	88%	76%	70%	76%	75%	74%	73%	70%
	State	88%	83%	88%	72%	69%	75%	76%	75%	72%	71%
4	Division	88%	90%	88%	74%	72%	82%	77%	78%	77%	76%
	State	88%	87%	88%	70%	70%	77%	77%	79%	76%	75%
5	Division	89%	91%	89%	79%	76%	83%	83%	83%	80%	81%
	State	90%	89%	89%	73%	73%	79%	81%	81%	80%	78%
6	Division	85%	89%	90%	79%	76%	78%	80%	83%	83%	78%
	State	88%	87%	89%	73%	73%	76%	77%	78%	80%	77%
7	Division	86%	91%	92%	82%	83%	86%	85%	85%	84%	82%
	State	89%	89%	88%	74%	76%	81%	82%	82%	81%	79%
8	Division	83%	92%	92%	77%	74%	81%	81%	79%	81%	78%
	State	90%	90%	89%	71%	70%	75%	75%	76%	77%	76%
High School	Division	94%	96%	97%	93%	92%	92%	90%	90%	89%	86%
	State	94%	94%	94%	89%	90%	89%	89%	87%	87%	86%
5	Division	87%	91%	90%	75%	74%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
	State	88%	87%	87%	71%	71%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
8	Division	87%	90%	91%	74%	69%	76%	75%	74%	69%	64%
	State	91%	88%	88%	70%	70%	72%	71%	73%	73%	70%
High School	Division	92%	96%	95%	90%	85%	86%	86%	86%	85%	83%
	State	92%	93%	93%	87%	84%	83%	83%	84%	84%	82%

NLG = No longer given

STAFFORD COUNTY PUBLIC SCHOOLS | **Table S-17B**

A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA

STANDARDS OF LEARNING TEST PASSING RATES

Fiscal Years 2010 - 2019

Grade	Location	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
		History									
3	Division	94%	87%	89%	89%	88%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
	State	93%	85%	87%	87%	86%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
4	Division	N/A	88%	93%	96%	95%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
	State	92%	87%	84%	81%	88%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
		History and Social Science (Alternative Assessment)									
5	Division	83%	100%	93%	95%	95%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
	State	90%	80%	84%	82%	86%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
6	Division	100%	95%	88%	83%	90%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
	State	91%	92%	86%	84%	89%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
7	Division	100%	95%	96%	89%	96%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
	State	92%	91%	88%	84%	89%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
High School	Division	95%	89%	92%	86%	92%	90%	90%	85%	74%	82%
	State	91%	87%	84%	77%	86%	78%	85%	80%	83%	78%
		Virginia and U.S. History									
High School	Division	97%	89%	93%	91%	90%	91%	90%	90%	88%	79%
	State	95%	83%	85%	86%	87%	87%	86%	86%	84%	68%
		World History I									
High School	Division	98%	88%	88%	92%	91%	89%	89%	90%	85%	81%
	State	93%	81%	84%	84%	85%	85%	84%	85%	82%	80%
		World History II									
High School	Division	97%	88%	91%	90%	92%	91%	90%	90%	87%	85%
	State	92%	82%	85%	85%	86%	87%	86%	87%	84%	82%
		World Geography									
High School	Division	99%	100%	99%	97%	99%	100%	99%	95%	99%	92%
	State	86%	85%	85%	86%	86%	86%	86%	83%	82%	80%
		Virginia Studies									
Content Specific	Division	87%	92%	91%	90%	87%	89%	87%	85%	84%	80%
	State	87%	89%	89%	87%	85%	87%	87%	87%	85%	81%
		U.S. History 1865 to 1877									
Content Specific	Division	80%	84%	82%	85%	79%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
	State	78%	81%	81%	83%	81%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
		U.S. History 1877 to present									
Content Specific	Division	94%	88%	86%	88%	84%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
	State	91%	85%	84%	82%	81%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
		Civics and Economics									
Content Specific	Division	82%	82%	84%	87%	83%	86%	87%	84%	83%	77%
	State	86%	84%	84%	85%	83%	86%	87%	87%	86%	82%

NLG = No longer given

STAFFORD COUNTY PUBLIC SCHOOLS **Table S-17C**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2010 - 2019

Grade	Location	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
						Mathematics					
3	Division	93%	93%	69%	69%	68%	78%	77%	74%	75%	81%
	State	92%	91%	64%	65%	67%	74%	77%	75%	73%	82%
4	Division	88%	90%	75%	79%	84%	85%	83%	81%	79%	85%
	State	88%	89%	70%	74%	80%	84%	83%	81%	79%	83%
5	Division	94%	91%	72%	76%	78%	84%	81%	83%	79%	85%
	State	92%	89%	67%	69%	73%	79%	79%	79%	77%	81%
6	Division	83%	83%	82%	83%	86%	90%	90%	88%	84%	78%
	State	77%	73%	74%	77%	76%	83%	82%	82%	79%	78%
7	Division	68%	73%	54%	75%	75%	79%	81%	79%	78%	86%
	State	75%	77%	58%	61%	65%	72%	72%	71%	69%	78%
8	Division	89%	90%	83%	68%	72%	79%	77%	76%	70%	73%
	State	87%	82%	60%	61%	67%	74%	73%	74%	71%	77%
						Mathematics (Alternate Assessment)					
High School	Division	95%	100%	92%	67%	88%	100%	97%	96%	74%	94%
	State	80%	77%	68%	65%	69%	72%	69%	69%	86%	92%
						Algebra I					
High School	Division	97%	97%	83%	87%	84%	85%	84%	84%	81%	87%
	State	94%	94%	75%	76%	79%	82%	83%	82%	81%	86%
						Geometry					
High School	Division	90%	92%	77%	81%	82%	85%	82%	81%	81%	84%
	State	88%	87%	74%	76%	77%	80%	80%	78%	77%	83%
						Algebra II					
High School	Division	92%	92%	72%	86%	91%	95%	92%	89%	91%	90%
	State	91%	91%	69%	76%	82%	87%	89%	90%	89%	91%

STAFFORD COUNTY PUBLIC SCHOOLS **Table S-17D**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2010 - 2019

Grade	Location	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
		Science									
3	Division	91%	90%	92%	85%	85%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
	State	91%	90%	90%	84%	83%	**NLG**	**NLG**	**NLG**	**NLG**	**NLG**
5	Division	90%	86%	88%	79%	75%	82%	81%	79%	78%	77%
	State	88%	87%	88%	75%	73%	79%	81%	79%	79%	79%
8	Division	94%	96%	96%	83%	79%	83%	83%	82%	77%	79%
	State	92%	92%	92%	76%	74%	78%	79%	79%	78%	78%
		Science (Alternate Assessment)									
High School	Division	86%	94%	96%	71%	85%	84%	90%	81%	78%	90%
	State	88%	90%	83%	59%	74%	77%	84%	82%	83%	86%
		Biology									
High School	Division	93%	95%	95%	89%	88%	91%	90%	88%	86%	86%
	State	93%	90%	92%	83%	83%	84%	84%	82%	82%	83%
		Chemistry									
High School	Division	96%	95%	96%	90%	90%	91%	87%	87%	86%	86%
	State	94%	93%	93%	86%	87%	88%	88%	89%	89%	88%
		Earth Science									
High School	Division	92%	93%	96%	91%	88%	87%	87%	86%	83%	83%
	State	88%	89%	90%	83%	83%	83%	84%	82%	81%	81%

NLG = No longer given

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHOOL ACCREDITATION AND ADEQUATE YEARLY PROGRESS (AYP)
OR FEDERAL ANNUAL MEASURABLE OBJECTIVES (FAMOs)
Fiscal Years 2010 - 2019

	2010	2011	2012	2013	2014
Division-wide Status:					
Schools Fully Accredited	100%	100%	100%	100%	97%
Schools that Made AYP/AMO	53%	37%	37%	47%	50%
Division AYP/AMO	Did not make AYP	Did not make AYP	Did not make AYP	Did not meet FAMO	Did not meet FAMO
Schools that Made FAMO	-	-	-	47%	50%
Division FAMO	-	-	-	Did not meet FAMO	Did not meet FAMO

*FAMO/AYP/AMO were not calculated this year.

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

Table S-18

2015	2016	2017	2018	2019	Division-wide Status:
100%	100%	100%	100%	100%	Accredited
37%	*	*	*	*	Schools that Made AYP/AMO
Did not meet FAMO	*	*	*	*	Division AYP/AMO
37%	*	*	*	*	Schools that Made FAMO
Did not meet FAMO	*	*	*	*	Division FAMO

COMPLIANCE

Cherry Bekaert LLP
CPAs & Advisors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stafford County School Board (the "School Board"), a component unit of Stafford County, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements, and have issued our report thereon dated January 10, 2020. That report recognized that the School Board adopted a change in its accounting for prepaid expenditures effective July 1, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 School Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Board's financial statements are free from 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* or *the Specifications for Audits of Counties, Cities, and Towns.*

School Board's Response to Finding

The School Board's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Tysons Corner, Virginia
January 10, 2020

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the Stafford County Public School's (the "School Board"), a component unit of Stafford County, Virginia, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School Board's major federal programs for the year ended June 30, 2019. The School Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Board's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Board's compliance.

Opinion on the Major Federal Programs

In our opinion, the School Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the School Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 School Board's internal control over compliance.

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

The School Board's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Tysons Corner, Virginia
January 10, 2020

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-though Entity Identifying Number	Subrecipient	2019 Federal Expenditures
Department of Agriculture:				
Direct Payments:				
Child Nutrition Cluster:				
Food Distribution	10.555	10.555/2012	-	$ 878,916
Department of Education:				
National School Lunch Program	10.555	2014IN109941	-	4,342,587
Total 10.555			-	5,221,503
National School Breakfast Program	10.553	2014IN109941	-	1,561,279
Total Child Nutrition Cluster			-	6,782,783
Total Department of Agriculture			-	6,782,783
Department of Defense:				
Direct Payments:				
JROTC	12.000	N/A	-	345,445
Basic and Applied Scientific Research	12.300	N/A	-	-
Pass Through Payments:				
Department of Education:				
National Forest Reserve	12.UNK	N/A		25,140
Total Department of Defense			-	370,586
Department of Education:				
Direct Payments:				
Impact Aid	84.041	N/A	-	1,114,660
Pass Through Payments:				
Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	H027A130107	-	4,175,003
Special Education - Preschool Grants	84.173	H173A130112	-	84,645
Total Special Education Cluster			-	4,259,648
Title I Grants to Local Educational Agencies	84.010	S010A130046	-	2,073,724
Title IV Part A-Student Support and Academic Enrichment	84.424	S424A190048	-	14,496
Title IV Part B-21 Twenty-First Century Community Learning Center	84.287	S287C130047	-	-
Education for Homeless Children and Youth	84.196	S196A160048	-	27,931
Advance Placement Incentive Program	84.330	S330B130008	-	-
Career and Technical Education - Basic Grants to States	84.048	V048A130046	-	192,242
Improving Teacher Quality State Grants	84.367	S367A130044	-	346,221
English Language Acquisition Grant	84.365	S365A130046	-	92,170
Total Department of Education			-	8,121,092
Department of Health and Human Services:				
Direct Payments:				
Head Start Program	93.600	N/A	-	2,585,379
Pass Through Payments:				
Department of Social Services:				
Medicaid Cluster:				
Medical Assistance Program	93.778	93.778/2012	-	1,053,445
Total Medicaid Cluster			-	1,053,445
Total Department of Health and Human Services			-	3,638,824
Total Expenditures of Federal Awards			-	$ 18,913,284

See accompanying notes to the schedule of expenditures of federal awards.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Stafford County Public Schools under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).* Because the Schedule presents only a selected portion of the operations of Stafford County Public Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Stafford County Public Schools.

Note 2 - Summary of Significant Accounting Policies

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance*,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

3. The School Board has elected not to use the 10 percent de minimus indirect cost as allowed under the Uniform Guidance.

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:		
School Operating Fund	$ 2,538,690	
School Grants Fund	9,591,811	
School Food and Nutrition Services Fund	6,782,783	**
Total federal expenditures per basic financial statements	$ 18,913,284	
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$ 18,913,284	

** Includes non-cash expenditures - value of donated commodities of $878,916.

Stafford County Public Schools
Schedule of Findings and Questioned Costs
June 30, 2019

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**

2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**

3. Material weaknesses in internal control disclosed by the audit of financial statements: **Yes, Finding 2019-001**

4. Noncompliance, which is material to the financial statements: **None**

5. Significant deficiencies in internal control over major programs: **Yes, Finding 2019-002**

6. Material weaknesses in internal control over major programs: **None**

7. The type of report issued on compliance for major programs: **Unmodified**

8. Any audit findings which are required to be reported under the Uniform Guidance: **Yes**

9. The programs tested as major programs were:

CFDA Number	Name of Federal Program and Cluster
10.553-CL	Child Nutrition Cluster
93.600	Head Start

10. Dollar threshold used to distinguish between type A and type B programs: **$750,000**

11. Auditee qualified as low-risk auditee? **No**

B. Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards:

Finding 2019-001

Type of Finding: Material Weakness in Internal Controls over Financial Reporting – Donated Inventory

Criteria:
Donated assets should be reported at fair market value at the time they are received.

Condition:
During our analytics and inquiry over inventory balances in the Food Services Fund, we determined a journal entry needed to be made to record the value of donated USDA food inventory.

Cause:
An employee vacancy in a key position responsible for this program resulted in an oversight in the year end entry for donated USDA food inventory to be recorded.

Effect:
Inventory was understated by approximately $356,000 at June 30, 2019.

Recommendation:
We recommend that management analytically review variances and follow-up on significant or unusual changes from prior year or budget.

Management's Response:

Management concurs. A new Director of School Nutrition was hired in September 2019 who is responsible for providing oversight of the amount of donated USDA food inventory. Documentation will be consistently maintained that supports the recorded inventory amount.

C. Findings and Questioned Costs Relating to Federal Awards:

Finding: 2019-002

Program Name: Head Start

Federal Awarding Agency: Department of Health and Human Services (HHS)

Compliance Requirement: Allowable Activities/Cost Principles

Type of Finding: Significant Deficiency

Criteria:
An adequately designed internal control should ensure that there are at least two sets of eyes on every transaction. For payroll, this would include the employee's original input, followed by review of that employee's supervisor, to ensure the only allowable activities and costs are being charged to the grant.

Statement of Condition:
Of the thirty-four (34) employee timesheets selected for testing, we identified one (1) instance where the timesheet was not approved by the supervisor.

Cause:
This appears to be an isolated incident due to human oversight.

Effect or Potential Effect:
Employees could charge time inappropriately to the grant, resulting in allowable activities being charged to the grant.

Recommendation:
The School Board should ensure that all employee timesheets are reviewed, as evidenced by a written or electronic signature on each timesheet.

Questioned Costs:
None

Management's Response:

Management concurs. Supervising personnel will be reminded of the process and requirement to review and approve all employee timesheets charging time to federal projects

D. Status of Prior Year Findings:

None reported

The mission of Stafford County Public Schools is to "inspire and empower all learners to thrive."