STAFFORD COUNTY Public Schools

Teaching our **STUDENTS** *today to be the* **LEADERS** *of tomorrow*

Comprehensive Annual Financial Report

(A Component Unit of Stafford County, Virginia)

Fiscal Year 2015

(July 1, 2014 – June 30, 2015)

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2015

Members of the Stafford County Board of Supervisors
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Mrs. Laura Sellers, Garrisonville District – Vice-Chairman
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Mrs. Meg Bohmke, Falmouth District
Mr. Jack Cavalier, Griffis-Widewater District
Mr. Robert Thomas, George Washington District
Mr. Cord Sterling, Rock Hill District

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Mr. Dewayne McOsker, Jr., George Washington District
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Mrs. Pamela Kahle, Associate Superintendent for Instruction
Dr. David White, Chief Secondary Officer
Mrs. Carrie Neely, Chief Elementary Officer
Dr. Christopher Quinn, Director of Curriculum and Instructional Services
Mr. Lance W. Wolff, CPA, Assistant Superintendent for Financial Services
Mr. G. Scott Horan, Assistant Superintendent for Facilities
Dr. David Mirra, Executive Director for Technology
Mr. Darryl Nelson, Executive Director of Administrative and Legal Services
Mr. Rick Fitzgerald, Executive Director for Human Resources
Mrs. Valerie Cottongim, Public Information Officer

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2015

2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015
(July 1, 2014 – July 30, 2015)

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Teaching our students today to be the leaders of tomorrow

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2015

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INTRODUCTORY SECTION

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Lance W. Wolff, CPA
Assistant Superintendent for
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The mission of Stafford County Public Schools is "teaching our students today to be the leaders of tomorrow."

December 9, 2015

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, 2015. 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 the Governmental Accounting Standards Board's Statement No. 34 (GASB 34), includes the Independent Auditor's Report, 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 McGladrey LLP and earned an unmodified opinion. McGladrey LLP examined, on a test basis, documents supporting the amounts and disclosures in the financial statements, assessed the accounting principles used and significant estimates made by management, and evaluated the overall financial statement presentation. The Independent Auditor's Report 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 Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including a Schedule of Expenditures of Federal Awards, the Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133, the Independent Auditor's Report 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, if any, 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) which is located only forty miles south of Washington, D.C. and fifty-five miles north of Richmond, VA.

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 Melcher's estate and gallery. Because of its close proximity to the richness of historical Virginia, the cultural attributes of Washington, D.C., and the recreational opportunities of the Atlantic Ocean, Chesapeake Bay, and the Blue Ridge Mountains, Stafford is one of the most attractive counties in the state. It is a family-oriented suburban community with plenty of rural countryside. Stafford County celebrated its 350th anniversary last year.

Stafford County is governed by an elected seven-member Board of Supervisors representing the following districts: Aquia, Falmouth, Garrisonville, George Washington, Griffis-Widewater, Hartwood, and Rockhill. From 2009 to 2014 the county averaged 2.6% annualized job growth, the highest growth rate among the 134 counties and independent cities in Virginia. From April 2010 through July 2014, Stafford County experienced an 8.6% increase in population. The 2014 population estimate was 139,992.

Stafford County's strong financial management, conservative budgeting and financial flexibility have led Moody's Investors Service to upgrade the County's bond rating to Aa1 from Aa2. This upgrade comes just two years after Moody's upgraded Stafford's outlook from stable to positive in 2013. Fitch Ratings affirmed Stafford's AA+ bond rating.

Stafford County Public Schools

The citizens of Stafford County expect and support a quality educational system. Our students score above the state and national averages on standardized tests and earn awards at the regional, state and national levels. In May, members of the Class of 2015 participated in a survey in which they indicated that approximately 83% planned to continue their education after graduation. The survey revealed that 48.54% planned to attend a 4-year college or university; 31.64% planned to attend a 2-year college; and 3.18% planned to attend a trade or technical school.

Programs and policies of Stafford County Public Schools (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. As of September 30, 2014, a full range of public educational services, including special education, vocational education and gifted education, was being provided to 27,218 students from kindergarten through 12th grades at 30 school sites. The average age of the division's school buildings is 26 years. The average daily membership for the 2014-2015 school year was projected in the School Board's adopted budget to be 27,048 students in grades K-12.

Economic Outlook

Median Household Income

Median household income for the county ranked in the top 15 among U.S. counties and was the 6th highest household income among Virginia's 134 counties and independent cities. Wages earned at businesses in Stafford County have experienced tremendous growth, expanding an annualized average 4.3% from 2004 to 2014, the 2nd fastest growth rate among the state's 134 counties and independent cities.

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

Stafford County ranks in the top fourth in annualized retail sales growth among the state's counties and independent cities over the last five years. Retail sales in Stafford County are expected to expand at a healthy pace in 2016. Because of the county's sizable military population and large number of government contractors, however, defense budget reductions may reduce the rate of retail sales growth. The housing downturn and slow building materials sales contributed to dampening retail sales in Stafford County during the recession. The six-month average of single-family building permits in Stafford County bottomed out in April 2009 and has since expanded 182% as of March 2014.

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 learning (SOQ) programs, incentive programs, and the lottery funded programs. In December 2013, the Composite Index increased from .3305 in the state biennium covering fiscal years 2013 and 2014 to .3412 in the state biennium covering fiscal years 2015 and 2016.

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

Skillful Teacher

The most critical factor for student success is the quality of the teacher. What teachers believe, think, say, and do impacts students' motivation and achievement for years. A continuing initiative for Stafford County Public Schools is offering a six-day course for teachers titled, *The Skillful Teacher*. Taught by a core of trained Stafford teachers, this course covers the common core of professional knowledge that defines good teaching. Topics include motivating and engaging students, demonstrating cultural proficiency, planning engaging lessons, making concepts and skills accessible, applying strategies for continuously assessing student understanding and the importance of involving families in the education process.

New Teacher Institute

Beginning with the 2013-14 school year, Stafford expanded support for its new teachers with a five-year grant from the Apple Federal Credit Union. This expansion was extended in August, 2015 with the assistance of local funds to provide a paid, five-day institute that balances participants' time in structured sessions with time at their base schools. This partnership approach to supporting new teachers continues during the school year with defined expectations for our site-based CAMP coordinators along with individual support by trained mentors.

All Century, All Learners

This year, Stafford County Public Schools began a collaborative effort among teachers, administrators, and community representatives to create a learner profile which reflects critical competencies for all graduates. While Virginia's Standards of Learning Assessments are one indicator of student achievement, we have not yet systemically identified the skills that will prepare our students for college and career readiness, and beyond. By defining these 21st Century/"All Century" skills, we realign learning to critical life competencies which encompass Virginia's standards, as opposed to focusing on instruction that addresses discrete standards in isolation.

This initiative is part of a long-term project charter that will enhance teaching and learning in the years ahead. While the initial step this year is dedicated to determining and defining our "All Century" Skills, the future effort will define vertical (PreK -12), as well as cross-curricular, outcomes.

Public Day School Programs

For the past 7 years we have operated two public day schools; one for high school students at Stafford High, and a K-12 program, Heather Empfield Public Day, on the campus of Drew Middle. These programs have provided programming to students with significant emotional and behavioral needs, and students with severe autism.

Instructional, behavioral, and therapeutic staff provide social, behavioral, and academic opportunities in a highly specialized, small setting. The availability of the Day Schools prevents many outside placements of students in more restrictive and expensive private schools, often out of our local community. The operation of both programs has resulted in an average annual cost savings of $832,000 to the County's Human Services Office. The Virginia Department of Education and Commission on Youth continue to study alternative programs, and will propose possible cost incentives to school divisions who operate programs such as ours.

Robotics and STEM Learning Activities

Science, Technology, Engineering, and Math (STEM) activities have been promoted throughout the school system to align the all-century skills strategic plan goals, including professional learning for teachers, as well as community and college events. In addition, the Instruction Department's Math and Science instructional team expanded the curricular use of Lego robotics kits and the SeaPerch ROV robotics kits in over 14 elementary schools.

All Century Learning Classrooms

All schools now have a wireless infrastructure in place to support wireless devices in all classrooms. Mounted projectors are also installed in all classrooms for teachers to utilize as a tool to integrate technology into instruction. Less than half of all classrooms have interactive whiteboards installed, which allows teachers and students to use technology interactively in the classroom. Document cameras and other instructional technology tools are also available in many classrooms. In addition, a distance learning pilot was established between Mountain View and Stafford High schools.

Student Information System

SCPS implemented a new Student Information System (SIS) in FY 2013. The new SIS provides web-based access for students, parents, and staff to access relevant student information. Functionality improvements now exist in many areas such as gradebook, attendance, special education management, mobile devices access, accessibility, and the overall user interface. In FY 2014, an elementary online gradebook as well as access to the Special Education (SE) component of our SIS was provided. Providing accurate, real-time, and relevant data to students, parents, teachers, and administrators is the ultimate goal of this initiative.

Security Cameras and Monitoring System

The Technology Department began managing the security monitoring system during the 2013-2014 school year. An RFP was issued to improve support and recommend improvements of our video recording systems. The Technology Department received a $100,000 grant to improve the video recording equipment for two consecutive years (FY 2014 and FY 2015). This system was modernized, in part, to allow the Stafford County Sheriff's Department the ability to access our schools' video feeds to respond to any incidents that require their involvement. Improving staff and student safety is the ultimate goal of this initiative.

Cyclic Computer Replacement Program

The cyclic replacement of mobile laptop laboratory carts and desktop computers places current technology in the hands of students and teachers. The goal of the program is to replace computers over a five-year life cycle. Increasing demand for computers used for assessments and Standards of Learning (SOL) testing is well-documented as over 60,000 tests are administered per year, which is expected to continue into the foreseeable future. While the cyclic replacement program has been successful in replacing computers, additional computers and mobile devices are needed in our schools for students and staff that increasingly rely on computer technology for learning. In addition to the cyclic replacement of computers and devices, network infrastructure must also be cyclically replaced. Infrastructure with longer cycles and higher costs, such as the copper and fiber cabling, will require Capital Improvement Planning (CIP) funding.

Fiber-Optics Connectivity Project

SCPS continues to experience explosive growth in site-to-site as well as Internet bandwidth demand. Fiber-optic connectivity was increased to 27 schools in fiscal year 2015. Work is in progress to bring fiber-optic connectivity to the remaining 7 sites. Leased lines offer finite bandwidth for a fixed recurring price, while owning a fiber-optic network offers virtually limitless capacity with little or no recurring expenses. With the installation of our own fiber network, our recurring costs for low-bandwidth leased lines have decreased significantly over the last few years, bandwidth between schools has increased tremendously, and access to the Internet has been greatly improved.

As a direct result of fiber installation, we have been able to establish a reliable high speed connection to the county offices and the sheriff's offices. Our work with the sheriff's department has resulted in a "real time" viewing capability from the sheriff's command center to all security cameras within our schools, which will greatly aid an emergency response effort if the need arises. In addition, we continue to implement and capitalize on Voice over Internet Protocol (VoIP) technology in our new telephone installations.

Culture of Collaboration Initiative

The technology department is taking the lead in the pursuit of the adoption of technology tools that will foster collaboration in both learning and working environments. Through the development and execution of a project charter, the department will facilitate a division wide planning effort with the goals of recommending and fielding a core suite of cloud based productivity applications for all students and staff.

Instructional and Assistive Technology

SCPS continues to promote and extend the use of technology for instruction in our classrooms from kindergarten to 12th grade. Each school has a full time Instructional Technology Resource Teacher (ITRT) on staff to provide training and coaching for teachers as they integrate digital tools aligned to the curriculum. ITRTs at the elementary level are collaborating with math and reading teachers to create "playlists" that personalize instruction for all students. These playlists provide students choice in learning and are accessible from home to support extended time for learning and enrichment. In addition to leading professional learning on blended learning models, our secondary ITRTs are supporting BYOD with expanded training to assist teachers in the design and utilization of classroom routines that support students' ownership of learning. Two of our high schools are involved in a "remote classroom" prototype to broaden course offerings in hard-to-staff areas. All ITRTs are responsible for collaborating with teachers and staff to promote digital citizenship.

New ERP System

On May 12, 2015, the school division entered into a contract to purchase and implement a fully automated and fully integrated Financial and Human Resources/Payroll & Benefits Management Information ERP System (MUNIS).
MUNIS is an enterprise resource planning software solution for governmental entities. The acquisition and implementation costs totaling $2,625,000 for this project are budgeted in the Capital Project Fund. This project was funded by (a) the issuance of a Master Lease Purchase Agreement yielding debt proceeds totaling $2,125,000 and (b) the re-appropriation of FY 2014 carryforward funds to FY 2015 providing cash proceeds totaling $500,000. The project will be implemented on a phased basis over approximately two fiscal years through early FY 2018.

Facilities Services

Facilities Services consists of two departments: Facility Planning, Design and Construction (FPDC) and Operations & Maintenance (O&M). Facilities Services manages a variety of programs including, but not limited to, capital improvements (new construction, major renovations and repair/maintenance projects), community use of schools, demographic planning, facility assessment, energy conservation, snow/ice removal, custodial/recycling services, indoor air quality, storm water management and day-to-day maintenance operations of 3.9M square feet of physical plant.

Recent accomplishments include, but are not limited to, construction of the new Stafford HS, renovation of athletic fields at A.G. Wright and Drew MS, repair of fire alarms at H.H. Poole and Stafford MS, interior renovation at Hampton Oaks ES, new Playgrounds at Garrisonville, Widewater and Falmouth ES, redistricting of 5 middle and 6 elementary schools, the development of the Annual MS4 Storm Water Program Plan and the development of Total Maximum Daily Load (TMDL) Plans for impacted watersheds.

Food and Nutrition Services

SCPS' school cafeterias provide a nutritious breakfast and lunch daily to all 30 Stafford County Schools. In fiscal year 2015, 910,780 breakfast (daily average of 5,432) and 2,469,072 lunches (daily average of 14,440) were served. In addition 513,403 free and 105,981 reduced breakfast plus 858,956 free and 203,823 reduced lunches were served to qualifying students under the National School Lunch and Breakfast Program in fiscal year 2015. Menu Certification was completed confirming our menus meet the New Meal Pattern. Implementation of "on line meal applications" was completed and utilized by 45% of families applying for free and reduced price meals.

Other Post-Employment Benefits (OPEB) Trust Fund
SCPS established an irrevocable trust to invest funds to cover the OPEB liability for current and future retiree health benefit costs. In fiscal year 2015, a contribution was not authorized to be made to the OPEB Trust Fund. The market value of the trust fund investments at June 30, 2015 and 2014 were $18,482,077 and $18,099,103, respectively. The cost value of the trust fund investments at June 30, 2015 and 2014 were $14,961,982 and $14,979,876, respectively. Additionally, the School Board funded a $4.3 million contribution toward the OPEB liability in the FY 2016 adopted budget.

Accreditation
According to the Virginia Department of Education State Accreditation Report released November 3, 2015, all 30 schools in Stafford County earned the highest accreditation rating of "Fully Accredited" for the 2015-2016 school year. Public schools in Virginia are annually given accreditation ratings by the state, which are also based on SOL test scores from the previous school year. Beginning this school year, the Virginia Board of Education has adopted new accreditation ratings. The achievement levels for school divisions to earn a rating of "Fully Accredited" will remain the same. Schools making progress will earn an accreditation rating of "Partially Accredited". Stafford County Public Schools was one of 37 school divisions in the Commonwealth to have all of its schools fully accredited. It was also the largest school division in Virginia to have all schools fully accredited.

Annual Measurable Objectives (AMO's)
For the 2015-2016 school year, only 11 of our schools met all federal AMO's. The school division overall did not meet all federal AMO's.

The Commonwealth of Virginia, in accordance with the *Elementary and Secondary Education Act of 1965* (ESEA) flexibility waiver granted on June 29, 2012, has established AMO's designed to reduce proficiency gaps between high- and low-performing schools within six years. Under the provisions of Virginia's application, new annual AMO's will be established to reduce the failure rate in half for the following subgroups over the next six years:

- All students
- Proficiency Gap Group 1 – Economically Disadvantaged Students, English Language Learners, Students with Disabilities (unduplicated)
- Proficiency Gap Group 2 – Black students, not of Hispanic origin
- Proficiency Gap Group 3 – Hispanic students, of one or more races
- Asian students
- Economically disadvantaged students
- English language learners
- Students with disabilities
- White students

The AMO's are based on the actual performance of students in each subgroup for reading and mathematics. AMO's for mathematics for assessment years 2012 – 2013 through 2016 - 2017 culminate with all students in all subgroups achieving a pass rate of at least 73% in the subject. Reading AMO's for assessment years 2012-2013 through 2016-2017 culminate with all students in all subgroups achieving a pass rate of at least 78% in the subject.

No Child Left Behind (NCLB) Safe Harbor
NCLB's "safe harbor" provision recognizing a ten-percent reduction in a subgroup's failure rate as acceptable progress remains in effect. In addition, a new provision for 'maintaining progress' went into effect, which requires a subgroup's current year's pass rate to be the same as the previous year, within five percent of the previous year's rate, or the current year's pass rate is 90 percent or higher.

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 84.2% 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 FY 2017 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. Appropriations from the county are expected to increase based on the anticipated rise in the Composite Index and are interdependent on the county's ability to maintain its unreserved general fund balance at 12% of total revenues in tight economic times.

Internal Controls

The internal control system is designed to provide reasonable, but not absolute, assurance that SCPS' management objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. 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.

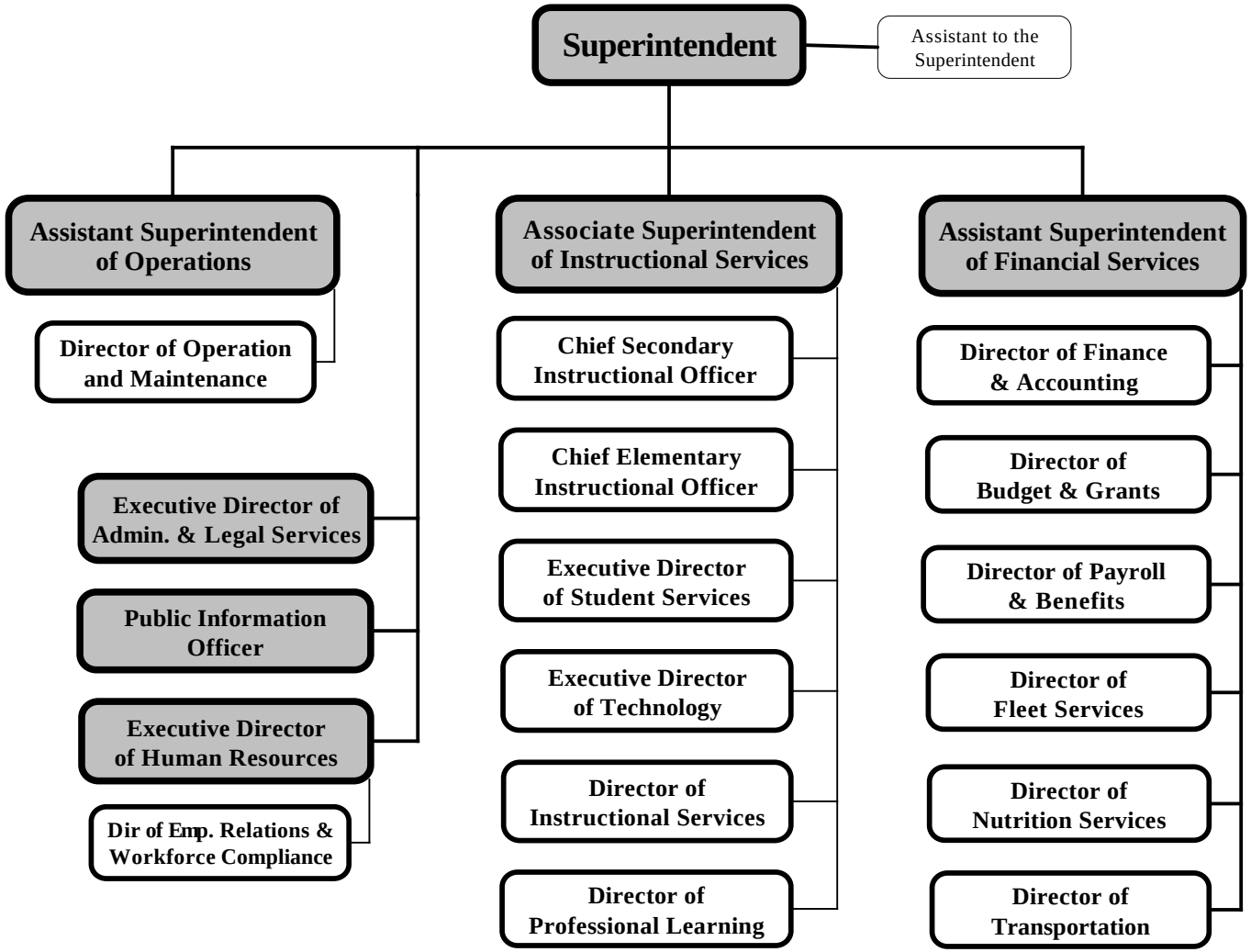
We would also like to thank the School Board for its leadership, oversight and support in conducting the financial affairs of SCPS in a responsible and progressive manner during these challenging economic times. Your steady support is vital to the financial health of the school division and the accomplishment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

Respectfully,

W. Bruce Benson, Ed.D.
Superintendent

Lance W. Wolff, CPA,
Assistant Superintendent for Financial Services

Stafford County Public Schools



Effective: July 1, 2014

FINANCIAL SECTION

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2015

INDEPENDENT AUDITORS' REPORT

RSM

RSM US LLP

Independent Auditor's Report

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, Virginia, as of and for the year ended June 30, 2015, 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 the *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.

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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 Stafford County School Board, as of June 30, 2015, 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

As discussed in Note 18 to the financial statements, in the year ending June 30, 2015, the school board adopted new accounting guidance Governmental Accounting Standards Board Statement Number 68, *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27*, and Governmental Accounting Standards Board Statement Number 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68.* 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, budgetary comparison information, schedules of pension and other post-employment benefit (OPEB) funding progress, and the local government employees' retirement system schedules of the School Board's proportionate share of the net pension liability and School Board contributions on pages 4 - 12 and 68 - 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stafford County School Board's basic financial statements. The introductory section, other supplementary information in the financial section, statistical section, and the schedule of expenditures of federal awards required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information in the financial section and the schedule of expenditures of federal awards in the compliance section 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, other supplementary information in the financial section and the schedule of expenditures of federal awards in the compliance section 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 December 9, 2015 on our consideration of Stafford County 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stafford County School Board's internal control over financial reporting and compliance.

McGladrey LLP

New Bern, North Carolina
December 9, 2015

RSM US LLP, an Iowa limited liability partnership, is doing business as McGladrey LLP in the state of North Carolina and is a CPA firm registered with the North Carolina State Board of Certified Public Accountants under the name McGladrey LLP. Rules permitting the use of RSM US LLP have been published in the North Carolina Register and are pending final approval.

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2015

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, 2015. 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, 2015. 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 plus deferred inflows of resources) on a government-wide basis was $197.0 million at June 30, 2015, representing an increase of $22.2 million, or 12.7%, from the total net position of $174.8 million, as restated, at July 1, 2014. The increase was primarily due to an increase in net investment in capital assets of $31.2 million and a decrease in restricted net position of $10.4 million. Current unrestricted assets increased by $8.7 million due to an increase in unrestricted cash and receivables of $9.9 million and a decrease in due from the primary government of $1.1 million. Restricted cash decreased by $18.4 million due to a decrease in Virginia Public School Authority (VPSA) bond fund proceeds received from the county and available for construction projects. Current liabilities and deferred inflows of resources (other than for pensions) increased by only $.3 million in fiscal year 2015 over fiscal year 2014. Noncurrent liabilities (other than for pensions) increased by $5.8 million in fiscal year 2015 over fiscal year 2014 due primarily to a $4.5 million increase in the OPEB liability and an increase in long-term debt resulting from the issuance of a $2.1 million capital lease for the purchase of a new Financial and Human Resources/Payroll & Benefits Management Information ERP (Enterprise Resource Planning) system less principal payments on other capital leases included in long-term debt. Lastly, the net pension position (comprised of the net pension liability plus deferred inflows of resources for pension deferrals less deferred outflows of resources for contributions to the pension plan) increased by $251.4 million in fiscal year 2015 due to implementation of GASB 68. Prior year information is not available.

For fiscal year 2015, SCPS' governmental activities expenses of $285.2 million exceeded program revenues (charges for services plus grants and contributions) of $95.3 million by $189.9 million. This excess is a $3.0 million decrease in the $192.9 million excess for fiscal year 2014. 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 $.8 million, or .4%, from $211.3 million in fiscal year 2014 to $212.1 million in fiscal year 2015.

SCPS' General Fund (otherwise referred to as the Operating Fund) reported a fund balance of $8.7 million as of June 30, 2015. This represents an increase of $2.6 million, or 42.6%, as compared to the June 30, 2014 fund balance of $6.1 million.

OVERVIEW OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

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

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

Compliance section: The final section is the compliance section, which includes information with respect to the Single Audit Act (discussed in the Transmittal Letter) as well as the following two auditor's reports: (1) Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* and (2) Report on Compliance for Each Federal Major Program and Report on Internal Control Over Compliance required by OMB Circular A-133. The Schedule of Expenditures of Federal Awards along with the related note disclosures is also included in this section.

THE BASIC FINANCIAL STATEMENTS

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

Also included in the financial statements are notes that explain some of the information in the financial statements and provide more detailed financial data and explanations. Following the financial statements is a section of 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 MD&A'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 Financial Statements	Fund 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, 2015 increased by $22.2 million, or 12.7%, over June 30, 2014. Current assets increased by $8.7 million, or 11.4%, due primarily to an increase in cash of $8.2 million, an increase in accounts receivable of $1.7 million, and a decrease in due from primary government of $1.1 million from 2014 to 2015. Restricted assets decreased by $18.4 million, or 50.2%, from 2014 to 2015 due to a decrease in VPSA bond proceeds received from the County and available for construction projects. The net investment in capital assets increased by $31.2 million, or 7.8%, due primarily to the Stafford High School rebuild. Current liabilities and unearned revenue increased by $.3 million, or .5%, with offsetting increases and decreases in accounts payable, unearned revenue, accrued salaries and benefits, and accrued insurance claims. Noncurrent (non-pension) liabilities increased by $5.8 million due to an increase in the OPEB liability of $4.5 and an increase in long-term debt of $1.7 million, due to the capital lease issuance of $2.1 million to purchase a new Financial and Human Resources/Payroll & Benefits Management Information ERP (Enterprise Resource Planning) system, from 2014 to 2015. The restricted net position decreased by $10.4 million, or 21.1%, primarily due to construction commitments for the Stafford High School rebuild project classified as restricted net position at June 30, 2015 in the Capital Projects Fund. The unrestricted net position decreased by $253.6 million, primarily due to GASB 68 implementation and fund balance increases.

The following table provides a summary of SCPS' net position as of June 30, 2015 and 2014. The current year amounts reflect a July 1, 2014 restated balance for GASB 68; however, information for the prior year calculations were not available.

Summary of Net Position
As of June 30, 2015 and 2014
(In thousands of dollars)

	Governmental Activities				
	2015	**2014**	**Net Change**	**Net % Change**	
Assets:					
Current assets	$ 85,354	$ 76,607	$ 8,747	11.4	%
Noncurrent assets:					
Restricted assets	18,285	36,716	(18,431)	(50.2)	%
Capital assets	437,644	403,750	33,894	8.4	%
Total assets	541,283	517,073	24,210	4.7	%
Deferred outflows of resources:					
Contributions to pension plan in current fiscal year	24,255	-	24,255		
	24,255	-	-		
Liabilities:					
Current liabilities	58,667	59,024	(357)	(.6)	%
Noncurrent (non-pension) liabilities	34,133	28,278	5,855	20.7	%
Net pension liability	239,080	-	239,080		
Total liabilities	331,880	87,302	243,578	279.0	%
Deferred inflows of resources:					
Pension deferrals	36,604	-	36,604		
Unearned revenue	81	45	36	80.0	%
Total deferred inflows of resources	36,685	45	36,640	80.0	%
Net position:					
Net investment in capital assets	433,632	402,419	31,213	7.8	%
Restricted	38,870	49,239	(10,369)	(21.1)	%
Unrestricted (deficit)	(275,529)	(21,932)	(253,597)	.5	%
Total net position	$ 196,973	$ 429,726	$ (232,753)	12.7	%

FINANCIAL ANALYSIS OF SCPS AS A WHOLE (Continued)

Changes in Net Position

Revenue decreased by a net of 4.8 million, or 1.5%. The decrease in revenue primarily consists of a decrease in program revenues of $5.66 million and an increase in general revenues of $.8 million. Program expenses increased by $8.7 million, or 2.9%, which consists primarily of: a $5.6 million decrease in instruction, a $1.1 million decrease in pupil transportation, a $.6 million increase in facilities, a $1.0 million decrease in operation and maintenance, a $.6 million decrease in technology and a $.8 million decrease in capital outlays. Administration, attendance and health, food and nutrition services and interest and fiscal charges combined for a total decrease of $.2 million. The following table summarizes SCPS' changes in net position for the fiscal years ended June 30, 2015 and 2014. The current year amounts reflect a July 1, 2014 restated balance for GASB 68; however, the information for the prior year calculations were not available.

Summary of Changes in Net Position
For the Fiscal Years Ended June 30, 2015 and 2014
(In thousands of dollars)

	Governmental Activities			
	2015	**2014**	**Change**	**% Change**
Revenues:				
Program revenues				
Charges for services	$ 18,902	$ 18,233	$ 669	3.7 %
Operating grants and contributions	48,953	49,633	(680)	(1.4) %
Capital grants and contributions	27,463	33,108	(5,645)	(17.1) %
General revenues				
Sales Tax	26,914	25,785	1,129	4.4 %
Basic aid	81,036	76,700	4,336	5.7 %
Unrestricted grants and contributions	103,735	108,415	(4,680)	(4.3) %
Investment earnings	42	51	(9)	(1.8) %
Gain on capital asset disposal	134	117	17	14.5 %
Miscellaneous	276	245	31	12.7 %
Total revenues	307,455	312,287	(4,832)	(1.5) %
Program expenses:				
Educational:				
Instruction	170,475	176,042	(5,567)	(3.2) %
Administration, attendance and health	41,711	41,803	(92)	(2.2) %
Pupil transportation	12,914	14,058	(1,144)	(8.1) %
Operation and maintenance	19,245	20,290	(1,045)	(5.2) %
Food and nutrition services	10,877	10,923	(47)	(.9) %
Facilities	14,318	13,700	618	4.5 %
Technology	14,421	15,004	(583)	(3.9) %
Capital outlays	1,221	2,004	(783)	(39.1) %
Interest and fiscal charges	57	77	(19)	(25.0) %
Total program expenses	285,239	293,901	(8,663)	(2.9) %
Change in net position	22,216	18,386	3,831	20.8 %
Net position, July 1	429,726	411,340	18,386	4.4 %
Restatement for accounting change	(254,969)	-	(254,969)	
Net position, as restated, July 1	174,757	411,340	(236,583)	(57.5) %
Net position, ending (restated as of 7/1/2014)	$ 196,973	$ 429,726	$ 232,753	10.5 %

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, 2015:

Operating Fund Budget Summary
For the fiscal year ended June 30, 2015
(In thousands of dollars)

Operating Activity Category	Operating Budget Original	Operating Budget Final	Actual	Variance from Final Budget Over (Under)
Total revenues	$ 255,041	$ 257,471	$ 248,041	$ (9,430)
Total expenditures	(255,743)	(262,439)	(244,254)	18,185
Total other financing sources	702	(459)	(1,124)	(665)
Net change in fund balance	$ -	$ (5,427)	$ 2,663	$ 8,090

CAPITAL ASSETS

Below is a summary of SCPS' net capital assets as of June 30, 2015 and 2014, respectively. Additional information on SCPS's capital assets can be found in Note 8 to the financial statements.

Net Capital Assets Summary
As of June 30, 2015 and 2014
(In thousands of dollars)

Capital Asset Category	Governmental Funds 2015	Governmental Funds 2014	Internal Service Funds 2015	Internal Service Funds 2014
Land & land improvements	$ 80,470	$ 77,984	$ 1,306	$ 1,306
Assets not yet placed in service	21	54	-	-
Construction in progress	64,278	30,908	-	29
Building & building improvements	451,969	440,963	1,826	1,797
Furniture & equipment	8,675	8,859	207	241
Vehicles	22,092	21,505	107	59
Software	799	1,041	79	79
Technology infrastructure	2,570	2,130	-	-
Water treatment system	635	635	-	-
Less: accumulated depreciation and amortization	(195,821)	(182,427)	(1,569)	(1,413)
Total net capital assets	$ 435,688	$ 401,652	$ 1,956	$ 2,098

CAPITAL ASSETS (Continued)
The major transactions comprising the change in net capital assets were as follows:

Governmental Funds:
Building improvements increased primarily due to: (a) the renovation of Grafton Village Elementary School ($9.6 million); and (b) renovations at Widewater Elementary School ($0.7 million). Building and building improvements' net decrease in value ($0.2 million) was due to current year depreciation of $12.4 million.

Vehicles increased primarily due to the purchase of 17 new buses ($1.7 million); however, due to current year depreciation ($1.2 million) vehicles had a net increase of $.8 million.

Construction in progress increased primarily due to: (a) the costs associated with the rebuilding of Stafford High School ($37.2 million); (b) the roof replacement at North Stafford High School ($1.9 million); and (c) the renovations of Brooke Point High School, Colonial Forge High School, and Mountain View High School ($1.5 million). Completed projects were reclassified from construction in progress to various other categories ($14.0 million)

Land and land improvements increased primarily due to renovation costs for Grafton Village Elementary School ($0.7 million) and the installation of turf fields at Stafford High School ($0.8 million) and Brooke Point High Schools ($0.8 million).

Depreciation and amortization expense for 2015 was $17.0 million.

Internal Service Funds:
Building & building improvements increased and construction in progress decreased due to completion of the prior year front entrance improvements project. The decrease in total net capital assets was primarily due to current year depreciation and amortization.

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

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

These efforts, among others, have resulted in SCPS consuming approximately 5,261,484 less MBTU's for calendar year 2014, as reported in fiscal year 2015, for a savings of $1,336,505.

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

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 .3305 in the state biennium covering fiscal years 2013 and 2014 to .3412 in the state biennium covering fiscal years 2015 and 2016.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Since adopting the fiscal year 2016 budget, some factors have surfaced that may impact SCPS' financial operations:

- The economy is continuing to slowly recover from the recent great recession and the Commonwealth is anticipating a slightly improved revenue picture in fiscal year 2016.

- On April 21, 2015, the board of supervisors unanimously adopted and approved fiscal year 2016 County budgets, in resolution R15 - 94.

- The County's fiscal year 2016 budget adopted by the board of supervisors included a local operating transfer to the school division of $109.5 million, but only $104.0 million was appropriated. The balance of $5.5 million was held back and these funds won't 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 2015 annual audit.

- In fiscal year 2015, the real estate market continued to steadily improve at a slow to moderate pace after several years of depressed sales activities, continued foreclosures, and a major decline in the assessed valuation of real property within the County. For both the Commonwealth of Virginia and the County, much of their revenue is dependent on the housing/real estate sector of the economy, which in turn impacts their appropriations to SCPS.

- Funding SCPS' Other Post-Employment Benefits (OPEB) liability is a major concern. SCPS's annual required contribution (ARC) for OPEB was approximately $6.5 million in fiscal year 2015 with no contribution being made to the OPEB Trust Fund. Continuing to under-fund the OPEB liability may adversely impact the County's bond rating. The GASB may adopt tougher reporting and accounting standards for the OPEB liability with more disclosures and shorter amortization periods, which would increase the annual required contribution (ARC).

- The potential for increased energy costs, specifically oil, has a major financial impact on SCPS operations. SCPS consumes approximately 520,000 gallons of fuel annually transporting students, operates 36 facilities that heat and cool approximately 3,987,000 square feet of space, and maintains approximately 1,320 acres of school division property. The magnitude of SCPS's 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 2015, 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 exceeded SCPS teacher salaries. Scarce resources continue to inhibit the division's ability to attract and sustain quality teachers, especially in critical expertise areas such as mathematics and science.

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

- The implementation of Base Realignment & Closure (BRAC) and its resulting impact on Quantico Marine Base and installations just to the north still remains uncertain as to how many new students' families may relocate to Stafford County. SCPS and the County continue to closely monitor and assess this situation.

- Effective for fiscal year 2013, the General Assembly passed a provision requiring employees of each governmental employer to make a 5% annual contribution to the Virginia Retirement System. Governmental employers must either incrementally increase employee salary scales by 5% over 5 years or increase it over a shorter period to offset the pay deduction for employees hired before fiscal year 2013. SCPS chose to incrementally increase the employee salary scales. In fiscal year 2015, employees, hired prior to fiscal year 2013, were contributing 3% of their annual salaries to the Virginia Retirement System.

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 Lance W. Wolff, CPA, Assistant Superintendent for Financial Services, Stafford County Public Schools, 31 Stafford Avenue, Stafford, VA 22554, by email at wolfflw@staffordschools.net or by telephone at 540-658-6584.

BASIC FINANCIAL STATEMENTS

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2015

Exhibit A

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	30,733,947
Accounts receivable, net of allowance for uncollectibles		8,756,622
Due from primary government		44,619,172
Prepaid expenses		705,455
Inventory		538,719
Restricted cash and cash equivalents		18,285,582
Capital assets:		
Land		80,507,436
Land improvements		1,268,429
Construction in progress		64,299,368
Buildings and building improvements		453,795,008
Water treatment system		635,154
Furniture, fixtures and equipment		8,882,394
Technology infrastructure		2,569,737
Software		877,713
Vehicles		22,198,693
Less: Accumulated depreciation		(197,390,115)
Total capital assets		437,643,817
Total assets		541,283,314
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan		24,254,980
		24,254,980
LIABILITIES		
Accounts payable		8,191,283
Contract retainage		2,699,809
Accrued salaries and benefits		41,796,072
Accrued insurance claims		4,708,375
Current portion of long-term debt		1,271,672
Unearned revenue		81,200
Noncurrent portion of accrued insurance claims		68,131
Noncurrent portion of long-term debt		9,354,733
Noncurrent portion of OPEB liability		24,709,777
Net pension liability		239,079,561
Total liabilities		331,960,613
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals		36,604,244
Total deferred inflows of resources		36,604,244
NET POSITION		
Net investment in capital assets		433,631,721
Restricted for:		
Capital Projects		18,204,234
School Nutrition		3,141,740
Grants		119,264
Unrestricted (deficit)		(258,123,522)
Total net position		196,973,437

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

STAFFORD COUNTY PUBLIC SCHOOLS Exhibit B
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

		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	$ 170,474,593	$ 1,609,305	$ 43,243,198	$ -	$ (125,622,090)
Administration, attendance and health	41,710,490	8,560,609	-	-	(33,149,881)
Pupil transportation	12,913,995	1,345,149	-	-	(11,568,846)
Operation and maintenance	19,245,224	-	-	-	(19,245,224)
Food and nutrition services	10,877,182	6,684,272	5,709,651	-	1,516,741
Facilities	14,318,137	263,392	-	-	(14,054,745)
Technology	14,421,981	345,032	-	-	(14,076,949)
Capital outlay	1,220,502	94,552	-	27,462,843	26,336,893
Interest and fiscal charges	56,430	-	-	-	(56,430)
Total governmental activities	$ 285,238,534	$ 18,902,311	$ 48,952,849	$ 27,462,843	(189,920,531)
	General revenues:				
	Sales tax				26,913,398
	Basic aid				81,035,906
	Unrestricted grants and contributions				103,735,323
	Investment earnings				42,190
	Gain on capital asset disposals and other sales				133,484
	Miscellaneous				276,331
	Total general revenues				212,136,632
	Change in net position				22,216,101
	Net position, beginning - July 1, 2014, as restated (Note 18)				174,757,336
	Net postion, ending - June 30, 2015				$ 196,973,437

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, 2015

	Operating Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Pooled cash and investments	$ 26,934	$ 7,447,381	$ 3,356,845	$ 10,831,160
Restricted cash and investments	-	18,285,582	-	18,285,582
Accounts receivable	265,310	-	16,554	281,864
Intergovernmental receivables:				
Federal Government	488,380	-	2,377,977	2,866,357
Commonwealth of Virginia	5,574,878	-	33,523	5,608,401
Due from primary government	44,535,792	-	-	44,535,792
Due from other funds	1,464,758	-	100,689	1,565,447
Prepaid expenses	444,506	-	-	444,506
Inventory	-	-	240,566	240,566
Total assets	$ 52,800,558	$ 25,732,963	$ 6,126,154	$ 84,659,675
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	$ 3,102,809	$ 4,805,556	$ 113,711	$ 8,022,076
Contract retainage	-	2,699,809	-	2,699,809
Accrued salaries and benefits	40,597,542	23,251	987,806	41,608,599
Unearned revenue	24,934	-	56,266	81,200
Due to other funds	325,811	113	1,466,801	1,792,725
Total liabilities	44,051,096	7,528,729	2,624,584	54,204,409
Fund balance:				
Nonspendable:				
Prepaid expenses	444,506	-	-	444,506
Inventory	-	-	240,566	240,566
Total nonspendable	444,506	-	240,566	685,072
Restricted:				
Capital projects	-	18,204,234	-	18,204,234
Food and nutrition services	-	-	3,141,740	3,141,740
Grants	-	-	119,264	119,264
Total restricted	-	18,204,234	3,261,004	21,465,238
Committed:				
Operating	3,091,085	-	-	3,091,085
Capital projects	-	-	-	-
Total committed	3,091,085	-	-	3,091,085
Unassigned:				
Operating	5,213,871	-	-	5,213,871
Total unassigned	5,213,871	-	-	5,213,871
Total fund balance	8,749,462	18,204,234	3,501,570	30,455,266
Total liabilities and fund balance	$ 52,800,558	$ 25,732,963	$ 6,126,154	$ 84,659,675

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015

Exhibit C-1

Fund balance - total governmental funds		$ 30,455,266
Amounts reported for governmental activities in the Statement of Net Postion 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	$ 631,508,515	
Less accumulated depreciation and amortization	(195,820,822)	
Net capital assets		435,687,693
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.		24,254,980
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	22,729,164	
Liabilities	(30,194,007)	
Net position		(7,464,843)
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.		
Noresco energy performance capital lease	(738,135)	
ERP capital lease	(2,125,000)	
Compensated absences	(6,482,719)	
Stafford County loan	(930,000)	
Net pension liability	(239,079,561)	
Total		(249,355,415)
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.		(36,604,244)
Net position of governmental activities		$ 196,973,437

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, 2015

	Operating Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental:				
Stafford County	$ 103,735,323	$ 27,462,843	$ -	$ 131,198,166
Commonwealth of Virginia	138,866,042	-	629,052	139,495,094
Federal Government	2,560,419	-	14,846,640	17,407,059
Total intergovernmental revenues	245,161,784	27,462,843	15,475,692	288,100,319
Charges for services:				
Tuition and fees	867,202	-	-	867,202
Food sales	-	-	6,684,272	6,684,272
Recovered costs	1,988,334	94,552	-	2,082,886
Miscellaneous	23,427	-	257,327	280,754
Interest	-	36,892	-	36,892
Total revenues	248,040,747	27,594,287	22,417,291	298,052,325
EXPENDITURES				
Current operating:				
Education:				
Instruction	181,105,312	-	9,689,141	190,794,453
Administration, attendance and health	10,448,126	-	-	10,448,126
Pupil transportation	12,923,044	-	-	12,923,044
Operation and maintenance	19,888,292	-	-	19,888,292
Food and nutrition services	212,545	-	11,512,147	11,724,692
Facilities	100,323	-	-	100,323
Technology	14,668,467	-	352,744	15,021,211
Capital outlay	4,437,100	47,674,595	165,501	52,277,196
Debt service:				
Principal	421,339	-	-	421,339
Interest and fiscal charges	49,701	-	-	49,701
Total expenditures	244,254,249	47,674,595	21,719,533	313,648,377
Excess (deficiency) of revenues over (under) expenditures	3,786,498	(20,080,308)	697,758	(15,596,052)
OTHER FINANCING USES				
Proceeds from capital lease	-	2,125,000	-	2,125,000
Net transfers from (to) other funds	(1,123,689)	500,000	(107,018)	(730,707)
Total other financing uses	(1,123,689)	2,625,000	(107,018)	1,394,293
Change in fund balance	2,662,809	(17,455,308)	590,740	(14,201,759)
Fund balance, beginning - July 1, 2014	6,086,653	35,659,542	2,910,830	44,657,025
Fund balance, ending - June 30, 2015	$ 8,749,462	$ 18,204,234	$ 3,501,570	$ 30,455,266

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Exhibit D-1

Net change in fund balance - total governmental funds		$ (14,201,759)
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	$ 51,526,311	
Less: Depreciation and amortization expense	(17,021,192)	
Excess of capital outlay over depreciation and amortization		34,505,119
The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals and donations) is to decrease net position.		(469,617)
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:		
Noresco energy performance capital lease	346,339	
Stafford County loan	75,000	
		421,339
Loan proceeds are revenue in the governmental funds, but proceeds increase the long-term liabilities in the Statement of Net Assets		
Capital lease proceeds		(2,125,000)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	(81,897)	
Pension expense	3,539,758	
		3,457,861
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	36,249,093	
Total expenses	(35,620,935)	
		628,158
Change in net postion of governmental activities		$ 22,216,101

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, 2015

		Governmental Activities - Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	$	19,902,787
Accounts receivable - due from primary government		83,380
Due from other funds		227,771
Inventory		298,153
Prepaid expenses		260,949
Capital assets:		
Land		37,357
Land improvements		1,268,429
Buildings and building improvements		1,826,436
Furniture, fixtures and equipment		207,200
Vehicles		107,270
Software		78,725
Less: accumulated depreciation and amortization		(1,569,293)
Total capital assets		1,956,124
Total assets	$	22,729,164
LIABILITIES		
Current liabilities:		
Accounts payable	$	169,207
Accrued salaries and benefits		187,473
Due to other funds		493
Current portion of capital lease		28,729
Current portion of accrued insurance claims		4,708,375
Current portion of compensated absences		10,243
Noncurrent portion of accrued insurance claims		68,131
Noncurrent portion of capital lease		190,232
Noncurrent portion of compensated absences		121,347
Noncurrent portion of OPEB Liability		24,709,777
Total liabilities		30,194,007
NET POSITION		
Net investment in capital assets		1,737,163
Unrestricted (deficit)		(9,202,006)
Total net position (deficit)		(7,464,843)
Total liabilities and net position	$	22,729,164

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, 2015

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services	$ 35,379,604
Operating expenses:	
Personnel services	2,076,699
Contractual services	31,750,542
Materials and supplies	1,570,568
Utilities	20,261
Telecommunication	29,376
Depreciation and amortization	166,760
Total operating expenses	35,614,206
Operating loss	(234,602)
Nonoperating revenues (expenses):	
Interest and investment revenue	5,298
Interest expense	(6,729)
Vehicle sales and miscellanous revenue	133,484
Total nonoperating revenues, net	132,053
Loss before transfers	(102,549)
Transfers from other funds, net	730,707
Change in net position	628,158
Net position (deficit), beginning - July 1, 2014	(8,093,001)
Net position (deficit), ending - June 30, 2015	$ (7,464,843)

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2015

Exhibit G

		Governmental Activities - Internal Service Funds
Cash flows from operating activities:		
Receipts from customers	$	35,381,934
Payments to suppliers		(29,937,815)
Payments to employees		(2,076,010)
Net cash provided by operating activities		3,368,109
Cash flows from noncapital and related financing activities:		
Transfers from other funds, net		730,707
Net cash provided by noncapital and related financing activities		730,707
Cash flows from capital and related financing activities:		
Proceeds from vehicle and supply sales		133,484
Principal paid on capital lease		(27,940)
Interest paid on capital lease		(6,729)
Acquisition and construction of capital assets		(34,125)
Net cash provided by capital and related financing activities		64,690
Cash flows from investing activities:		
Interest earned on investments		5,298
Net cash provided by investing activities		5,298
Net increase in cash and cash equivalents		4,168,804
Cash and cash equivalents, beginning - July 1, 2014		15,733,983
Cash and cash equivalents, ending - June 30, 2015	$	19,902,787
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(234,602)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense		166,760
Changes in assets and liabilities:		
Decrease in accounts receivable		2,330
Increase in prepaid expenses		(260,949)
Decrease in inventory		29,376
Decrease in accounts payable and accrued expenses		(775,055)
Decrease in compensated absences		(36,072)
Increase in OPEB liability		4,476,321
Total adjustments		3,602,711
Net cash provided by operating activities	$	3,368,109

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS - TRUST AND AGENCY FUNDS
June 30, 2015

Exhibit H

	Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ -	$ 2,829,626
Restricted investments	18,516,284	-
Total assets	$ 18,516,284	$ 2,829,626
LIABILITIES		
Scholarships payable	$ 1,000	$ -
Reserved for future expenditures	-	2,829,626
Total liabilities	1,000	2,829,626
NET POSITION		
Restricted for OPEB	18,482,077	-
Restricted for scholarships	3,672	-
Restricted for endowment	29,535	-
Total net position	$ 18,515,284	$ -

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 NET POSTION
FIDUCIARY FUNDS - TRUST FUNDS
June 30, 2015

Exhibit I

	OPEB Trust Fund	Scholarship Trust Fund	Endowment Trust Fund	Total Trust Fund
ASSETS				
Restricted investments	$ 18,482,077	$ 3,672	$ 30,535	$ 18,516,284
LIABILITIES				
Scholarships payable	$ -	$ -	$ 1,000	$ 1,000
Total liabilities	$ -	$ -	$ 1,000	$ 1,000
NET POSITION				
Restricted for OPEB	$ 18,482,077	$ -	$ -	$ 18,482,077
Restricted for scholarships	-	3,672	-	3,672
Restricted for endowment	-	-	29,535	29,535
Total net position	$ 18,482,077	$ 3,672	$ 29,535	$ 18,515,284

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

STAFFORD COUNTY PUBLIC SCHOOLS Exhibit J
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND - OPEB TRUST FUND
For the Fiscal Year Ended June 30, 2015

	Trust Fund			
	OPEB Trust Fund			
	Fiduciary Net Position - July 1, 2014	Additions	Deductions	Fiduciary Net Position - June 30, 2015
ASSETS				
Restricted investments:				
Beginning balance	$ 18,099,103	$ -	$ -	$ 18,099,103
Investment gains, net	-	404,962	-	404,962
Investment expenses	-	-	(21,988)	(21,988)
Ending balance	$ 18,099,103	$ 404,962	$ (21,988)	$ 18,482,077
NET POSITION				
Restricted for OPEB	$ 18,099,103	$ 404,962	$ (21,988)	$ 18,482,077

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

STAFFORD COUNTY PUBLIC SCHOOLS Exhibit K
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND - SCHOLARSHIP TRUST FUND
For the Fiscal Year Ended June 30, 2015

	Trust Fund			
	Scholarship Trust Fund			
	Fiduciary Net Position - July 1, 2014	Additions	Deductions	Fiduciary Net Position - June 30, 2015
ASSETS				
Restricted investments:				
Beginning balance	$ 3,560	$ -	$ -	$ 3,560
Contributions from donors	-	3,603	-	3,603
Investment interest income	-	9	-	9
Scholarships paid	-	-	(3,500)	(3,500)
Ending balance	$ 3,560	$ 3,612	$ (3,500)	$ 3,672
NET POSITION				
Restricted for scholarships	$ 3,560	$ 3,612	$ (3,500)	$ 3,672

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

STAFFORD COUNTY PUBLIC SCHOOLS Exhibit L
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND - ENDOWMENT TRUST FUND
For the Fiscal Year Ended June 30, 2015

	Trust Fund			
	Endowment Trust Fund			
	Fiduciary Net Position - July 1, 2014	Additions	Deductions	Fiduciary Net Position - June 30, 2015
ASSETS				
Restricted investments:				
Beginning balance	$ 29,510	$ -	$ -	$ 29,510
Contributions from donors	-	1,000	-	1,000
Investment interest income	-	25	-	25
Scholarships paid	-	-	-	-
Ending balance	$ 29,510	$ 1,025	$ -	$ 30,535
LIABILITIES				
Scholarships payable	$ -	$ 1,000	$ -	$ 1,000
NET POSITION				
Restricted for endowment	$ 29,510	$ 25	$ -	$ 29,535

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 (Board) are elected by the citizens of the County to serve 4-year terms. Each of the County's seven districts has a Board member who represents its constituents. The Board is responsible for setting the educational policies of SCPS and appoints a superintendent to implement the Board's policies and serve as the chief administrative officer of the division, providing leadership and direct management of the division in accordance with policies adopted by the Board.

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

A. THE FINANCIAL REPORTING ENTITY

A financial reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the basic financial statements are not misleading. The primary government for SCPS includes all funds and departments that are not legally separate from SCPS. SCPS is not financially accountable for any legally separate organizations; therefore, it has no component units. However, because SCPS is fiscally dependent on the County and SCPS' operations are funded by payments from the County's general fund, SCPS is considered a component unit of the County. Other significant determining factors also include: the County approves SCPS' budget, the County funds any deficits, and the County issues 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). The GASB is the standard setting body for establishing governmental accounting and financial reporting principles.

B. FUND ACCOUNTING

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

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

Major Governmental Funds

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FUND ACCOUNTING (Continued)

Non-major Governmental Funds

- **Special Revenue Funds:** The special revenue funds are used to account for and report proceeds of specific revenue sources, other than major capital projects, in which expenditures are restricted or committed for a specific purpose. SCPS has two special revenue funds:

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

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

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

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

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

- ***Fleet Services Fund*** **–** accounts for the assets, liabilities, net position, 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FUND ACCOUNTING (Continued)

- ***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.

- ***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.

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

- ***Fiduciary Services Fund*** – accounts for the cash, cash receipts and cash disbursements associated with the 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.

- ***Stafford Education Foundation Fund*** – accounts for the cash, cash receipts and cash disbursements associated 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 cost and continue to provide services in the future.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

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.

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

D. MEASUREMENT FOCUS

GOVERNMENT-WIDE FINANCIAL STATEMENTS
The government-wide financial statements are presented using an economic resources measurement focus. All assets and liabilities are shown in the Statement of Net 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS (Continued)

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.

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 45 days after fiscal year end for its funds availability criteria. Non-exchange transactions, in which SCPS either gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. These revenues are recognized in the fiscal year in which all eligibility requirements have been satisfied. The effect of inter-fund revenue has been eliminated from these statements.

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BASIS OF ACCOUNTING (Continued)

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

F. CASH AND CASH EQUIVALENTS

Cash on deposit with the Treasurer's Office at the County of Stafford represents the majority of SCPS' available cash throughout the fiscal year. At the close of the fiscal year, 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 government. In order to maximize investment returns, cash and cash equivalents are maintained in a fully insured or collateralized investment pool administered by the Treasurer's Office of the County of Stafford. At June 30, 2015, 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 and funds held in escrow related to a capital lease obligation (see Note 7).

G. DEPOSITS AND INVESTMENTS

Cash resources of the individual funds, excluding cash held with fiscal agents in the Capital Projects Fund, Proprietary Funds, and Fiduciary Funds, are combined 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 special revenue fund that is a non-major governmental fund) carries its inventory on a cost basis (first-in, first-out), which is not in excess of market value. This inventory consists of food service supplies and perishable and non-perishable food products.

The Fleet Services Fund (a proprietary fund that is an internal service fund) carries its inventory on a cost basis (first-in, first-out), which is not in excess of market value. 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. INVENTORIES (Continued)

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.

I. CAPITAL ASSETS

Capital assets are reported in the government-wide financial statements and proprietary fund statements and include land, buildings, improvements, furniture and equipment with a cost of $5,000 or more. Depreciation 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 estimated fair market value on the date of the donation. Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation 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, construction in progress and assets not yet placed in service 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	20 years
Buildings and building improvements	4 – 50 years
Furniture, fixtures and equipment	5 – 15 years
Vehicles and school buses	8 – 14 years

J. COMPENSATED ABSENCES

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

The current and long-term portions of the governmental funds' accumulated vacation, personal and sick leave 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

L. 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).

M. 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. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. The Board only has one item that qualifies for reporting in this category. It is the employer's fiscal year 2015 Virginia Retirement System contributions and is reported in the government-wide Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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. One item qualifies for reporting in this category. This item, the net difference between projected and actual earnings on the Virginia Retirement System's plan investments, is reported in the government-wide Statement of Net Position.

N. 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 fund financial statements. The net position of SCPS fall 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 incurred to acquire these assets. 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. NET POSITION(Continued)

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.

O. 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.

P. USE OF ESTIMATES

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

Q. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING

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

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

2. Prior to April 1, the County Administrator submits a proposed budget (operating and capital) to the Board of Supervisors for the fiscal year commencing the following July 1. The budget includes proposed obligations and the means of financing them. The budget embodies estimates of specific amounts of revenue.

3. Public hearings are conducted by the Board of Supervisors to obtain taxpayer and citizen comments.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING (Continued)

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

Stafford County Public Schools' Budgets

Governmental Funds:

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

Proprietary Funds – Internal Service Funds:

Fleet Services Fund
Health Benefits Fund
Workers' Compensation Fund

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, 2015, 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, 2015. Individual amendments were not material in relation to the original appropriations.

R. FUND BALANCES

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. FUND BALANCES (Continued)

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 collateralized.

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

CUSTODIAL CREDIT RISK
The School Board's investments at June 30, 2015 were held by the School Board or in the School Board's name by the School Board's custodial banks.

CREDIT RISK OF DEBT SECURITIES
Stafford County Public Schools' debt investments as of June 30, 2015 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	$	18,482,077
LGIP		4,767,062
SNAP		16,160,582
Total	$	39,409,721

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

Note 3. DUE FROM STAFFORD COUNTY (PRIMARY GOVERNMENT)

The receivable due from Stafford County at June 30, 2015 represents primarily, 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, 2015 were as follows:

Intergovernmental Receivables:	**Governmental Funds – Operating Fund**	**Nonmajor Governmental Funds – Food and Nutrition Services Fund**	**Nonmajor Governmental Funds – Grants Fund**	**Governmental Funds Total**
Commonwealth of Virginia	$ 5,574,878	$ -	$ 33,523	$ 5,608,401
Federal Government	488,380	816,720	1,561,257	2,866,357
Total	$ 6,063,258	$ 816,720	$ 1,594,780	$ 8,474,758

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

Amounts due from the federal government in the Operating Fund are attributed primarily to Department of Defense and JROTC reimbursements. Amounts due from the federal government in the Food and Nutrition Services Fund are attributed solely to the free and reduced breakfast and lunch programs. The Grants Fund federal receivable consists of Title 1 and Title II Part A programs that enhance the instruction for disadvantaged children 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

In the fiscal year ended June 30, 2015, the majority of the inter-fund transfers made were from the Operating Fund to the Workers' Compensation Fund, the Health Benefits Fund, and the Capital Projects Fund. The inter-fund transfers made during the year ended June 30, 2015 were, as follows:

Transfer from:	**Operating Fund**	**Food and Nutrition Services**	**Grants Fund**	**Health Benefits Fund**	**Total**
Transfer to:					
Operating Fund	$ -	$ 200,000	$ -	$ 502,000	$ 702,000
Food and Nutrition Services Fund	100,000	-	-	-	100,000
Capital Projects Fund	500,000	-	-	-	500,000
Workers' Compensation Fund	560,944	-	7,018	-	567,962
Health Benefits Fund	664,745	-	-	-	664,745
Total	$ 1,825,689	$ 200,000	$ 7,018	$ 502,000	$ 2,534,707

Note 5. INTERFUND TRANSFERS (Continued)

The transfer from the Operating Fund and Grants Fund to the Workers' Compensation Fund was to cover the costs incurred in the Workers' Compensation Fund. The transfer from the Food and Nutrition Services Fund to the Operating Fund was to cover the administrative costs incurred by the Operating Fund in support for the Food and Nutrition Services Fund. The transfer from the Operating Fund to the Health Benefits Fund was made to cover the costs incurred in the Health Benefits Fund. The transfers from the Operating Fund to the Food and Nutrition Services and the Capital Projects Fund were made to cover the cost of projects approved by the Board of Supervisors using reappropriated carryforward funds from fiscal year 2014.

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, 2015:

	Amounts Payable at 7/1/14	Increases	Decreases	Amounts Payable at 6/30/15	Amounts Due within One Year
Governmental Activities:					
General Long-Term Debt:					
Capital Leases	$ 1,084,474	$ 2,125,000	$ 346,339	$ 2,863,135	$ 646,942
Compensated Absences*	6,400,822	585,472	503,575	6,482,719	510,758
Note Payable-Stafford County	1,005,000	-	75,000	930,000	75,000
Internal Service Funds:					
Capital Lease	246,901	-	27,940	218,961	28,729
Compensated Absences	167,662	12,524	48,596	131,590	10,243
Total	$ 8,904,859	$ 2,722,996	$ 1,001,450	$ 10,626,405	$ 1,271,672

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

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

Fiscal year ending June 30:	Amount
2016	$ 75,000
2017	75,000
2018	75,000
2019	75,000
2020	75,000
2021-2025	395,000
2026-2027	160,000
Total future payments	$ 930,000

Note 7. CAPITAL LEASE OBLIGATIONS

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

The financing for this project was structured as a Tax-exempt Municipal Lease and qualifies as a capital lease for accounting purposes. The total amount financed was $3,204,186, including capitalized interest of $60,289, of which $738,135 is outstanding as of June 30, 2015.

For the year ended June 30, 2015, interest expense from the energy capital lease obligation totaled $37,523.

Note 7. CAPITAL LEASE OBLIGATIONS (Continued)

In May 2015, SCPS executed a contract for the purchase of an enterprise resource planning system (ERP). 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, which was all outstanding as of June 30, 2015.

For the year ended June 30, 2015, interest expense from the ERP capital lease obligation totaled $7,119.

The maturities of future minimum lease payments and the net present value of capitalized lease obligations as of June 30, 2015 are as follows:

Fiscal year ending June 30:		Amount
2016	$	713,858
2017		713,857
2018		326,949
2019		326,949
2020		326,949
2021-2022		653,897
Total future minimum lease payments		3,062,459
Less: interest included in total future minimum lease payments		(199,324)
Net present value of capitalized lease obligations	$	2,863,135

Stafford County 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 $218,961 is outstanding as of June 30, 2015.

For the year ended June 30, 2015, interest expense from the capital lease obligation totaled $6,729.

The maturities of future minimum lease payments and the net present value of the capitalized lease obligation as of June 30, 2015 are as follows:

Fiscal year ending June 30:		Amount
2016	$	34,668
2017		34,668
2018		34,668
2019		34,668
2020		34,668
2021-2022		69,340
Total future minimum lease payments		242,680
Less: interest included in total future minimum lease payments		(23,719)
Net present value of capitalized lease obligations	$	218,961

Note 8. CAPITAL ASSETS

The following is a summary of the changes in *Total capital assets, net - governmental activities*, excluding internal service funds, for the fiscal year ended June 30, 2015:

	Balance July 1, 2014	Increases	Decreases	Re-classifications	Balance June 30, 2015
Governmental Activities:					
Capital assets not being depreciated or amortized:					
Land	$ 33,031,257	$ -	$ -	$ -	$ 33,031,257
Assets not yet placed in service	54,548	21,130	-	(54,547)	21,131
Construction in progress	30,907,142	47,439,272	(118,790)	(13,949,387)	64,278,237
Total capital assets not being depreciated or amortized	63,992,947	47,460,402	(118,790)	(14,003,934)	97,330,625
Capital assets being depreciated or amortized					
Land improvements	44,952,562	221,977	(191,019)	2,455,302	47,438,822
Buildings & building improvements	440,963,228	1,224,526	(1,328,914)	11,109,732	451,968,572
Furniture, fixtures & equipment	8,858,946	461,706	(769,131)	123,673	8,675,194
Vehicles	21,505,120	2,032,751	(1,446,448)	-	22,091,423
Software	1,041,670	-	(242,682)	-	798,988
Technology infrastructure	2,129,561	124,949	-	315,227	2,569,737
Water treatment system	635,154	-	-	-	635,154
Total capital assets being depreciated or amortized	520,086,241	4,065,909	(3,978,194)	14,003,934	534,177,890
Less accumulated depreciation or amortization for:					
Land improvements	(14,426,397)	(2,413,112)	121,174	-	(16,718,335)
Buildings & building improvements	(147,848,334)	(12,444,075)	1,190,092	-	(159,102,317)
Furniture, fixtures & equipment	(6,968,638)	(695,408)	753,976	(31,469)	(6,941,539)
Vehicles	(11,953,169)	(1,176,873)	1,319,443	31,469	(11,779,130)
Software	(489,092)	(144,687)	242,682	-	(391,097)
Technology infrastructure	(268,243)	(117,664)	-	-	(385,907)
Water treatment system	(473,124)	(29,373)	-	-	(502,497)
Total accumulated depreciation or amortization	(182,426,997)	(17,021,192)	3,627,367	-	(195,820,822)
Total capital assets being depreciated or amortized, net	337,659,244	(12,955,283)	(350,827)	14,003,934	338,357,068
Total capital assets, net – governmental activities	$ 401,652,191	$ 34,505,119	$ (469,617)	$ -	$ 435,687,693

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

Function	Depreciation and amortization expense
Instruction	$ 392,586
Administration, attendance and health	180,871
Pupil transportation	1,084,634
Operation and maintenance	501,192
Food and nutrition services	112,140
Facilities	14,225,118
Technology	524,651
Total depreciation and amortization expense - governmental activities	$ 17,021,192

Note 8. CAPITAL ASSETS (Continued)

The following is a summary of the changes in *Total capital assets, propriety funds* (i.e., for SCPS' Fleet Services Fund, an internal service fund) for the fiscal year ended June 30, 2015:

	Balance July 1, 2014	Increases	Decreases	Re-classifications	Balance June 30,2015
Internal – Service Activities:					
Capital assets not being depreciated or amortized					
Land	$ 37,357	$ -	$ -	$ -	$ 37,357
Construction in progress	29,610	-	-	(29,610)	-
Total capital assets not being depreciated or amortized	66,967	-	-	(29,610)	37,357
Capital assets being depreciated or amortized					
Land improvements	1,268,429	-	-	-	1,268,429
Buildings & building improvements	1,796,826	-	-	29,610	1,826,436
Furniture, fixtures & equipment	241,150	-	(33,950)	-	207,200
Vehicles	59,042	30,474	-	17,754	107,270
Software	78,725	-	-	-	78,725
Total capital assets being depreciated or amortized	3,444,172	30,474	(33,950)	47,364	3,488,060
Less accumulated depreciation or amortization for:					
Land improvements	(375,458)	(62,325)	-	-	(437,783)
Buildings & building improvements	(857,117)	(75,899)	-	-	(933,016)
Furniture, fixtures & equipment	(75,287)	(12,622)	28,292	-	(59,617)
Vehicles	(34,357)	(8,041)	-	(17,754)	(60,152)
Software	(70,852)	(7,873)	-	-	(78,725)
Total accumulated depreciation and amortization	(1,413,071)	(166,760)	28,292	(17,754)	(1,569,293)
Total capital assets being depreciated or amortized, net	2,031,101	(136,286)	(5,658)	29,610	1,918,767
Total capital assets, net – internal –service activities	$ 2,098,068	$ (136,286)	$ (5,658)	$ -	$ 1,956,124

Note 9. CONSTRUCTION COMMITMENTS

At June 30, 2015, SCPS had contractual commitments of $35.6 million in the Capital Projects Fund for construction of various projects.

Note 10. RELATED PARTIES

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

Note 11. DEBT SERVICE

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) 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.

SCPS carries commercial insurance for all risks of loss, except for workers' compensation. Like the County, SCPS participates in the VML public entity risk pool. Settled claims have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year. The total estimated workers' compensation insurance claims payable as of June 30, 2015 were $332,996, of which $264,865 was estimated to be current claims payable.

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

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

Fiscal Year Ended June 30	2015	2014
Unpaid claims, beginning of fiscal year	$ 4,931,982	$ 4,508,198
Incurred claims (including IBNR)	24,017,877	24,377,150
Claims payments	(24,506,349)	(23,953,366)
Unpaid claims, end of fiscal year	$ 4,443,510	$ 4,931,982

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, 2015 will not be material to the financial statements.

Note 13. LITIGATION AND CONTINGENT LIABILITIES (Continued)

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

Note 14. 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 a 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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**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. Employees are eligible for 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.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") • 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. • 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.

Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Plan 1

Eligible Members

Employees are in the Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election

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.

Plan 2

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.

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 have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

Hybrid Retirement Plan

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
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- 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

*Non-Eligible Members

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan 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 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. Some school divisions and political subdivisions elected to phase in the required 5% member contribution, but all employees will be paying the full 5% by July 1, 2016. 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. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.	**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** **Defined Benefit Component** 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. **Defined Contributions Component** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution 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 they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component** 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. **Defined Contributions Component** 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 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 70 1/2.
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 non-hazardous duty members is 1.70%.	**Service Retirement Multiplier** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** **Defined Contribution Component** The retirement multiplier is 1.0%. For members that 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.

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 and have at least 5 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 5 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** Members may retire with a reduced benefit as early as 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. PLAN DESCRIPTION (Continued)

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%. **Eligibility:** 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. **Exceptions to COLA Effective Dates:** 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 retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • 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.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%. **Eligibility:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** 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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**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. Virginia Sickness and Disability Program (VSDP) members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**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 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. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

School Board Non-Professional

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	146
Inactive members:	
Vested	25
Non-vested	111
Active elsewhere in	58
Total inactive members	194
Active members	324
Total covered employees	664

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 options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The School Board non-professional's contractually required contribution rate for the year ended June 30, 2015 was 8.15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee 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 $825,400 and $828,505 for the years ended June 30, 2015 and 2014, respectively.

School Board Professional

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 options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The School Board Professional's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Section 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board for the professional plan were $22,117,580 and $16,715,309 for the years ended June 30, 2015 and 2014, respectively.

Note 14. PENSION PLAN (Continued)

B. NET PENSION LIABILITY

The School Board's non-professional plan net pension liabilities were measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

At June 30, 2015, the School Board reported a liability for the professional plan of $236,893,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 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, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the School Board's proportion was 1.96028% as compared to 1.94865% at June 30, 2013.

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, 2013, 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, 2014.

Inflation	2.5 %
Salary increases, including inflation	3.5% - 5.35%
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 GASB 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 benefits.

Mortality Rates:	14% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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, 2013, 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 as of June 30, 2014.

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 GASB 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-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non-U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non-Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
	* Expected arithmetic nominal return		8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Note 14. PENSION PLAN (Continued)

B. NET PENSION LIABILITY (Continued)

School Board Non-Professional

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2013	$ 24,609,166	$ 20,540,769	$ 4,068,397
Changes for the Year:			
Service cost	931,365	-	931,365
Interest	1,679,630	-	1,679,630
Contributions – employer	-	828,505	(828,505)
Contributions – employee	-	433,951	(433,951)
Net investment income	-	3,247,485	(3,247,485)
Benefit payments, including refunds of employee contributions	(1,228,897)	(1,228,897)	-
Administrative expense	-	(17,281)	17,281
Other changes	-	171	(171)
Net changes	1,382,098	3,263,934	(1,881,836)
Balances at June 30, 2014	$ 25,991,264	$ 23,804,703	$ 2,186,561

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 non-professional plan and the School Board professional plan's net pension liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board non-professional net pension liability (asset)	$ 5,553,479	$ 2,186,561	$ (615,322)
School Board professional net pension liability	347,855,000	236,893,000	145,537,000

Detailed information about the pension plans' fiduciary net position are available in the separately issued VRS financial report. 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 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 14. PENSION PLAN (Continued)

C. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

School Board Non-Professional

For the year ended June 30, 2015, the School Board recognized pension expense related to its non-professional plan of $393,892. 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
Net difference between projected and actual earnings on pension plan investments	$ -	$ 1,447,244
Employer contributions subsequent to the measurement date	825,400	-
Total	$ 825,400	$ 1,447,244

$825,400 reported as deferred outflows of resources related pensions resulting from the School Board non-professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

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:

Year Ending June 30,	Amount
2016	$ 361,811
2017	361,811
2018	361,811
2019	361,811
	$ 1,447,244

School Board Professional

For the year ended June 30, 2015, the School Board recognized pension expense related to the professional plan of $19,009,309. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, 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.

Note 14. PENSION PLAN (Continued)

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

At June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	$ -	$ 35,157,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,312,000	-
Employer contributions subsequent to the measurement date	22,117,580	-
Total	$ 23,429,580	$ 35,157,000

$22,117,580 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	$ 8,499,000
2017	8,499,000
2018	8,499,000
2019	8,499,000
2020	(151,000)
	$ 33,845,000

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

A. PLAN DESCRIPTION

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

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

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

A. PLAN DESCRIPTION (Continued)

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

The employer's subsidized portion of the participants' benefit is determined after any credit given to the retiree from the VRS. For inactive participants, the VRS subsidy amount paid to retirees 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.

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.

ACTUARIAL METHODS AND ASSUMPTIONS

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

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

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

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

A. PLAN DESCRIPTION (Continued)

Interest Assumptions

The actuarial assumptions of the plan as of June 30, 2015 are as follows:

- Discount rate 7.0%
- VRS retiree credit increase 4.0%
- Payroll growth 4.0%

B. FUNDING POLICY

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

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The annually required contribution (ARC) represents an actuarially computed annual level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of OPEB and amortize the unfunded actuarial liabilities (or funding excess) over a period not to exceed 25 years.

The School Board's annual OPEB cost (expense) for the year ended June 30, 2015 was $6,672,328 (comprised of the ARC of $6,483,000 plus interest of $1,416,342 on the beginning net OPEB obligation less an ARC adjustment of $1,227,014) and the annual contributions were $2,196,007, yielding an increase in the net OPEB obligation of $4,476,321.

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for fiscal years 2015, 2014, and 2013 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 6,672,328	$ 2,196,007	32.99%	$ 24,709,777
June 30, 2014	5,704,000	5,837,643	102.34%	20,233,456
June 30, 2013	5,762,000	8,777,102	152.33%	20,367,099

D. FUNDED STATUS AND PROGRESS

As of June 30, 2014, the most recent valuation date, the plan was 25.76% funded. The actuarial accrued liability for benefits was $70,272,000, and the actuarial value of the assets was $18,099,103, resulting in an UAAL of $52,172,897. The covered payroll (annual payroll of active employees) was $105,019,653, and the ratio of the UAAL to the covered payroll was 49.68%.

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

Note 16. HEALTH INSURANCE CREDIT OPEB PLAN

A. PLAN DESCRIPTION

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

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

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

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

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

Cost Method
The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2014 was 20-29 years.

B. FUNDING POLICY

As a participating local political subdivision, SCPS is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the *Code of Virginia* and the VRS Board of Trustees. SCPS' contribution rate effective for the upcoming fiscal year is .28% of annual covered payroll.

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

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

Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

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

For 2015, SCPS' contribution of $19,547 was equal to the ARC and OPEB cost. SCPS' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for 2015, 2014, and 2013 are as follows:

Fiscal Year Ended	OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2015	$ 19,547	100.00%	$ -
June 30, 2014	24,205	100.00%	-
June 30, 2013	23,273	100.00%	-

D. FUNDING STATUS AND FUNDING PROGRESS

The funded status of the plan as of June 30, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	$ 362,027
Actuarial value of plan assets	$ 225,732
Unfunded actuarial accrued liabilities (UAAL)	$ 136,295
Funded ratio (actuarial value of plan assets/AAL)	62.35%
Covered payroll (active plan members)	$ 8,577,515
UAAL as a percentage of covered payroll	1.59%

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

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

E. PROFESSIONAL EMPLOYEES

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2015, 2014, and 2013 were $1,490,028, $1,583,495, and $1,555,242, respectively and equaled the required contributions for each year.

Note 17. DEFICIT IN NET POSITION

The Health Benefits Fund had a deficit net position balance of $11,407,280 as of June 30, 2015.

Note 18. PRIOR PERIOD RESTATEMENT

The following adjustments were made to the beginning net position of the Governmental Activities at July 1, 2014:

		Governmental Activities
Net position, beginning of year, as previously reported	$	429,725,919
Change in accounting principle for the implementation of GASB Statements No. 68 and 71 – to record the net pension liability and related components		(254,968,583)
Net position, beginning of year, as restated	$	174,757,336

Note 19. PENDING ACCOUNTING STANDARDS OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD

At June 30, 2015, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the Board. The statements which might impact the Board are as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*

This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

The requirements of Statement No. 72 are effective for financial statements for fiscal years beginning after June 15, 2015.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

Note 19. NEW AND PENDING ACCOUNTING STANDARDS OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD (Continued)

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68 (Continued)*

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported;

2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions; and

3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of Statement No. 73 are effective for financial statements for fiscal years beginning after June 15, 2015.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statement No. 43, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contributions OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The requirements of Statement No. 74 are effective for financial statements for fiscal years beginning after June 15, 2016.

Note 19. NEW AND PENDING ACCOUNTING STANDARDS OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD (Continued)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of Statement No. 75 are effective for financial statements for fiscal years beginning after June 15, 2017.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of Statement No. 76 are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

REQUIRED SUPPLEMENTARY INFORMATION

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Operating Fund
For the Fiscal Year Ended June 30, 2015

Exhibit M

	Budget			Variance from Final Budget
	Original	Final	Actual	Over (Under)
REVENUES				
Intergovernmental:				
Stafford County	$ 111,429,456	$ 113,697,941	$ 103,735,323	$ (9,962,618)
Commonwealth of Virginia	138,703,144	138,815,563	138,866,042	50,479
Federal Government	2,405,000	2,071,257	2,560,419	489,162
Total intergovernmental revenues	252,537,600	254,584,761	245,161,784	(9,422,977)
Charges for services:				
Tuition and fees	918,250	925,790	867,202	(58,588)
Recovered costs	1,553,500	1,923,407	1,988,334	64,927
Miscellaneous	31,279	37,046	23,427	(13,619)
Total revenues	255,040,629	257,471,004	248,040,747	(9,430,257)
EXPENDITURES				
Current operating:				
Instruction	191,070,710	189,373,454	181,105,312	(8,268,142)
Administration, attendance and health	11,536,765	11,745,724	10,448,126	(1,297,598)
Pupil transportation	14,262,077	13,527,519	12,923,044	(604,475)
Operation and maintenance	22,103,930	21,702,035	19,888,292	(1,813,743)
Food and nutrition services	226,688	226,688	212,545	(14,143)
Facilities	99,000	140,865	100,323	(40,542)
Technology	14,714,165	17,590,948	14,668,467	(2,922,481)
Capital outlay	1,267,385	7,670,117	4,437,100	(3,233,017)
Debt service:				
Principal	407,020	413,247	421,339	8,092
Interest and fiscal charges	54,889	48,662	49,701	1,039
Total expenditures	255,742,629	262,439,259	244,254,249	(18,185,010)
Excess (deficiency) of revenues over (under) expenditures	(702,000)	(4,968,255)	3,786,498	8,754,753
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds, net	702,000	(458,944)	(1,123,689)	(664,745)
Net change in fund balance	$ -	(5,427,199)	2,662,809	8,090,008
Fund balance, beginning - July 1, 2014			6,086,653	
Fund balance, ending - June 30, 2015			$ 8,749,462	

STAFFORD COUNTY PUBLIC SCHOOLS Exhibit N
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF FUNDING PROGRESS FOR OPEB PLANS
Last Six Fiscal Years

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

For Professional and Non-professional Employees:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll {(b) - (a)}/ (c)
July 1, 2014	$ 18,099,103	$ 70,272,000	$ 52,172,897	25.76%	$ 105,019,653	49.68%
July 1, 2013	11,874,000	55,269,000	43,395,000	21.48%	103,582,553	41.89%
July 1, 2012	4,697,715	50,489,000	45,791,285	9.30%	104,507,089	43.82%
July 1, 2011	2,700,962	96,984,000	94,283,038	2.79%	104,195,744	90.49%
July 1, 2010	2,236,000	89,408,000	87,172,000	2.50%	102,349,123	85.17%
July 1, 2008	1,058,479	50,636,479	49,578,000	2.09%	106,020,819	46.76%

B. VRS Health Insurance Credit OPEB Plan

For Non-professional Employees:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll {(b) - (a)}/ (c)
June 30, 2014	$ 225,732	$ 362,027	$ 136,295	62.35%	$ 8,577,515	1.59%
June 30, 2013	194,630	347,795	153,165	55.96%	8,531,613	1.80%
June 30, 2012	173,361	346,381	173,020	50.05%	8,451,315	2.05%
June 30, 2011	170,484	324,869	154,384	52.48%	8,652,954	1.78%
June 30, 2010	138,036	300,205	162,169	45.98%	9,204,760	1.76%
June 30, 2009	102,886	260,568	157,682	39.49%	9,355,749	1.69%

STAFFORD COUNTY PUBLIC SCHOOLS Exhibit O
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, 2014
Total Pension Liability	
Service cost	$ 931,365
Interest	1,679,630
Benefit payments, including refunds of employee contributions	(1,228,897)
Net change in total pension liability	1,382,098
Total pension liability - beginning	24,609,166
Total pension liability - ending (a)	$ 25,991,264
Plan Fiduciary Net Position	
Contributions - employer	$ 828,505
Contributions - employee	433,951
Net investment income	3,247,485
Benefit payments, including refunds of employee contributions	(1,228,897)
Administrative expense	(17,281)
Other	171
Net change in plan fiduciary net position	3,263,934
Plan fiduciary net position - beginning	20,540,769
Plan fiduciary net position - ending (b)	$ 23,804,703
School Board non-professional net pension liability - ending (a) - (b)	$ 2,186,561
Plan fiduciary net position as a percentage of the total pension liability	91.59%
Employer's covered-employee payroll	$ 8,577,515
School Board's non-professional net pension liability as a percentage of covered-employee payroll	25.49%

Notes to Schedule:

(1) **Changes of benefit terms:** There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2014. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

(2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:

a. Update mortality table
b. Adjustments to rates of service retirement for females
c. Increase in rates of withdrawal
d. Decrease in male and female rates of disability

(3) 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 P
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, 2014
Employer's proportion of the net pension liability	1.96028%
Employer's proportionate share of the net pension liability	$ 236,893,000
Employer's covered-employee payroll	143,355,995
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.25%
Plan fiduciary net position as a percentage of the total pension liability	70.88%

Notes to Schedule:

(1) **Changes of benefit terms:** There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2014. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

(2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:

a. Update mortality table
b. Adjustments to rates of service retirement
c. Decrease in rate of withdrawals for 3 through 9 years of service
d. Decrease in rates of disability
e. Reduce rates of salary increase by 0.25% per year

(3) 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

Exhibit Q

SCHEDULE OF SCHOOL BOARD NON-PROFESSIONAL CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	$ 828,505
Contributions in relation to the CRC	828,505
Contribution deficiency (excess)	$ -
Employer's covered-employee payroll	$ 8,577,515
Contributions as a percentage of covered-employee payroll	9.66%

Notes to Schedule:

(1) Valuation date: June 30, 2014

(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	20-29 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.50%
Projected salary increases	3.50%-5.35%
Investment rate of return	7.0%, including inflation at 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 R
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA

SCHEDULE OF SCHOOL BOARD CONTRIBUTIONS
TEACHER RETIREMENT PLAN - VIRGINIA RETIREMENT PLAN

	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	$ 16,715,309
Contributions in relation to the CRC	16,715,309
Contribution deficiency (excess)	$ -
Employers covered-employee payroll	$ 143,355,995
Contributions as a percentage of covered-employee payroll	11.66%

Notes to Schedule:

(1) Valuation date: June 30, 2014

(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	20-29 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.50%
Projected salary increases	3.50%-5.95%
Investment rate of return	7.0%, including inflation at 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.

OTHER SUPPLEMENTARY INFORMATION

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

Exhibit S

	Special Revenue Funds		
	Food and Nutrition Services Fund	**Grants Fund**	**Total Nonmajor Governmental Funds**
ASSETS			
Pooled cash and investments	$ 3,300,579	$ 56,266	$ 3,356,845
Accounts receivable	16,554	-	16,554
Intergovernmental receivables:			
Federal Government	816,720	1,561,257	2,377,977
Commonwealth of Virginia	-	33,523	33,523
Due from other funds	100,689	-	100,689
Inventory	240,566	-	240,566
Total assets	$ 4,475,108	$ 1,651,046	$ 6,126,154
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	$ 102,953	$ 10,758	$ 113,711
Accrued salaries and benefits	987,806	-	987,806
Unearned revenue	-	56,266	56,266
Due to other funds	2,043	1,464,758	1,466,801
Total liabilities	1,092,802	1,531,782	2,624,584
Fund balance:			
Nonspendable:			
Inventory	240,566	-	240,566
Total nonspendable	240,566	-	240,566
Restricted:			
Food and nutrition services	3,141,740	-	3,141,740
Grants	-	119,264	119,264
Total restricted	3,141,740	119,264	3,261,004
Total fund balance	3,382,306	119,264	3,501,570
Total liabilities and fund balance	$ 4,475,108	$ 1,651,046	$ 6,126,154

STAFFORD COUNTY PUBLIC SCHOOLS Exhibit T
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds		
	Food and Nutrition Services Fund	Grants Fund	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental:			
Commonwealth of Virginia	$ 206,182	$ 422,870	$ 629,052
Federal Government	5,503,469	9,343,171	14,846,640
Total intergovernmental revenues	5,709,651	9,766,041	15,475,692
Charges for services:			
Food sales	6,684,272	-	6,684,272
Miscellaneous	-	257,327	257,327
Total revenues	12,393,923	10,023,368	22,417,291
EXPENDITURES			
Current operating:			
Education:			
Instruction	-	9,689,141	9,689,141
Food and nutrition services	11,512,147	-	11,512,147
Technology	145,348	207,396	352,744
Capital outlay	59,965	105,536	165,501
Total expenditures	11,717,460	10,002,073	21,719,533
Excess of revenues over expenditures	676,463	21,295	697,758
OTHER FINANCING USES			
Net transfers to other funds	(100,000)	(7,018)	(107,018)
Change in fund balance	576,463	14,277	590,740
Fund balance, beginning - July 1, 2014	2,805,843	104,987	2,910,830
Fund balance, ending - June 30, 2015	$ 3,382,306	$ 119,264	$ 3,501,570

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

Exhibit U

	Internal Service Funds			
	Fleet Services Fund	Health Benefits Fund	Workers' Compensation Fund	Total Proprietary Funds
ASSETS				
Cash and cash equivalents	$ 1,097,763	$ 17,428,328	$ 1,376,696	$ 19,902,787
Accounts receivable	83,380	-	-	83,380
Due from other funds	83,380	144,391	-	227,771
Inventory	298,153	-	-	298,153
Prepaid expenses	-	260,949	-	260,949
Capital assets:				
Land	37,357	-	-	37,357
Land improvements	1,268,429	-	-	1,268,429
Buildings and building improvements	1,826,436	-	-	1,826,436
Furniture, fixtures and equipment	207,200	-	-	207,200
Vehicles	107,270	-	-	107,270
Software	78,725	-	-	78,725
Less accumulated depreciation and amortization	(1,569,293)	-	-	(1,569,293)
Total capital assets	1,956,124	-	-	1,956,124
Total assets	$ 3,518,800	$ 17,833,668	$ 1,376,696	$ 22,729,164
LIABILITIES				
Accounts payable	$ 23,815	$ 78,681	$ 66,711	$ 169,207
Accrued salaries and benefits	172,172	8,980	6,321	187,473
Due to other funds	439	-	54	493
Current portion capital lease	28,729	-	-	28,729
Current portion of accrued insurance claims	-	4,443,510	264,865	4,708,375
Current portion of compensated absences	10,243	-	-	10,243
Noncurrent portion of accrued insurance claims	-	-	68,131	68,131
Noncurrent portion of capital lease	190,232	-	-	190,232
Noncurrent portion of compensated absences	121,347	-	-	121,347
Noncurrent portion of OPEB liability	-	24,709,777	-	24,709,777
Total liabilities	546,977	29,240,948	406,082	30,194,007
NET POSITION				
Net investment in capital assets	1,737,163	-	-	1,737,163
Unrestricted (deficit)	1,234,660	(11,407,280)	970,614	(9,202,006)
Total net position (deficit)	2,971,823	(11,407,280)	970,614	(7,464,843)
Total liabilities and net position	$ 3,518,800	$ 17,833,668	$ 1,376,696	$ 22,729,164

STAFFORD COUNTY PUBLIC SCHOOLS Exhibit V
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, 2015

	Internal Service Funds			
	Fleet Services Fund	**Health Benefits Fund**	**Workers' Compensation Fund**	**Total Proprietary Funds**
Operating revenues:				
Charges for services	$ 3,563,174	$ 31,816,430	$ -	$ 35,379,604
Operating expenses:				
Personnel services	1,841,791	150,103	84,805	2,076,699
Contractual services	17,084	31,425,842	307,616	31,750,542
Materials and supplies	1,570,568	-	-	1,570,568
Utilities	20,261	-	-	20,261
Telecommunications	29,376	-	-	29,376
Depreciation and amortization	166,760	-	-	166,760
Total operating expenses	3,645,840	31,575,945	392,421	35,614,206
Operating income (loss)	(82,666)	240,485	(392,421)	(234,602)
Nonoperating revenues (expenses):				
Interest and investment revenue	-	5,298	-	5,298
Interest expense	(6,729)	-	-	(6,729)
Vehicle and other sales	133,484	-	-	133,484
Total nonoperating revenues, net	126,755	5,298	-	132,053
Income (loss) before transfers	44,089	245,783	(392,421)	(102,549)
Net transfers from other funds	-	162,745	567,962	730,707
Change in net position	44,089	408,528	175,541	628,158
Net position (deficit), beginning - July 1, 2014	2,927,734	(11,815,808)	795,073	(8,093,001)
Net position (deficit), ending - June 30, 2015	$ 2,971,823	$ (11,407,280)	$ 970,614	$ (7,464,843)

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2015

Exhibit W

	Internal Service Funds			
	Fleet Services Fund	**Health Benefits Fund**	**Workers' Compensation Fund**	**Total Proprietary Funds**
Cash flows from operating activities:				
Receipts from customers	$ 3,554,344	$ 31,827,590	$ -	$ 35,381,934
Payments to suppliers	(1,602,389)	(27,714,839)	(620,588)	(29,937,815)
Payments to employees	(1,841,457)	(149,903)	(84,650)	(2,076,010)
Net cash provided by (used in) operating activities	110,498	3,962,849	(705,238)	3,368,109
Cash flows from noncapital financing activities:				
Transfers from other funds	-	162,745	567,962	730,707
Net cash provided by noncapital financing activities	-	162,745	567,962	730,707
Cash flows from capital and related financing activities:				
Proceeds from vehicle and supply sales	133,484	-	-	133,484
Principal paid on capital lease	(27,940)	-	-	(27,940)
Interest paid on capital lease	(6,729)	-	-	(6,729)
Acquisition and construction of capital assets	(34,125)	-	-	(34,125)
Net cash provided by capital and related financing activities	64,690	-	-	64,690
Cash flows from investing activities:				
Interest earned on investments	-	5,298	-	5,298
Net cash provided by investing activities	-	5,298	-	5,298
Net increase (decrease) in cash and cash equivalents	175,188	4,130,892	(137,276)	4,168,804
Cash and cash equivalents, beginning July 1, 2014	922,575	13,297,436	1,513,972	15,733,983
Cash and cash equivalents, ending June 30, 2015	$ 1,097,763	$ 17,428,328	$ 1,376,696	$ 19,902,787
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (82,666)	$ 240,485	$ (392,421)	$ (234,602)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	166,760	-	-	166,760
Changes in assets and liabilities:				
(Increase) decrease in accounts receivables	(8,830)	11,160	-	2,330
Increase in prepaid expenses	-	(260,949)	-	(260,949)
Decrease in inventory	29,376	-	-	29,376
Increase (decrease) in accounts payable and accrued expenses	41,930	(504,168)	(312,817)	(775,055)
Decrease in compensated absences	(36,072)	-	-	(36,072)
Increase in OPEB liability	-	4,476,321	-	4,476,321
Total adjustments	193,164	3,722,364	(312,817)	3,602,711
Net cash provided by (used in) operating activities	$ 110,498	$ 3,962,849	$ (705,238)	$ 3,368,109

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS - AGENCY FUNDS
June 30, 2015

Exhibit X

	School Activity Funds	Employee Flexible Spending Fund	Fiduciary Services Fund	Stafford Education Foundation	Total Agency Funds
ASSETS					
Cash and cash equivalents	$ 2,610,084	$ 139,080	$ 17,557	$ 62,905	$ 2,829,626
LIABILITIES					
Reserved for future expenditures	$ 2,610,084	$ 139,080	$ 17,557	$ 62,905	$ 2,829,626

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND - SCHOOL ACTIVITY FUND
For the Fiscal Year Ended June 30, 2015

Exhibit Y

	Agency Fund			
	School Activity Funds			
	Beginning Balance - July 1, 2014	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance - June 30, 2015
ASSETS				
Cash and cash equivalents	$ 2,419,676	$ 5,634,752	$ (5,444,344)	$ 2,610,084
LIABILITIES				
Reserved for future expenditures	$ 2,419,676	$ 5,634,752	$ (5,444,344)	$ 2,610,084

STAFFORD COUNTY PUBLIC SCHOOLS
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, 2015

Exhibit Z

	Agency Fund			
	Employee Flexible Spending Fund			
	Beginning Balance - July 1, 2014	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance - June 30, 2015
ASSETS				
Cash and cash equivalents	$ 129,080	$ 658,935	$ (648,935)	$ 139,080
LIABILITIES				
Reserved for future expenditures	$ 129,080	$ 658,935	$ (648,935)	$ 139,080

STAFFORD COUNTY PUBLIC SCHOOLS
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, 2015

Exhibit AA

	Agency Fund			
	Fiduciary Services Fund			
	Beginning Balance July 1, 2014	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance June 30, 2015
ASSETS				
Cash and cash equivalents	$ 37,229	$ 22,935	$ (42,607)	$ 17,557
LIABILITIES				
Reserved for future expenditures	$ 37,229	$ 22,935	$ (42,607)	$ 17,557

STAFFORD COUNTY PUBLIC SCHOOLS
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, 2015

Exhibit BB

	Agency Fund			
	Stafford Education Foundation			
	Beginning Balance July 1, 2014	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance June 30, 2015
ASSETS				
Cash and cash equivalents	$ 74,464	$ 12,570	$ (24,129)	$ 62,905
LIABILITIES				
Reserved for future expenditures	$ 74,464	$ 12,570	$ (24,129)	$ 62,905

STATISTICAL SECTION

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATISTICAL SECTION
June 30, 2015

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

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

The following information included in this statistical section is unaudited.

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STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NET POSITION BY COMPONENT
Fiscal Years 2006 - 2015
(Accrual Basis of Accounting)

	June 30,				
	2006	**2007**	**2008**	**2009**	**2010**
NET ASSETS/NET POSITION					
Investment in capital assets, net of related debt	$ 328,150,928	$ 360,219,807	$ 372,811,891	$ 377,290,792	$ 371,615,809
Net investment in capital assets	-	-	-	-	-
Restricted	21,388	843	-	-	6,615,701
Unrestricted	45,517,698	26,411,900	27,817,509	17,502,199	8,350,669
Total net assets	$ 373,690,014	$ 386,632,550	$ 400,629,400	$ 394,792,991	$ 386,582,179
Total net position	N/A	N/A	N/A	N/A	N/A

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,					
2011	**2012**	**2013**	**2014**	**2015**	
					NET ASSETS/NET POSITION
$ 371,880,043	$ 377,833,302	$ -	$ -	$ -	Investment in capital assets, net of related debt
-	-	383,728,660	402,418,884	433,631,721	Net investment in capital assets
11,479,446	17,548,128	21,973,458	49,239,175	21,465,238	Restricted
4,772,785	(5,832,921)	5,638,327	(21,932,140)	(258,123,522)	Unrestricted
$ 388,132,274	$ 389,548,509	N/A	N/A	N/A	**Total net assets**
N/A	N/A	$ 411,340,445	$ 429,725,919	$ 196,973,437	**Total net position**

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
CHANGES IN NET POSITION BY COMPONENT
Fiscal Years 2006 - 2015
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2006	**2007**	**2008**	**2009**	**2010**
Expenses					
Governmental activities	$ 239,085,262	$ 254,849,234	$ 269,258,983	$ 279,829,235	$ 275,344,685
Program revenues					
Charges for services	10,253,513	12,905,290	10,738,470	17,996,927	21,992,880
Grants and contributions	125,172,680	140,951,314	146,067,195	152,758,520	140,144,414
Total program revenues	135,426,193	153,856,604	156,805,665	170,755,447	162,137,294
Net expenses	(103,659,069)	(100,992,630)	(112,453,318)	(109,073,788)	(113,207,391)
General revenues					
Sales Tax and Basic Aid	*	*	*	*	*
Unrestricted grants and contributions	153,719,718	110,969,860	124,008,330	101,194,329	103,808,533
Investment earnings	1,123,206	1,635,750	954,628	411,486	24,374
Gain on capital asset disposals and other sales	-	-	-	-	(9,726)
Miscellaneous	516,691	1,151,800	1,487,210	1,631,563	1,791,969
Total general revenues	155,359,615	113,757,410	126,450,168	103,237,378	105,615,150
Change in net position/assets	$ 51,700,546	$ 12,764,780	$ 13,996,850	$ (5,836,410)	$ (7,592,241)

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

Table S-2

For the Fiscal Year Ended June 30,					
2011	**2012**	**2013**	**2014**	**2015**	
					Expenses
$ 281,858,250	$ 287,665,251	$ 290,728,443	$ 293,901,842	$ 285,238,534	Governmental activities
					Program revenues
17,282,725	16,404,687	17,987,309	18,232,507	18,902,311	Charges for services
64,321,646	73,208,380	81,370,952	82,741,613	76,415,692	Grants and contributions
81,604,371	89,613,067	99,358,261	100,974,120	95,318,003	**Total program revenues**
(200,253,879)	(198,052,184)	(191,370,182)	(192,927,722)	(189,920,531)	**Net expenses**
					General revenues
96,195,244	100,375,990	102,845,402	102,485,508	107,949,304	Sales Tax and Basic Aid
99,323,620	98,599,339	108,625,975	108,414,728	103,735,323	Unrestricted grants and contributions
22,090	33,339	53,507	51,177	42,190	Investment earnings
80,567	40,600	1,069,605	117,222	133,484	Gain on capital asset disposals and other sales
332,453	419,151	567,629	244,561	276,331	Miscellaneous
195,953,974	199,468,419	213,162,118	211,313,196	212,136,632	**Total general revenues**
$ (4,299,905)	$ 1,416,235	$ 21,791,936	$ 18,385,474	$ 22,216,101	**Change in net position/assets**

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS
Fiscal Years 2006 - 2015
(Modified Accrual Basis of Accounting)

	June 30,				
Operating Fund:	**2006**	**2007**	**2008**	**2009**	**2010**
Nonspendable	$ -	$ -	$ -	$ -	$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	6,453,593	5,797,867	9,189,151	4,329,683	3,566,366
Designated	-	-	1,792,849	4,700,000	618,571
Fund balance - operating fund	6,453,593	5,797,867	10,982,000	9,029,683	4,184,937
All Other Governmental Funds:					
Reserved:					
Capital Projects Fund	23,646,442	18,667,695	9,916,007	1,822,581	4,581,296
Food and Nutrition Services Fund	17,872	136,083	340,048	353,134	315,257
School Construction, Renovation and Maintenance Fund	800	843	-	-	-
Grants Fund	-	-	-	558,638	47,115
	23,665,114	18,804,621	10,256,055	2,734,353	4,943,668
Unreserved:					
Capital Projects Fund	12,659,776	(2,801,008)	8,655,320	3,546,746	1,923,648
Food and Nutrition Services Fund	1,518,252	1,606,927	1,240,709	1,375,483	1,540,575
Grants Fund	-	-	-	(558,638)	-
	14,178,028	(1,194,081)	9,896,029	4,363,591	3,464,223
Nonspendable:					
Food and Nutrition Services Fund	-	-	-	-	-
	-	-	-	-	-
Restricted:					
Capital Projects Fund	-	-	-	-	-
Food and Nutrition Services Fund	-	-	-	-	-
Grants Fund	-	-	-	-	-
	-	-	-	-	-
Committed:					
Capital Projects Fund	-	-	-	-	-
	-	-	-	-	-
Fund balance - other governmental funds	37,843,142	17,610,540	20,152,084	7,097,944	8,407,891
Fund balance - total governmental funds	$ 44,296,735	$ 23,408,407	$ 31,134,084	$ 16,127,627	$ 12,592,828

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.

Table S-3

June 30,					
2011	**2012**	**2013**	**2014**	**2015**	**Operating Fund:**
$ -	$ 490,227	$ 525,298	$ 659,455	$ 444,506	Nonspendable
960,510	-	-	-	-	Restricted
-	4,757,640	7,318,523	2,465,667	3,091,085	Committed
7,007,460	544,058	-	-	-	Assigned
-	(2,816,334)	(2,329,257)	2,961,531	5,213,871	Unassigned
-	-	-	-	-	Reserved
-	-	-	-	-	Designated
7,967,970	2,975,591	5,514,564	6,086,653	8,749,462	Fund balance - operating fund
					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
-	-	-	-	-	Grants Fund
-	-	-	-	-	
					Nonspendable:
234,485	238,566	341,770	297,730	240,566	Food and Nutrition Services Fund
234,485	238,566	341,770	297,730	240,566	
					Restricted:
8,168,063	14,990,608	19,823,101	46,626,075	18,204,234	Capital Projects Fund
2,273,740	2,395,383	2,109,164	2,508,113	3,141,740	Food and Nutrition Services Fund
77,133	40,328	41,193	104,987	119,264	Grants Fund
10,518,936	17,426,319	21,973,458	49,239,175	21,465,238	
					Committed:
1,781,748	2,126,770	13,584,453	(10,966,533)	-	Capital Projects Fund
1,781,748	2,126,770	13,584,453	(10,966,533)	-	
12,535,169	19,791,655	35,899,681	38,570,372	21,705,804	Fund balance - other governmental funds
$ 20,503,139	$ 22,767,246	$ 41,414,245	$ 44,657,025	$ 30,455,266	Fund balance - total governmental funds

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Fiscal Years 2006 - 2015
(Modified Accrual Basis of Accounting)

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

Table S-4

For the Fiscal Year Ended June 30,					
2011	**2012**	**2013**	**2014**	**2015**	
					REVENUES:
					Intergovernmental:
$ 107,735,478	$ 123,180,386	$ 142,676,306	$ 141,522,936	$ 131,198,166	Stafford County
118,851,130	126,557,871	133,476,749	135,588,828	139,495,094	Commonwealth of Virginia
33,253,902	22,445,452	16,689,274	16,530,085	17,407,059	Federal Government
259,840,510	272,183,709	292,842,329	293,641,849	288,100,319	Total intergovernmental revenues
					Charges for services:
695,978	721,180	911,220	759,633	867,202	Tuition and fees
7,316,875	7,231,445	6,681,246	6,640,211	6,684,272	Food sales
1,370,939	1,180,368	1,767,641	2,059,853	2,082,884	Recovered costs
332,453	419,151	587,600	286,236	280,754	Miscellaneous
12,329	26,157	45,810	46,322	36,892	Interest
269,569,084	281,762,010	302,835,846	303,434,104	298,052,323	Total revenues
					EXPENDITURES:
					Education:
181,073,501	187,321,574	191,433,956	190,904,984	190,794,453	Instruction
9,688,371	10,062,051	10,422,301	10,587,435	10,448,126	Administration, attendance and health
12,706,286	13,335,894	13,419,206	13,591,390	12,923,044	Pupil transportation
20,957,014	20,688,827	21,315,872	20,731,939	19,888,292	Operation and maintenance
11,162,148	11,908,144	12,054,783	11,517,146	11,724,692	Food and nutrition services
187,981	182,034	198,990	111,512	100,323	Facilities
14,581,888	13,887,167	15,129,827	15,320,646	15,021,211	Technology
11,518,149	21,150,304	22,907,317	36,172,121	52,277,196	Capital outlay
					Debt service:
367,517	380,132	393,292	407,020	421,339	Principal
102,347	81,776	71,631	68,147	49,701	Interest and fiscal charges
262,345,202	278,997,903	287,347,175	299,412,340	313,648,377	Total expenditures
7,223,882	2,764,107	15,488,671	4,021,764	(15,596,054)	Excess (deficiency) of revenues over (under) expenditures
					OTHER FINANCING SOURCES (USES):
-	-	1,000,000	-	-	Proceeds from sale of land
-	-	-	-	2,125,000	Proceeds from capital lease
1,958,212	-	2,361,672	200,000	1,302,000	Transfers from other funds
(1,958,212)	(500,000)	(203,343)	(978,985)	(2,032,707)	Transfers to other funds
1,305,000	-	-	-	-	Loan from Stafford County
1,305,000	(500,000)	3,158,329	(778,985)	1,394,293	Total other financing uses, net
$ 8,528,882	$ 2,264,107	$ 18,647,000	$ 3,242,779	$ (14,201,761)	**Net change in fund balance**

STAFFORD COUNTY PUBLIC SCHOOLS **Table S-5**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
GENERAL INFORMATION
June 30, 2015

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	1
Elementary schools	17
Middle schools	8
High schools	5
Alternative schools	2
	33

EOY Membership: **(1)**	
Elementary schools	11,697
Middle schools	6,345
High schools	9,176
Total	27,218

Contracted Employees:	
Licensed Instructional	2,116
Other Employees	1,428
	3,544

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

(1) EOY membership is defined as the number of students in public school at the end of the school year.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION
Fiscal Years 2006 - 2015

	Fiscal Year				
	2006	**2007**	**2008**	**2009**	**2010**
Contracted Employees:					
Licensed Instructional	2,013	2,015	2,079	2,125	2,186
Other Employees	1,464	1,419	2,537	2,424	1,603
Total	3,477	3,434	4,616	4,549	3,789

Table S-6

Fiscal Year					
2011	**2012**	**2013**	**2014**	**2015**	
					Contracted Employees:
2,149	2,168	2,174	2,139	2,116	Licensed Instructional
1,586	1,537	1,541	1,486	1,428	Other Employees
3,735	3,705	3,715	3,625	3,544	Total

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NUMBER OF SCHOOLS IN THE DIVISION
Fiscal Years 2006 - 2015

	Fiscal Year				
	2006	**2007**	**2008**	**2009**	**2010**
Number of Schools:					
Elementary Schools	16	17	17	17	17
Secondary/ Middle Schools	6	7	7	8	8
High Schools	5	5	5	5	5
Total	27	29	29	30	30

Table S-7

Fiscal Year					
2011	**2012**	**2013**	**2014**	**2015**	
					Number of Schools:
17	17	17	17	17	Elementary Schools
8	8	8	8	8	Secondary/ 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 2006 - 2015

	Fiscal Year				
	2006	**2007**	**2008**	**2009**	**2010**
Student Membership:					
September 30 membership	25,927	26,274	26,221	26,435	26,672
Average daily membership as of March 31	25,871	26,181	26,114	26,350	26,648
End-of-year membership	25,733	25,934	25,977	26,219	26,522
Students enrolled in special education programs	2,543	2,415	2,346	2,410	2,391
English Language Learners	791	1,040	1,036	1,036	996
Students enrolled in grades K-3	7,181	7,273	7,186	7,320	7,416

Table S-8

Fiscal Year					
2011	2012	2013	2014	2015	
					Student Membership:
26,797	26,815	26,972	26,944	27,173	September 30 membership
26,745	26,773	26,904	26,901	27,200	Average daily membership as of March 31
26,603	26,681	26,803	26,925	27,218	End-of-year membership
2,412	2,425	2,559	2,392	2,532	Students enrolled in special education programs
1,135	1,160	1,192	1,108	1,632	English Language Learners
5,471	5,505	7,526	7,532	7,761	Students enrolled in grades K-3

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
VARIOUS OPERATING INDICATORS
Fiscal Years 2006 - 2015

	Fiscal Year				
	2006	**2007**	**2008**	**2009**	**2010**
Operating Statistics:					
Average per pupil expenditures	$ 8,496	$ 8,639	$ 9,335	$ 9,531	$ 9,399
Average classroom teacher salary	$ 49,068	$ 51,383	$52,251	$50,820	$52,591
Composite index **(1)**	0.3274	0.3503	0.3503	0.3698	0.3629

(1) The composite index uses various factors to measure the County's wealth. The higher the index, the less money the County receives (per pupil) from the Commonwealth.

Table S-9

Fiscal Year					
2011	**2012**	**2013**	**2014**	**2015**	
					Operating Statistics:
$ 12,387	$ 9,752	$ 9,971	$ 9,285	$ 8,255	Average per pupil expenditures
$50,692	$51,465	$ 50,864	$ 52,080	$ 52,716	Average classroom teacher salary
0.3362	0.3362	0.3305	0.3305	0.3412	Composite index **(1)**

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STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
TRANSPORTATION OPERATING INDICATORS
Fiscal Years 2006 - 2015

	Fiscal Year				
	2006	**2007**	**2008**	**2009**	**2010**
Transportation Statistics:					
Average Ridership (Regular)	18,844	18,619	19,404	17,997	19,950
Average Ridership (Special Needs)	412	607	497	532	576
Average Ridership (Head Start)	222	224	225	250	284
Buses Operated Daily (Regular)	157	165	168	166	154
Buses Operated Daily (Special Needs)	39	53	43	41	53
Buses Operated Daily (Head Start)	10	11	11	11	14
Special Trip Assignments	2,365	3,100	2,587	2,600	2,132
Miles Traveled (Regular)	2,494,260	2,336,706	2,889,000	1,479,400	1,612,567
Miles Traveled (Special Needs)	1,141,920	1,272,132	1,324,920	685,040	1,053,310

Table S-10

Fiscal Year					
2011	**2012**	**2013**	**2014**	**2015**	
					Transportation Statistics:
20,007	19,991	18,893	16,489	17,048	Average Ridership (Regular)
650	626	566	561	726	Average Ridership (Special Needs)
300	300	353	350	350	Average Ridership (Head Start)
159	143	150	138	140	Buses Operated Daily (Regular)
45	63	70	71	71	Buses Operated Daily (Special Needs)
12	11	11	10	10	Buses Operated Daily (Head Start)
4,214	4,477	4,048	3,926	3,864	Special Trip Assignments
2,118,744	1,529,964	1,269,012	1,421,050	1,465,231	Miles Traveled (Regular)
1,331,000	716,207	839,917	860,773	865,854	Miles Traveled (Special Needs)

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FOOD AND NUTRITION SERVICES OPERATING INDICATORS
Fiscal Years 2006 - 2015

	Fiscal Year				
	2006	**2007**	**2008**	**2009**	**2010**
School Nutrition Program (SNP) Statistics:					
September 30 Membership	25,927	26,274	26,221	26,435	26,672
Eligible for Free Lunch	2,982	3,091	3,263	3,727	4,632
Percentage	*11.50%*	*11.76%*	*12.44%*	*14.10%*	*17.37%*
Eligible for Reduced Price Lunch	928	1,042	1,112	1,237	1,281
Percentage	*3.58%*	*3.97%*	*4.24%*	*4.68%*	*4.80%*
Eligible for Free and Reduced Price Lunch - Total	3,910	4,133	4,375	4,964	5,913
Percentage	*15.08%*	*15.73%*	*16.69%*	*18.78%*	*22.17%*
Middle and High School Lunch Prices	$ 1.85	$ 1.85	$ 1.85	$ 2.10	$ 2.25
Elementary School Lunch Prices	$ 1.75	$ 1.75	$ 1.75	$ 2.10	$ 2.15

Table S-11

Fiscal Year					
2011	**2012**	**2013**	**2014**	**2015**	
					School Nutrition Program (SNP) Statistics:
26,797	26,815	26,972	26,944	27,173	September 30 Membership
5,277	5,933	5,993	6,135	6,439	Eligible for Free Lunch
19.69%	*22.13%*	*22.22%*	*22.77%*	*23.70%*	***Percentage***
1,106	1,520	1,520	1,552	1,608	Eligible for Reduced Price Lunch
4.13%	*5.67%*	*5.64%*	*5.76%*	*5.92%*	***Percentage***
6,383	7,453	7,513	7,687	8,047	Eligible for Free and Reduced Price Lunch - Total
23.82%	*27.79%*	*27.85%*	*28.53%*	*29.61%*	***Percentage***
$ 2.25	$ 2.40	$ 2.40	$ 2.55/2.65	$2.65/2.75	Middle and High School Lunch Prices
$ 2.15	$ 2.30	$ 2.30	$ 2.45	$ 2.55	Elementary School Lunch Prices

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FLEET SERVICES OPERATING INDICATORS
Fiscal Years 2006 - 2015

	Fiscal Year										
	2006	**2007**	**2008**	**2009**	**2010**	**2011**			**2012**		
Fleet Vehicles Serviced by Fleet Services:					*Active*	*Active*	*Average Age*	*Average Mileage*	*Active*	*Average Age*	*Average Mileage*
Stafford County Public Schools Fleet Vehicles:											
Buses:											
Mainstream	219	229	232	229	232	240	9.18	10,284	233	8.91	12,373
Special Needs	57	64	67	69	67	66	6.43	19,854	62	6.31	16,689
Activity Buses	5	5	5	5	5	5	6.12	18,293	5	2.51	20,596
Less: Salvaged **(1)**	-	-	-	-	(5)	(20)			(6)		
Subtotal Buses	281	298	304	303	299	291			294		
Other School Vehicles:											
Administration	2	2	2	2	2	2	3.3	15,276	2	4.26	13,895
Driver's Education	12	12	12	13	13	13	4.4	8,042	13	5.13	8,266
Fleet Services	7	7	8	7	7	7	8.8	3,972	7	9.75	3,559
Head Start	4	4	4	4	4	4	7.9	1,982	6	7.34	2,532
Maintenance	39	42	42	42	46	48	7.8	6,837	51	8.40	7,546
Food and Nutritional Services	1	1	1	1	1	1	5.8	3,117	1	6.82	2,509
Planning & Construction	2	3	4	4	4	4	5.1	4,691	4	6.05	5,170
Technology	0	0	0	0	0	1	0.9	949	1	1.89	1,904
Security	5	5	5	5	8	7	5.0	3,384	7	5.98	2,059
Transportation	5	6	7	7	7	8	5.0	3,107	8	6.02	2,321
Subtotal Other Vehicles	77	82	85	85	92	95			100		
Total Stafford County Public Schools Fleet Vehicles	358	380	389	388	391	386			394		
County of Stafford Fleet Vehicles:											
Fire & Rescue	126	137	143	142	144	151	8.8	N/A	154	9.75	N/A
Sheriff	186	192	190	190	216	232	5.0	N/A	223	5.38	N/A
Utilities	93	96	101	101	103	84	8.3	N/A	105	8.66	N/A
Other	122	129	132	132	127	145	7.0	N/A	142	7.64	N/A
Total County of Stafford Fleet Vehicles	527	554	566	565	590	612			624		
Total Fleet Vehicles	885	934	955	953	981	998			1,018		
Other Vehicles Serviced by Fleet Services:											
Airport Authority Fleet Vehicles	3	2	2	2	2	2	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Vocational Foundation Fleet Vehicles	1	1	1	1	1	1	**N/A**	**N/A**	1	17.00	**N/A**
Total Other Vehicles	4	3	3	3	3	3			1		

Source: *Fleet Services internal records.*

(1) *To be sold at auction*

N/A - Not available.

Table S-12A

Fiscal Year									
2013			2014			2015			
Active	*Average Age*	*Average Mileage*	*Active*	*Average Age*	*Average Mileage*	*Active*	*Average Age*	*Average Mileage*	**Fleet Vehicles Serviced by Fleet Services:**
									Stafford County Public Schools Fleet Vehicles:
									Buses:
236	9.33	12,287	223	8.61	10,675	195	9.05	12,606	Mainstream
64	6.32	15,366	68	6.35	14,627	67	6.66	17,274	Special Needs
5	1.51	13,195	5	2.40	21,062	5	3.20	22,632	Activity Buses
(18)			(27)			(15)			Less: Salvaged **(1)**
287			269			252			Subtotal Buses
									Other School Vehicles:
2	3.74	7,428	2	4.50	9,851	2	6	10,464	Administration
13	6.46	7,232	11	7.30	6,253	12	4.5	6,185	Driver's Education
7	8.61	3,564	6	9.33	3,577	6	7.16	3,276	Fleet Services
6	8.67	2,756	6	9.66	2,440	6	10.33	4,423	Head Start
53	9.26	7,150	43	10.12	7,786	45	9.75	6,339	Maintenance
1	8.15	1,151	1	9.00	1,693	1	10	1,409	Food and Nutritional Services
4	7.38	4,013	4	7.75	4,342	4	9	5,243	Planning & Construction
1	3.20	1,864	1	4.00	2,050	1	5	1,813	Technology
7	7.30	1,831	7	7.28	1,631	7	8.85	1,897	Security
8	7.35	2,101	8	7.50	2,153	7	8	2,908	Transportation
102			89			91			Subtotal Other Vehicles
389			358			343			Total Stafford County Public Schools Fleet Vehicles
									County of Stafford Fleet Vehicles:
166	9.94	N/A	169	11.36	N/A	172	11.34	N/A	Fire & Rescue
222	5.97	N/A	241	5.94	N/A	221	6.01	6930	Sheriff
108	9.27	N/A	117	8.69	N/A	120	8.38	7767	Utilities
145	8.47	N/A	139	9.28	N/A	153	8.02	N/A	Other
641			666			666			Total County of Stafford Fleet Vehicles
1,030			1,024			1,009			**Total Fleet Vehicles**
									Other Vehicles Serviced by Fleet Services:
N/A	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	Airport Authority Fleet Vehicles
1	18.00	**N/A**	1	19.00	**N/A**	**1**	20	**N/A**	Vocational Foundation Fleet Vehicles
1			1			1			**Total Other Vehicles**

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FLEET SERVICES OPERATING INDICATORS
Fiscal Years 2007 - 2015

	Fiscal Year			
	2007	2008	2009	2010
FLEET OPERATIONS				
Work orders completed	6,038	6,124	6,394	6,314
Invoices processed	5,299	5,156	5,303	5,292
Parts transactions	23,970	25,007	22,140	27,222

	Fiscal Year					
	2010		2011		2012	
FLEET FUEL	Schools	County	Schools	County	Schools	County
Gallons Purchased	541,583	487,191	562,728	443,724	573,778	425,719
Cost	$ 1,236,772	$ 1,038,981	$ 1,602,158	$1,184,052	$ 1,838,125	$ 1,305,111

	Fiscal Year					
	2010		2011		2012	
FLEET ACQUISITIONS	Replacement	Additional	Replacement	Additional	Replacement	Additional
School Buses - Mainstream	16	-	6	-	5	-
- Special Needs	5	-	-	-	8	-
Other School Vehicles	2	1	2	3	5	-

	Fiscal Year					
	2010		2011		2012	
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	35.6	160	32.9	173	50	112

Source: *Fleet Services internal records.*

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

Table S-12B

Fiscal Year					
2011	2012	2013	2014	2015	
					FLEET OPERATIONS
6,390	6,101	5,593	5,638	5,254	Work orders completed
5,780	4,814	4,374	4,670	4,593	Invoices processed
20,147	93,302	95,663	90,926	83,703	Parts transactions

Fiscal Year						
2013		2014		2015		
Schools	County	Schools	County	Schools	County	**FLEET FUEL**
557,143	485,554	514,496	397,319	519,600	392,871	Gallons Purchased
$ 1,791,347	$ 1,484,928	$ 1,606,938	$ 1,190,109	1,171,087	884,457	Cost

Fiscal Year						
2013		2014		2015		
Replacement	Additional	Replacement	Additional	Replacement	Additional	**FLEET ACQUISITIONS**
12	-	11	-	13	-	School Buses - Mainstream
3	-	6	-	3	-	- Special Needs
3	-	2	-	10	-	Other School Vehicles

Fiscal Year						
2013		2014		2015		
Heavy Duty Shop	Light Duty Shop	Heavy Duty Shop	Light Duty Shop	Heavy Duty Shop	Light Duty Shop	**FLEET SHOPS**
47	114	41	113	35	122	Vehicles per Technician by Shop

STAFFORD COUNTY PUBLIC SCHOOLS **Table S-13**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Technology and Information Services
Fiscal Years 2009 - 2015

	Fiscal Years						
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Technology Statistics:							
Number of Sites Serviced (Schools and Support Offices)	34	34	34	34	34	34	34
Computer Statistics:							
Total Desktop Computers	6,863	6,943	7,077	7,141	7,141	7,270	7,326
Desktop Computers over 5 years old	608	2,073	819	139	65	138	174
Percentage of Desktop Computers over 5 years old	9%	30%	12%	2%	1%	2%	2%
Total Laptop Computers	3,746	3,746	3,731	3,825	3,825	3,245	3,135
Laptop Computers over 5 years old	31	617	731	108	187	0	0
Percentage of Laptop Computers over 5 years old	1%	16%	20%	3%	5%	0	0
Connectivity Statistics by Site							
Number of Sites with Wireless LAN connection	5	5	34	34	34	34	34
Percentage of Sites with Wireless LAN connection	15%	15%	100%	100%	100%	100%	100%
Number of Sites with Fiber WAN connection	-	9	9	18	18	26	27
Percentage of Sites with Fiber WAN connection	0%	26%	26%	53%	53%	76%	79%
Number of Sites with Wireless WAN connection	18	18	18	18	18	18	18
Percentage of Sites with Wireless WAN connection	53%	53%	53%	53%	53%	53%	53%
Number of Sites with T1 WAN connection	14	8	8	6	6	3	3
Percentage of Sites with T1 WAN connection	41%	24%	24%	18%	18%	9%	9%
Other Technology Statistics:							
Number of Schools fully equipped with Mounted Projectors	3	3	3	30	30	30	30
Percentage of Schools fully equipped with Mounted Projectors	10%	10%	10%	100%	100%	100%	100%

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

STAFFORD COUNTY PUBLIC SCHOOLS **Table S-14**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Property Data
June 30, 2015

	Year of Construction	Year of Last Renovation	Building - Square Feet	Site - Acreage
High School Data				
Brooke Point HS	1993	-	266,656	52.82
Colonial Forge HS	1999	-	246,082	62.90
Mountain View HS	2005	-	254,854	95.35
North Stafford HS	1981	2003	304,096	88.50
Stafford Senior HS	2015	-	290,557	124.56
Middle School Data				
Edward Drew MS	1951	1998	98,913	15.31
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	1996	75,718	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	1966	1997	76,098	18.54
Park Ridge ES	1990	1994	76,431	20.00
Rockhill ES	1989	1994	76,438	23.38
Rocky Run ES	2000	-	87,700	20.00
Stafford ES	1968	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	79,887	29.87
Pupil Transportation (Included in Fleet Acreage)	2009	-	7,362	-
Fleet Services	1980	-	16,000	21.54
Maintenance (all buildings condemned)	-	-	-	-
Support Services Building (included in Fleet Acreage)	1998	-	25,650	-
Aimee Building (JROTC Office on Stafford Senior HS campus)	1981	-	2,304	-
Land				
High School #6, Clift Farm Road	-	-	-	172.00
Riverbend Subdivision Land	-	-	-	6.00

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Energy Management - Utilities Savings
Calendar Years 2006 - 2015

	Calendar Year			
	2006	**2007**	**2008**	**2009**
Utilities Summary of All Schools (by Year):				
Thousand British Thermal Units (MBTU)	231,703,193	246,594,352	235,724,780	217,896,785
Square Footage	3,390,412	3,624,412	3,771,182	3,771,182
MBTU/Square Footage	68.34	68.04	62.51	57.78

Utilities Summary by School Level (in MBTU):	2014		
	Actual	**Historical**	**Savings**
Electric	53,788,426	51,540,486	(2,247,940)
Gas	20,554,900	21,472,560	917,660
Oil	-	2,379,112	2,379,112
Propane	34,914	272,373	237,459
Subtotal	74,378,240	75,664,531	1,286,291
Electric	32,871,801	34,236,402	1,364,601
Gas	10,023,400	8,722,460	(1,300,940)
Oil	3,544,744	3,866,173	321,429
Propane	30,618	75,061	44,443
Subtotal	46,470,563	46,900,096	429,533
Electric	50,771,918	52,209,124	1,437,206
Gas	15,173,800	10,986,800	(4,187,000)
Oil	2,960,244	9,233,732	6,273,488
Propane	5,198	27,164	21,966
Subtotal	68,911,160	72,456,820	3,545,660
Total	189,759,963	195,021,447	5,261,484

Percentage of Savings	2.70%
Dollar Savings (net of capital lease payment of $386,908)	$ 1,336,505

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

Table S-15

Calendar Year					
2010	**2011**	**2012**	**2013**	**2014**	
					Utilities Summary of All Schools (by Year):
233,409,383	201,773,183	189,007,876	191,080,280	189,759,963	Thousand British Thermal Units (MBTU)
3,771,182	3,771,182	3,771,182	3,771,182	3,771,182	Square Footage
61.89	53.50	50.12	50.67	50.32	MBTU/Square Footage

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
AVERAGE SAT SCORES
Fiscal Years 2006 - 2015

	2006	2007	2008	2009	2010
Average SAT Scores:					
Math	511	502	509	504	509
Writing	494	482	488	484	493
Critical Reading	514	508	513	506	516

Source: College Board SAT 2015, College-Bound Seniors District Highlights Report.

Table S-16

2011	2012	2013	2014	2015	
					Average SAT Scores:
504	505	509	511	519	Math
486	489	490	493	492	Writing
510	514	514	519	522	Critical Reading

STAFFORD COUNTY PUBLIC SCHOOLS **Table S-17A**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2007 - 2015

Grade	Location	2007	2008	2009	2010	2011	2012	2013	2014	2015
						Reading				
3	Division	77%	80%	81%	84%	85%	88%	76%	70%	76%
	State	80%	84%	89%	88%	83%	88%	72%	69%	75%
4	Division	87%	87%	86%	88%	90%	88%	74%	72%	82%
	State	87%	88%	89%	88%	87%	88%	70%	70%	77%
5	Division	85%	87%	88%	89%	91%	89%	79%	76%	83%
	State	87%	89%	92%	90%	89%	89%	73%	73%	79%
6	Division	88%	84%	84%	85%	89%	90%	79%	76%	78%
	State	84%	85%	86%	88%	87%	89%	73%	73%	76%
7	Division	86%	86%	89%	86%	91%	92%	82%	83%	86%
	State	86%	86%	88%	89%	89%	88%	74%	76%	81%
8	Division	86%	80%	87%	83%	92%	92%	77%	74%	81%
	State	80%	83%	87%	90%	90%	89%	71%	70%	75%
High School	Division	95%	94%	96%	94%	96%	97%	93%	92%	92%
	State	94%	94%	95%	94%	94%	94%	89%	90%	89%
						Writing				
5	Division	88%	89%	84%	87%	91%	90%	75%	74%	NLG
	State	89%	87%	86%	88%	87%	87%	71%	71%	NLG
8	Division	88%	86%	89%	87%	90%	91%	74%	69%	76%
	State	86%	87%	89%	91%	88%	88%	70%	70%	72%
High School	Division	92%	92%	95%	92%	96%	95%	90%	85%	86%
	State	92%	92%	92%	92%	93%	93%	87%	84%	83%

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

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 2008 - 2015

Grade	Location	2007	2008	2009	2010	2011	2012	2013	2014	2015
						History				
3	Division	92%	92%	93%	94%	87%	89%	89%	88%	NLG
	State	92%	93%	93%	93%	85%	87%	87%	86%	NLG
5	Division	N/A	N/A	N/A	83%	100%	93%	95%	95%	NLG
	State			94%	90%	80%	84%	82%	86%	NLG
						History and Social Science (Alternative Assessment)				
4	Division	N/A	N/A	N/A	N/A	88%	93%	96%	95%	NLG
	State	N/A	N/A	95%	92%	87%	84%	81%	88%	NLG
6	Division	N/A	N/A	N/A	100%	95%	88%	83%	90%	NLG
	State	N/A	N/A	N/A	91%	92%	86%	84%	89%	NLG
7	Division	N/A	N/A	N/A	100%	95%	96%	89%	96%	NLG
	State	N/A	N/A	N/A	92%	91%	88%	84%	89%	NLG
High School	Division	N/A	N/A	N/A	95%	89%	92%	86%	92%	90%
	State	N/A	N/A	90%	91%	87%	84%	77%	86%	78%
						Virginian and U.S. History				
High School	Division	96%	97%	96%	97%	89%	93%	91%	90%	91%
	State	93%	94%	95%	95%	83%	85%	86%	87%	87%
						World History I				
High School	Division	93%	95%	96%	98%	88%	88%	92%	91%	89%
	State	89%	91%	93%	93%	81%	84%	84%	85%	85%
						World History II				
High School	Division	96%	96%	97%	97%	88%	91%	90%	92%	91%
	State	92%	92%	93%	92%	82%	85%	85%	86%	87%
						World Geography				
High School	Division	92%	93%	96%	99%	100%	99%	97%	99%	100%
	State	83%	84%	86%	86%	85%	85%	86%	86%	86%
						Virginia Studies				
Content Specific	Division	80%	79%	86%	87%	92%	91%	90%	87%	89%
	State	83%	93%	88%	87%	89%	89%	87%	85%	87%
						U.S. History to 1877 to 1865				
Content Specific	Division	60%	69%	66%	80%	84%	82%	85%	79%	NLG
	State	69%	74%	74%	78%	81%	81%	83%	81%	NLG
						U.S. History 1877 to present				
Content Specific	Division	88%	91%	94%	94%	88%	86%	88%	84%	NLG
	State	87%	92%	92%	91%	85%	84%	82%	81%	NLG
						Civics and Economics				
Content Specific	Division	81%	84%	81%	82%	82%	84%	87%	83%	86%
	State	83%	84%	84%	86%	84%	84%	85%	83%	86%

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

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 2007 - 2015

Grade	Location	2007	2008	2009	2010	2011	2012	2013	2014	2015
						Mathematics				
3	Division	88%	88%	88%	93%	93%	69%	69%	68%	78%
	State	89%	89%	89%	92%	91%	64%	65%	67%	74%
4	Division	81%	81%	84%	88%	90%	75%	79%	84%	85%
	State	81%	84%	86%	88%	89%	70%	74%	80%	84%
5	Division	86%	86%	87%	94%	91%	72%	76%	78%	84%
	State	87%	88%	90%	92%	89%	67%	69%	73%	79%
6	Division	70%	70%	76%	83%	83%	82%	83%	86%	90%
	State	60%	68%	73%	77%	73%	74%	77%	76%	83%
7	Division	71%	71%	66%	68%	73%	54%	75%	75%	79%
	State	56%	65%	71%	75%	77%	58%	61%	65%	72%
8	Division	85%	85%	90%	89%	90%	83%	68%	72%	79%
	State	77%	83%	85%	87%	82%	60%	61%	67%	74%
						Mathematics (Alternate Assessment)				
High School	Division	N/A	85%	91%	95%	100%	92%	67%	88%	100%
	State	88%	80%	81%	80%	77%	68%	65%	69%	72%
						Algebra I				
High School	Division	93%	93%	94%	97%	97%	83%	87%	84%	85%
	State	92%	93%	94%	94%	94%	75%	76%	79%	82%
						Geometry				
High School	Division	88%	88%	91%	90%	92%	77%	81%	82%	85%
	State	86%	87%	87%	88%	87%	74%	76%	77%	80%
						Albegra II				
High School	Division	88%	88%	92%	92%	92%	72%	86%	91%	95%
	State	88%	90%	91%	91%	91%	69%	76%	82%	87%

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

STAFFORD COUNTY PUBLIC SCHOOLS **Table S-17D**
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2007 - 2015

Grade	Location	2007	2008	2009	2010	2011	2012	2013	2014	2015
						Science				
3	Division	87%	88%	88%	91%	90%	92%	85%	85%	NLG
	State	88%	89%	89%	91%	90%	90%	84%	83%	NLG
5	Division	85%	88%	87%	90%	86%	88%	79%	75%	82%
	State	88%	88%	88%	88%	87%	88%	75%	73%	79%
8	Division	93%	93%	95%	94%	96%	96%	83%	79%	83%
	State	89%	90%	90%	92%	92%	92%	76%	74%	78%
						Science (Alternate Assessment)				
High School	Division	N/A	85%	100%	86%	94%	96%	71%	85%	84%
	State	N/A	84%	88%	88%	90%	83%	59%	74%	77%
						Biology				
High School	Division	91%	93%	93%	93%	95%	95%	89%	88%	91%
	State	87%	88%	88%	93%	90%	92%	83%	83%	84%
						Chemistry				
High School	Division	96%	94%	97%	96%	95%	96%	90%	90%	91%
	State	91%	92%	93%	94%	93%	93%	86%	87%	88%
						Earth Science				
High School	Division	89%	92%	93%	92%	93%	96%	91%	88%	87%
	State	85%	86%	87%	88%	89%	90%	83%	83%	83%

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

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 2006 - 2015

	2006	2007	2008	2009	2010
Division-wide Status:					
Schools Fully Accredited	100%	100%	97%	100%	100%
Schools that Made AYP/AMO	92%	63%	48%	47%	53%
Division AYP/AMO	Did not make AYP	Made AYP	Did not make AYP	Made AYP	Did not make AYP
Schools that Made FAMO	-	-	-	-	-
Division FAMO	-	-	-	-	-

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

Table S-18

2011	2012	2013	2014	2015	
					Division-wide Status:
100%	100%	100%	97%	100%	Schools Fully Accredited
37%	37%	47%	50%	37%	Schools that Made AYP/AMO
Did not make AYP	Did not make AYP	Did not meet FAMO	Did not meet FAMO	Did not meet FAMO	Division AYP/AMO
-	-	47%	50%	37%	Schools that Made FAMO
-	-	Did not meet FAMO	Did not meet FAMO	Did not meet FAMO	Division FAMO

COMPLIANCE SECTION

RSM

RSM US LLP

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

To the Honorable Members of the Stafford County School Board
Stafford County Public Schools
Stafford, 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 Boards*, 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 the Stafford County School Board (the school board), a component unit of Stafford County, Virginia, as of and for the year ended June 30, 2015, 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 December 9, 2015.

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGladrey LLP

New Bern, North Carolina
December 9, 2015

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RSM

RSM US LLP

Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required By OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Stafford County School Board's (the school board, a component unit of Stafford County, Virginia) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the school board's major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 Each Major Federal Program

In our opinion, the Stafford County School Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

New Bern, North Carolina
December 9, 2015

RSM US LLP, an Iowa limited liability partnership, is doing business as McGladrey LLP in the state of North Carolina and is a CPA firm registered with the North Carolina State Board of Certified Public Accountants under the name McGladrey LLP. Rules permitting the use of RSM US LLP have been published in the North Carolina Register and are pending final approval.

Stafford County Public Schools
Component Unit of the County of Stafford
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-though Entity Identifying Number	Federal REVENUE
Department of Agriculture:			
Child Nutrition Cluster:			
Food Distribution	10.555	10.555/2012	696,584
Department of Education:			
National school lunch program	10.555	2014IN109941	3,628,764
Total 10.555			4,325,348
National school breakfast program	10.553	2014IN109941	1,178,121
Total Child Nutrition Cluster			5,503,469
Total Department of Agriculture			5,503,469
Department of Defense:			
Direct Payments:			
JROTC	12.000	-	274,232
Basic and Applied Scientific Research	12.300	-	4,030
Department of Defense Impact Aid	12.558	-	242,182
Total Department of Defense			520,444
Department of Education:			
Direct Payments:			
Impact Aid	84.041	-	1,136,868
Pass Through Payments:			
Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A130107	4,443,604
Special Education - Preschool Grants	84.173	H173A130112	37,352
Total Special Education Cluster			4,480,956
Title I Grants to Local Educational Agencies	84.010	S010A130046	1,676,245
Title IV Part B-21 Twenty-First Century Community Learning Center	84.287	S287C130047	147,411
Advance Placement Incentive Program	84.330	S330B130008	18,145
Career and Technical Education - Basic Grants to States	84.048	V048A130046	216,964
Education for Homeless Children and Youth	84.196	S196A100048	39,225
Improving Teacher Quality State Grants	84.367	S367A130044	343,481
English Language Acquisition Grant	84.365	S365A130046	138,458
Total Department of Education			8,197,753
Department Health and Human Services:			
Direct Payments:			
Head Start Program	93.600	-	2,296,401
Pass Through Payments:			
Department of Social Services:			
Medical Assistance Program	93.778	93.778/2012	888,992
Total Department Health and Human Services			3,185,393
Total Expenditures of Federal Awards			17,407,059

See accompanying notes to the schedule of expenditures of federal awards

Stafford County Public Schools
Component Unit of the County of Stafford
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of Stafford County Public Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Stafford County Public Schools.

Note 2 - 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
School Operating Fund	$ 2,560,419
School Grants Fund	9,343,171
School Special Revenue Fund	5,503,469
Total federal expenditures per basic financial statements	$ 17,407,059
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$ 17,407,059

** Includes non-cash expenditures - value of donated commodities of $696,584

Stafford County School Board
A Component Unit of Stafford County, Virginia

Schedule Of Findings And Questioned Costs
Year Ended June 30, 2015

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
- Material weakness(es) identified? ____ yes ✓ no
- Significant deficiency(ies) identified? ____ yes ✓ none reported

Noncompliance material to financial statements noted? ____ yes ✓ no

Federal Awards

Internal control over major federal programs:
- Material weakness(es) identified? ____ yes ✓ no
- Significant deficiency(ies) identified? ✓ yes ____ none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? ✓ yes __ no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553 and 10.555	School Breakfast Program; National School Lunch Program
84.041	Impact Aid
84.027 and 84.173	Special Education Cluster – Grants to States; Special Education - Preschool Grants
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs $522,212

Auditee qualified as low-risk auditee? ✓ yes ____ no

(Continued)

Section II. Financial Statement Findings and Questioned Costs

None reported.

Section III. Findings and Questioned Costs for Federal Awards

Finding 2015-001

Program Name: Impact Aid

CFDA #84.041

Criteria: In accordance with program requirements, funds may not supplant any State funds (either general or special education State aid) that were or would have been available to local educational agencies for the free, appropriate public education of federally connected children with disabilities counted under Section 8003(d).

Condition: The amount of expenditures for special education and related services provided to federally connected children with disabilities must be at least equal to the amount of funds received or credited under Section 8003(d) for that fiscal year. This is demonstrated by performing certain calculations. These calculations were not performed by the school board until we requested to review the calculations during fieldwork. The school board completed the calculations showing they met the requirement; however, the school board failed to periodically perform the calculation in accordance with program requirements.

Cause and Context: School board personnel were unaware of the need to perform the calculations.

Effect: Potential noncompliance with program requirement.

Questioned Cost: None

Recommendation: We recommend management review program requirements for each federal program and implement policies and procedures to ensure all program requirements are being met.

Management Response: Management will review all compliance requirements for each federal program to ensure that all departments are aware of applicable requirements. Procedures will be developed and implemented to review compliance no less than on an annual basis. The Financial Services Department will review the procedures for monitoring program requirements with each department to verify that compliance with the program requirements has been achieved.

Stafford County School Board
A Component Unit of Stafford County, Virginia

Corrective Action Plan
Year Ended June 30, 2015

Identifying Number: 2015-001

Name of Contact person: Lance W. Wolff, Assistant Superintendent for Financial Services

Corrective Actions Taken: Management will review all compliance requirements for each federal program to ensure that all departments are aware of applicable requirements. Procedures will be developed and implemented to review compliance no less than on an annual basis. The Financial Services Department will review the procedures for monitoring program requirements with each department to verify that compliance with the program requirements has been achieved.

Proposed Completion Date: June 30, 2016

Stafford County School Board
A Component Unit of Stafford County, Virginia

Summary Schedule Of Prior Audit Findings
Year Ended June 30, 2015

Finding 2014 – 001

Time certifications were completed for all active employees, but weren't for one former employee who was no longer employed by the school division. Procedures have been established to ensure employees complete and sign certifications of time charged to federal programs on at least a semi-annual basis as required by OMB Ciruclar A - 87.

The mission of Stafford County Public Schools is "teaching our students today to be the leaders of tomorrow."