



STAFFORD COUNTY, VIRGINIA COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR 2019
(July 1, 2018 - June 30, 2019)**

Prepared by Stafford County, Virginia Finance Department



*George Washington's
Boyhood Home*



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Working To Be The Best Local Government In Virginia

Through a culture of enthusiasm, creativity, and continuous improvement, we serve to make a difference.

**COUNTY OF STAFFORD, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019**

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Gary F. Snellings, Chairman
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Meg Bohmke
Jack R. Cavalier
Thomas C. Coen
Wendy E. Maurer
Cindy C. Shelton

Thomas C. Foley
County Administrator

December 26, 2019

To Members of the Board of Supervisors and Citizens of Stafford County:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of Stafford, Virginia (County) for Fiscal Year (FY) 2019 in compliance with Section 15.2-2511 of the *Code of Virginia* (1950), as amended. The County has used professionally accepted standards to prepare its financial statements. The report is designed to present fairly the financial position and results of financial operations of the County in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure so that the reader may gain maximum understanding of the County's financial affairs.

The Finance and Budget Department has prepared this report in accordance with the following standards:

- Accounting principles generally accepted in the United States of America (GAAP), which are uniform minimum standards and guidelines for financial accounting and reporting,
- Governmental accounting and financial reporting statements and interpretations issued by the Governmental Accounting Standards Board (GASB), and
- Uniform financial reporting standards for counties, cities and towns issued by the Commonwealth of Virginia's Auditor of Public Accounts (APA).

The responsibility for the accuracy, completeness and fairness of the data presented in the report, including all disclosures, rests with the County.

Cherry Bekaert LLP, a firm of licensed certified public accountants, audited the County's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2019, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based on their audit, that there was a reasonable basis for rendering an unmodified opinion on the County's financial statements for the year ended June 30, 2019, are fairly presented in conformity with GAAP. The report of independent auditor is presented as the first component of the financial section of this report.

The independent audit of the financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements and internal controls involving the administration of federal awards. These reports are available in the compliance section of this report.

GAAP requires that management provide a narrative overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors at the beginning of the financial section.

PROFILE OF STAFFORD COUNTY

Stafford County was formed in 1664 and was named for Staffordshire, England. The County is located in northeastern Virginia, approximately 40 miles south of Washington, D.C. and 55 miles north of Richmond, Virginia. It encompasses 277 square miles and is bordered by the Potomac River on the east and the Rappahannock River on the south.

Stafford County operates under the board of supervisors/administrator form of government. The Board of Supervisors (the Board) consists of seven members elected by district who have authority over local taxation, budgets, borrowing, local ordinances and policy. The Board appoints a County Administrator to act as the chief administrative officer of the County. The County Administrator serves at the pleasure of the Board of Supervisors and carries out the policies established by the Board.

The government of the County serves a population of 149,110 residents and provides a full range of local government services. These include general administration, judicial administration, public safety, public works, health and welfare, parks, recreation, and community facilities, education, and community and economic development. Funds required to support these services are reflected in this report.

Public Schools

Stafford County is financially accountable for a legally separate school district which is reported within the government-wide financial statements as a discrete component unit. Stafford County Public Schools (education) is the largest service provided by the County. The school system is operated by a board consisting of seven members elected by district. The School Board appoints a superintendent to administer its policies. The County's audit firm, Cherry Bekaert LLP, also performs an audit for the School Board. The School Board issues a separate annual financial report.

Higher Education

Multiple opportunities for higher education exist in the County. The University of Mary Washington's graduate school campus is located in Stafford County. It offers a variety of career advancement and professional development programs for working adults. More than 1,000 students were enrolled in these programs during 2017-2018. Germanna's new Barbara J. Fried Center near Stafford Hospital opened in summer 2018 at 124 Old Potomac Church Road---the next step toward a permanent campus in Stafford County. The Barbara J. Fried Center offers all Germanna transfer programs, including cybersecurity, nursing and business administration. The location's proximity to Quantico in Stafford will help Germanna serve veterans and local professionals, and serves approximately 1,000 local students. University of Maryland Global Campus offers classes and full services at Quantico Corporate Center (Off-Base) in Stafford, Virginia. Other nearby educational institutions include the Marine Corp University and George Mason University.

Stafford County joined a new regional program: good jobs here—a broad-based effort to create, measure, execute and foster community-based, economic growth and job creation in the Fredericksburg region. Utilizing a GO Virginia grant, the George Washington Regional Commission partnered with leading local organizations to create a shared understanding of current data, analysis, strengths, and opportunities for this region. Once the current series of sessions are complete in November, we will gather all that we have learned and turn it into a common set of community-wide goals, with a special view as to how each individual and organization can best contribute to our economic success from our areas of strength and expertise.

UMW is leading a consortium of local governments and educational entities to offer a non-credit preparatory program for the Certified Information Systems Security Professionals, or CISSP, exam. Classes will take place at UMW's Stafford County and Dahlgren campuses.

Budgetary Control

The annual budget serves as the foundation for the County's financial planning and control. County departments and agencies begin their budget preparation each year in October. Appropriation requests are submitted in December for the fiscal year beginning the following July 1st. The County Administrator submits a proposed operating and capital budget to the Board of Supervisors in March of each year. The budget includes proposed expenditures and the revenue to support them. Work sessions are scheduled to refine the proposal and align it with goals and objectives. Public hearings are conducted to obtain citizen comments on the proposed budget and tax rates. Property tax rates are set by passage of a resolution. Prior to June 30th, the budget is legally enacted through passage of an appropriations resolution. Budget-to-actual comparisons are provided in this document in the sections labeled "Required Supplementary Information" and "Other Supplementary Information".

The Code of Virginia requires the school superintendent to submit a budget to the County Board of Supervisors. When the School Board adopts its budget it is forwarded to the County Administrator. The County Board of Supervisors reviews the School Board's budget and determines the level of local funding.

Internal Control

In developing and maintaining the County's overall accounting and financial management system, adequacy of internal accounting controls has been considered. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss and the reliability of financial records. 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 evaluation of costs and benefits requires estimates and judgments by management. In this regard, we believe that the County's internal accounting controls are adequate. In addition, the external auditors evaluate these controls during the course of the annual audit. We are committed to deriving the maximum benefits from this review process and will continue to actively pursue implementation of all recommended policy and procedural changes which are deemed practicable.

Accounting System

The County operates a fully automated accounting and financial management information system. This system is the foundation required to support the “central accounting” function and represents a cooperative effort by both County and School Board financial staffs. Budgetary control is maintained primarily at the fund level and at the department level by the encumbrance of estimated purchases. Purchase orders are reviewed for adequate appropriations prior to release to vendors. Open encumbrances, which represent commitments for the purchase of goods or services in a future period, are reported as restrictions, commitments or assignments of fund balances at the end of the fiscal year.

Relevant Financial Policies

The Board’s financial policy, *Principles of High Performance Financial Management*, was adopted in FY 2005 and updated in FY 2019 per policy guidelines. The policy defines the fund balance levels for the General Fund and sets debt capacity parameters in order to provide for overall stability and flexibility for financial planning purposes. It is reviewed and updated every two years, at a minimum. One of the Board’s goals is to continue strengthening its financial position through a commitment to fiscal discipline and accountability. The revised policy continues the minimum unrestricted, unassigned fund balance for the General Fund at twelve percent (12%) of General Fund revenues. Use of unassigned fund balance is restricted to significant unexpected declines in revenues or unanticipated emergencies. This policy was met; at June 30, 2019 unassigned fund balance in the General Fund was \$38.7 million or 12.7% of revenues. The Board also reaffirmed previously established fund balance commitments:

- Revenue Stabilization Fund – minimum 2% of general fund revenues – to be used during times of economic downturns when there is a 2% shortfall of revenue within a single year and can be used for unanticipated emergencies and catastrophes.
- Capital Projects Reserve – a minimum of \$1.5 million for capital needs to reduce reliance on debt.
- Schools Capital Projects Reserve – a minimum of \$1.5 million for capital needs to reduce reliance on debt.
- Stafford Opportunity Fund – \$0.5 million to enhance and promote economic development.
- PDR fund – dedicates all rollback tax revenue to purchase development rights and preserve open space and farm land.
- CSA Reserve – a minimum \$0.3 million reserve for expenditures for the Children’s Services Act program. To be used in any year when CSA costs for private day school expenditures exceed the budget, 20 % of the overage may be funded by utilizing the CSA reserve.
- Reserve for healthcare costs - equal to the estimated Incurred But Not Reported (IBNR) plus 10% of annual claims.
- Any health care savings, after all expenditure and reserve needs have been met, will be set aside for a contribution to OPEB.

All commitments were fully funded according to policy guidelines for FY 2019. See the Notes to Financial Statements, Summary of Significant Accounting Policies, Note 1, Section N – Net Position and Fund Balance Classification – for a detailed discussion of this policy.

Long-Term Financial Planning

The County prepares a Capital Improvement Plan (CIP) annually. The CIP serves as a planning tool to analyze initiatives, formulate service levels and phase-in funding needed for public facilities. The Board adopts the plan during the budget process. The adopted FY 2019-2028 CIP totaled \$653.3 million with \$166.3 million for County projects, \$295.3 million for school projects and \$191.7 million for Utilities Fund projects. A variety of funding sources including general obligation bonds, revenue bonds, capital leases, grants and General Fund revenues will fund the projects. The bond portion of the projects totaled \$272.8 million - \$26.6 million for County projects, \$218.7 million for school projects and \$27.5 million for Utilities Fund projects.

The Board's financial policy limits general obligation debt to no more than 2.75% of the assessed value of taxable real property. General obligation debt as a percentage of taxable real property assessed value for FY 2019 was 2.41%. General Fund debt service expenditures for the County and its Component Unit School Board are not to exceed 10% of general government and schools operating budgeted expenditures. Debt service expenditures were 8.48% of budgeted expenditures for FY 2019. The financial policy also states that the County intends to maintain a ten year payout ratio at or above 60% and to the extent possible future debt for County facilities will be issued with level principal payments. The County intends to maintain a ten year pay-out ratio at or above 60%, to the extent possible, future debt facilities will be issued with level principal payments. The policy reduces reliance on debt to meet capital needs by limiting the percentage of capital lease debt service to 1% of the general government budget. Additional criteria for capital lease funded purchases include that (1) capital lease purchase is eligible under state law for such financing, (2) the useful life of the purchase equals or exceeds the term of the debt, (3) the purchase exceeds \$100,000, and (4) sufficient funds are available for the resulting debt service. The adopted CIP is in full compliance with the County's financial debt management policies.

The policy also dedicates all rollback tax revenue to the County's Purchase of Development Rights program(PDR).

The County's five-year financial model represents the County's attempt to quantify the impacts of future needs matched with a projection of available resources. The plan is presented with detailed assumptions and multi-year operating impacts in a separate section of the budget document. The plan seeks to maintain or enhance budgetary objectives of the Board of Supervisors. Conservative revenue forecasting has enabled the County to meet future targets.

ECONOMIC CONDITION AND OUTLOOK

Stafford County Economic Development & Tourism is dedicated to the perpetuation of Stafford County as a premier business location and travel destination in Virginia. An economically competitive and sustainable community, Stafford County strives to create an exciting, diverse and amenity-rich identity. Initiatives undertaken in the areas of economic development, business retention and redevelopment continue to enhance the County's position as economic conditions improve. Stafford County saw modest growth in FY 2019. Business Attraction and Expansions showed gains in Healthcare, Construction, Small Business and Retail. Of significance was the announcement and initial construction of a 495,000 square foot distribution center, when complete it will be Stafford County's second largest building and may employ between 200-300 persons.

According to the Bureau of Labor Statistics, Stafford's unemployment rate through June 2019 was 2.9%, while the State of Virginia and national rates were 3.1% and 3.8% respectively. This comparatively low unemployment rate is due to a relatively high skilled and educated labor force and continued business growth in the County. There are more than 2,785 businesses located in Stafford, employing more than 44,203 people. The professional and business services and health care industries have contributed significantly to that growth. By the end of June 2019 nearly 335,587 square feet of commercial space is under construction. There are numerous commercial projects in various stages of development.

Stafford County's Department of Economic Development and Tourism, the Economic Development Authority (EDA) and the County Board of Supervisors have been proactive in promoting the County as a business friendly community. Initiatives during the past year included:

- Priorities. The formalization and development of a business grant and revolving loan fund.
- Approval of two new tax rate classifications to attract large distribution centers (see reference above) and data centers.
- Advancing capital projects consistent with the County's Master Redevelopment Plan element of the Comprehensive Plan to provide opportunities for business development and expansion
- Support multiple regional workshops for the business community focusing on business development and resources, workforce development, and veterans' transition programs.

Recognizing that most new jobs and investment in the community come from existing businesses, Stafford continues to focus considerable energy and staff resources on business retention and expansion. Economic Development staff visit 95 County businesses per year to seek feedback on the local business climate. Department staff provide Economic Development overviews to executive roundtables, professional associations, and community groups. Staff participated in several business investment and attraction events that promoted the County as a community for new investments.

There are now four mixed-use communities in development in Stafford County: Aquia Town Center, Celebrate Virginia North, Embrey Mill, and The Garrison. These communities attract Millennials and "Empty Nesters" alike. One of the primary traits these communities offer is walkability. Millennials also preferred living in housing within walking distance of shops and restaurants, and a shorter commute.

The County is also focusing on redevelopment activities in several of Stafford's targeted growth areas. These areas include commercial and industrial properties in the northern, central and southern sectors of the County. The northern area is located near the Marine Corps Base Quantico (MCBQ) at Boswell's Corner. This business cluster attracts additional defense and high-tech related contractors. Healthcare, education, and support service enterprises (hotel, retail and food service) have located, are under construction, or plan to locate in the area.

The U.S. Small Business Administration certifies two HUBZone dedicated areas. Stafford has the Quantico HUBZone located in North Stafford, and a South Stafford HUBZ. Defense contractors benefit from holding HUBZone credentials, 3% of all dollars are dedicated for federal prime contracts.

Downtown Stafford includes a variety of retail, government and health care facilities. The historic Courthouse area has been master planned as a pedestrian-friendly community center with both retail and cultural facilities. Significant new infrastructure is in engineering and design, including the multimillion dollar streetscape improvement project. Stafford Hospital Center, a full service, 100-bed acute care facility, is also located in the Courthouse area. Future development, enhanced by transportation improvements, is expected to generate supporting businesses for the area. The Exit 140 Divergent Diamond Interchange opens in July 2020. Stafford County is preparing to begin building the new "smart" Downtown Stafford near the current Stafford Government Center. Virginia's Center for Innovation and Technology has identified Stafford as a lead community across the Commonwealth for investment in smart city technologies which will further leverage investment into Downtown Stafford.

The Falmouth area in south Stafford provides an opportunity to preserve and enhance an historic riverfront community. Access to Falmouth is currently via a congested portion of US Route 1. A redesign of the Route 1 – Route 17 intersection has been completed. Bike and pedestrian trails have been constructed as a means of linking the area to historic and recreation sites.

The southern business corridor, "Southern Gateway" is located near the I-95 and Route 17 interchange. Adjacent retail centers are anchored by nationally recognized businesses, serving both business and residential populations located in the area. Construction of traffic flow improvements began at two major intersections – Route 1 and Route 17, and Route 17 at I-95. The I-95 Express Lanes project continues construction to reach the Route 17 interchange in 2022. In all, some \$500 million is programmed for Stafford County infrastructure improvements to include roads, utilities, schools and parks.

Transportation issues continue to be addressed in all areas of the County. A major section of route 610 has been widened. The Interstate 95 High Occupancy Vehicle (HOV) lanes which came to North 2 years ago are being extended through the County across the Rappahanock river expected to be completed by FY23. The Interstate 95 / Route 630 (Courthouse Road) Interchange Relocation is a \$150 million "diverging diamond" interchange project. When completed in 2020, over 300 acres of underutilized and vacant area will be available for long term development. Safety improvements to Brooke, Poplar and Mountain View Roads are nearly complete. Safety improvement along Route 1 in the Courthouse area and in the vicinity of Telegraph Road are in the design and land acquisition phases. These projects are part of VDOT's revenue sharing road improvement program, and the recently enacted SmartScale funding program.

Stafford has enhanced its focus and efforts to promote and develop its tourism economy and integrate that work into its overall economic development program. Tourism is a key component of "place making" and the Department of Economic Development & Tourism has ramped up these efforts by engaging citizens from around the County in community forums to get input on their desires and input for tourism development in Stafford. The Board clarified the Stafford Tourism Program by approving the Stafford Tourism Program Policy in December of 2018. This Policy makes clear the areas of focus and investment for Stafford's tourism marketing and development initiatives.

As a result of continued and enhanced Stafford Tourism Program, Stafford was awarded the “destination sponsorship” for the Marine Corps Marathon Race Series and a prominent placement at all these events including the Marathon. Stafford Tourism secured the nationally televised *Kayak Bassin* tournament that will take place in 2020 and 2021—attracting hundreds of visitors and leverage millions in TV marketing.

Stafford Tourism continues to market regional and local leisure, cultural, and heritage sites and the Rouse Swim and Sports Center provides with an Olympic pool complex, and 6 multi-sport fields with an additional 2 synthetic fields. Three more natural turf fields are being constructed and will be complete in FY20.

MAJOR INITIATIVES

Stafford has made it a priority to adhere to sound and responsible financial practices for several years to improve bond ratings to benefit citizens for the long term. That constant financial mindfulness led to Stafford receiving a third AAA bond rating in October of 2018 from Moody's Investors Services. This accomplishment puts Stafford in a very small group of jurisdictions that are AAA by Moody's, S&P and Fitch. Moody's cited Stafford's current healthy financial position as well as its emphasis on strategically planning for the future as a basis for the AAA rating. In keeping with its policies the Finance and Budget staff continues its efforts to keep the Board apprised of the County's financial operations through a variety of initiatives. A monthly financial report compares budget to actual results, in dollars and percentage, for major revenue sources and departmental expenditures; a short narrative explains variances. There is also a quarterly presentation at a Board work session during which financial results are reviewed and projections are presented as well as plans to deal with them.

When the FY 2019 budget was adopted in April 2018, 5% of the operating budget for the local transfer to schools operations and County departments was withheld from appropriation. Only necessary appropriations were made after a comprehensive mid-year review, including revenue projections to support the additional appropriations. This practice is in place for FY 2020 as well.

Stafford County implemented a Five-Year Financial Plan that provides a multi-year forecast of revenues and expenditures as a planning and communication tool for existing and future priorities. This planning effort was a first and helps to guide budget decisions within a framework of five years, instead of just the one year. More importantly, the County instituted its first Strategic Plan. Stafford's first Strategic Plan provides short-term steps that can be taken over the next three years to position the County for success with specific priorities for the community. Both the Five-Year Financial Plan and the Strategic Plan are tools used in planning for the annual budget process.

As discussed above in long term financial planning, the Stafford County Purchase of Development Rights (PDR) program offers an alternative to rural landowners for selling their properties, thereby preserving the rural and open spaces in the County. This program compensates property owners for restricting development on their land through recordation of a conservation easement. The property owner retains ownership of the land and may continue to reside on the property, and retain such uses as farming or timbering. How many development rights determine compensation to the property owner, or buildable lots, exist on the property. To date, the County has preserved 743 acres of farm and forestlands on eight properties countywide. A total of 195 development rights have been extinguished.

During FY19, the County purchased 1 easement totaling 212 acres. In August 2019, an additional 84 acres were purchased. 283 acres are in process for FY20 and FY21. The PDR program utilizes a 50/50 grant from the State to enhance its purchasing power.

The County is currently looking at available areas in which to share services with Stafford County Public Schools. Shared services are already in place in many functional areas. We have a joint Fleet Services Department that maintains both County and School vehicles. Both the County and the Schools have contracted to provide the same medical and dental benefit provider with similar plans to all employees. The County is considering other areas to combine services that would provide the same level of service to the customer and the residents of the County.

Construction on a new Fire Station 14, a facility that will replace a portable unit and enhance Fire and Rescue's ability to serve a growing area, is almost complete. This fire station is cutting edge and ushers in a new generation of fire stations for Stafford County.

Stafford County has installed exhaust capture and removal systems in its stations to protect the health of its Fire and Rescue personnel. The diesel engines parked in the bays of stations produce a mixture of toxic gases and particulates from the combustion process, many of which contain known cancer-causing substances.

Stafford's Community Development Services Center and Planning Department implemented an online "Dynamic Portal" to allow customers to apply for permits online. The portal provides customers a timeline of permitting decisions as well as other information. This portal is an effort to streamline the process further and make it friendlier and more accessible to users.

Stafford continues to work with the Commonwealth of Virginia on the advancement of Widewater State Park. The park is Virginia's 38th state park and adds additional water access and recreational opportunities sought by both citizens and visitors. The park is expected to have a very positive impact on tourism and the economy in Stafford.

In preparation efforts against potential acts of violence in schools, the Sheriff's Office is working with the Schools to provide school protection officers to join the School Resource Officers already deployed in schools. The Board of Supervisors provided funding to hire three officers, of which two have been employed and placed in elementary schools this year, with one more in the pipeline.

Stafford completed Phase IV of the Belmont-Ferry Farm Trail. This section of the trail connects Stafford County to the City of Fredericksburg via a bridge and allow more visitors to flow freely between the two localities.

Stafford undertook a study of local roads and how they might be improved by the County. They completed the Comprehensive Transportation Study of County Roads, including 94 roads with 114 multiple segments. Over the last eight years, the County has invested \$57 million of County funds to initiate and complete 22 road improvement projects. The results of the Comprehensive Transportation Study identified 8 major construction projects and 34 road widening and safety projects that were put on the November 5, 2019 ballot for consideration of a \$50 million Road Bond. Stafford's most exciting and ambitious initiative is the "Downtown Stafford" project, a plan to redevelop the area around Stafford Courthouse into a vibrant district for the County. Plans call for a mixed-use development where citizens can live, walk to work and enjoy shopping and recreational opportunities. Downtown Stafford coincides with the vast VDOT project redirecting and widening the I-95 Exit 140

path to the Courthouse area and Stafford Hospital. Plans call for making Downtown Stafford a “smart city.” A smart city is a municipality that uses information and communication technologies (ICT) to increase operational efficiency, share information with the public and improve both the quality of government services and citizen welfare.

Stafford is focused on healthy growth, passing measures to ensure development occurs in areas, such as the future Downtown Stafford, that have the infrastructure in place to handle denser development. As well, the County is working to preserve its open spaces by utilizing the Transfer of Development Rights (TDR) program to encourage development in appropriate areas.

Experts estimate that around six to eight percent of Stafford’s rural residents do not have access to broadband. Stafford facilitated a broadband survey of its residents to assist in closing that gap and has been aggressive in pursuing alternative forms of the delivery of broadband. The County has applied for a state grant to fund a partnership with a fixed wireless provider to cover the majority of the County that does not have broadband.

OTHER INFORMATION

The Certificate of Achievement for Excellence in Financial Reporting - The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Stafford County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This was the County’s thirty-seventh consecutive award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish a Comprehensive Annual Financial Report (CAFR) that is easy to read, efficiently organized and whose contents conform to program standards. The CAFR must satisfy accounting principles generally accepted in the United States of America and applicable legal requirements. We believe that our current report continues to conform to the Certificate of Achievement program requirements and will be submitted to GFOA.

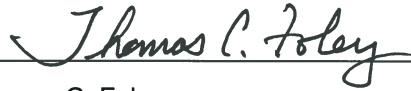
Distinguished Budget Presentation Award - The GFOA has also awarded the County its Distinguished Budget Award for the last thirty one years, including the 2019 fiscal year budget. In order to receive this award, a governmental unit must publish a budget document that is an exceptional policy document, operations guide, financial plan and communications medium.

For an overview of the County’s financial condition and financial highlights for FY2019, please refer to the Management’s Discussion and Analysis, located in the Financial Section of this document.

ACKNOWLEDGEMENTS

Stafford County has a sound record in financial management and continues to maintain a strong and stable financial reporting system. Appreciation is expressed to the members of the Stafford County Board of Supervisors, the School Board, the Treasurer, and the Commissioner of the Revenue for their interest and support in planning and conducting the financial operations of the County in a progressive and responsible manner.

Preparation of the Comprehensive Annual Financial Report was made possible by the dedicated and professional staff of the County Finance and Budget Department, the School Board Financial Services staff, the Commissioner of the Revenue and the Treasurer. All of these individuals have our sincere thanks and appreciation for the timeliness and high quality of work reflected in this report.

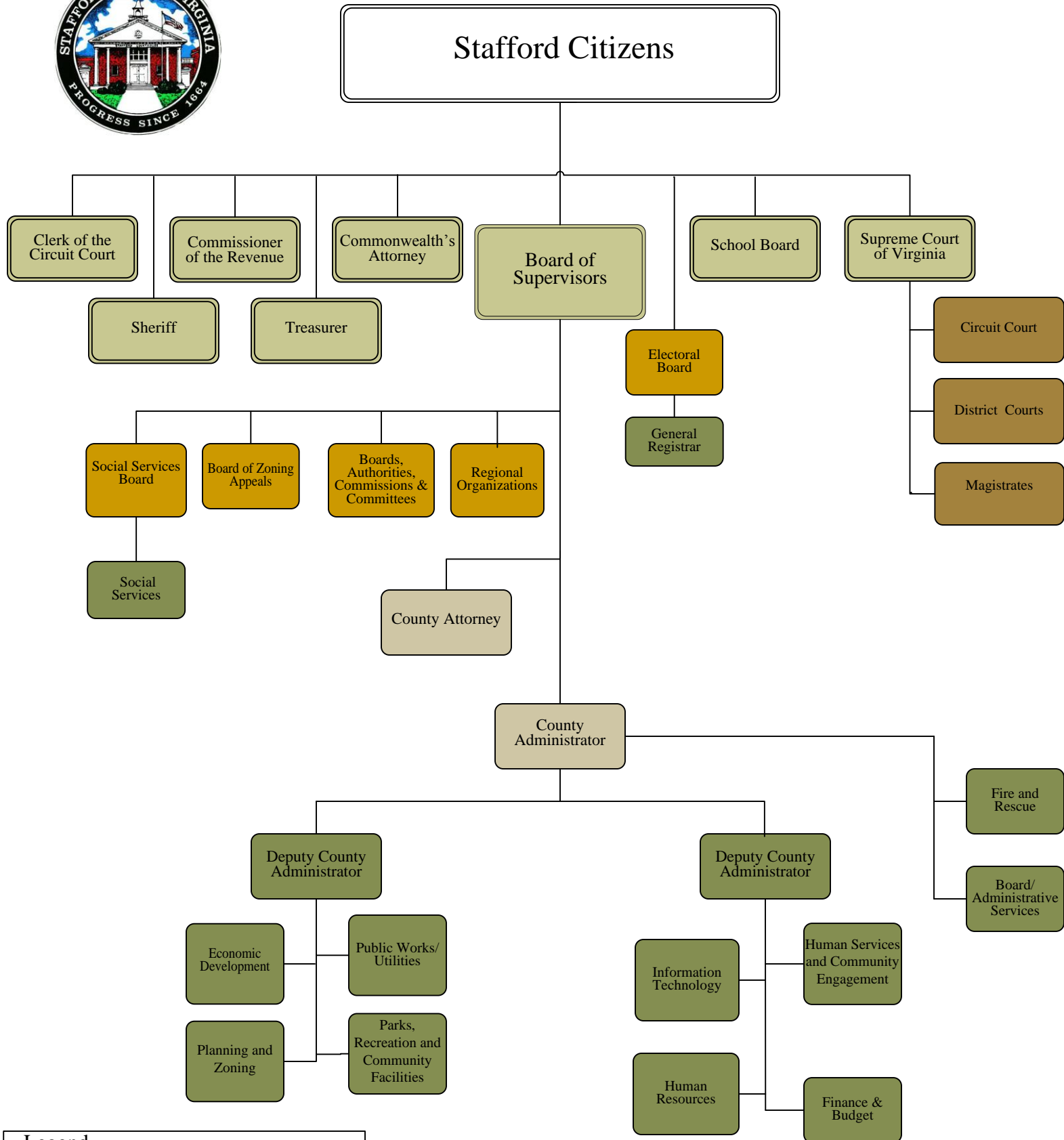


Thomas C. Foley
County Administrator



Alexandre A. Espinosa
Chief Financial Officer

COUNTY OF STAFFORD, VIRGINIA



Legend

Elected Officials/Constitutional Officers

Courts

Appointed by the Board of Supervisors

Boards and Commissions

Agencies and Departments

COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS

BOARD OF SUPERVISORS

Gary F. Snellings, Chairman	Hartwood District
L. Mark Dudenhefer, Vice Chairman	Garrisonville District
Meg Bohmke	Falmouth District
Jack R. Cavalier	Griffis-Widewater District
Wendy E. Maurer	Rock Hill District
Cindy Shelton	Aquia District
Tom Coen	George Washington District

CONSTITUTIONAL OFFICERS

Kathy M. Stern	Clerk of Circuit Court
Scott A. Mayausky	Commissioner of the Revenue
Eric L. Olsen	Commonwealth's Attorney
David P. Decatur	Sheriff
Laura M. Rudy	Treasurer

COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS
(continued)

COUNTY ADMINISTRATIVE OFFICERS

Thomas C. Foley	County Administrator
Mike T. Smith	Deputy County Administrator
Fred J. Presley	Deputy County Administrator
Rysheda M. McClendon	County Attorney
Andrea M Light	Budget Division Director
Jason D. Towery	Director of Public Utilities and Public Works
Jeffrey A. Harvey	Director of Planning and Community Development
Joseph A. Cardello	Fire Chief
Michael J. Muse	Director of Social Services
Michael Q. Cannon	Director of Information Technology
Alexandre A. Espinosa	Chief Financial Officer
Michael A. Morris	Director of Parks, Recreation and Community Facilities
Shannon E. Howell	Public Information Officer
Shannon L. Wagner	Director of Human Resources



Government Finance Officers Association

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Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



Working To Be The Best Local Government In Virginia

Through a culture of enthusiasm, creativity, and continuous improvement, we serve to make a difference.

Report of Independent Auditor

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Correction of an Error

As discussed in Note 18 to the financial statements, the governmental activities' net position as of June 30, 2018 has been restated from the previously issued financial statements to reflect the correction of an error. Our opinions are 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 schedules and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 the County's basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards (the "SEFA") is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Other Supplementary Information and the SEFA are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and the SEFA 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 26, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Tyson's Corner, Virginia
December 26, 2019

Management's Discussion and Analysis

As management of the County of Stafford, VA (County) we offer users of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the transmittal letter, financial statements, and the accompanying notes.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$248.3 million (*net position*).
- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$121.1 million. Of the \$121.1 million, \$38.3 million is available for spending in accordance with the County's financial policies (*unassigned fund balance*).
- The County's net general government long-term liabilities, which includes Other Postemployment Benefits (OPEB) and Pension obligations decreased by \$11.9 million during the current fiscal year. The decrease was in part the result of reduction in long term debt of \$15.7 million debt coupled with an increase in pension and OPEB liabilities of \$3.8 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains supplementary and statistical information in addition to the basic financial statements.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between them reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of how the financial position of the County may be changing. Increases in net position may indicate an improved financial position; decreases in net position may reflect the changing manner in which the County may have used previously accumulated funds.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued revenues and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other activities that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government administration; judicial administration; public safety; public works; health and social services; parks, recreation and cultural; community development; appropriation to School Board; transportation; and interest on long-term debt. The business-type activities consist of public utilities (water and sewer services).

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate school board for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financials, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, users may better understand the long-term impact of the County's near-term financing decisions. Reconciliations between the governmental funds Balance Sheet and the government-wide Statement of Net Position and between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities are provided to facilitate this comparison between governmental funds and governmental activities.

The County maintains fifteen individual governmental funds. Information is reported separately in the governmental funds' balance sheet and in the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Transportation Fund, and the General Capital Projects Fund; all three of which are considered to be major funds. Data from the other twelve County funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the Other Supplementary Information Section of this report. The County adopts an annual appropriated General Fund, Transportation Fund and Capital Projects Fund budget, for which budgetary comparison statements have been provided to demonstrate compliance with the respective budgets.

The County maintains one **Proprietary Fund** – an enterprise fund, which is used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its water and sewer utilities. Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail.

Fiduciary funds are used to account for resources received and held in a fiduciary capacity for the benefit of individuals or other governments. Fiduciary funds are not reflected in the government-wide financial statements because resources of these funds are not available to support the County's governmental activities. However, the County is responsible for ensuring fund assets are used for their intended purposes. The County has five fiduciary funds – Celebrate Virginia North Fund, Lake Arrowhead Sanitary District Fund, George Washington Regional Commission Fund, Embrey Mill and the Retired Employees Health Insurance Plan Trust Fund. Separate statements of fiduciary net position and statements of changes in fiduciary assets and liabilities are presented elsewhere in this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits and post-employment health care benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information.

This report also contains a statistical section that supplements the basic financial statements by presenting detailed trend information to assist readers in assessing the economic condition of the County. The statistical section contains five categories of trend information about the County – financial trend information (including governmental fund balances, net position and changes in net position, operating indicators, and capital asset statistics), revenue capacity information, debt capacity information, demographic and economic information, and operating information. We encourage readers to review the statistical section to better understand the County's operations, services and financial condition.

Government-wide Financial Analysis

Statement of Net Position

As noted earlier, over time, changes in net position may serve as an indicator of the County's financial position. The County's assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by \$248.3 million at the close of fiscal year 2019. By far, the largest portion of the County's net position (\$470.9 million) reflects its net investment in capital assets net of depreciation (e.g., land, buildings, vehicles, distribution and collections systems, and equipment); less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to its citizens (e.g., law enforcement, fire and emergency medical services, libraries, water and wastewater services). Consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the related debt must be provided by other sources since the capital assets cannot be used to liquidate the liabilities (the assets are not generally sold or otherwise disposed of during their useful life).

An additional portion of the County's net position \$41.6 million represents resources that are subject to external restrictions on how they may be used. These restrictions include debt service, construction and maintenance, grants and Federal drug enforcement constraints.

Another significant point to note regarding school assets and their related debt is that in the State of Virginia, school boards cannot issue debt; however, they hold title to the assets acquired through debt issued by their respective primary governments. They are custodians of the assets and maintain the property. Therefore, the County reports a significant liability for debt related to school property and equipment. The \$164.9 million governmental net position deficit is primarily due to \$284.6 million for school property and equipment.

The net \$17.5 million increase in business-type activities net position is largely due to capital contributions donated infrastructure and developer contributions.

The following table presents the condensed Statement of Net Position and compares the prior year to the current year.

Summary of Net Position As of June 30, 2019 and 2018 (\$ in millions)								
	Governmental Activities		Primary Government				Component Unit	
			Business Type Activities		Total Primary Government			
	2019	2018	2019	2018	2019	2018	2019	2018
Assets:								
Current and other assets	\$ 209.0	\$ 181.5	\$ 97.6	\$ 88.7	\$ 306.6	\$ 270.2	\$ 104.7	\$ 107.2
Capital assets (net), restated see note 18	<u>266.9</u>	<u>261.4</u>	<u>446.1</u>	<u>441.1</u>	<u>713.0</u>	<u>702.5</u>	<u>469.1</u>	<u>450.8</u>
Total assets	<u>475.9</u>	<u>442.9</u>	<u>543.7</u>	<u>529.8</u>	<u>1019.6</u>	<u>972.7</u>	<u>573.8</u>	<u>558.0</u>
Total deferred outflows of resources	<u>9.3</u>	<u>12.8</u>	<u>3.3</u>	<u>4.9</u>	<u>12.5</u>	<u>17.7</u>	<u>38.1</u>	<u>40.2</u>
Liabilities:								
Current liabilities	116.1	100.3	13.3	12.6	129.4	112.9	59.8	42.5
Long-term liabilities	<u>517.5</u>	<u>529.5</u>	<u>117.6</u>	<u>121.3</u>	<u>635.1</u>	<u>650.8</u>	<u>405.5</u>	<u>420.0</u>
Total liabilities	<u>633.6</u>	<u>629.8</u>	<u>130.9</u>	<u>133.9</u>	<u>764.5</u>	<u>763.7</u>	<u>465.3</u>	<u>462.5</u>
Total deferred inflows of resources	<u>16.5</u>	<u>23.8</u>	<u>2.8</u>	<u>5.0</u>	<u>19.3</u>	<u>28.8</u>	<u>61.0</u>	<u>56.6</u>
Net position:								
Net Investment in capital assets restated see note 18	123.8	133.3	347.1	338.1	470.9	471.4	467.5	448.8
Restricted	30.9	36.4	10.7	11.0	41.6	47.4	13.0	23.1
Unrestricted	<u>(319.6)</u>	<u>(367.6)</u>	<u>55.5</u>	<u>46.7</u>	<u>(264.2)</u>	<u>(320.9)</u>	<u>(394.8)</u>	<u>(392.8)</u>
Total net position, restated	<u>\$(164.9)</u>	<u>\$(197.9)</u>	<u>\$ 413.3</u>	<u>\$ 395.8</u>	<u>\$ 248.3</u>	<u>\$ 197.9</u>	<u>\$ 85.7</u>	<u>\$ 79.1</u>

Statement of Activities

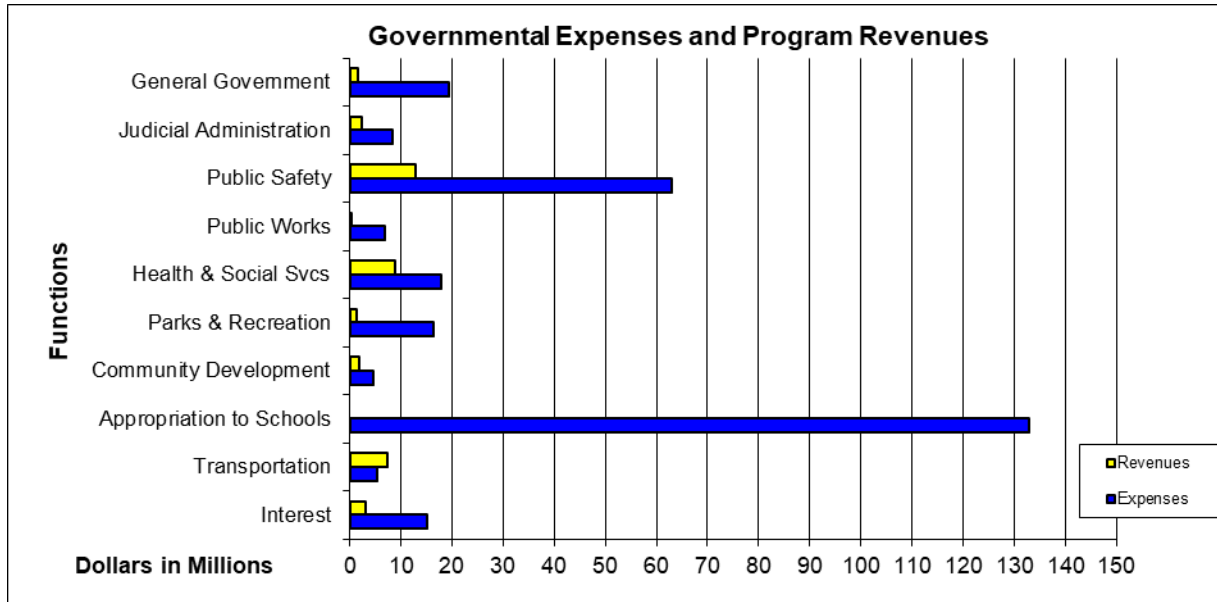
Governmental Activities

The increase in net position attributable to the County's governmental activities totaled \$33.0 million for fiscal year 2019. Generally, the change in net position is the difference between revenues and expenses. For fiscal year 2019, governmental revenues were \$322.2 million and expenses were \$290.0 million. A summary of key elements follows:

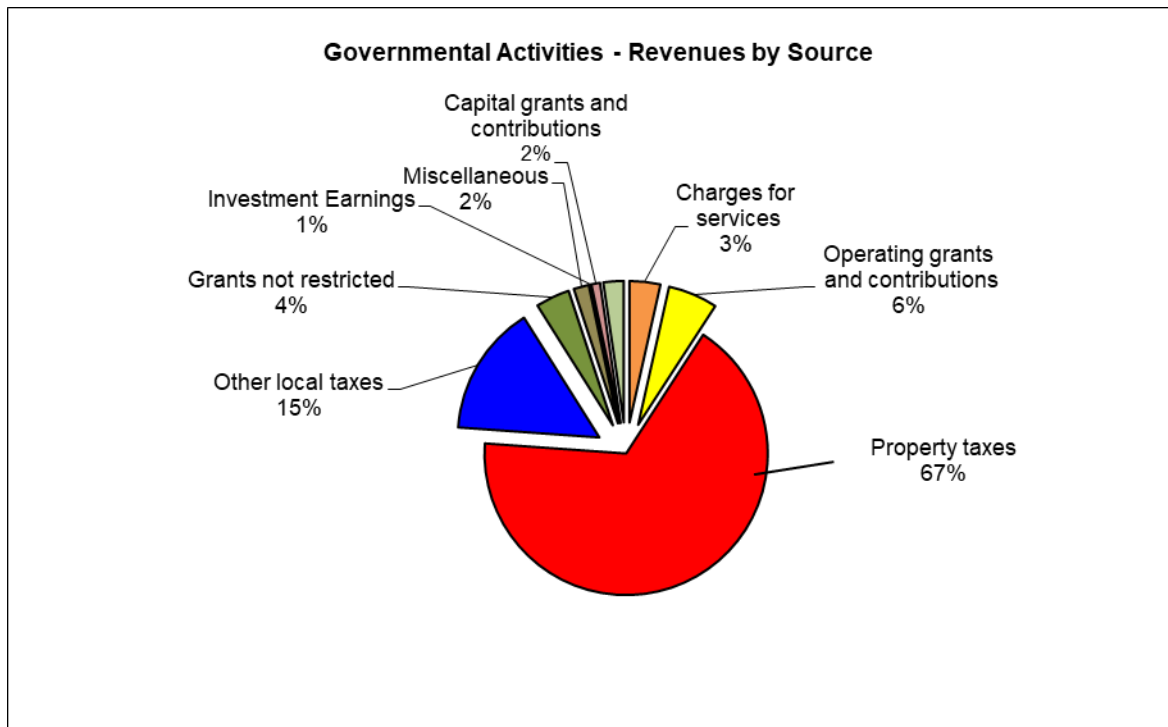
- Revenues increased \$11.2 million due to increased real estate and personal property tax collections, sales and meals tax.
- Investment earnings increased \$1.5 million.
- Capital grants and contributions increased \$1.1 million reflecting revenue sharing agreements for local road improvement projects.

- Expenses for governmental activities recorded a net decrease of \$12.9 million compared to the prior year. Increases in general government, judicial, and social services were more than offset by a reduction in public safety, transportation and schools capital projects.

The following graph compares the County's fiscal year 2019 expenses by function to associated program revenues for governmental activities.



The following graph illustrates the County's fiscal year 2019 governmental revenues by source.



Business-type Activities

The increase in net position attributable to the County's business-type activities totaled \$17.5 million for fiscal year 2019. Similar to the changes in net position attributable to government activities, changes in business-type activity net position also result from the difference between revenues and expenses. However, unlike governmental activities, which primarily rely on general tax revenues to finance operations, business-type activities are financed to a significant extent by fees charged for goods and services provided. The County's business-type activities consist of a Water and Sewer Fund. Like all business-type activities, the Water and Sewer Fund attempts to recover much of the operating expenses it incurs through user charges. Operating revenues exceeded operating expenses for fiscal year 2019, resulting in an operating income of \$2.7 million, primarily due to user fees coupled with new customers. The net asset increase was primarily due to non-operating contributions (availability fees and pro-rata fees) and donated capital assets. The following is a summary of relevant financial results for fiscal year 2019:

- Charges for services totaled \$42.7 million, which were \$3.7 million more than the prior fiscal year. This increase includes additional service to new customers.
- Availability and pro-rata fees totaled \$9.8 million which is down \$ 3.8 million compared to the prior year. Availability and pro-rata fees are paid by the developer of a subdivision and then passed on to the new homeowner.
- Donated capital assets (infrastructure completed by developers and dedicated to the County) totaled \$6.6 million, a \$6.9 million decrease compared to the prior year.
- Expenses totaled \$43.3 million, a net \$2.2 million increase over the prior year. This is due mostly to depreciation expense, which increased of \$ 2.1 million over the prior year.

The following table compares current and prior year revenues and expenses of the County's governmental and business-type activities and the Component Unit – School Board.

Change in Net Position For the Fiscal Years Ended June 30, 2019 and 2018 (\$ in millions)								
	Primary Government						Component Unit School Board	
	Governmental Activities		Business Type Activities		Total Primary		2019	2018
	2019	2018	2019	2018	2019	2018		
Revenues:								
Program revenues:								
Charges for services	\$ 11.3	\$ 12.4	\$ 42.7	\$ 39.0	\$ 54.0	\$ 51.4	\$ 18.0	\$ 18.7
Operating grants and contributions	18.2	18.9	-	-	18.2	18.9	152.8	148.1
Capital grants and contributions	7.5	6.4	16.4	27.1	24.0	33.5	16.2	18.5
General revenues:								
General property taxes	215.8	206.8	-	-	215.8	206.8	-	-
Other local taxes	48.1	45.7	-	-	48.1	46.4	30.1	27.6
Grants not restricted	12.5	12.5	-	-	12.5	12.5	116.8	116.5
Investment earnings	3.2	1.7	2.4	.7	5.6	2.4	.3	.3
Miscellaneous	5.6	5.9	.2	.2	5.8	6.1	.3	.3
Total revenues	<u>322.2</u>	<u>311.0</u>	<u>61.7</u>	<u>67.0</u>	<u>384.0</u>	<u>378.0</u>	<u>334.5</u>	<u>330.0</u>
Expenses:								
General Government	19.4	18.9	-	-	19.4	18.9	-	-
Judicial administration	8.4	8.3	-	-	8.4	8.3	-	-
Public safety	62.9	64.0	-	-	62.9	64.0	-	-
Public works	6.8	7.5	-	-	6.8	7.5	-	-
Health and social services	17.8	17.4	-	-	17.8	17.4	-	-
Parks, recreation and cultural	16.5	16.5	-	-	16.5	16.5	-	-
Community development	4.7	5.0	-	-	4.7	5.0	-	-
Appropriation to schools	133.0	135.0	-	-	133.9	135.0	327.2	321.8
Transportation	5.3	13.9	-	-	5.3	13.9	-	-
Interest	15.2	16.4	-	-	15.2	16.4	-	-
Water and sewer	-	-	43.3	41.1	43.3	41.1	-	-
Total expenses	<u>290.0</u>	<u>302.9</u>	<u>43.3</u>	<u>41.1</u>	<u>344.0</u>	<u>344.0</u>	<u>327.2</u>	<u>321.8</u>
Excess before transfer	32.2	8.1	18.4	25.9	50.6	34.0	-	-
Transfers	9	7	(.9)	(.7)	-	-	-	-
Change in net position	<u>33.1</u>	<u>8.8</u>	<u>17.5</u>	<u>25.2</u>	<u>50.6</u>	<u>34.0</u>	<u>7.3</u>	<u>8.2</u>
Net position (deficit) beginning, as restated, see note 18	(197.9)	(199.9)	395.8	370.6	197.9	170.7	78.9	70.9
Restatement see note 18	-	(6.8)	-	-	-	(6.8)	(.6)	-
Net position (deficit) ending	<u>\$ (164.9)</u>	<u>\$ (197.9)</u>	<u>\$ 413.3</u>	<u>\$ 395.8</u>	<u>\$ 248.4</u>	<u>\$ 197.9</u>	<u>\$ 85.6</u>	<u>\$ 79.1</u>

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, the unrestricted, unassigned fund balance may serve as a useful measure of the County's net resources available for unanticipated expenditures.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$121.1 million, an increase of \$10.0 million in comparison with the prior year.

Of the \$121.1 million, \$30.9 million is restricted for grant programs, drug enforcement activities, construction and debt service requirements. Committed and assigned portions of its fund balances are established to indicate plans for use of financial resources. The County reserves portions of its fund balances as commitments for specific purposes such as capital needs, economic development and risk management. Commitments include fund balance reservations required by the Board's financial policies as well as contractual obligations of the County. Assignments represent management's plans for future expenditures and the intent to liquidate purchase orders (encumbrances) of the prior fiscal year. By policy, the unassigned portion of fund balance is equal to 12% of annual General Fund revenues, not including transfers, reserves and grants. Unassigned funds beyond the 12 % are by policy set aside in the capital project reserve. Unassigned fund balance for fiscal year 2019 was \$38.3 million. The Fund Balance section of Note 1, Summary of Significant Accounting Policies, presents details of the County's governmental fund balance classification.

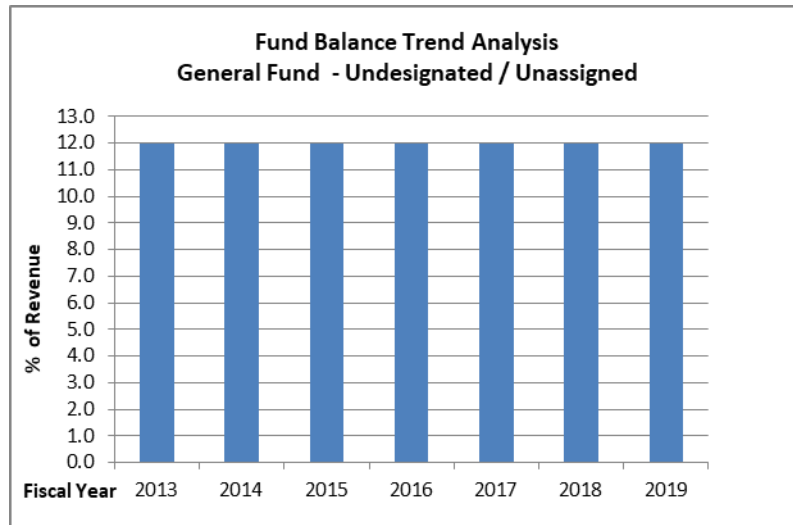
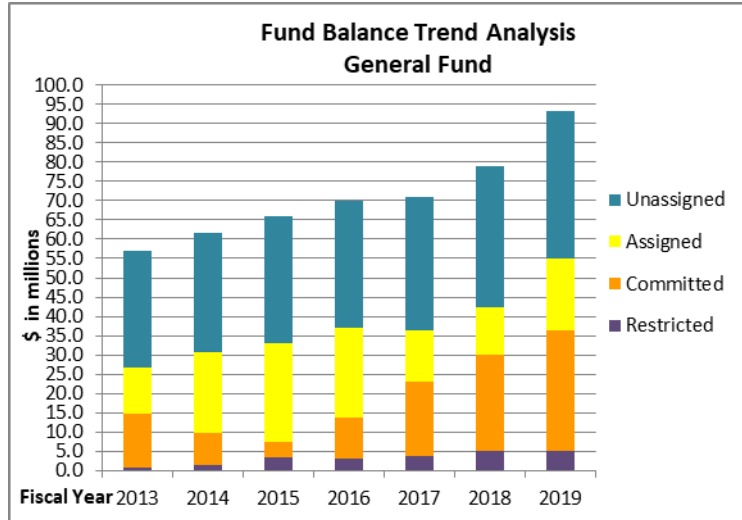
The General Fund is the primary operating fund of the County. The total fund balance of the County's General Fund increased \$15.3 million during fiscal year 2019. This was due to management's conservative budgeting, commitment to maintain unassigned fund balance at or above stated policy levels, frequent analysis of revenue collection and expenditure patterns, and underspending by Schools and County departments. Of the \$94.4 million General Fund balance, \$457 thousand is nonspendable made up mostly of inventory, \$1.1 million is restricted for grant-funded programs, \$2.9 million is restricted for health insurance expenditures, .9 million restricted for tourism and .2 million for capital court costs, \$32.1 million is committed by policy or for contractual obligations, \$18.6 million is assigned for future expenditures and to provide budget flexibility while ensuring a structurally balanced budget and \$38.3 million is unassigned.

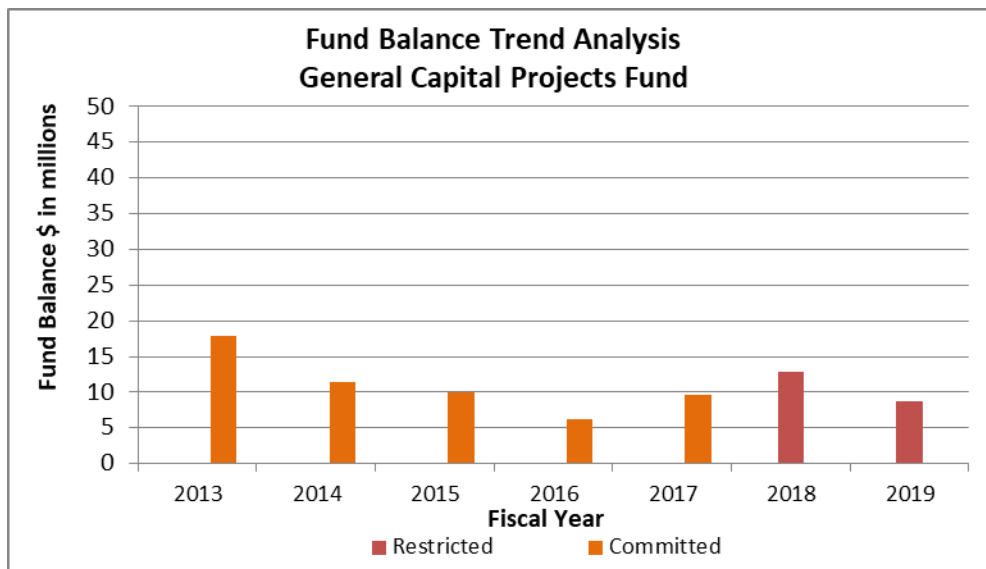
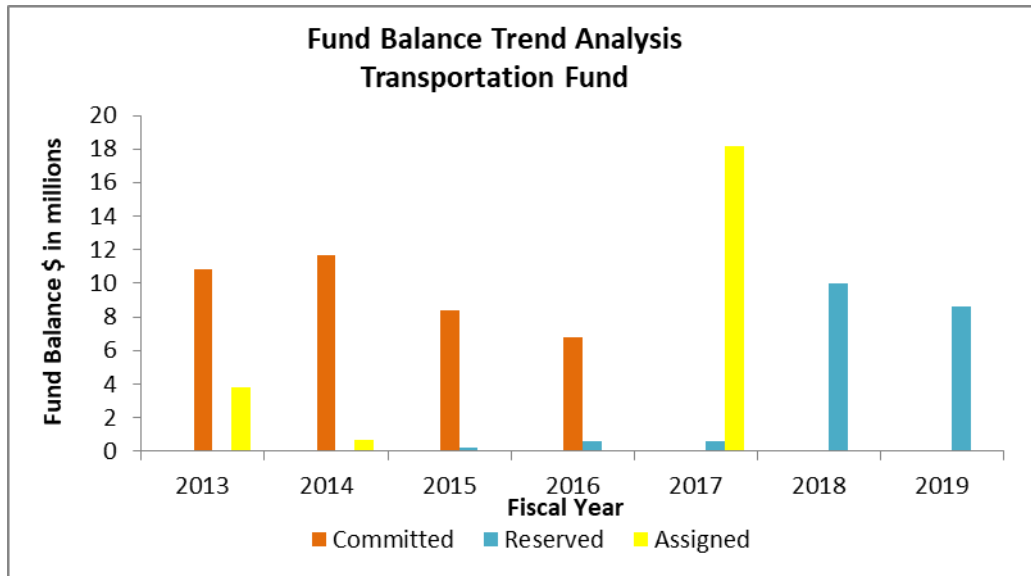
In addition to the General Fund, the County has two major governmental funds, the Transportation Fund and the General Capital Projects Fund. Total fund balance for the Transportation Fund at year end was \$8.6 million, a decrease of \$ 1.3 million compared to the prior year. Of the \$ 8.6 million, \$8.0 million is restricted for transportation projects and \$0.6 million is restricted for debt service. The decrease in fund balance is attributable to spend on road projects.

Total fund balance for the General Capital Projects Fund at year end was \$8.8 million. This is a decrease of \$4.1 million from the previous fiscal year, which is primarily due to spend on projects for public safety and parks and recreation.

The County also has twelve non-major governmental funds. In total, fund balance is \$9.3 million, a \$.1 million increase compared to prior year. Of the \$9.3 million, \$9.2 million is committed for contractual obligations related to each fund's purpose.

The following graphs illustrate fund balance trends for the County's governmental funds for fiscal years 2013 through 2019.





Proprietary fund: The County's proprietary fund financial statements provide the same type of information presented in the business-type activities on the government-wide financial statements, but in more detail. The Water and Sewer Fund total net position increased \$17.5 million during fiscal year 2019. Capital assets, net of depreciation and related debt increased \$9.0 million. Restricted net position decreased by \$.3 million and unrestricted net position increased by \$8.8 million. A summary of the Water and Sewer Fund operations for the year was previously provided in the discussion of business-type activities.

Component Unit – School Board: The change in net position for the component unit School Board was \$7.2 million. This was due to the increases in operating grants and contributions and local tax revenue. As with the previous year total revenues exceed total expenses in FY2019. Funds transferred from the County General Fund include a local appropriation for operations and bond proceeds used to offset facility construction expenditures. The School Board issues a separate set of financial statements, which may be obtained directly from the School Board.

General Fund Budgetary Highlights

Budget amendments for expenditures resulted in an increase of \$13.4 million between the original budget and the final budget. Major budget amendments included in this amount:

- \$4.5 million in re-appropriated encumbrances
- \$1.1 million in re-appropriated grant funds
- \$.9 million in re-appropriated health insurance savings for OPEB
- \$.4 million for Purchase of Development Rights
- \$3.8 million in re-appropriated commitments for ongoing operating and capital improvements
- \$.3 million in social services positions
- \$2.6 million for Schools' construction projects

General Fund revenues increased \$8.7 million over the prior year amount. General property taxes increased \$7.5 million driven by new construction and increases in real estate and personal property tax collections. Other local taxes increased by \$.4 million. Robust sales tax, meals tax, and consumer utility collections contributed to the increase in other local taxes.

General Fund expenditures recorded a net increase of \$2.9 million compared to the prior year amount. Highlights that contributed to the net increase include:

- Increase in general government expenses of \$.9 million
- Increase in public safety of \$.5 million.
- Increased school capital expenditures of almost \$1.9 million.
- Decreased County capital outlay of \$1.8 million
- Increased social services expense of \$.7 million

The following table compares General Fund revenues and expenditures for fiscal year 2019 with the previous fiscal year.

General Fund Comparison Revenues and Expenditures FY 2019 – FY 2018 (\$ in millions)			
	FY 2019	FY 2018	Increase (Decrease)
<u>Revenues:</u>			
General property taxes	\$ 214.1	\$ 206.6	\$ 7.5
Other local taxes	40.7	40.3	.4
Licenses and permits	4.3	4.6	(.3)
Use of money and property	2.6	1.3	1.3
Charges for services	6.1	6.9	(.8)
Other	6.3	5.6	.7
Intergovernmental	30.7	30.8	(.1)
Total revenues	<u>\$ 304.8</u>	<u>\$ 296.1</u>	<u>\$ 8.7</u>
<u>Expenditures:</u>			
General government	\$ 14.8	\$ 13.9	\$.9
Judicial administration	8.2	7.8	.4
Public safety	58.1	57.7	.4
Public works	4.8	5.1	(.3)
Health and social services	17.8	17.1	.7
Parks, recreation and cultural	13.5	13.2	.3
Community development	3.4	3.5	(.1)
Education	119.6	117.2	2.4
Capital outlay	3.2	5.0	(1.8)
Debt service	44.9	44.9	-
Total expenditures	<u>\$ 288.3</u>	<u>\$ 285.4</u>	<u>\$ 2.9</u>

Capital Asset and Debt Administration

Capital assets: The County's net position investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$470.9 million, net of accumulated depreciation. This represents a decrease of \$7.3 million over the prior year. The investment in capital assets includes land, buildings, distribution and collection systems, equipment, vehicles, construction in progress. Major capital asset acquisitions during the current fiscal year included the following:

- Governmental activities - construction in progress/land improvements/buildings/equipment – park construction and improvements, and road improvement projects.
- Governmental activities – replacement vehicles for public safety functions.
- Business-type activities construction in progress water and sewer upgrades
- Business-type activities distribution and collection systems – acceptance of developer constructed infrastructure.

The following tables summarize the changes in the County's governmental and business-type capital assets for fiscal year 2019. Additional information on the County's capital assets can be found in Note 4.

Change in Capital Assets (\$ in millions)			
	*Balance June 30, 2018	Net Additions And Deletions	Balance June 30, 2019
<u>Governmental Activities:</u>			
Land	\$ 51.4	\$ -	\$ 51.4
Other intangible	1.7	.9	2.6
Construction in progress, restated	<u>42.7</u>	<u>7.6</u>	<u>50.4</u>
Capital assets not being depreciated	<u>95.8</u>	<u>8.6</u>	<u>104.4</u>
Land improvements	82.4	3.8	86.2
Buildings and building improvements	116.8	.4	117.1
Furniture, fixtures, equipment, software and technology infrastructure	60.8	4.3	65.1
Vehicles	<u>25.2</u>	<u>3.9</u>	<u>29.2</u>
Capital assets being depreciated	<u>285.2</u>	<u>12.4</u>	<u>297.6</u>
Less accumulated depreciation	<u>(119.8)</u>	<u>(15.4)</u>	<u>(135.2)</u>
Net capital assets being depreciated	<u>165.4</u>	<u>(2.9)</u>	<u>162.4</u>
Governmental activities capital assets, restated see note 18 *	<u>\$ 261.2</u>	<u>\$ 5.7</u>	<u>\$ 266.9</u>

Change in Capital Assets (\$ in millions)			
	Balance June 30, 2018	Net Additions (Deletions)	Balance June 30, 2019
<u>Business-type Activities:</u>			
Land	\$ 19.1	\$ -	\$ 19.0
Other intangible	4.0	.1	4.1
Construction in progress	<u>13.7</u>	<u>4.4</u>	<u>18.2</u>
Capital assets not being depreciated	<u>36.8</u>	<u>4.5</u>	<u>41.3</u>
Land improvements	0.7	-	0.7
Buildings and building improvements	4.3	-	4.3
Distribution and collection systems	578.0	11.5	589.5
Furniture, fixtures, equipment, software and technology infrastructure	18.7	3.9	22.6
Vehicles	<u>4.7</u>	<u>.6</u>	<u>5.3</u>
Capital assets being depreciated	<u>606.4</u>	<u>16.0</u>	<u>622.4</u>
Less accumulated depreciation	<u>(202.1)</u>	<u>(15.4)</u>	<u>(217.5)</u>
Net capital assets being depreciated	<u>404.3</u>	<u>.6</u>	<u>404.9</u>
Business-type activities capital assets	<u>\$ 441.1</u>	<u>\$ 5.1</u>	<u>\$ 446.2</u>

Long-term liabilities excluding Deferred Revenue, OPEB and Pension: At the end of the current fiscal year, County governmental activities reported total debt outstanding of \$446.7 million. Of this amount, \$351.7 million is general obligation debt backed by the full faith and credit of the County. The remainder of the County's debt is secured by specific revenue sources. County governmental activities had a net decrease in long-term liabilities excluding OPEB and Pension of \$15.7 million during the fiscal year. Issuances for FY 2019 included \$12.1 million general obligation bonds for school renovation projects and \$ 2.2 million in capital leases for fire and rescue equipment.

The County's strong wealth and income levels, diverse local economy, sound financial management and moderate debt burden earns a AAA from Moody's, Fitch and Standard and Poor's making the County a three AAA crediting rating.

The County is in compliance with all debt policy requirements as illustrated in Table S-13 in the Statistical Section of this report.

The County's business-type activities reported total long-term liabilities excluding OPEB and Pension of \$102.6 million at the end of the current fiscal year.

Additional information on the County's long-term liabilities can be found in Note 5 of this report. Information on net pension liability can be found in Note 6 of the report and for OPEB Note 7 of the report.

The following table compares summarized debt for the Primary Government for the current year with the prior year.

Summary of Changes in Long-Term Liabilities Excluding OPEB and Pension (\$ in millions)			
	June 30, 2018	Net Increase (Decrease)	June 30, 2019
Governmental Activities:			
General obligation bonds, net	\$ 362.1	\$ (10.4)	\$ 351.7
Lease revenue bonds	.5	.0	.5
Capital leases	8.7	(.2)	8.5
Other	83.2	(5.4)	77.8
Compensated absences	7.8	.4	8.2
Total long-term debt	<u>\$ 462.3</u>	<u>\$ (15.6)</u>	<u>\$ 446.7</u>
Business-Type Activities:			
Revenue bonds, net	\$ 82.5	\$ (2.5)	\$ 80.0
VRA loans	22.9	(1.6)	21.3
Compensated absences	1.2	.1	1.3
Total long-term debt	<u>\$ 106.6</u>	<u>\$ (4.0)</u>	<u>\$ 102.6</u>

Factors Influencing Future Budgets

Key factors that are expected to impact future budgets include:

- Uncertainty of state and federal revenue sources.
- Board of Supervisors' priorities.
- Public safety staffing.
- Citizen demands for maintaining service levels.
- Funding for capital improvements
- Operating costs associated with new capital facilities.
- Health care and pension costs.
- Funding the annual required contribution for postemployment benefits other than pensions (OPEB).
- Funding schools operations.
- Human services.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, County of Stafford, P.O. Box 339, Stafford, VA 22555-0339.



Working To Be The Best Local Government In Virginia

Through a culture of enthusiasm, creativity, and continuous improvement, we serve to make a difference.

COUNTY OF STAFFORD, VIRGINIA
Statement of Net Position
June 30, 2019

Exhibit I

	Primary Government		Component Unit	
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Current Assets:				
Cash, cash equivalents and temporary cash investments	\$ 172,065,409	\$ 74,274,060	\$ 246,339,469	\$ 46,619,575
Receivables, net of allowance for uncollectibles	26,273,075	3,657,316	29,930,391	13,185,702
Unbilled receivables	-	2,567,309	2,567,309	-
Note receivable - component unit	75,000	-	75,000	-
Due from Primary Government	-	-	-	37,879,454
Internal balances	-	-	-	-
Deposits	-	-	-	-
Prepaid expenses	1,231,558	3,335	1,234,893	-
Inventory	12,658	1,076,872	1,089,530	850,349
Total Current Assets	199,657,700	81,578,892	281,236,592	98,535,080
Noncurrent Assets:				
Restricted cash and cash equivalents	1,594,768	15,979,522	17,574,290	6,153,667
Note receivable - component unit	555,000	-	555,000	-
Investment in joint venture	7,184,949	-	7,184,949	-
Capital assets, net of accumulated depreciation:				
Land	51,414,560	19,040,443	70,455,003	34,000,629
Other intangible assets	2,594,440	4,104,337	6,698,777	-
Construction in progress	50,424,506	18,163,444	68,587,950	42,948,101
Subtotal non-depreciable capital assets	104,433,506	41,308,224	145,741,730	76,948,730
Land improvements	86,213,834	699,187	86,913,021	65,108,854
Buildings and building improvements	117,129,179	4,294,205	121,423,384	539,103,274
Distribution and collection systems	-	589,465,379	589,465,379	1,319,841
Furniture, fixtures and equipment	49,082,047	21,857,943	70,939,990	14,463,918
Software	7,308,614	240,638	7,549,252	2,299,106
Technology infrastructure	8,704,846	510,229	9,215,075	4,196,620
Vehicles	29,191,102	5,344,805	34,535,907	25,364,618
Less accumulated depreciation	(135,154,995)	(217,547,605)	(352,702,600)	(259,647,786)
Subtotal depreciable capital assets	162,474,627	404,864,781	567,339,408	392,208,445
Total Noncurrent Assets	276,242,850	462,152,527	738,395,377	475,310,842
Total Assets	475,900,550	543,731,419	1,019,631,969	573,845,922
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	3,360,936	2,273,671	5,634,607	-
Deferred outflows related to pensions	4,643,641	761,483	5,405,124	30,827,107
Deferred outflows related to other postemployment benefits	1,277,287	229,275	1,506,562	7,312,232
Total Deferred Outflows of Resources	9,281,864	3,264,429	12,546,293	38,139,339
LIABILITIES				
Current Liabilities:				
Accounts payable	5,080,978	1,936,031	7,017,009	9,675,160
Accrued salaries and benefits	3,267,722	355,940	3,623,662	41,008,904
Retainage payable	456,640	936,744	1,393,384	1,776,533
Accrued insurance claims	1,225,113	113,412	1,338,525	6,023,211
Accrued interest	6,606,788	860,482	7,467,270	-
Other liabilities	1,328,260	35,710	1,363,970	-
Due to component unit	37,866,026	13,429	37,879,455	-
Deposits	23,679,413	4,355,754	28,035,167	-
Unearned revenues	1,848,694	-	1,848,694	334,758
Current portion of long-term debt	34,706,075	4,657,254	39,363,329	988,897
Total Current Liabilities	116,065,709	13,264,756	129,330,465	59,807,463
Noncurrent Liabilities:				
Noncurrent portion of accrued insurance claims	-	-	-	130,382
Noncurrent portion of long-term debt	411,997,405	97,984,354	509,952,437	6,742,356
Net pension liability	16,140,879	2,646,847	18,787,726	221,604,878
Net other postemployment benefits liability	89,380,751	17,049,292	106,430,043	177,014,744
Total Noncurrent Liabilities	517,519,035	117,680,493	635,170,206	405,492,360
Total Liabilities	633,584,744	130,945,249	764,529,993	465,299,823
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues	1,512,852	-	1,512,852	-
Deferred inflows related to pensions	3,188,087	522,796	3,710,883	31,444,228
Deferred inflows related to other postemployment benefits	11,838,087	2,261,418	14,099,505	29,595,359
Total Deferred Inflows of Resources	16,539,026	2,784,214	19,323,240	61,039,587
NET POSITION				
Net investment in capital assets	123,810,124	347,102,176	470,912,300	467,480,838
Restricted				
Drug enforcement	20,938	-	20,938	-
Capital projects	17,421,389	-	17,421,389	5,911,621
School Nutrition	-	-	-	6,916,437
Grants programs	1,054,874	-	1,054,874	117,908
Transportation	8,633,569	-	8,633,569	-
Claims fluctuation reserve	2,855,598	-	2,855,598	-
Water-sewer restricted construction	-	10,687,024	10,687,024	-
Tourism	938,293	-	938,293	-
Unrestricted (deficit)	(319,676,141)	55,477,185	(264,198,956)	(394,780,953)
Total Net Position	\$ (164,941,356)	\$ 413,266,385	\$ 248,325,029	\$ 85,645,851

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

COUNTY OF STAFFORD, VIRGINIA
Statement of Activities

Exhibit II
Page 1 of 2

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 19,436,349	\$ 386,783	\$ 1,187,826	\$ -
Judicial administration	8,367,589	323,817	2,186,048	-
Public safety	62,878,549	6,956,517	6,008,303	-
Public works	6,822,248	308,264	-	-
Health and social services	17,843,554	39,425	8,792,974	-
Parks, recreation, and cultural	16,523,294	1,533,151	-	-
Community development	4,723,229	1,749,523	2,797	40,762
Education				
School operating	116,871,434	-	-	-
School capital projects	16,169,464	-	-	-
Transportation	5,296,964	38,158	66,557	7,474,630
Interest and other debt service charges	15,204,938	-	-	-
Total Governmental Activities	290,137,612	11,335,638	18,244,505	7,515,392
Business-type activities:				
Water and Sewer	43,344,960	42,674,920	-	16,433,343
Total Business-type Activities	43,344,960	42,674,920	-	16,433,343
Total Primary Government	\$ 333,482,572	\$ 54,010,558	\$ 18,244,505	\$ 23,948,735
COMPONENT UNIT				
Stafford County School Board	\$ 327,204,425	\$ 17,973,053	\$ 63,676,143	\$ 16,169,481

General Revenues:

Taxes:

General property taxes

Other local taxes:

Sales

Fuels

Consumer utility

Motor vehicle decals

Bank stock

Recordation

Occupancy

Meals

Short-term rental

Cable franchise

Road impact fees

Basic Aid

Grants and contributions not restricted to specific programs

Investment earnings

Gain on disposal of capital assets

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position (Deficit) - Beginning, as restated (Note 18)

Net Position (Deficit) - Ending

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

Exhibit II
Page 2 of 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	School Board
\$ (17,861,740)	\$ -	\$ (17,861,740)	\$ -
(5,857,724)	-	(5,857,724)	-
(49,913,729)	-	(49,913,729)	-
(6,513,984)	-	(6,513,984)	-
(9,011,155)	-	(9,011,155)	-
(14,990,143)	-	(14,990,143)	-
(2,930,147)	-	(2,930,147)	-
-	-	-	-
(116,871,434)	-	(116,871,434)	-
(16,169,464)	-	(16,169,464)	-
2,282,381	-	2,282,381	-
(15,204,938)	-	(15,204,938)	-
(253,042,077)	-	(253,042,077)	-
-	15,763,303	15,763,303	-
-	15,763,303	15,763,303	-
\$ (253,042,077)	\$ 15,763,303	\$ (237,278,774)	\$ -
\$ -	\$ -	\$ -	\$ (229,385,748)
\$ 215,780,411	\$ -	\$ 215,780,411	\$ -
14,958,972	-	14,958,972	30,166,950
4,750,315	-	4,750,315	-
6,970,652	-	6,970,652	-
2,752,636	-	2,752,636	-
620,560	-	620,560	-
5,886,356	-	5,886,356	-
1,922,955	-	1,922,955	-
9,103,132	-	9,103,132	-
81,897	-	81,897	-
295,671	-	295,671	-
764,705	-	764,705	-
-	-	-	89,113,745
12,542,261	-	12,542,261	116,796,434
3,159,567	2,371,917	5,531,484	291,944
-	-	-	28,506
5,646,084	235,651	5,881,735	280,767
854,620	(854,620)	-	-
286,090,794	1,752,948	287,772,668	236,678,346
33,048,717	17,516,251	50,564,968	7,292,598
(197,990,073)	395,750,134	197,760,061	78,353,253
\$ (164,941,356)	\$ 413,266,385	\$ 248,325,029	\$ 85,645,851

COUNTY OF STAFFORD, VIRGINIA
Balance Sheet
Governmental Funds

Exhibit III

June 30, 2019

	Major Funds			Non Major Funds	
		Special Revenue	Capital Projects	Other	Total
	General Fund	Transportation	General Capital	Governmental	Governmental
		Fund	Projects Fund	Funds	Funds
ASSETS					
Equity in pooled cash and investments	\$ 146,656,852	\$ -	\$ 1,384,772	\$ 8,019,312	\$ 156,060,936
Restricted assets:					
Cash	-	-	-	1,594,768	1,594,768
Cash with fiscal agents	2,855,598	5,818,839	7,330,036	-	16,004,473
Receivables, net of allowance for uncollectibles:					
Property taxes	13,522,952	-	-	38,481	13,561,433
Accounts	3,875,382	1,328,826	-	272,001	5,476,209
Intergovernmental	5,007,524	2,168,587	-	59,322	7,235,433
Prepaid expenditures	444,248	-	787,310	-	1,231,558
Inventory	12,658	-	-	-	12,658
Total Assets	\$ 172,375,214	\$ 9,316,252	\$ 9,502,118	\$ 9,983,884	\$ 201,177,468
LIABILITIES					
Accounts payable	\$ 3,867,982	\$ 679,146	\$ 461,153	\$ 72,697	\$ 5,080,978
Accrued salaries and benefits	3,249,839	3,537	5,972	8,374	3,267,722
Retainage payable	-	-	261,538	195,102	456,640
Other liabilities	1,328,260	-	-	-	1,328,260
Due to component unit	37,866,026	-	-	-	37,866,026
Deposits	23,679,413	-	-	-	23,679,413
Unearned revenues	1,440,000	-	-	408,694	1,848,694
Total Liabilities	71,431,520	682,683	728,663	684,867	73,527,733
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	5,022,465	-	-	46,190	5,068,655
Deferred revenue	1,512,852	-	-	-	1,512,852
Total Deferred Inflows of Resources	6,535,317	-	-	46,190	6,581,507
FUND BALANCES					
Nonspendable	456,906	-	787,310	-	1,244,216
Restricted	5,072,636	8,633,569	7,986,145	9,150,239	30,842,589
Committed	32,062,380	-	-	102,588	32,164,968
Assigned	18,553,831	-	-	-	18,553,831
Unassigned	38,262,624	-	-	-	38,262,624
Total Fund Balances	94,408,377	8,633,569	8,773,455	9,252,827	121,068,228
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 172,375,214	\$ 9,316,252	\$ 9,502,118	\$ 9,983,884	\$ 201,177,468

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

COUNTY OF STAFFORD, VIRGINIA

Exhibit IV

Reconciliation of the Balance Sheet of the Governmental Funds to the
Statement of Net Position

June 30, 2019

Total fund balances - total governmental funds	\$	121,068,228
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds:

Capital assets	402,063,128		
Less accumulated depreciation	(135,154,995)		
Net capital assets			266,908,133

Unavailable revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		5,068,655
--	--	-----------

Other assets used in governmental activities are not financial resources and,
therefore, are not reported in the governmental funds.

Investment in joint venture	7,184,949		
Note receivable - component unit (noncurrent)	555,000		
Note receivable - component unit (current)	75,000		
			7,814,949

Long-term liabilities, including bonds payable, are not due and payable in the current period
and, therefore, are not reported as liabilities in the governmental funds.

General obligation bonds	(323,653,653)		
Revenue bonds	(460,000)		
Bond premiums	(28,015,819)		
Literary loans	(648,441)		
VRA loans	(77,232,694)		
Capital leases	(8,530,958)		
Pension related deferred outflows of resources	4,643,641		
Pension related deferred inflows of resources	(3,188,087)		
Net pension liability	(16,140,879)		
Other postemployment benefit related deferred outflows of resources	1,277,287		
Other postemployment benefit related deferred inflows of resources	(11,838,087)		
Net other postemployment benefit liability	(89,380,751)		
Compensated absences	(8,161,915)		
Loss on refunding	3,360,936		
Accrued insurance claims	(1,225,113)		
Accrued interest	(6,606,788)		
			(565,801,321)

Net position (deficit) of governmental activities	\$	(164,941,356)
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The accompanying notes are an integral part of these financial statements.

COUNTY OF STAFFORD, VIRGINIAStatement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds**Exhibit V**

For the Year Ended June 30, 2019

	Major Funds			Non Major Funds	Total Governmental Funds
	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Other Governmental Funds	
Revenues:					
General property taxes	\$ 214,042,524	\$ -	\$ -	\$ 813,170	\$ 214,855,694
Other local taxes	40,669,876	4,750,315	-	2,687,660	48,107,851
Permits, privilege fees, and regulatory licenses	4,346,390	-	-	-	4,346,390
Fines and forfeitures	895,106	-	-	-	895,106
Use of money and property	2,638,461	84,228	233,591	203,287	3,159,567
Charges for services	6,093,443	-	-	699	6,094,142
Intergovernmental	30,724,182	5,993,131	-	1,584,845	38,302,158
Miscellaneous	5,346,938	71,400	8,075	219,671	5,646,084
Total Revenues	304,756,920	10,899,074	241,666	5,509,332	321,406,992
Expenditures:					
Current:					
General government	14,764,011	-	-	-	14,764,011
Judicial administration	8,170,316	-	-	13,609	8,183,925
Public safety	58,132,345	-	3,874,827	208,085	62,215,257
Public works	4,844,472	-	2,031	-	4,846,503
Health and social services	17,811,436	-	-	-	17,811,436
Parks, recreation, and cultural	13,501,781	-	707,013	470	14,209,264
Community development	3,360,373	-	-	1,272,214	4,632,587
Education					
School operating	116,796,434	-	-	-	116,796,434
School capital projects	2,794,863	-	13,374,601	-	16,169,464
Transportation	-	3,287,684	-	-	3,287,684
Capital outlay	3,209,416	8,062,992	4,772,572	1,909,133	17,954,113
Debt service:					
Principal retirement	28,343,891	817,801	-	305,000	29,466,692
Interest and other fiscal charges	16,578,091	628,986	-	213,526	17,420,603
Bond issuance cost	3,700	-	81,805	-	85,505
Total Expenditures	288,311,129	12,797,463	22,812,849	3,922,037	327,843,478
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,445,791	(1,898,389)	(22,571,183)	1,587,295	(6,436,486)
Other Financing Sources (Uses):					
Transfers in	2,198,945	602,880	3,321,535	-	6,123,360
Transfers out	(3,324,415)	(26,000)	(466,431)	(1,451,894)	(5,268,740)
Issuance of debt:					
Issuance of new bonds	-	-	12,100,000	-	12,100,000
Issuance of new capital leases	-	-	2,194,073	-	2,194,073
Premiums on bond issuances	-	-	1,304,024	-	1,304,024
Total Financing Other Sources (Uses), Net	(1,125,470)	576,880	18,453,201	(1,451,894)	16,452,717
Net Change in Fund Balances	15,320,321	(1,321,509)	(4,117,982)	135,401	10,016,231
Fund Balances, Beginning	79,088,056	9,955,078	12,891,437	9,117,426	111,051,997
Fund Balances, Ending	\$ 94,408,377	\$ 8,633,569	\$ 8,773,455	\$ 9,252,827	\$ 121,068,228

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

COUNTY OF STAFFORD, VIRGINIA**Exhibit VI**

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Governmental Funds to the
Statement of Activities

For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ 10,016,231

Reconciliation of amounts reported for governmental activities in the Statement of Activities:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Acquisition of capital assets	21,968,049	
Loss on sale of capital assets	(318,978)	
Less depreciation expense	<u>(15,974,750)</u>	
Excess of capital outlay over depreciation		5,674,321

Unavailable revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds. 924,717

Changes in the investment in joint venture and note receivable from the component unit.

These changes are included in expenses based on their functional category.

Change in joint venture investment	945,292	
Change in note receivable - component unit	<u>(75,000)</u>	
		870,292

Bond proceeds provide current financial recourse to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Position. Repayment of bond principal and issuance costs are expenditures in the governmental funds, but the repayment reduces long-term liabilities. This is the amount by which proceeds were less than repayments.

Debt issued or incurred:		
General obligation bonds	(12,100,000)	
Bond premiums	(1,304,024)	
Capital leases	(2,194,073)	
Principal repayments:		
General obligation bonds	21,795,996	
Revenue bonds	40,000	
Literacy loans	216,149	
VRA Loans	5,114,050	
Capital leases	<u>2,300,497</u>	
		13,868,595

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 governmental funds.

Accrued interest	462,063	
Compensated absences	(397,652)	
Accrued insurance claims	69,729	
Deferred loss on refunding	(191,817)	
Amortization of premium on refunding	2,030,924	
Change in net position liability and related deferred inflows and outflows	2,754,766	
Change in net other postemployment benefits liability and related deferred inflows and outflows	<u>(3,033,452)</u>	
		1,694,561

Change in net position of governmental activities \$ 33,048,717

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

COUNTY OF STAFFORD, VIRGINIA
Statement of Net Position
Proprietary Funds

Exhibit VII

June 30, 2019

	Business-type Activity - Enterprise Fund Water and Sewer Fund
ASSETS	
Current Assets:	
Equity in pooled cash and investments	\$ 74,274,060
Accounts receivables, net of allowance for uncollectibles	3,657,316
Unbilled receivables	2,567,309
Prepaid expenses	3,335
Inventory	1,076,872
Total Current Assets	81,578,892
Noncurrent Assets:	
Restricted cash and cash equivalents	15,979,522
Capital Assets:	
Land	19,040,443
Other intangible assets	4,104,337
Construction in progress	18,163,444
Land improvements	699,187
Building and building improvements	4,294,205
Distribution and collection systems	589,465,379
Furniture, fixtures and equipment	21,857,943
Software	240,638
Technology infrastructure	510,229
Vehicles	5,344,805
Less accumulated depreciation	(217,547,605)
Total Capital Assets, net of accumulated depreciation	446,173,005
Total Noncurrent Assets	462,152,527
Total Assets	543,731,419
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	2,273,671
Deferred outflows related to pensions	761,483
Deferred outflows related to other postemployment benefits	229,275
Total Deferred Outflows of Resources	3,264,429
LIABILITIES	
Current Liabilities:	
Accounts payable	1,936,031
Accrued salaries and benefits	355,940
Retainage payable	936,744
Accrued insurance claims	113,412
Accrued interest	860,482
Other liabilities	35,710
Due to component units	13,429
Deposits	4,355,754
Current portion of long-term debt	4,657,254
Total Current Liabilities	13,264,756
Noncurrent Liabilities:	
Noncurrent portion of long-term debt	97,984,354
Net pension liability	2,646,847
Net other postemployment benefits liability	17,049,292
Total Noncurrent Liabilities	117,680,493
Total Liabilities	130,945,249
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	522,796
Deferred inflows related to other postemployment benefits	2,261,418
Total Deferred Inflows of Resources	2,784,214
NET POSITION	
Net investment in capital assets	347,102,176
Restricted	10,687,024
Unrestricted	55,477,185
Total Net Position	\$ 413,266,385

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

COUNTY OF STAFFORD, VIRGINIA**Exhibit VIII**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

For the Year Ended June 30, 2019

	Business-type Activity - Enterprise Fund Water and Sewer Fund
Operating Revenues:	
Charges for services	\$ 42,674,920
Miscellaneous	235,651
Total Operating Revenues	<u>42,910,571</u>
Operating Expenses:	
Personnel services	11,712,017
Contractual services	3,794,487
Materials and supplies	4,016,688
Heat, light and power	1,989,000
Telecommunication and internal services	2,082,476
Miscellaneous	595,936
Depreciation	16,009,423
Total Operating Expenses	<u>40,200,027</u>
Operating Income	<u>2,710,544</u>
Nonoperating Revenues (Expenses):	
Interest and investment revenue	2,371,917
Interest expense	(3,426,297)
Amortization of bond discount	417,499
Amortization of loss on refunding	(103,348)
Loss on disposal of capital assets	(32,787)
Total Nonoperating Expenses, Net	<u>(773,016)</u>
Net Income Before Capital Contributions and Transfers	<u>1,937,528</u>
Capital Contributions:	
Donated capital assets	6,634,160
Availability fees	8,304,973
Prorata fees	1,494,210
Total Capital Contributions	<u>16,433,343</u>
Transfers:	
Transfers out	(854,620)
Net Transfers	<u>(854,620)</u>
Change in Net Position	17,516,251
Net Position, Beginning	395,750,134
Net Position, Ending	<u><u>\$ 413,266,385</u></u>

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

COUNTY OF STAFFORD, VIRGINIA
Statement of Cash Flows
Proprietary Funds

Exhibit IX

For the Year Ended June 30, 2019

	Business-type Activity - Enterprise Fund Water and Sewer Fund
Cash flows from operating activities:	
Receipts from customers	\$ 42,012,682
Other receipts	235,651
Other disbursements	(595,936)
Payments to suppliers	(11,570,800)
Payments to employees	(11,875,775)
Net cash provided by operating activities	<u>18,205,822</u>
Cash flows from noncapital financing activities:	
Interfund borrowings	418,536
Transfers out	(854,620)
Net cash used in noncapital financing activities	<u>(436,084)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(14,484,427)
Principal paid on bonds	(3,624,851)
Interest payments on bonds	(3,426,297)
Proceeds on sale of capital assets	16,500
Availability fees and prorata fees received	9,799,183
Net cash used in capital and related financing activities	<u>(11,719,892)</u>
Cash flows from investing activities:	
Interest and dividends on investments	2,341,821
Net cash provided by investing activities	<u>2,341,821</u>
Net increase in cash and cash equivalents	8,391,667
Cash and cash equivalents, beginning of year	81,861,915
Cash and cash equivalents, end of year	<u>\$ 90,253,582</u>
Equity in pooled cash and investments	\$ 74,274,060
Restricted cash and cash equivalents	15,979,522
Total cash and cash equivalents	<u>\$ 90,253,582</u>
Reconciliation of operating income to net cash provided by operating activities:	
Cash flows from operations:	
Income from operations	\$ 2,710,544
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	16,009,423
Changes in assets and liabilities:	
Decrease in accounts receivable	1,905,071
Increase in unbilled receivables	(2,567,309)
Increase in prepaid expenses	(3,335)
Increase in inventory	(248,432)
Increase in accounts payable and retainage payable	271,723
Increase in accrued salaries and benefits	27,184
Decrease in accrued insurance claims	(12,394)
Increase in due to component units	13,429
Increase in deposits	278,466
Increase in compensated absences	76,421
Decrease in pension related liabilities and deferrals	(749,362)
Increase in OPEB related liabilities and deferrals	494,393
Total adjustments	<u>15,495,278</u>
Net cash provided by operating activities	<u>\$ 18,205,822</u>
Supplemental disclosure of noncash capital and related financing activities:	
Loss on the disposal of capital assets	\$ (32,787)
Donated capital assets	\$ 6,634,160
Amortization on bond premium	\$ 417,499
Amortization on the loss of refundings	\$ (103,348)

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

COUNTY OF STAFFORD, VIRGINIA
Statement of Fiduciary Net Position
Fiduciary Funds

Exhibit X

June 30, 2019

	<u>Agency Funds</u>	<u>Postemployment Trust Fund</u>
ASSETS		
Current assets:		
Cash and short-term investments	\$ 1,707,790	\$ 8,410,339
Receivables:		
Property taxes	7,614,160	-
Accounts	152,304	-
Total Assets	<u>9,474,254</u>	<u>8,410,339</u>
LIABILITIES		
Accrued salaries and benefits	74,471	-
Other liabilities	582,797	-
Reserve for future expenses	48,128	-
Reserve for bondholders	8,768,858	-
Total Liabilities	<u>\$ 9,474,254</u>	<u>-</u>
NET POSITION		
Restricted for other postemployment benefits		<u>\$ 8,410,339</u>

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

COUNTY OF STAFFORD, VIRGINIA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Exhibit XI

For the Year Ended June 30, 2019

	<u>Postemployment Trust Fund</u>
ADDITIONS	
Retiree premiums - retiree portion collected	\$ 496,855
Retiree premiums - county portion	232,897
Investment earnings:	
Contributions	876,509
Investment earnings	<u>323,788</u>
Net investment earnings	<u>1,200,297</u>
Total Additions	<u>1,930,049</u>
DEDUCTIONS	
Retiree premium expense	729,752
Administration	<u>500</u>
Total Deductions	<u>730,252</u>
Change in Net Position	1,199,797
Net Position, beginning of the year	<u>7,210,542</u>
Net Position, ending of the year	<u><u>\$ 8,410,339</u></u>

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

COUNTY OF STAFFORD, VIRGINIA

Notes to Financial Statements JUNE 30, 2019

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

The County of Stafford, Virginia (County) is located in northeastern Virginia, approximately 40 miles south of Washington, DC, and 55 miles north of Richmond, Virginia. It was founded in 1664 and was named for Staffordshire, England. It encompasses 277 square miles and has a population of 149,100.

The government of the County provides a full range of local government services including public safety, public works, public education, health and social services, parks and recreation, and community development. The County is organized under the County Executive form of government, as provided for by Commonwealth of Virginia (the Commonwealth) law. Under this form of government, the policies concerning the financial and business affairs of the County are determined by the Board of County Supervisors (the Board). The Board is composed of seven elected members elected by district who have authority over local taxation, budgets, borrowing, local ordinances and policy. The Board appoints a County Administrator to serve as the chief administrative officer of the County. The County Administrator carries out the policies established by the Board. The accompanying financial statements include the County's primary government and component unit over which the County exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the County (as distinct from legal relationships).

The financial statements of the County conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the County's more significant accounting policies:

A. THE FINANCIAL REPORTING MODEL AND THE REPORTING ENTITY

GASB has established requirements and a reporting model for the annual financial reports of state and local governments. The reporting model was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. The reporting model includes:

Management's Discussion and Analysis – The financial statements are accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide financial statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities, except for fiduciary funds. This approach includes current assets and liabilities, such as cash and accounts payable, and capital assets and long-term liabilities, such as buildings and general obligation debt. Full accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position – The Statement of Net Position displays the financial position of the primary government (government and business-type activities) and its discretely presented component unit. Governments report all capital assets and their related debt in the government-wide Statement of Net Position. The net position of a government is broken down into three categories – (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

Statement of Activities – The Statement of Activities reports expenses and revenues in a format that focuses on the cost of each governmental function. The expense of individual functions is compared to the revenues generated directly by that function, thereby demonstrating the degree to which direct expenses are offset by program revenues.

Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Fund Financial Statements – The fund financial statements report detailed information about the County's operations. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting by fund type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have an interest in following the actual financial progress of their governments over the course of the year. The County revises its original budget over the course of the year for a variety of reasons.

As required by GAAP, these financial statements present the Primary Government and its component unit for which the government is considered financially accountable. The discretely presented component unit is reported in a separate column in the government-wide statements to emphasize that it is legally separate from the Primary Government. The component unit discussed below is included in the County's financial report because of the significance of its operational or financial relationship with the County.

Discretely Presented Component Unit:

Discretely presented component units are entities that are legally separate from the Primary Government, and for which the government is financially accountable, or whose relationship with the government is such that exclusion would cause the government's financial statements to be misleading or incomplete. The component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Primary Government. The County has one component unit.

County of Stafford School Board

The County of Stafford School Board (School Board) operates the public education system in the County for grades kindergarten through twelve. The County is accountable for all significant fiscal matters - approving the School Board's budget, funding deficits and issuing bonds to finance capital facilities. Also, the School Board provides services, which primarily benefit the citizens of the County. The School Board has separately issued financial statements which may be obtained as follows:

Stafford County School Board
Attention: Chris R. Fulmer, CPA, CFE
Chief Financial Officer
31 Stafford Avenue
Stafford, Virginia 22554

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. The focus is on either the County as a whole (within the government-wide statements) or on major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide Statement of Activities is reported using the economic resources measurement focus and accrual basis of accounting which reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants column includes operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's Water and Sewer Fund and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

The fund financial statements emphasize the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column. Each fund is considered to be an independent fiscal accounting entity, with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The governmental fund statements are presented on a current financial resources and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements. The proprietary fund statements are presented on the economic resource and accrual basis of accounting.

The County's fiduciary funds are presented in the fund financial statements by type (agency or trust). Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities of the government; these funds are not incorporated into the government-wide statements.

The following is a brief description of the specific funds used by the County in fiscal year 2019.

(1) Governmental Funds

The focus of governmental funds (in the Fund Financial Statements) is on determination of current financial resources and changes in current financial resources. The County has the following governmental funds:

- a. General Fund** is the primary operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major governmental fund.
- b. Special Revenue Funds** are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The County's Special Revenue Funds include the following:
 - 1. Transportation Fund** – accounts for the receipt and disbursement of the regional two percent motor fuels tax and developer contributions to be used for a variety of County transportation projects. Grants and revenue sharing arrangements are also used to fund project expenditures. The Transportation Fund is a major governmental fund.
 - 2. Road Impact Fee - West Fund** – accounts for impact fee receipts from new development in a designated service area in the western portion of the County. Disbursements from this fund are for road improvements attributable to the new development.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 3. Road Impact Fee - South East Fund** – accounts for impact fee receipts from new development in a designated service area in the southeastern portion of the County. Disbursements from this fund are for road improvements attributable to the new development.
- 4. Garrisonville Road Service District Fund** – accounts for ad valorem tax receipts from property owners in the district to pay debt service for road improvements in the district.
- 5. Warrenton Road Service District Fund** – accounts for ad valorem tax receipts from property owners in the district to pay debt service for road improvements in the district.
- 6. Lake Carroll Service District Fund** – accounts for ad valorem tax receipts from property owners in the Lake Carroll subdivision to repay loan for dam repair.
- 7. Lake Arrowhead Service District Fund** – accounts for ad valorem tax receipts from property owners in the Lake Arrowhead subdivision to repay loan for dam repair.
- 8. Lynhaven Lane Service District Fund** – accounts for ad valorem tax receipts from property owners along Lynhaven Lane repay loan for private road repair to meet VDOT standards for acceptance.
- 9. Asset Forfeiture Fund** – accounts for the receipts and disbursements associated with the County's drug enforcement activities.
- 10. Tourism Fund** – accounts for the revenues and expenditures associated with promoting tourist venues in the County.
- 11. Wetlands Fund** – accounts for wetlands mitigation fees and associated disbursements.
- 12. Hidden Lake Dam Fund** – accounts for ad valorem tax receipts from property owners in the Hidden Lake subdivision to pay debt service for replacement of the dam.
- 13. Armed Services Memorial Fund** – accounts for revenue and expenditures related to the construction of the Armed Services Memorial.
- 14. Transportation Impact Fee** – accounts for impact fee receipts from new development in a designated service area in the County. Disbursements from this fund are for road improvement projects attributable to the new development.

c. Capital Projects Funds are used to account for current financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by Proprietary Funds).

General Capital Projects Fund – accounts for capital expenditures for land, new structures and the major repair, renovation and maintenance of existing structures. The General Capital Projects Fund is a major governmental fund.

(2) Proprietary Funds

A Proprietary Fund is used to account for activities that are similar to those found in the private sector. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses related to the County's business activities are accounted for through a proprietary fund. The measurement focus of the proprietary fund is on determination of net income, financial position and cash flows.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is the County's Proprietary Fund type:

- a. **An enterprise fund** is used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The Water and Sewer Fund is the only Enterprise Fund and is a major fund.

(3) Fiduciary Funds

Fiduciary Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. The agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The following are the County's Fiduciary Fund types:

- a. **Lake Arrowhead Sanitary District Fund** (Agency Fund) - accounts for a special assessment collection used to service a bond issue for road improvements in the District.
- b. **Celebrate Virginia North Fund** (Agency Fund) – accounts for a special assessment collection used to service bonded debt for infrastructure improvements in the assessment district.
- b. **George Washington Regional Commission Fund** (Agency Fund) – accounts for the assets, liabilities, revenues and expenditures associated with a contractual arrangement to process the agency's payroll.
- d. **Embrey Mill Fund** (Agency Fund) – accounts for a special assessment collection used to service bonded debt for infrastructure improvements in the assessment district.
- e. **Postemployment Trust Fund** (Trust Fund) – accounts for the activities of the County's other postemployment benefit (OPEB) trust, which provides a portion of health insurance coverage for the County's retirees.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. Generally, only current assets and current liabilities are included on the balance sheet for this presentation. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in net current financial resources for this measurement focus.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the Statement of Net Position and operating statements present increases (revenues) and decreases (expenses) in total net position.

The Statement of Net Position, Statement of Activities, and financial statements of the Proprietary and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when levied, net of allowances for uncollectible amounts. Property taxes due before June 30, but not collected within 45 days after fiscal year end are reflected as unavailable

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

revenue. Sales taxes collected and held by the State at year-end on behalf of the County are recognized in the period which the underlying transaction occurs. Certain other governmental revenues and sales and services, other than utility customer receivables, are recorded in the period which the underlying transaction occurs if available. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Licenses, permits, fines and rents are recorded as revenue when received. General purpose entitlement revenues are recognized in the period to which the entitlement applies. The County considers all other revenues reported in the governmental funds, other than property taxes and grants, to be available if the revenues are collected within 60 days after year-end.

The County recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Expenditures of governmental funds are recorded when the related fund liabilities are incurred. However, exceptions apply related to principal and interest on long-term debt, compensated absences, pensions, OPEB, and claims and judgments are recognized when due.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund and the component unit's internal service funds are charges to internal customers for sales and services. Operating expenses for the aforementioned enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position and Balance Sheet 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 which will not be recognized as an outflow of resources (expense or expenditure) until then. The County has three items that meets this criterion – a loss resulting from the refunding of debt, pension, and OPEB related deferrals. The refunding loss is the difference in the reacquisition price and the net carrying value of the old debt. The amount is amortized as a component of interest expense on the straight-line basis over the remaining life of the old debt, or the new debt, whichever is shorter. The pension and OPEB deferrals relate to contributions made to the corresponding plans in the 2019 fiscal year and changes in actuarial calculations. Changes in actuarial assumptions are deferred and amortized over the remaining service life of all participants and investment experience amounts are deferred and amortized over a closed five-year period. Contributions reported as deferred outflows of resources will be amortized in the following year.

In addition to liabilities, the Statement of Net Position and Balance Sheet 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 which will not be recognized as an inflow of resources (revenue) until then. The County has a few items that meet this criterion such as prepaid on property taxes, property taxes not collected within the period of availability, deferrals of pension expense and OPEB. These are explained in more detail in a separate note to the financial statements.

E. BUDGETS AND BUDGETARY ACCOUNTING

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

1. 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.
2. Public hearings are conducted by the Board of Supervisors to obtain taxpayer and citizen comments.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Prior to June 30, the budget is legally enacted through passage of a resolution. Budgets are legally adopted for the following governmental funds:

Primary Government

General Fund	Hidden Lake Dam Fund
Transportation Fund	Armed Services Memorial Fund
Road Impact Fee - West	Transportation Impact Fee
Garrisonville Road Service District	General Capital Projects Fund
Warrenton Road Service District	Tourism Fund
Lake Arrowhead Service District	Lake Carroll Service District
Asset Forfeiture Fund	Road Impact Fee - Southeast

Component Unit – School Board

School Operating Fund	Workers' Compensation Fund
School Nutrition Fund	Health Benefits Fund
School Grant Fund	
School Capital Projects Fund	

4. The budget for the proprietary fund serves as a guide to the County and not as legally binding limitations.
5. 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.
6. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare actual revenue and expenditures with budgeted amounts as originally adopted, and as amended by the Board of Supervisors through June 30, 2019. Individual amendments were not material in relation to the original appropriations.
8. By law, total expenditures by fund may not, and did not, exceed appropriations in fiscal year 2019.
9. At the close of the fiscal year, all appropriations lapse for budget items other than capital projects and grants. Appropriations designated for capital projects and grants remain in effect for the life of the project or grant, or until the Board changes or eliminates the appropriation by an ordinance or resolution.

F. DEPOSITS AND INVESTMENTS

Cash resources of the Primary Government, excluding cash held with fiscal agents, are combined to form a pool of cash and investments to maximize interest earnings. Investments in the pool consist of municipal bonds, corporate notes and bonds and obligations of the federal government which are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. Investment earnings are allocated to the various funds based on equity in the investment pool.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt and equity securities are valued using a matrix pricing technique, which values securities based on the securities' benchmark quoted prices. Level 3 investments are those which have significant unobservable inputs. The County does not have level 3 investments.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board's investments are primarily in short-term to mid-term securities that mature in less than three years. Short-term investments including money market mutual funds, commercial paper, bankers' acceptances are highly liquid and are valued at amortized cost. Certificates of deposit and U.S. Agencies and Securities with terms to maturity of less than one year from the date of purchase may also be measured at amortized cost. Securities with terms of greater than one year at the time of purchase are valued at fair value.

All investments in external investment pools are reported at fair value or amortized cost.

G. RESTRICTED ASSETS – CASH AND INVESTMENTS

Restricted cash in the General Fund represents a reserve account held by the County's health insurance administrator as well as unspent grant proceeds and unspent lease proceeds.

Restricted cash in the Transportation Fund represents funds collected from a two percent motor fuel sales tax for Stafford County and held by the Potomac and Rappahannock Transportation Commission as fiscal agent for the County and these funds are required to be used on transportation projects and include proceeds from 2015 and 2017 general obligation bonds.

Restricted cash in the Asset Forfeiture Fund is used for drug enforcement activities.

Restricted cash in Lake Carroll and Lake Arrowhead Funds are reserved for Dam projects or repayment of County loan.

Restricted cash in the General Capital Projects Fund represents the unspent proceeds from lease revenue bonds issued in 2014 and 2017 as well as general obligation 2015 bonds and capital lease proceeds.

Restricted cash and investments in the Water and Sewer Fund represent assets set aside to meet debt sinking fund requirements, project construction payments pursuant to bond covenants and customer advance payments, as well as an operating reserve for repair, renewal and rehabilitation of capital assets.

Generally, the County uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The County may defer the use of restricted assets based on a review of the specific transaction.

H. INVENTORIES AND PREPAID ITEMS

Primary Government:

The General Fund inventory is stated at cost (first-in, first-out). It consists of small dollar office supplies held for consumption. Inventory is replenished when consumed.

The Water and Sewer Fund inventory is stated at cost (first-in, first-out). It consists of operating materials held for consumption.

Component Units:

The School Nutrition Fund carries its inventory on lower of cost or market (first-in, first-out), which approximates market. The inventory consists of food service supplies and perishable and non-perishable food products.

The Fleet Services Fund carries its inventory lower of cost or market (first-in, first-out), which approximates market. It consists of parts, materials and supplies for repairs and maintenance of school and County vehicles.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements using the consumption method, for the fund financial statements the purchase method is used.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. CAPITAL ASSETS

Capital outlays are recorded as expenditures of the Primary Government in governmental funds and as capital assets in the government-wide and in the proprietary fund financial statements to the extent the County's capitalization threshold of \$5,000 is met. Infrastructure within the County (roads, streets, bridges, etc.) is owned and maintained by the Commonwealth of Virginia (Department of Transportation) and is therefore not recorded in the County's financial statements. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
Land improvements	20 years	20 years
Buildings and building improvements	25 – 50 years	4 – 50 years
Distribution and collection systems	-	15 – 20 years
Furniture, fixtures and equipment	5 – 10 years	5 – 15 years
Software	3 – 5 years	5 years
Technology infrastructure	5 years	15 years
Vehicles	5 years	8 – 14 years

To the extent the County's capitalization threshold of \$5,000 is met, capital outlays of the Proprietary Fund are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis for the following useful lives:

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
	<u>Water and Sewer</u>	<u>Fleet Services</u>
	<u>Fund</u>	<u>Fund</u>
Land improvements	20 years	20 years
Buildings and building improvements	20 – 100 years	4 – 50 years
Distribution and collection systems	20 – 80 years	-
Furniture, fixtures and equipment	5 – 10 years	5 – 15 years
Software	3 – 5 years	-
Technology infrastructure	5 years	-
Vehicles	5 years	8 – 14 years

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated property is recorded at acquisition value. Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is recorded in the results of operations.

J. REAL ESTATE AND PERSONAL PROPERTY DATA

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	June 5 / December 5 (50% each date)	June 5 / December 5 (50% each date)
Lien Date	June 6 / December 6	June 6 / December 6

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. COMPENSATED ABSENCES

County employees accumulate vacation time and sick leave depending upon their length of service. The County has established accumulated leave balance thresholds for vacation and compensatory leave. 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. Compensatory time earned by County employees up to the established threshold is also payable upon termination of employment. In the governmental funds' accumulated vacation, sick leave, and compensatory time for the Primary Government are reported when they have matured and are due. Current and long-term compensated absences liabilities, expected to be paid are recorded in the government-wide and proprietary fund financial statements.

L. LONG-TERM OBLIGATIONS

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type

Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as expenses in the period in which they are incurred.

In the governmental fund's financial statements bond premiums and discounts, as well as issuance costs are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. All debt service costs including principal payments, are recognized as expenditures when due.

M. NET POSITION DEFICIT

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

In the Statement of Net Position, this scenario presents a dilemma for the Primary Government. Debt issued on behalf of the School Board is reported 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 the Component Unit – School Board (title holder), thereby increasing their net position.

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Of the \$164.9 million net position deficit in governmental activities in the government-wide Statement of Net Position, \$284.6 million is attributed to debt for school property and equipment.

N. NET POSITION and FUND BALANCE CLASSIFICATION

Net Position:

The government-wide financial statements utilize a net position presentation. Net position is presented in three components – net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings attributable to the acquisition, construction, or improvement of those assets including deferred outflows and inflows of resources related to total borrowings.

Restricted – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation may authorize the County to assess, levy, or otherwise mandate payment of resources (from external sources) and include a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Unrestricted – This component consists of financial statement elements that do not meet the definition of “net invested in capital assets” and “restricted”. Deficits in unrestricted fund balance will require future funding.

Fund Balance:

In the fund financial statements, fund balance for governmental funds is reported in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in the funds may be spent. Fund balance is reported in five components – Nonspendable, Restricted, Committed, Assigned and Unassigned.

- **Nonspendable** – This component includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted** – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation may authorize the County to assess, levy, or otherwise mandate payment of resources (from external sources) and include a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- **Committed** – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision making authority (the Board of Supervisors) through adopted resolutions. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the specified use by taking the same type of action (adopted resolution) it employed previously to commit those amounts.
- **Assigned** – This component consists of amounts that are constrained by the County Management's intent to be used for specific purposes. The authority for assigning fund balance is assigned to the County Administrator and the Chief Financial Officer or their designee(s) as established by Board resolution adopting the County's Principles of High Performance Financial Management - Fund Balance Policy.
- **Unassigned** – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed.

During its review of financial policies in fiscal year 2012, the Board established a goal of a minimum unassigned fund balance of twelve percent of General Fund operating revenues. This threshold must be met before other reserves are funded. The goal was met for fiscal year 2019.

During a review of its financial policies in fiscal year 2010, the Board created three General Fund reserves (R09-260 and R09-356) – Revenue Stabilization Reserve, Capital Projects Reserve, Stafford Opportunity Fund Reserve. These reserves allow flexibility for financial planning and addressing unanticipated expenditures and provide overall stability. Use of these reserves requires Board appropriation and must be for one-time, non-recurring expenditures. The reserves are in addition to minimum unassigned fund balance limits and are classified as committed fund balance.

During fiscal year 2019, the Board reviewed the County's financial policies and made changes (R19-182) that are designed to improve debt ratios and to strengthen and clarify fund balance reserve policies. Amounts in excess of the required minimum unassigned fund balance are assigned to the reserves according to the following hierarchy all of which are in the committed fund balance:

- Revenue Stabilization Fund – minimum 2% of general fund revenues – to be used during times of economic downturns when there is a 2 % shortfall of revenue within a single year and can be used for unanticipated emergencies and catastrophes.
- Capital Projects Reserve – a minimum of \$1.5 million for capital needs to reduce reliance on debt.
- Schools Capital Projects Reserve – a minimum of \$1.5 million for capital needs to reduce reliance on debt.
- Stafford Opportunity Fund – \$0.5 million to enhance and promote economic development.
- PDR fund – dedicates all rollback tax revenue to purchase development rights and preserve open space and farm land.
- CSA Reserve – a minimum \$0.3 million reserve for expenditures for the Children's Services Act program. To be used in any year when CSA costs for private day school expenditures exceed the budget, 20 % of the overage may be funded by utilizing the CSA reserve.
- Reserve for healthcare costs - equal to the estimated Incurred But Not Reported (IBNR) plus 10% of annual claims.
- Any health care savings, after all expenditure and reserve needs have been met, will be set aside for a contribution to OPEB.

The County operates a Water and Sewer Utilities Fund (business-type enterprise fund). The fund maintains a repair, renewal and rehabilitation reserve based on 150 days of operating and maintenance expenses. Unrestricted net position is in addition to all other required restrictions.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification for Governmental Funds:

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Capital Projects Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable					
Prepays	\$ 444,248	\$ -	\$ 787,310	\$ -	\$ 1,231,558
Inventory	12,658	-	-	-	12,658
Restricted					
Grant expenditures	1,054,874	-	-	-	1,054,874
Expenses utilizing appropriations	65,735	-	-	91,625	157,360
Drug enforcement	-	-	-	20,938	20,938
Claims fluctuation reserve	2,855,598	-	-	-	2,855,598
Court fees	158,136	-	-	-	158,136
Tourism	938,293	-	-	-	938,293
Capital projects	-	8,633,569	7,986,145	9,037,676	25,657,390
Committed					
Armed Services, Wetlands & Hidden Lake				102,588	102,588
Stafford Opportunity fund	500,000	-	-	-	500,000
Capital projects reserve	1,500,000	-	-	-	1,500,000
Available for projects	4,409,330	-	-	-	4,409,330
Available for school projects	710,525	-	-	-	710,525
Purchase of development rights	1,532,772	-	-	-	1,532,772
Health insurance	2,716,524	-	-	-	2,716,524
Road improvements	4,000,000	-	-	-	4,000,000
Revenue stabilization reserve	6,377,054	-	-	-	6,377,054
School capital project reserve	6,996,372	-	-	-	6,996,372
Repair, replacement and rehab reserves	1,782,808	-	-	-	1,782,808
Courthouse recordation reserve	993,995	-	-	-	993,995
Courthouse reserve	543,000	-	-	-	543,000
Assigned					
Expenditures on prior appropriations	3,242,290	-	-	-	3,242,290
Corrections/Juvenile Detention Center	500,043	-	-	-	500,043
CSA reserve	828,070	-	-	-	828,070
Expenditure fluctuation reserve	1,500,000	-	-	-	1,500,000
County capital projects	5,319,621	-	-	-	5,319,621
School capital projects	427,000	-	-	-	427,000
Fire and rescue volunteer reserve for capital	430,773	-	-	-	430,773
Schools meal tax - new buildings	1,478,729	-	-	-	1,478,729
Schools debt service - new buildings	528,382	-	-	-	528,382
Courthouse debt service savings	762,429	-	-	-	762,429
Future operations	3,536,494	-	-	-	3,536,494
Unassigned	38,262,624	-	-	-	38,262,624
Total	<u>\$ 94,408,377</u>	<u>\$ 8,633,569</u>	<u>\$ 8,773,455</u>	<u>\$ 9,252,827</u>	<u>\$ 121,068,228</u>

O. CASH FLOWS

In accordance with GAAP, the County has presented a Statement of Cash Flows for the Water and Sewer Fund. The cash amounts used in this Statement of Cash Flows is the equivalent of all demand deposits as well as short-term investments. For purposes of this statement, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 3 months or less.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Q. OTHER POSTEMPLOYMENT BENEFITS

Retiree Health Insurance

The Stafford County Retired Employees Health Insurance Plan (SCREHIP) is a single-employer defined benefit plan that provides health insurance to Stafford County retirees. The fiduciary net position of SCREHIP has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the post employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the SCREHIP fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Group Life Insurance

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

Health Insurance Credit Program

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. PENSIONS

The VRS Political Subdivision Retirement Plan is a multi-employer agent plan. 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 Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position 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.

Note 2. DEPOSITS AND INVESTMENTS

A. DEPOSITS

Deposits with banks are insured up to limits by the Federal Deposit Insurance Corporation (FDIC) and the excess is collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the 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 the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully insured or collateralized.

B. INVESTMENTS

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

The Treasurer has invested proceeds of the 2014 VRA bonds, all the 2015 General Obligation bonds, all the 2017 General Obligation bonds, and all the School Board VPSA bonds in the SNAP Fund (the Fund) to ensure compliance with certain arbitrage requirements of the *Internal Revenue Code of 1986*, as amended. The Fund is a professionally managed money market fund, which provides Virginia issuers of tax-exempt borrowings investment management, accounting and arbitrage rebate calculation services. The Fund invests in qualifying obligations and securities as permitted by Virginia statutes. The reported value of the position in the SNAP external investment pool is measured at amortized cost and the same as the value of the pool's shares, \$1 per share.

The Treasurer also invests in the LGIP. The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The reported value of the position of the LGIP is measured at amortized cost and the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share.

Note 2. DEPOSITS AND INVESTMENTS (Continued)

The County has the following recurring reported value measurements as of June 30, 2019:

Investment Type	Valuation Method	Reported Value	Significant Other Observable Inputs (Level 2)
U.S. Agencies and Securities	Fair Value	\$ 58,386,032	\$ 58,386,032
Municipal Bonds	Fair Value	639,131	639,131
Corporate Notes and Bonds	Fair Value	12,942,017	12,942,017
Commercial Paper	Amortized Cost	4,215,865	-
Certificates of Deposit	Amortized Cost	8,032,254	-
Money Market Mutual Funds	Amortized Cost	207,610	-
LGIP	Amortized Cost	121,764,564	-
SNAP	Amortized Cost	7,495,074	-
Total		<u>\$ 213,682,547</u>	<u>\$ 71,967,180</u>
Component Unit - Stafford County Public Schools			
LGIP	Amortized Cost	\$ 5,009,224	\$ -
SNAP	Amortized Cost	6,153,667	-
Total		<u>\$ 11,162,891</u>	<u>\$ -</u>
Held in County's Name as Fiduciary			
U.S. Agencies and Securities	Fair Value	\$ 5,092,403	\$ 5,092,403
Municipal Bonds	Fair Value	127,396	127,396
Corporate Notes and Bonds	Fair Value	1,093,098	1,093,098
Commercial Paper	Amortized Cost	1,439,999	-
Certificates of Deposit	Amortized Cost	1,117,205	-
Money Market Mutual Funds	Amortized Cost	42,587	-
Total		<u>\$ 8,912,688</u>	<u>\$ 6,312,897</u>

(1) Custodial Credit Risk

The County's investment securities at June 30, 2019 were held by the County or in the County's name by the County's custodial banks.

(2) Credit Risk of Debt Securities

Standard & Poor's and/or an equivalent organization on the Nationally Recognized Statistical Rating Organizations (NRSRO) list rated the County's debt investments as of June 30, 2019 and the ratings are presented below using the Standard & Poor's or Moody's rating scale.

Note 2. DEPOSITS AND INVESTMENTS (Continued)

At year-end the Primary Government's and Component Unit - Stafford County Public School's investment balances were as follows:

	<u>AAAm</u>	<u>A-1</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>
Primary Government					
U.S. Agencies and Securities	\$ -	\$ 1,839,561	\$ 32,705,663	\$ 23,840,808	\$ -
Municipal Bonds	-	-	-	639,131	-
Corporate Notes and Bonds	-	-	1,685,392	10,732,759	523,866
Commercial Paper	-	4,215,865	-	-	-
Certificates of Deposit	-	5,606,555	-	2,425,699	-
Money Market Mutual Funds	207,610	-	-	-	-
LGIP	121,764,564	-	-	-	-
SNAP	7,495,074	-	-	-	-
Total	<u>\$ 129,467,248</u>	<u>\$ 11,661,981</u>	<u>\$ 34,391,055</u>	<u>\$ 37,638,397</u>	<u>\$ 523,866</u>
Component Unit - Stafford County Public Schools					
LGIP	\$ 5,009,224	\$ -	\$ -	\$ -	\$ -
SNAP	6,153,667	-	-	-	-
Total	<u>\$ 11,162,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Held in County's Name as Fiduciary					
U.S. Agencies and Securities	\$ -	\$ -	\$ 2,833,421	\$ 2,258,982	\$ -
Municipal Bonds	-	-	-	127,396	-
Corporate Notes and Bonds	-	-	99,524	993,574	-
Commercial Paper	-	1,439,999	-	-	-
Certificates of Deposit	-	927,009	-	190,196	-
Money Market Mutual Funds	42,587	-	-	-	-
Total	<u>\$ 42,587</u>	<u>\$ 2,367,008</u>	<u>\$ 2,932,945</u>	<u>\$ 3,570,148</u>	<u>\$ -</u>

As of June 30, 2019, all investments were in compliance with the State Statutes administering investments of Public Funds. All investments are rated by Standard & Poor's and/or Moody's. Ratings must comply with the investment policy prior to any purchase.

(3) Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with GAAP, if certain investments in any single issuer represent 5% of total investments, except U.S. government guaranteed obligations, there must be a disclosure for the amount and the issuer.

At June 30, 2019, the County did not have any investments exceeding 5% of the total investment.

(4) Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Due to market conditions, the County's investment policy generally sets a 5-year maximum maturity from the date of purchase. Additionally, the County requires 25% of the liquid funds be invested in over-night funds while the remaining 75% be invested in no longer than 180 days. Furthermore, the core funds are to have a final maturity of no longer than 5 years and a duration requirement not exceeding 3 years to manage portfolio volatility. The County establishes these guidelines to minimize investment risk in the portfolio.

Note 2. DEPOSITS AND INVESTMENTS (Continued)

Investment Type	Fair Value	Investment Maturities (In Years)			
		<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>Over 10 Years</u>
U.S. Agencies and Securities	\$ 58,386,032	\$ 18,479,767	\$ 36,980,793	\$ 1,304,944	\$ 1,620,528
Municipal Bonds	639,131	4,375	634,756	-	-
Corporate Notes and Bonds	12,942,017	2,189,549	10,752,468	-	-
Commercial Paper	4,215,865	4,215,865	-	-	-
Certificates of Deposit	8,032,254	5,606,555	2,425,699	-	-
Money Market Mutual Funds	207,610	207,610	-	-	-
LGIP	121,764,564	121,764,564	-	-	-
SNAP	7,495,074	7,495,074	-	-	-
Total	<u>\$ 213,682,547</u>	<u>\$ 159,963,359</u>	<u>\$ 50,793,716</u>	<u>\$ 1,304,944</u>	<u>\$ 1,620,528</u>
Component Unit - Stafford County Public Schools					
LGIP	\$ 5,009,224	\$ 5,009,224	\$ -	\$ -	\$ -
SNAP	6,153,667	6,153,667	-	-	-
Total	<u>\$ 11,162,891</u>	<u>\$ 11,162,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Held in County's Name as Fiduciary					
U.S. Agencies and Securities	\$ 5,092,403	\$ 1,294,624	\$ 3,716,330	\$ 81,449	\$ -
Municipal Bonds	127,396	820	126,576	-	-
Corporate Notes and Bonds	1,093,098	817,005	276,093	-	-
Commercial Paper	1,439,999	1,439,999	-	-	-
Certificates of Deposit	1,117,205	941,722	175,483	-	-
Money Market Mutual Funds	42,587	42,587	-	-	-
Total	<u>\$ 8,912,688</u>	<u>\$ 4,536,757</u>	<u>\$ 4,294,482</u>	<u>\$ 81,449</u>	<u>\$ -</u>

C. COUNTY AND COMPONENT UNIT'S OPEB FUNDS

As of June 30, 2019, the carrying value of the County's OPEB Fund's deposits and investments held by the Virginia Pooled OPEB Trust (VACo/VML Pooled OPEB Trust) and their respective credit rating was as follows:

<u>Investment Type</u>	<u>Reported Value</u>	<u>Credit Rating</u>
Investment in pooled funds	<u>\$8,410,339</u>	Not Rated

As of June 30, 2019, the carrying value of the Component Unit – Stafford County Public School's OPEB Fund's deposits and investments held by the Virginia Pooled OPEB Trust and their respective credit rating was as follows:

<u>Investment Type</u>	<u>Reported Value</u>	<u>Credit Rating</u>
Investment in pooled funds	<u>\$23,702,882</u>	Not Rated

The County's OPEB trust fund and the Stafford County Public School's OPEB trust fund are participants in the Virginia Pooled OPEB Trust (VACo/VML Pooled OPEB Trust). The Trust is an irrevocable trust offered to local governments and authorities and is governed by a Board of Trustees consisting of local officials participating in the Trust. Funds of participating jurisdictions are pooled and are invested in the name of the Virginia Pooled OPEB Trust. The reported value of the pool is measured at amortized cost and can be redeemed on demand for use against qualified OPEB benefit costs. The Board of Trustees of the Virginia Pooled OPEB Trust has adopted an investment policy to achieve a compound annualized total rate of return over a market cycle, including current income and capital appreciation, in excess of 5.0 percent after inflation, in a manner consistent with prudent risk-taking. Investment decisions for the funds' assets are made by the Board of Trustees. The Board of Trustees establishes investment objectives, risk tolerance and asset allocation policies in light of the purpose of the Fund, market and economic conditions, and generally prevailing prudent investment practices. In addition, they will oversee adherence to the investment policy.

Note 2. DEPOSITS AND INVESTMENTS (Continued)

The Board of Trustees review, monitor, and evaluate the performance of the investments and its investment advisors in light of available investment opportunities, market conditions, and publicly available indices for the generally accepted evaluation and measurement of such performance. Specific investment information for the Virginia Pooled OPEB Trust can be obtained by writing to VML/VACo Finance Program, 919 East Main Street Suite 1100, Richmond, Virginia 23219.

Note 3. RECEIVABLES

Receivables at June 30, 2019 consist of the following:

	General Fund	Transportation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Totals
Property taxes	\$ 18,173,680	\$ -	\$ -	\$ 38,854	\$ -	\$ 18,212,534
Accounts	3,875,382	1,328,826	-	272,001	6,953,160	12,429,369
Intergovernmental	<u>5,007,524</u>	<u>2,168,587</u>	<u>-</u>	<u>59,322</u>	<u>-</u>	<u>7,235,433</u>
Gross receivables	27,056,586	3,497,413	-	370,177	6,953,160	37,877,336
Less:						
Allowance for uncollectible accounts	<u>4,650,728</u>	<u>-</u>	<u>-</u>	<u>373</u>	<u>728,535</u>	<u>5,379,636</u>
Net receivables	<u>\$ 22,405,858</u>	<u>\$ 3,497,413</u>	<u>\$ -</u>	<u>\$ 369,804</u>	<u>\$ 6,224,625</u>	<u>\$ 32,497,700</u>

Component Unit - Stafford County Public Schools

	Totals
Accounts	\$ 623,289
Intergovernmental	12,487,581
Due from Primary Government	<u>74,832</u>
Total Receivables	<u>\$ 13,185,702</u>

Stafford County Public Schools' receivables are considered fully collectible, and therefore, an allowance for uncollectible accounts is not applicable to these receivables.

Note 4. CAPITAL ASSETS

The following is a summary of changes in capital assets for the Primary Government's governmental activities for the fiscal year ended June 30, 2019:

PRIMARY GOVERNMENT

Governmental Activities

	Balance June 30, 2018*	Increases	Decreases	Reclassifications	Balance June 30, 2019
Capital assets not being depreciated					
Land	\$ 51,414,560	\$ -	\$ -	\$ -	\$ 51,414,560
Other intangible assets	1,668,570	903,370	-	22,500	2,594,440
Construction in progress	<u>42,741,345</u>	<u>13,357,792</u>	<u>(305,578)</u>	<u>(5,369,053)</u>	<u>50,424,506</u>
Total capital assets not being depreciated	<u>95,824,475</u>	<u>14,261,162</u>	<u>(305,578)</u>	<u>(5,346,553)</u>	<u>104,433,506</u>
Capital assets being depreciated					
Land Improvements	82,395,942	68,133	-	3,749,759	86,213,834
Building and building improvements	116,771,158	50,982	-	307,039	117,129,179
Furniture, fixtures and equipment	46,132,764	2,150,490	(15,400)	814,193	49,082,047
Software	6,332,761	762,845	-	213,008	7,308,614
Technology Infrastructure	8,326,096	118,889	-	259,861	8,704,846
Vehicles	<u>25,243,774</u>	<u>4,555,548</u>	<u>(610,913)</u>	<u>2,693</u>	<u>29,191,102</u>
Total capital assets being depreciated	<u>285,202,495</u>	<u>7,706,887</u>	<u>(626,313)</u>	<u>5,346,553</u>	<u>297,629,622</u>
Less accumulated depreciation for:					
Land Improvements	(19,196,885)	(3,807,210)	-	-	(23,004,095)
Building and building improvements	(41,964,405)	(3,811,122)	-	-	(45,775,527)
Furniture, fixtures and equipment	(30,611,529)	(4,763,246)	14,758	-	(35,360,017)
Software	(6,094,508)	(189,026)	-	-	(6,283,534)
Technology Infrastructure	(4,862,863)	(931,746)	-	-	(5,794,609)
Vehicles	<u>(17,062,968)</u>	<u>(2,472,400)</u>	<u>598,155</u>	<u>-</u>	<u>(18,937,213)</u>
Total accumulated depreciation	<u>(119,793,158)</u>	<u>(15,974,750)</u>	<u>612,913</u>	<u>-</u>	<u>(135,154,995)</u>
Total capital assets being depreciated, net	<u>165,409,337</u>	<u>(8,267,863)</u>	<u>(13,400)</u>	<u>5,346,553</u>	<u>162,474,627</u>
Total capital assets, governmental activities	<u>\$ 261,233,812</u>	<u>\$ 5,993,299</u>	<u>\$ (318,978)</u>	<u>\$ -</u>	<u>\$ 266,908,133</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 4,296,618
Judicial administration	129,684
Public safety	4,234,865
Public works	2,915,561
Health and social services	15,100
Parks, recreation and cultural	3,023,097
Community development	120,973
Transportation	<u>1,238,852</u>
Total	<u>\$ 15,974,750</u>

*Beginning balance was restated. See note 18 for additional information.

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for Primary Government's business-type activities for the fiscal year ended June 30, 2019:

PRIMARY GOVERNMENT

Business-type Activities

Water and Sewer Fund

	Balance				Balance
	<u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>June 30, 2019</u>
Capital assets not being depreciated:					
Land	\$ 19,053,161	\$ -	\$ -	\$ (12,718)	\$ 19,040,443
Other intangible assets	4,035,282	27,870	-	41,185	4,104,337
Construction in progress	13,754,087	11,941,823	-	(7,532,466)	18,163,444
Total capital assets not being depreciated	<u>36,842,530</u>	<u>11,969,693</u>	<u>-</u>	<u>(7,503,999)</u>	<u>41,308,224</u>
Capital assets being depreciated:					
Land Improvements	699,187	-	-	-	699,187
Building and building improvements	4,294,205	-	-	-	4,294,205
Distribution and collection systems	577,980,930	6,902,907	(472,967)	5,054,509	589,465,379
Furniture, fixtures and equipment	17,714,848	1,457,994	(24,250)	2,709,351	21,857,943
Software	240,638	-	-	-	240,638
Technology Infrastructure	770,090	-	-	(259,861)	510,229
Vehicles	4,714,199	787,993	(157,387)	-	5,344,805
Total capital assets being depreciated	<u>606,414,097</u>	<u>9,148,894</u>	<u>(654,604)</u>	<u>7,503,999</u>	<u>622,412,386</u>
Less accumulated depreciation for:					
Land Improvements	(374,687)	(27,868)	-	-	(402,555)
Building and building improvements	(2,505,772)	(116,436)	-	-	(2,622,208)
Distribution and collection systems	(182,307,905)	(13,832,474)	423,680	-	(195,716,699)
Furniture, fixtures and equipment	(13,152,987)	(1,379,301)	24,250	(38,978)	(14,547,016)
Software	(213,600)	(9,013)	-	(4,506)	(227,119)
Technology Infrastructure	(409,549)	(32,377)	-	43,484	(398,442)
Vehicles	(3,178,999)	(611,954)	157,387	-	(3,633,566)
Total accumulated depreciation	<u>(202,143,499)</u>	<u>(16,009,423)</u>	<u>605,317</u>	<u>-</u>	<u>(217,547,605)</u>
Total capital assets being depreciated, net	<u>404,270,598</u>	<u>(6,860,529)</u>	<u>(49,287)</u>	<u>7,503,999</u>	<u>404,864,781</u>
Total capital assets, business-type activities	<u>\$ 441,113,128</u>	<u>\$ 5,109,164</u>	<u>\$ (49,287)</u>	<u>\$ -</u>	<u>\$ 446,173,005</u>

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets, except for fleet services fund, for Stafford County Public Schools' governmental activities for the fiscal year ended June 30, 2019:

COMPONENT UNIT – Stafford County Public Schools Governmental Activities

	Balance July 1, 2018	Increases	Decreases	Re-classifications	Balance June 30, 2019
<u>Capital assets not being depreciated or amortized:</u>					
Land	\$ 34,000,629	\$ -	\$ -	\$ -	\$ 34,000,629
Construction in progress	15,411,924	30,407,765	-	(2,871,588)	42,948,101
Total capital assets not being depreciated or amortized	49,412,553	30,407,765	-	(2,871,588)	76,948,730
<u>Capital assets being depreciated or amortized</u>					
Land improvements	64,056,821	1,137,689	(85,656)	-	65,108,854
Buildings & building improvements	531,492,753	6,500,947	(116,019)	1,225,593	539,103,274
Furniture, fixtures & equipment	12,064,755	884,527	(42,413)	1,557,050	14,463,918
Vehicles	24,270,140	1,336,809	(242,332)	-	25,364,618
Software	2,299,106	-	-	-	2,299,106
Technology infrastructure	4,190,020	6,600	-	-	4,196,620
Water treatment system	958,180	433,903	(161,186)	88,945	1,319,841
Total capital assets being depreciated or amortized	639,331,775	10,300,475	(647,606)	2,871,588	651,856,232
<u>Less accumulated depreciation or amortization for:</u>					
Land improvements	(27,211,943)	(3,362,177)	85,400	-	(30,488,720)
Buildings & building improvements	(189,491,800)	(15,945,986)	116,019	-	(205,321,767)
Furniture, fixtures & equipment	(6,887,811)	(1,074,477)	28,811	-	(7,933,477)
Vehicles	(11,967,941)	(1,574,101)	235,890	-	(13,306,153)
Software	(842,806)	(158,242)	-	-	(1,001,047)
Technology infrastructure	(884,707)	(209,847)	-	-	(1,094,554)
Water treatment system	(606,557)	(56,697)	161,186	-	(502,068)
Total accumulated depreciation or amortization	(237,893,565)	(22,381,527)	627,305	-	(259,647,786)
Total capital assets being depreciated or amortized, net	401,438,210	(12,081,052)	(20,301)	2,871,588	392,208,445
Total capital assets, net	\$ 450,850,763	\$ 18,326,713	\$ (20,301)	\$ -	\$ 469,157,175

Depreciation expense was charged to governmental functions as follows:

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

Note 5. LONG-TERM LIABILITIES

A. PRIMARY GOVERNMENT – GOVERNMENTAL ACTIVITIES

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

	Amounts Payable at June 30, 2018	Additions	Reductions	Amounts Payable at June 30, 2019	Amounts Due within One Year
Bonds Payable:					
General obligation bonds	\$ 333,349,649	\$ 12,100,000	\$ (21,795,996)	\$ 323,653,653	\$ 21,786,214
Lease revenue bonds	500,000	-	(40,000)	460,000	40,000
Plus amounts for bond premiums	28,742,719	1,304,024	(2,030,924)	28,015,819	2,030,924
Bonds payable including amounts for bond premiums	362,592,368	13,404,024	(23,866,920)	352,129,472	23,857,138
Literary loans	864,590	-	(216,149)	648,441	216,149
VRA loan	82,346,744	-	(5,114,050)	77,232,694	5,300,247
Capital leases	8,637,382	2,194,073	(2,300,497)	8,530,958	1,991,408
Net pension liability	16,857,472	15,841,205	(16,557,798)	16,140,879	-
Net OPEB liability	84,852,199	7,211,635	(2,683,083)	89,380,751	-
**Compensated absences	7,764,263	6,605,869	(6,208,217)	8,161,915	3,341,133
Governmental activities long-term liabilities	\$ 563,915,018	\$ 45,256,806	\$ (56,946,714)	\$ 552,225,110	\$ 34,706,075

** The following governmental funds, wherein associated payroll expenditures are recorded, are used to liquidate their portion of the liability for compensated absences: General Fund, Tourism Fund, and Capital Projects Fund.

Annual debt service requirements to maturity for long-term debt and related interest, exclusive of premiums are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 21,786,214	\$ 12,960,318	\$ 40,000	\$ 22,175
2021	21,490,408	11,848,104	40,000	20,350
2022	21,630,176	10,792,737	45,000	18,322
2023	20,960,183	9,777,769	45,000	16,016
2024	21,601,672	8,755,718	45,000	13,709
2025-2029	115,425,000	28,012,370	245,000	32,672
2030-2034	83,090,000	7,909,498	-	-
2035-2039	17,670,000	960,924	-	-
Total	\$ 323,653,653	\$ 91,017,438	\$ 460,000	\$ 123,244

Year Ending June 30,	Literary Loans	
	Principal	Interest
2020	\$ 216,149	\$ 19,453
2021	216,149	12,969
2022	216,143	6,484
Total	\$ 648,441	\$ 38,906

Note 5. LONG-TERM LIABILITIES (Continued)

Year Ending June 30,	<u>Capital Leases</u>		<u>VRA Loan</u>	
	Principal	Interest	Principal	Interest
2020	\$ 1,991,408	\$ 211,518	\$ 5,300,247	\$ 3,212,322
2021	2,043,638	159,287	5,406,703	2,971,526
2022	895,309	117,251	5,528,424	2,715,761
2023	918,923	93,637	5,665,416	2,444,828
2024	943,190	69,371	4,172,686	2,208,980
2025-2029	1,738,490	113,313	20,674,218	8,239,400
2030-2034	-	-	19,975,000	3,883,750
2035-2039	-	-	10,510,000	604,772
Total	<u>\$ 8,530,958</u>	<u>\$ 764,377</u>	<u>\$ 77,232,694</u>	<u>\$ 26,281,339</u>

Total Debt Service Payments by year

Year Ending June 30,	Principal	Interest
2020	\$ 29,334,018	\$ 16,425,786
2021	29,196,898	15,012,236
2022	28,315,052	13,650,555
2023	27,589,522	12,332,250
2024	26,762,548	11,047,778
2025-2029	138,082,708	36,397,755
2030-2034	103,065,000	11,793,248
2035-2039	28,180,000	1,565,696
Total	<u>\$ 410,525,746</u>	<u>\$ 118,225,304</u>

Note 5. LONG-TERM LIABILITIES (Continued)

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
<i>Governmental Activities</i>					
General Obligation Bonds					
County:					
Public Improvements (Refunding)	6/13/2012	10/1/2021	3.43 – 5.13%	\$ 4,810,000	\$ 1,435,000
Public Improvements	6/27/2013	7/1/2033	3.13%	24,075,000	18,070,000
Parks and Transportation	8/11/2015	6/30/2036	3.00-5.00%	28,885,000	8,755,000
Parks and Transportation	5/24/2017	6/30/2037	3.00-5.00%	12,060,000	11,455,000
Total General Obligation – County					<u>\$39,715,000</u>
Schools:					
VPSA Series 1999A	5/13/1999	7/15/2019	4.10 – 5.23%	18,000,000	900,000
VPSA Series 1999B	11/18/1999	7/15/2019	5.10 – 6.10%	9,805,170	554,360
VPSA Series 2000A	5/18/2000	7/15/2020	5.10 – 5.60%	9,240,000	920,000
VPSA Series 2000B	11/16/2000	7/15/2020	4.98 – 5.85%	4,260,000	420,000
VPSA Series 2001A	5/17/2001	7/15/2021	4.85 – 5.60%	10,135,000	1,515,000
VPSA Series 2001B	11/15/2001	7/15/2021	3.10 – 5.35%	9,257,513	1,506,954
VPSA Series 2002A	5/16/2002	7/15/2022	5.10 – 5.60%	2,685,000	525,000
VPSA Series 2002B	11/7/2002	7/15/2022	4.10 – 5.10%	1,815,000	360,000
VPSA Series 2003A	5/15/2003	7/15/2023	3.10 – 5.35%	6,905,000	1,725,000
VPSA Series 2003B	11/1/2003	7/15/2028	3.10 – 5.35%	54,070,000	29,940,000
VPSA Series 2003C	11/1/2003	7/15/2023	3.10 – 5.35%	5,494,768	1,547,339
VPSA Series 2004A	5/13/2004	7/15/2029	4.85 – 5.10%	8,470,000	5,040,000
VPSA Series 2004B	11/10/2004	7/15/2029	4.10 – 5.60%	9,700,000	5,720,000
VPSA Series 2005A	5/12/2005	7/15/2030	4.10 – 5.10%	17,895,000	11,255,000
VPSA Series 2005B	11/10/2005	7/15/2030	4.35 – 5.10%	9,810,000	6,185,000
VPSA Series 2006A	5/12/2006	7/15/2031	4.10 – 5.10%	41,035,000	27,360,000
VPSA Series 2006B	11/9/2006	7/15/2032	4.22 – 5.10%	6,310,000	4,160,000
VPSA Series 2007A	5/10/2007	7/15/2032	4.10 – 5.10%	13,620,000	9,565,000
VPSA Series 2007B	11/8/2007	1/15/2033	4.40 – 5.10%	10,600,000	7,485,000
VPSA Series 2008A	5/19/2008	7/15/2033	4.10 – 5.10%	11,500,000	8,505,000
VPSA Series 2008B	12/11/2008	7/15/2033	4.10 – 5.40%	1,700,000	1,260,000
VPSA Series 2010A	5/13/2010	7/15/2025	3.05 – 5.05%	5,740,000	3,115,000
Qualified School Construction Bonds	7/8/2010	7/15/2031	5.31%	1,305,000	630,000
VPSA Series 2010C	11/10/2010	7/15/2030	2.05 – 3.55%	2,305,000	1,570,000
VPSA Series 2011A	5/5/2011	7/15/2031	2.05 – 4.30%	5,625,000	4,215,000
VPSA Series 2011B	11/9/2011	7/15/2031	2.05 – 5.05%	9,845,000	7,250,000
VPSA Series 2012A	5/10/2012	7/15/2032	2.55 – 5.05%	11,860,000	8,745,000
VPSA Series 2012B	11/15/2012	7/15/2032	2.15 – 5.05%	16,220,000	12,450,000
VPSA Series 2013A	5/9/2013	7/15/2033	3.05 – 5.05%	13,820,000	11,300,000
VPSA Series 2013B	11/15/2013	7/15/2033	2.30 – 5.05%	12,575,000	10,420,000
VPSA Series 2014A	5/15/2014	7/15/2034	2.67 – 5.05%	16,380,000	13,710,000
VPSA Series 2014B	11/15/2014	7/15/2034	2.05 – 5.05%	15,250,000	13,025,000
VPSA Series 2015A	5/15/2015	7/15/2035	2.05 – 5.05%	6,870,000	6,200,000
VPSA Series 2015B	11/3/2015	7/15/2035	2.05 – 5.05%	18,910,000	17,130,000
VPSA Series 2016A	5/17/2016	7/15/2036	3.00 – 5.05%	1,720,000	1,555,000
VPSA Series 2016B	10/25/2016	7/15/2036	2.8 – 5.05%	8,480,000	7,990,000
VPSA Series 2017A	5/17/2017	7/15/2037	3.05 – 5.05%	10,370,000	10,045,000
VPSA Series 2017B	10/01/2017	7/15/2037	2.05 – 5.05%	7,585,000	7,415,000
VPSA Series 2018A	5/11/2018	7/15/2033	3.05 – 5.05%	8,625,000	8,625,000
VPSA Series 2018B	10/16/2018	7/15/2038	3.05 – 5.05%	6,970,000	6,970,000
VPSA Series 2019A	5/19/2019	7/15/2034	3.05 – 5.05%	5,130,000	5,130,000
Total General Obligation – Schools					<u>\$283,938,653</u>

Note 5. LONG-TERM LIABILITIES (Continued)

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
<u>Literary Loans</u>					
Rocky Run Elementary School	8/15/2001	8/15/2021	3.00%	\$4,322,974	\$648,441
Total Literary Loans					648,441
<u>VRA Loans</u>					
Crows Nest 2008	04/18/2008	04/01/2028	3.00%	9,500,000	4,892,694
Refunding LRBs 06/08	08/15/2014	10/01/2036	3.10%	64,335,000	58,840,000
Solid Waste 2015	11/04/2015	10/01/2023	3.12 – 5.13%	1,855,000	1,240,000
Animal Shelter	05/24/2017	10/01/2036	2.99 – 5.43%	5,430,000	5,060,000
Fire Station 14 & refunding	11/1/2017	10/01/2037	2.86 – 5.13%	9,975,000	7,200,000
Total VRA Loans					77,232,694
<u>Lease Revenue Bonds:</u>					
Hidden Lake Dam Refunding	11/02/2016	10/1/2028	4.38 – 5.13%	460,000	460,000
Total Lease Revenue Bonds					460,000
Total Bonds Payable					\$ 402,635,295

The County has entered into lease agreements as lessee for financing the acquisition of land, buildings, equipment, software systems, and vehicles. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Land	\$ 59,386
Equipment	16,725,723
Vehicles	5,518,339
Less: Accumulated depreciation	(13,872,503)
Total	<u>\$ 8,430,945</u>

In June, 2008, the County obtained \$800,000 Lease Revenue financing on behalf of the homeowners of the Hidden Lake Subdivision for dam renovations through the Virginia Resources Authority. Homeowners are assessed an ad valorem tax of \$0.22 per \$100 of assessed valuation, with collections designated for debt service on the financing. These bonds sold at a premium, yielding an additional \$35,348 for project purposes.

The County's 2006 and most of the 2008 Lease Revenue Bonds were defeased and the liability for those bonds have been removed from the government-wide statement of net position. As of June 30, 2019, the remaining value of outstanding defeased bonds is \$0. The aggregate difference between the debt service on the original bonds and the debt service of the new bonds was \$ 16.2 million and resulted in an economic gain of \$ 7.5 million. This was through the Virginia Resources Authority.

The County's 2002 GO bonds were refunded in 2012. These were through the Virginia Resources Authority. The aggregate difference between the debt service on the original bonds and the debt service of the new bonds was \$ 1.4 million and resulted in an economic gain of \$86,816.

NOTE 5. LONG-TERM LIABILITIES (Continued)

In November of 2015, the County and the City of Fredericksburg obtained a loan through the Virginia Resources Authority (VRA) to fund the Rappahannock Regional Solid Waste Management Board's (R-Board) construction of a new landfill cell, cell F2. These loans are secured by the proportion financed and letters of credit and are payable principally from payments received from the R-Board. As of June 30, 2019, the principle balance of the County's share of the loan is \$1,240,000.

On November 2, 2016, the County issued \$460,000 in bonds through the VRA Virginia Pooled Financing Program with an interest rate ranging between 4.375% to 5.125% to advance refund \$485,000 of outstanding 2008 lease revenue bonds for the Hidden Lake Dam with an interest rate ranging between 3.00% to 4.93%. The net proceeds of \$523,800 (after premium of \$102,188 and payment of \$38,388 of bond issuance costs) were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 lease revenue bonds. As a result, the 2008 lease revenue bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. As of June 30, 2019, the remaining value of the outstanding defeased bonds is \$0. The aggregate difference between the debt service on the original bonds and the debt service of the new bonds was \$ 31,041 reducing interest expense of the County's fund activities. This was through Virginia Resources Authority and resulted in an economic gain of \$ 19,755.

On November 1, 2017 the County issued \$9,975,000 in bonds through the VRA Virginia Pooled Financing Program with an interest rate ranging between 2.286% to 5.125%. \$4,085,000 of the issue was to advance refund \$4,280,000 of outstanding 2008 lease revenue bonds with an interest rate ranging between 4.00% to 5.00%. The net proceeds of \$4,367,492 (after premium of \$353,100 and payment of \$52,887 of bond issuance costs) were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 lease revenue bonds. As a result, the 2008 lease revenue bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. As of June 30, 2019, the remaining value of the outstanding defeased bonds is \$0. The remaining \$5,890,000 of the bonds was used for the construction of a fire station. The aggregate difference between the debt service on the original bonds left on the 2008 lease revenue bonds and the debt service of the new bonds was \$ 835,025 and resulted in an economic gain of \$ 97,698

The County has moral obligation pledges as follows:

- \$2,030,000 for three Virginia Resources Authority loans secured by the Stafford Regional Airport to fund various site improvements;
- \$1,660,000 over the next seven years to the Rappahannock Regional Solid Waste Management Board.

All GO, VPSA and Literary loans for the general government is collateralized by full faith and credit of the County, special terms of default include within 15 days a 5 % late charge and supplemental interest charges followed by possible acceleration of all debt due and the Governor can order the State Comptroller to withhold all funds due the County.

NOTE 5. LONG-TERM LIABILITIES (Continued)

Listed below is a chart for the collateral and default terms for the Governmental debt:

Lease Revenue Bonds	Principal outstanding	Collateral	Default/Termination Events
\$460,000 refunding bonds issued November 2, 2016, maturing annually in varying installments of \$40,000 to \$55,000 through October 1, 2028, interest 4.375% to 5.125%, payable semi-annually, including premium of \$102,188	\$ 460,000	Autumn Ridge Park	Accelerate all lease payments to be due and payable or take possession of the parcel
VRA Loan			
\$9,500,000 issued April 18, 2008, maturing semi-annually in varying installments of \$175,057 to \$312,864 through April 1, 2028, interest at 3.0%; payable semi-annually	4,892,694	Two parcels - 1,770 acres	Accelerate all lease payments to be due and payable or take possession of the parcels
\$64,335,000 issued Aug 15, 2014, maturing annually in varying installments of \$1,300,000 to \$4,365,000 through Oct 1, 2036, interest at 3.08%; payable semi-annually	58,840,000	Embrey Mill Indoor Recreation Center, Public Safety Building & Berea Fire Station	Accelerate all lease payments to be due and payable or take possession of the real estate
\$1,855,000 issued November 4, 2015, maturing annually in varying installments of \$195,000 to \$275,000 through October 1, 2023, interest at 3.125 to 5.125%; payable semi-annually.	1,240,000	Revenues of Stafford County and the R-Board	W/in 15 days of due date 5% late payment charge & subject to "supplemental" interest payments - default could lead to acceleration of all debt due
\$5,430,000 issued May 24, 2017, maturing annually in varying installments of \$180,000 to \$380,000 through October 1, 2036, interest at 2.993% to 5.125%; payable semi-annually, including premium of \$436,440	5,060,000	Embrey Mill Indoor Recreation Center, Public Safety Building & Berea Fire Station	Accelerate all lease payments to be due and payable or take possession of the real estate
\$9,975,000 issued November 1, 2017 maturing annually in varying installments of \$290,000 to \$2,775,000 through October 1, 2037, interest at 2.826% to 5.125%; payable semi-annually, including premium of \$1,130,421	7,200,000	Embrey Mill Indoor Recreation Center, Public Safety Building & Berea Fire Station	Accelerate all lease payments to be due and payable or take possession of the real estate
Capital Leases			
\$8,707,998 issued March 29, 2011 maturing quarterly in varying installments of \$186,337 to \$260,100 through April 10, 2021; interest at 3.11% payable quarterly	1,451,062	Communications system	Accelerate all lease payments to be due and payable or take possession of the personal property
\$3,631,837.23 issued June 29, 2014 maturing semi-annually in varying installments of \$160,021 to \$204,914 through June 23, 2024; interest at 2.62% payable semi-annually	1,933,922	Heavy duty fire & rescue vehicle & scuba equipment	Accelerate all lease payments to be due and payable or take possession of the personal property
\$2,100,000 issued on June 30, 2016 maturing semi-annually in varying installments of \$100,775.29 to \$109,334.88 through June 30, 2021; interest at 1.72% payable semi-annually.	862,136	Radio system	Accelerate all lease payments to be due and payable or take possession of the personal property
\$3,028,339 issued on June 30, 2016 maturing semi-annually in varying installments of \$100,775.29 to \$109,334.88 through June 30, 2021; interest at 1.72% payable semi-annually.	2,182,079	5 Fire trucks	Accelerate all lease payments to be due and payable or take possession of the personal property
\$2,144,073 issued on November 30, 2018 maturing semi-annually in installments of \$131,2324.62; interest at 3.56% payable semi-annually.	2,101,759	3 Fire trucks	Accelerate all lease payments to be due and payable or take possession of the personal property

B. PRIMARY GOVERNMENT – BUSINESS-TYPE ACTIVITIES

	Amounts Payable at June 30, 2018	Increases	Decreases	Amounts Payable at June 30, 2019	Amounts Due within One Year
Bonds Payable					
Revenue bonds	\$ 74,040,000	\$ -	\$ (2,010,000)	\$ 72,030,000	\$ 2,105,000
VRA loan	22,937,811	-	(1,614,851)	21,322,960	1,638,087
Plus amounts for bond premiums	8,409,039	-	(417,499)	7,991,540	417,499
Bonds payable including amounts for bond premiums	105,386,850	-	(4,042,350)	101,344,500	4,160,586
Net pension liability	3,076,275	2,597,705	(3,027,133)	2,646,847	-
Net OPEB liability	16,184,980	1,379,879	(515,567)	17,049,292	-
Compensated absences	1,220,687	1,150,007	(1,073,586)	1,297,108	496,668
Business-type activities long-term liabilities	\$ 125,868,792	\$ 5,127,591	\$ (8,658,636)	\$ 122,337,747	\$ 4,657,254

NOTE 5. LONG-TERM LIABILITIES (Continued)

Annual debt service requirements to maturity for long-term debt and related interest, exclusive of unamortized premiums are as follows:

Year Ending June 30,	Revenue Bonds		VRA Loans	
	Principal	Interest	Principal	Interest
2020	\$ 2,105,000	\$ 3,032,591	\$ 1,638,087	\$ 308,569
2021	2,200,000	2,935,725	1,661,759	284,897
2022	2,300,000	2,837,113	1,685,878	260,779
2023	2,405,000	2,730,372	1,710,454	236,203
2024	2,520,000	2,610,719	1,735,496	211,160
2025-2029	14,625,000	11,051,141	8,493,869	618,583
2030-2034	18,215,000	7,470,488	4,397,417	116,727
2035-2039	15,315,000	3,842,234	-	-
2040-2044	12,345,000	1,040,972	-	-
Total	<u>\$ 72,030,000</u>	<u>\$ 37,551,355</u>	<u>\$ 21,322,960</u>	<u>\$ 2,036,918</u>

Total Debt Service Payments by year

Year Ending June 30,	Principal	Interest
2020	\$ 3,743,087	\$ 3,341,160
2021	3,861,759	3,220,622
2022	3,985,878	3,097,892
2023	4,115,454	2,966,575
2024	4,255,496	2,821,879
2025-2029	23,118,869	11,669,724
2030-2034	22,612,417	7,587,215
2035-2039	15,315,000	3,842,234
2040-2044	12,345,000	1,040,972
Total	<u>\$ 93,352,960</u>	<u>\$ 39,588,273</u>

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
Business Type Activities					
Revenue Bonds:					
Public Improvements	6/3/2012	10/1/2042	3.43-5.13%	\$ 53,355,000	\$ 9,535,000
Public Improvements	6/27/2014	10/1/2035	3.12-4.83%	16,010,000	13,770,000
Public Improvements	11/4/2015	10/1/2035	3.22%	8,620,000	7,775,000
Refunding	11/2/2016	10/1/2042	2.12-5.13%	41,140,000	40,950,000
Total Revenue Bonds					<u>72,030,000</u>
Virginia Resources Authority Loans:					
Public Improvements	7/8/2009	3/1/2031	3.35%	23,681,363	15,002,939
Public Improvements	7/27/2009	3/1/2031	2.34-4.20%	9,606,478	6,320,021
Total Virginia Resources Authority					<u>\$ 21,322,960</u>

NOTE 5. LONG-TERM LIABILITIES (Continued)

The County has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$75.9 million in water system revenue bonds issued at various times. Proceeds from the bonds provided financing for the construction and rehabilitation of the water-sewer system. The bonds are payable solely from water customer net revenues and are payable through 2042. Annual principal and interest payments on the bonds are expected to require less than 23 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$109,581,354. Principal and interest paid on revenue bonds for the current year and total customer net revenues were \$5,134,588 and \$42,674,920, respectively. In addition to pledged revenues, the County must meet certain debt service ratio requirements in accordance with the bond indentures. At June 30, 2019, the County was in compliance with all ratio requirements.

On November 2, 2016, the County issued \$41,140,000 in bonds through the VRA Pooled Financing Program with interest rate ranging between 2.125% to 5.125% to advance refund \$38,355,000 of outstanding 2012 lease revenue bonds interest rates ranging between 3.43% to 5.13%. The net proceeds of \$46,347,632 (after premium of \$5,528,297 and payment of \$320,665 of bond issuance costs) were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2012 lease revenue bonds. As a result, the 2012 lease revenue bonds are considered to be defeased and the liability for those bonds have been removed from the government-wide statement of net position. As of June 30, 2019, the remaining value of the outstanding defeased bonds is \$38,355,000. The result of the refunding saved the County \$2,027,634 in future debt service and resulted in \$1,393,401 economic gain.

The chart below lists the collateral and default terms of the loans for the business enterprise fund.

Enterprise Fund	Principal outstanding	Collateral	Default/Termination Events
\$23,681,363 Water and Sewer Revenue Bond, issued July 8, 2009, maturing in varying semi-annual installments of \$1,043,784 to \$1,401,685 through March 1, 2031, interest at 3.35% payable semi-annually	15,002,939	W&S revenue pledged	Declaration of default could lead to acceleration of debt
\$9,606,478 Water and Sewer Revenue Bond, issued July 27, 2009, maturing in varying semi-annual installments of \$348,903 to \$668,999 through March 1, 2031, interest at 3.35% payable semi-annually	6,320,021	W&S revenue pledged	Declaration of default could lead to acceleration of debt
\$53,355,000 Water and Sewer Revenue Bond, issued June 13, 2012, maturing in varying semi-annual installments of \$810,000 to \$3,340,000 through October 1, 2042, interest at 3.43% to 5.13% payable semi-annually, net premium \$7,989,166	9,535,000	W&S revenue pledged	W/in 15 days of due date 5% late payment charge & subject to "supplemental" interest payments - default could lead to acceleration of all debt due
\$16,010,000 Water and Sewer Revenue Bond, issued June 27, 2014, maturing in varying annual installments of \$810,000 to \$3,340,000 through October 1, 2035, interest at 3.12% to 4.83% payable semi-annually, net premium \$1,230,766	13,770,000	W&S revenue pledged	W/in 15 days of due date 5% late payment charge & subject to "supplemental" interest payments - default could lead to acceleration of all debt due
\$8,620,000 VRA, issued November 4, 2015, maturing in varying annual installments of \$270,000 to \$625,000 through October 1, 2035, interest at 3.22% payable semi-annually.	7,775,000	W&S revenue pledged	W/in 15 days of due date 5% late payment charge & subject to "supplemental" interest payments - default could lead to
\$41,140,000 VRA Refunding Bond, issued November 2, 2016, maturing in varying annual installments of \$95,000 to \$2,695,000 through October 1, 2042, interest at 2.125% to 5.125% payable semi-annually	40,950,000	W&S revenue pledged	W/in 15 days of due date 5% late payment charge & subject to "supplemental" interest payments - default could lead to

C. NET INVESTMENT IN CAPITAL ASSETS

The County utilizes proceeds for the purchase and construction of capital assets. The following is a summary of the County's net investment in capital assets.

	Governmental Activities	Business-Type Activities
Capital assets, net	\$ 266,908,133	\$ 446,173,005
Less: Long-term debt related to capital assets	(410,525,746)	(93,352,960)
Less: Unamortized premiums	(28,015,819)	(7,991,540)
Add: Unamortized loss	3,360,936	2,273,671
Add: Long term debt and premiums relation to SCPS' assets	284,587,094	-
Add: Unspent bond proceeds from non-SCPS' debt	7,495,526	-
Net Investment in Capital Assets	\$ 123,810,124	\$ 347,102,176

NOTE 5. LONG-TERM LIABILITIES (Continued)**D. COMPONENT UNIT – STAFFORD COUNTY PUBLIC SCHOOLS**

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

Note 6. DEFINED BENEFIT PENSION PLAN**A. Plan Description**

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

All full-time, salaried permanent employees of the County are automatically covered by VRS upon employment. The plan is administered by the VRS along with plans for other employer groups in the Commonwealth of Virginia. Benefits vest after five years of service credit. 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 public including prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

NOTE 6. BENEFIT PENSION PLAN (Continued)

VRS administers three defined benefit plans for local government employees – Plan 1, Plan 2 and a Hybrid plan:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit. Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Non-hazardous members hired or rehired on or after January 1, 2014 are covered under the Hybrid Plan. Non-hazardous members in Plan 1 and 2 were able to convert to the Hybrid Plan January 1, 2014 through April 30th 2014 at their option. The Hybrid Plan has disability insurance in addition to the retirement plan. The hybrid plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefits are 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 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. Under the defined benefit component of the Hybrid, non-hazardous duty members are eligible for an unreduced benefit beginning at their normal social security retirement age with at least five year years of service credits or when the sum of their age and service credits equal 90. They may retire with reduced benefits as early as 60 with at least five years of service credits. This is not applicable for hazardous duty employees. Under the contribution component of the Hybrid Plan, members are eligible to receive distributions upon leaving employment, subject to restrictions.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. Under the Hybrid Plan average final compensation is the same as Plan 2 for the defined benefit component. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. The retirement multiplier under the hybrid plan is 1.00%.

NOTE 6. BENEFIT PENSION PLAN (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 3.00%. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. Under Hybrid COLA is the same as Plan 2 for the defined benefit component and is not applicable for the defined contribution piece.

B. Employees Covered by Benefit Terms

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

	County Number	School Board Non Professional Number
Inactive members or their beneficiaries currently receiving benefits	411	178
Inactive members:		
Vested	145	35
Non-vested	190	105
Active elsewhere in VRS	202	52
Total inactive members	537	192
Active members	878	306
Total covered employees	1,826	676

C. 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.

The County's contractually required employer contribution rate for the year ended June 30, 2019 was 9.96% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$5,347,088 and \$ 5,135,417 for the years ended June 30, 2019 and 2018 respectively.

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

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

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's professional contractually required contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the professional plan were \$24,354,767 and \$24,089,528 for the years ended June 30, 2019 and 2018, respectively.

D. Net Pension Liability

The County's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, rolled forward to the measurement date of June 30, 2018.

At June 30, 2019, the County, the George Washington Regional Commission (GWRC) and the R-Board reported a collective pension liability of \$19,453,816 for its proportionate share of the VRS net pension liability (collectively the County). This amount is comprised of \$18,787,726 for the County, \$242,097 for GWRC and \$423,993 for the R-Board. The County's proportion of the net pension liability was based on the County's actuarially determined employer contributions to the pension plan for the valuation date of June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

NOTE 6. BENEFIT PENSION PLAN (Continued)

E. Actuarial Assumptions – General Employees

The total pension liability for the VRS retirement plan was based on an actuarial valuation as of June 30, 2017, using the entry age normal actuarial cost method and the following assumptions, applied to all periods including in the measurement and rolled forward to the measurement date as of June 30, 2018.

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

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

Mortality rates:

Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

Non-Hazardous Duty:

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

F. Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's retirement plan was based on an actuarial valuation as of June 30, 2017, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2018.

Inflation	2.5 %
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

Mortality rates:

Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

G. Long-Term Expected Rate of Return

The long-term expected rate of return on pension VRS 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 VRS investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

H. Discount Rate

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

I. Change in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2017	\$ 189,991,388	\$169,572,604	\$20,418,784
Changes for the Year:			
Service Cost	5,615,431	-	5,615,431
Interest	13,030,635	-	13,030,635
Difference between expected & actual experience	328,425	-	328,425
Contributions-employer	-	4,869,518	(4,869,518)
Contributions-employee	-	2,587,998	(2,587,998)
Net investment income	-	12,600,084	(12,600,084)
Benefit payments, including refunds of employee contributions	(7,678,917)	(7,678,917)	-
Administrative charges	-	(106,856)	106,856
Other charges	-	(11,285)	11,285
Net changes	11,295,574	12,260,542	(964,968)
Balances at June 30, 2018	\$201,286,962	\$181,833,146	\$19,453,816

Employees receiving benefits under this plan include the County, the R-Board and GWRC. The County has an operating agreement to manage the R-Board landfill effectively giving the R-Board employees the same benefits as the County employees. The County also has a memorandum of understanding with GWRC to provide all payroll and benefit services to its employees. Since the R-Board and GWRC are legally responsible for their employee's contributions, they are responsible for their proportionate share of the net pension liability, deferred inflows of resources and deferred outflows of resources and deferred inflows of resources.

NOTE 6. BENEFIT PENSION PLAN (Continued)

The Net Pension Liability:

A reconciliation from the amount above to the statements is shown below.

	Net Pension Liability
Governmental Activities	\$ 16,140,879
GWRC	242,097
Business type Activities	2,646,847
R-Board	423,993
	<u>\$ 19,453,816</u>

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

The following presents the net pension liabilities of the County's plan, using the discount rate of 7.00%, as well as what the County'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%)
County net pension liability(asset)	47,412,103	19,453,816	(3,613,722)

K. COMPONENT UNIT – Stafford County Public Schools

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

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

L. Actuarial Assumptions – School Board Non-Professional Plan

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

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

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

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

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

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

M. Actuarial Assumptions – School Board Professional Plan

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

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

Mortality Rates:

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

The actuarial assumptions used in the June 30, 2015 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:

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

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.

NOTE 6. BENEFIT PENSION PLAN (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

N. Discount Rate

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

O. Changes in the Net Pension Liability

School Board Non-Professional

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

The following presents the net pension liabilities of the School Board non-professional plan and the School Board professional plan, using the discount rate of 7.00%, as well as what the School Board's non-professional plan and the School Board's professional plan net pension liabilities would be if they were calculated using a discount rate that is 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's non-professional net pension liability (asset)	\$3,614,983	\$19,878	(\$2,988,006)
School Board's professional net pension liability	\$338,477,000	\$221,585,000	\$124,831,000

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 2018 CAFR. A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or 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 6. BENEFIT PENSION PLAN (Continued)**P. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2019, the County recognized pension expense of \$1,686,851. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,610,758
Difference between expected and actual experience	249,666	1,696,410
Change in assumptions	-	535,278
County contributions subsequent to the measurement date	5,347,088	-
Total	<u>\$ 5,596,754</u>	<u>\$ 3,842,446</u>

\$5,347,088 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year ended June 30:

2020	\$ (513,582)
2021	(1,074,658)
2022	(1,869,551)
2023	(134,989)
	<u>\$ (3,592,780)</u>

A reconciliation of the deferred inflows and deferred outflows is shown below:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Governmental Activities	\$ 4,643,641	\$ 3,188,087
GWRC	69,649	47,817
Business type Activities	761,483	522,796
Rappahannock Regional Solid Waste Management Board	121,981	83,746
Total	<u>\$ 5,596,754</u>	<u>\$ 3,842,446</u>

Q. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 6. BENEFIT PENSION PLAN (Continued)

R. School Board Non-Professional

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

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

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

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

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

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

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

The \$24,354,767 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions for the professional plan subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

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

Note 7. OTHER POSTEMPLOYMENT BENEFITS

Primary Government:

A. Plan Description

Name of Plan: Stafford County Retired Employees Health Insurance Plan (SCREHIP)
Identification of Plan: Single-Employer Defined Benefit Plan
Administering Entity: Stafford County

The County provides post employment healthcare insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. The employees receiving benefits under this plan include employees of Stafford County, employees of the Rappahannock Regional Solid Waste Management Board (R-Board) and employees of the George Washington Regional Commission (GWRC). Stafford County has an operating agreement to manage the R-Board landfill effectively giving the R-Board employees the same benefits as Stafford County employees. Stafford County also has a memorandum of understanding with the GWRC to provide payroll and benefit services to its employees. The benefits, employee/retiree contributions and employer contributions are determined by the County through its personnel compensation plan. They may be amended by action of the governing body – the Board of Supervisors. The plan does not issue a separate financial report. The plan is managed by an OPEB Committee consisting of three members – the Treasurer, the Chief Financial Officer and a member of the Board of Supervisors.

B. Benefits Provided

All retiree healthcare benefits are provided through the County's self-insured health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services, mental and nervous care, vision care, dental care and prescriptions. To be eligible for benefits, an employee must qualify for retirement under the VRS.

C. Membership

At January 1, 2017 membership consisted of:

Retirees and beneficiaries currently receiving benefits	167
Active employees	<u>754</u>
Total	<u>921</u>

D. Contributions

The County's employee and retiree healthcare contribution rates are set as policy by the Board of Supervisors. Beginning July 1, 2009, the County offered a choice of health care options for its active and retired employees. The options differ based on level of coverage. All plan participants, active and retirees, are required to pay a portion of the monthly premium. The monthly premium is based on the health care plan chosen plus applicable dependent coverage.

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

VRS eligible retirees receive a monthly (HIC) of \$1.50 for each year of service up to a maximum of \$45.00 per month. The HIC is applied to and reduces the retiree contribution. For retirees with fifteen (15) years or more of service to the County, the HIC covers the retiree's share of the premium. The County contributes the remainder of the retiree only premium. Retirees with less than 15 years of service pay the full premium less any VRS HIC. The retiree is responsible for dependent coverage at stated plan rates. Post Medicare eligible retirees with 15 years of service to the County must be enrolled in Medicare Parts A and B to be eligible to participate in the County's health insurance plan. Payment for Medicare Parts A and B is the responsibility of the retiree.

E. Investment Policy

The County's assets are invested in the VML/VACo Financial Pooled OPEB Trust Fund. The investment objective of the fund is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection.

The fund is segregated and managed as two distinct portfolios that are referred to as Portfolio I and Portfolio II. The County's OPEB funds are invested in Portfolio I, which is structured to achieve a compound annualized total expected rate of return over a market cycle, including current income and capital appreciation, of 7.5%. The investment performance of each Portfolio will be reviewed quarterly and compared on a rolling three year basis and over other relevant time periods to the following: (a) a composite benchmark comprised of each asset classes' market index benchmarks, weighted by each Portfolio's long-term policy allocations, and (b) a peer group of other similar size fund sponsors.

The performance of each investment manager within each portfolio will be reviewed quarterly and compared on a rolling three year basis and over other relevant time periods to each individual manager's agreed upon style specific benchmarks and peer group universes as specified in the Appendix. Active managers are expected to lead their respective benchmarks and perform consistently above median, net of fees, annually over a three-year rolling period.

Forecasts of the arithmetic long-term(LT) real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are included in the table below. The LT rates of return in the table are arithmetic; they are used as inputs for the model to arrive at the median returns for the portfolio which are geometric. When calculating the median rates, which are used to set the target rates, the intermediate term rates are used for the first 10 years and the LT rates for all years thereafter.

There are no investments in any one organization that represent 5% or more of the OPEB Trust's fiduciary net position.

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Listed below is the target allocation.

VML/VACo Pooled OPEB Trust FY2019 Portfolio 1	Target Allocation	Expected LT Return (Nominal)	Expected LT Inflation	Expected LT Return (Real)
Total Equity	65%	10.59%	2.75%	8.37
Large Cap Equity (Domestic)	26%	9.95%	2.75%	7.20%
Small Cap Equity (Domestic)	10%	11.16%	2.75%	8.41%
International Equity (Develeoped)	13%	10.89%	2.75%	8.14%
Emerging Markets	5%	12.14%	2.75%	9.39%
Private Equity	5%	13.15%	2.75%	10.40%
Long/Short Equity	6%	8.40%	2.75%	5.64%
Fixed Income	25%	5.70%	2.75%	2.95%
Core Bonds	7%	5.37%	2.75%	2.62%
Core Plus	14%	5.64%	2.75%	2.89%
Liquid Absolute Return	4%	6.50%	2.75%	3.75%
Real Assets	10%	7.50%	2.75%	4.75%
Real Estate	7%	9.54%	2.75%	6.79%
Commodities	3%	2.75%	2.75%	0.00%

F. Actuarial Methods and Assumptions

An actuarial valuation was performed as of January 1, 2017 and updated procedures were used to roll forward the total OPEB liability to the OPEB plan's year end of June 30, 2018.

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 actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

An experienced study has not been completed for the OPEB plan. The demographic assumptions used on this valuation are based on those used by the VRS. The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Salary increases	<i>General employees:</i> 5.35% initially, decreasing to 3.50% over 20 year period, including inflation; depends on service <i>Sheriff/Fire:</i> 4.75% initially, decreasing to 3.50% over 20 year period, including inflation; depends on service
Investment rate of return	7.00%, including inflation
Discount rate	3.62% as of 6/30/2018
Bond rate	3.62% as of 6/30/2018
Healthcare cost trend rate	Pre medicare 4.05%-6.48% - Post medicare 3.94% -5.90%

Mortality rates for general employees and healthy retirees were based on a RP 2000 Combined Healthy Table, sex distinct fully generational using Scale AA, while Sheriff and Fire and Rescue employee rates were based on RP 2000 Combined Healthy Table with Blue Collar adjustment, sex distinct, fully generational using Scale AA. Mortality rates for disabled retirees were based on RP 2000 Combined Disabled Table, sex distinct.

The municipal bond rated used as of June 30, 2018 is 3.62%. This rate is based on the Bond Buyer General Obligation 20-year Bond Municipal Bond Index.

G. Discount Rate

The discount rate used to measure the total OPEB liability was 3.58%, the discount rate on the measurement date for FY 2019. The benefit payment stream for the Plan is discounted based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher because the projected benefit payouts are expected to be unfunded.

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

	1% Decrease 3.58 % decreasing to 2.58%	Discount Rate 3.58%	1% Increase 3.58 % increasing to 4.58%
Net OPEB liability	\$ 110,305,304	\$ 92,665,081	\$ 86,427,492

Sensitivity of the Net OPEB Liability to changes in the Medical Trend Rate

	1% Decrease 3.90 % decreasing to 2.90%	Medical Trend Rate 3.90%	1% Increase 3.90 % increasing to 4.90%
Net OPEB liability	\$ 83,021,671	\$ 92,665,081	\$ 136,441,335

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

H. Plan Statements for the Fiscal Year Ended June 30, 2019

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance as of June 30, 2018	\$ 113,006,196	\$ 7,210,542	\$ 105,795,654
Changes for the Year:			
Service Cost	5,218,581	-	5,218,581
Interest	4,060,904	-	4,060,904
Experience Losses/(Gains)	(651,067)	-	(651,067)
Employer Trust Contributions	-	1,662,458	(1,662,458)
Net Investment Income	-	702,943	(702,943)
Changes in Assumptions	15,378,981	-	15,378,981
Total Benefit Payments	<u>(1,165,603)</u>	<u>(1,165,603)</u>	<u>-</u>
Net Changes	<u>22,841,796</u>	<u>1,199,798</u>	<u>21,641,998</u>
Balance as of June 30, 2019	<u>\$ 135,847,992</u>	<u>\$ 8,410,340</u>	<u>\$ 127,437,652</u>

The Fiduciary Net Position is 6.19% of the total OPEB Liability.

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

The following table presents the plan's Net OPEB Liability and the effects of using a discount rate that is 1 percentage point lower or 1 percentage point higher than the discount rate of 3.13.

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Discount Rate	<u>2.13%</u>	<u>3.13%</u>	<u>4.13%</u>
Net OPEB Liability	\$ 160,507,991	\$ 127,437,652	\$ 102,393,209

Sensitivity of the Net OPEB Liability to changes in the Healthcare Costs Rate

The following table presents the plan's Net OPEB Liability and the effects of using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the medical trend rate of 3.90%.

	<u>1% Decrease</u>	<u>Medical Trend</u>	<u>1% Increase</u>
Healthcare Costs Rate	<u>2.90%</u>	<u>3.90%</u>	<u>4.90%</u>
Net OPEB Liability	\$ 99,168,936	\$ 127,437,652	\$ 166,131,658

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Membership

At January 1, 2019 membership consisted of:

Retirees and beneficiaries currently receiving benefits	184
Active employees	<u>814</u>
Total	<u>998</u>

Assumptions

The demographic assumptions used on this valuation are based on those used by VRS. The medical trend assumption was developed using the Society of Actuaries(SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA model was released in October 2010 and updated in October 2018.

Inflation	2.5%
Salary increases, including inflation	Locality General employees 3.5%-5.35%
	Locality Hazardous duty employees 3.5%-4.75%
Investment rate of return	3.13%, net of investment expenses, including inflation*

Discount rate

The discount rate assumption is 3.13 %, which, because of the plan's funding level is set equal to the June 30, 2019 20-year general obligation bond index rate.

I. Change in Net OPEB Liability of the County

The measurement date was June 30, 2018, as the actuarial valuation was performed as of January 1, 2017, and the net OPEB Liability per the valuation was \$105,795,654 to be recognized at June 30, 2018. Employees receiving benefits under this plan include the County, the R-Board, and GWRC. Employees receiving benefits under this plan include the County, the R-Board and GWRC. The County has an operating agreement to manage the R-Board landfill effectively giving the R-Board employees the same benefits as the County employees. The County also has a memorandum of understanding with GWRC to provide all payroll and benefit services to its employees. Since the R-Board and the GWRC are legally responsible for their employee's contributions, they are responsible for their proportionate share of the net OPEB liability, deferred inflows of resources and deferred outflows of resources and deferred inflows of resources.

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance as of June 30, 2017	\$ 106,393,000	\$ 6,158,000	\$ 100,235,000
Changes for the Year:			
Service Cost	5,083,380	-	5,083,380
Interest	3,784,739	-	3,784,739
Experience Losses	(104,742)	-	(104,742)
Employer Trust Contributions	-	1,713,424	(1,713,424)
Net Investment Income	-	582,422	(582,422)
Changes in Assumptions	(906,877)	-	(906,877)
Total Benefit Payments	(1,243,304)	(1,243,304)	-
Net Changes	<u>6,613,196</u>	<u>1,052,542</u>	<u>5,560,654</u>
Balance as of June 30, 2018	<u>\$ 113,006,196</u>	<u>\$ 7,210,542</u>	<u>\$ 105,795,654</u>

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

The following table presents the plan's Net OPEB Liability and the effects of using a discount rate that is 1 percentage point lower or 1 percentage point higher than the discount rate of 3.62%.

	<u>1% Decrease</u> <u>2.62%</u>	<u>Discount Rate</u> <u>3.62%</u>	<u>1% Increase</u> <u>4.62%</u>
Net OPEB Liability	\$130,849,266	\$105,795,654	\$86,427,492

K. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trends Rate

The following table presents the plan's Net OPEB Liability and the effects of using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the medical trend rate of 3.90%.

	<u>1% Decrease</u> <u>2.90%</u>	<u>Medical Trend</u> <u>3.90%</u>	<u>1% Increase</u> <u>4.90%</u>
Net OPEB Liability	\$83,021,671	\$105,795,654	\$136,441,335

L. OPEB Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2019, the County, GWRC and the R-Board recognized OPEB expense in the amount of \$6,045,951.

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

At June 30, 2019, the county reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 91,649
Changes in assumptions	-	13,794,767
Net difference between projected and actual earnings on OPEB plan investments	-	272,326
County's contributions made after measurement date	876,509	-
	<u>\$ 876,509</u>	<u>\$ 14,158,742</u>

\$876,509 reported as deferred outflows of resources related to OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the fiscal year ending June 30, 2020. Amounts reported as deferred inflows of resources will be recognized in OPEB expense in the future fiscal years and noted below:

<u>Fiscal Year ended June 30th</u>	<u>Balance</u>
2020	\$ (2,375,110)
2021	(2,375,110)
2022	(2,375,110)
2023	(2,320,308)
2024	(2,293,328)
Thereafter	(2,419,776)
	<u>\$ (14,158,742)</u>

Additional disclosures on changes in the Net OPEB Liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

A reconciliation of the deferred inflows and deferred outflows is shown below:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Governmental Activities	\$ 710,831	\$11,482,457
GWRC	9,906	127,712
Business type Activities	136,385	2,203,100
Rappahannock Regional Solid Waste Management Board	21,387	345,473
Total	<u>\$ 876,509</u>	<u>\$ 14,158,742</u>

Virginia Retirement System Group Life Insurance OPEB**M. Plan Description**

All full-time, salaried permanent employees of the County are automatically covered by VRS GLI Program upon employment. This plan is administered by VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">- City of Richmond- City of Portsmouth- City of Roanoke- City of Norfolk- Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the GLI Program have several components.</p> <ul style="list-style-type: none">• <u>Natural Death Benefit</u> – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.• <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit.• <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option
<p>Reduction in benefit Amounts</p> <p>The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$ 8,279 effective July 1, 2018.</p>

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

N. Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. The County elects to pay both the employer and employer's share. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the County were \$288,916 and \$272,772 for the years ended June 30, 2019 and June 30, 2018, respectively.

O. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2019, the County, the GWRC and the R-Board reported a collective GLI OPEB liability of \$4,189,000 for its proportionate share of the Net GLI OPEB Liability (collectively the County). This amount is comprised of \$ 4,045,571 for the County, \$ 52,130 for GWRC and \$ 91,299 for the R-Board. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered County's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the County's proportion was 0.27587 % as compared to 0.27380 % at June 30, 2018.

For the year ended June 30, 2019, the County, GWRC and the RBoard recognized GLI OPEB expense of \$60,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 205,000	\$ 75,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	136,000
Change in assumptions	-	175,000
Changes in proportion	146,000	-
County's contributions subsequent to the measurement date	<u>288,916</u>	<u>-</u>
Total	<u>\$ 639,916</u>	<u>\$ 386,000</u>

A reconciliation of the deferred inflows and deferred outflows is shown below:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Governmental Activities	\$ 530,940	\$ 320,265
GWRC	7,963	4,804
Business type Activities	87,066	52,518
Rappahannock Regional Solid Waste Management Board	<u>13,947</u>	<u>8,413</u>
Total	<u>\$ 639,916</u>	<u>\$ 386,000</u>

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

\$288,916 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Fiscal Year ended June 30

2020	\$ (11,945)
2021	(11,945)
2022	(11,955)
2023	(4,410)
2024	2,477
Thereafter	<u>2,796</u>
	<u>\$ (35,000)</u>

P. Actuarial Assumptions

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

Inflation	2.5%
Salary increases, including inflation	Locality General employees 3.5%-5.35%
	Locality Hazardous duty employees 3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)Mortality rates – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

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

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)Mortality rates – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Q. Net GLI OPEB Liability

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

	<u>Group Life Insurance OPEB Program</u>
Total GLI OPEB Liability	\$ 3,113,508
Plan Fiduciary Net Position	<u>1,594,773</u>
Employers' Net GLI OPEB Liability	<u>\$ 1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

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

R. Long-Term Expected Rate of Return

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

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

S. Discount Rate

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

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)**T. Sensitivity of the County's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate**

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
County's proportionate share of GLI Net OPEB Liability	\$ 5,474,489	\$ 4,189,000	\$ 3,145,283

GLI Program Fiduciary Net Position

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

General Information about the Political Subdivision Health Insurance Credit Program (HIC)
Plan Description

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

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees of participating are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
<p>Benefit Amounts</p> <p>The political subdivision's Retiree HIC Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• <u>At Retirement</u> – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.• <u>Disability Retirement</u> – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none">• The monthly HIC benefit cannot exceed the individual premium amount.• No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for premiums paid for other qualified health plans.• Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)**U. Employees Covered by Benefit Terms**

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

	Number
Inactive members or their beneficiaries currently receiving benefits	104
Inactive members:	
Vested inactive members	10
Total inactive members	114
Total active members	500
Total covered employees	614

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

V. Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County's contractually required employer contribution rate for the year ended June 30, 2019 was 0.12% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the Political Subdivision Health Insurance Credit Program were \$38,398 and \$39,175 for the years ended June 30, 2019 and June 30, 2018, respectively.

W. Net HIC OPEB liability

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

X. Actuarial Assumptions

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

Inflation	2.5%
Salary increases, including inflation –	
Locality – General employees	3.5%–5.35%
Locality – Hazardous Duty employees	3.5%–4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Mortality rates – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

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

Mortality rates –Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Y. Long-Term Expected Rate of Return

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

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Z. Discount Rate

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

AA. Changes in Net HIC OPEB Liability:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2017	\$ 896,887	\$ 768,415	\$ 128,472
Changes for the Year:			
Service cost	22,861	-	22,861
Interest	60,624	-	60,624
Differences between expected and actual experience	5,154	-	5,154
Contributions employer	-	39,175	(39,175)
Net Investment income		54,252	(54,252)
Benefit payments	(61,670)	(61,670)	-
Administrative expense	-	(1,261)	1,261
Other changes	-	(3,977)	3,977
Net changes	26,969	26,519	450
Balance as of June 30, 2018	\$ 923,856	\$ 794,934	\$ 128,922

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)**AB. Sensitivity of the County's HIC Net OPEB Liability to Changes in the Discount Rate**

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
County's Net HIC OPEB Liability	\$ 230,665	\$ 128,922	\$ 42,288

AC. HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2019, the County recognized HIC Program OPEB expense \$25,615. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC Program from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ 4,408	\$ -
Changes in assumptions	-	22,668
Net difference between projected and actual earnings on OPEB plan investments	-	19,956
County's contributions subsequent to the measurement date	38,398	-
	<u>\$ 42,806</u>	<u>\$ 42,624</u>

A reconciliation of the deferred inflows and deferred outflows is shown below:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Governmental Activities	\$ 35,516	\$ 35,365
GWRC	533	530
Business type Activities	5,824	5,800
Rappahannock Regional Solid Waste Management Board	933	929
Total	<u>\$ 42,806</u>	<u>\$ 42,624</u>

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

\$38,398 reported as deferred outflows of resources related to the HIC OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Fiscal Year ended June 30

2020	\$ (10,290)
2021	(10,290)
2022	(10,292)
2023	(4,020)
2024	(3,734)
Thereafter	<u>410</u>
	<u>\$ (38,216)</u>

AD. HIC Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2018 CAFR. A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Component Unit – Stafford County Public Schools:

A. PLAN DESCRIPTION

SCPS' postemployment 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 and has no separate financial report.

B. PROVIDED BENEFITS

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

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

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

The employer's subsidized portion of the participants' benefit is determined after any credit given to the retiree from the VRS. For inactive participants, the VRS subsidy amount paid to retirees is used. For active participants, the HIC provided by VRS is determined by multiplying the participants' years of service (up to a maximum of 30 years) by \$1.50 for non-professional employees and \$4.00 for professional employees.

DISABILITY BENEFITS

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

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.

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

NET OPEB LIABILITY

The School Board’s net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018.

ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Discount rate 3.61%
- Inflation 2.3%
- Medical Trend Society of Actuaries Long Term Trend with 2016 baseline assumptions

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA to 2020, with males set back 2 years and females set back 3 years. Other assumptions were those used by VRS to value the School Board - Professional Pension Plan (see Note 14).

Discount Rate

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

C. MEMBERSHIP

At June 30, 2018 membership consisted of:

Retirees and beneficiaries currently receiving benefits	555
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>4,133</u>
Total	<u>4,688</u>

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

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

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)**D. INVESTMENT POLICY**

The School Board's assets are invested in the VML/VACO Financial Pooled OPEB Trust – Portfolio I. Listed below is the target allocation and expected returns for VML/Vaco.

VML/VACo Pooled OPEB Trust Portfolio I	Target Allocation	Expected LT Return	Expected LT Inflation	Expected LT Return
Total Equity	59%	11.85%	3.48%	8.37%
Large Cap Equity (Domestic)	26%	11.01%	3.48%	7.53%
Small Cap Equity (Domestic)	10%	12.27%	3.48%	8.79%
International Equity (Developed)	13%	11.99%	3.48%	8.51%
Emerging Markets	5%	13.28%	3.48%	9.8%
Private Equity	5%	13.64%	3.48%	10.16%
Fixed Income	21%	6.58%	3.48%	2.92%
Core Bonds	7%	6.40%	3.48%	2.74%
Core Plus	14%	6.67%	3.48%	3.01%
Diversified Hedge Funds	10%	9.92%	3.48%	5.29%
Real Assets	10%	8.86%	3.48%	5.04%
Real Estate	7%	9.44%	3.48%	6.26%
Private Core RE	5%	9.11%	3.48%	5.91%
Private Value Add RE	2%	10.28%	3.48%	7.15%
Commodities	3%	7.50%	3.48%	2.18%

Concentrations

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

Rate of Return

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

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

E. CHANGES IN THE NET OPEB LIABILITY

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

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

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

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

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

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

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

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

Amounts reported as deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

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

Note 7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Reconciliation of OPEB Plans to Financial Statements

As there are three OPEB plans for the County and they are allocated amongst various funds, a summary is provided below to reconcile the net OPEB liability, the deferred inflows and deferred outflows to the financial statements:

Net OPEB Liability

		Program		
	<u>OPEB</u>	<u>OPEB - GLI</u>	<u>OPEB - HIC</u>	<u>Total by Fund</u>
General	\$ 85,798,160	\$ 3,475,624	\$ 106,967	\$ 89,380,751
Utilities	16,461,804	569,947	17,541	17,049,292
R-Board	2,581,414	91,299	2,810	2,675,523
GWRC	<u>954,276</u>	<u>52,130</u>	<u>1,604</u>	<u>1,008,010</u>
Total	<u>\$ 105,795,654</u>	<u>\$ 4,189,000</u>	<u>\$ 128,922</u>	<u>\$ 110,113,576</u>

Deferred Outflows

		Program		
	<u>OPEB</u>	<u>OPEB - GLI</u>	<u>OPEB - HIC</u>	<u>Total by Fund</u>
General	\$ 710,831	\$ 530,940	\$ 35,516	\$ 1,277,287
Utilities	136,385	87,066	5,824	229,275
R-Board	21,387	13,947	933	36,267
GWRC	<u>7,906</u>	<u>7,963</u>	<u>533</u>	<u>16,402</u>
Total	<u>\$ 876,509</u>	<u>\$ 639,916</u>	<u>\$ 42,806</u>	<u>\$ 1,559,231</u>

Deferred Inflows

		Program		
	<u>OPEB</u>	<u>OPEB - GLI</u>	<u>OPEB - HIC</u>	<u>Total by Fund</u>
General	\$ 11,482,457	\$ 320,265	\$ 35,365	\$ 11,838,087
Utilities	2,203,100	52,518	5,800	2,261,418
R-Board	345,473	8,413	929	354,815
GWRC	<u>127,712</u>	<u>4,804</u>	<u>530</u>	<u>133,046</u>
Total	<u>\$ 14,158,742</u>	<u>\$ 386,000</u>	<u>\$ 42,624</u>	<u>\$ 14,587,366</u>

Note 8. INTERFUND AND COMPONENT UNIT RECEIVABLE / PAYABLE

Individual fund receivable and payable balances at June 30, 2019 are summarized as follows:

	<u>Receivable Fund</u>
	<u>Component Unit</u>
<u>Payable Fund</u>	<u>Stafford County</u>
<u>Primary Government</u>	<u>Public Schools</u>
General Fund	\$ 37,866,026
Water and Sewer Fund	13,429
Total Receivable	<u>\$ 37,879,455</u>

The interfund payable from the General Fund to the Component Unit – School Board, School Operating Fund represents the accrued portion of the local appropriation and due to fleet services.

The interfund payable from the Water and Sewer Fund to the Component Unit – School Board, School Operating Fund represents amount due to fleet services.

Note 9. DEFERRED INFLOWS

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report deferred revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflow of resources and deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable Revenue</u>	<u>Deferred Revenue</u>
Property tax receivable (net)(General Fund)	\$ 5,022,465	\$ 1,512,852
Property tax receivable (net)(Nonmajor Governmental Funds)	46,190	-
	<u>\$ 5,068,655</u>	<u>\$ 1,512,852</u>

Note 10. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the County totaled \$ 38,313,530 for fiscal year 2019. Sources of these revenues were as follows:

	<u>Local</u>	<u>Commonwealth</u>	<u>Federal</u>
Primary Government			
Governmental Funds:			
General Fund	\$ -	\$ 26,082,916	\$ 4,641,266
Transportation Fund	800,000	4,781,341	411,790
Garrisonville Fund	-	1,394,220	28,589
Lake Arrowhead	-	40,762	-
Warrenton Road Fund	-	58,690	-
Asset Forfeiture Fund	-	56,529	6,055
Total Governmental Funds	<u>800,000</u>	<u>32,414,458</u>	<u>5,087,700</u>
Proprietary Fund:			
Water and Sewer Fund	<u>5,686</u>	<u>5,686</u>	<u>-</u>
Total Primary Government	<u>\$ 805,686</u>	<u>\$ 32,420,144</u>	<u>\$ 5,087,700</u>

Note 11. INTERFUND TRANSFERS

A summary of interfund transfer activity for the year ended June 30, 2019 is presented as follows:

	<u>Transfer from Fund</u>					
<u>Transfer to Fund:</u>	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Capital Projects Fund</u>	<u>Other Gov'l Funds</u>	<u>Water and Sewer Fund</u>	<u>Total Transferred In</u>
General Fund	\$ -	\$ 26,000	\$ 466,431	\$ 851,894	\$ 854,620	\$ 2,198,945
Transportation Fund	2,880	-	-	600,000	-	602,880
General Capital Projects Fund	3,321,535	-	-	-	-	3,321,535
Total Transferred	<u>\$ 3,324,415</u>	<u>\$ 26,000</u>	<u>\$ 466,431</u>	<u>\$ 1,451,894</u>	<u>\$ 854,620</u>	<u>\$ 6,123,360</u>

The transfer from the General Fund to the Transportation Fund was to provide initial funding for Lynhaven Lane.

The transfer from the General Fund to the General Capital Projects Fund includes funding for projects from the capital reserve fund.

The transfer from the General Fund to the Other Governmental Funds was to provide funding for Dam repairs and upgrade in special tax districts for Lake Carroll and Lake Arrowhead.

The transfer from the General Fund to the Water and Sewer Fund was for a prior interfund payable/receivable set up for storm water utility and for the Water Sewer share of claims fluctuation reserve.

The transfer from the Transportation Fund to the General Fund was to social services for transportation aid.

The transfer from the Other Governmental Funds to the Transportation Fund was for impact fee funds.

The transfer from the Capital Projects Fund to the General Fund was for one time funds for prior transfers for one time capital projects.

Note 12. COMMITMENTS, CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

At June 30, 2019, the County had contractual commitments of \$4.8 million for the construction of additions, enhancements, upgrades and design to the water and sewer system.

The County receives grant funds, principally from the U.S. Government, for education programs and various other County programs. Expenditures of these funds are subject to audit by the grantor and the County is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the County, no material refunds will be required as a result of expenditures disallowed by the grantors.

The County is named as defendant in several cases for which the outcome of such claims is currently not predictable. It is the opinion of County management, based on the advice of the County Attorney, that any losses incurred related to claims existing at June 30, 2019 will not be material to the County's financial position.

In November 2019, the County participated in the Fall 2019 Virginia Public School Authority issuance and sale of General Obligation School Bonds, in a principal amount of \$6,070,000. Proceeds of these issues will be used to finance the purchase of a private school and building additions and renovations for an elementary school.

At June 30, 2019, the Component Unit – Stafford County Public Schools had contractual commitments of \$4.6 million for construction of various projects.

Note 13. JOINT VENTURES

A. RAPPAHANNOCK REGIONAL SOLID WASTE MANAGEMENT BOARD

The Rappahannock Regional Solid Waste Management Board (the Board) is a joint venture of the County and the City of Fredericksburg (the City). The Board was formed under an agreement dated December 9, 1987, for the purpose of operating and maintaining the Regional Landfill for the use and benefit of the citizens of the County and the City. The Board is administered by a six-member board currently comprised of three members from the County and three members from the City made up as follows:

- The County Administrator of the County of Stafford
- Two members of the County of Stafford, Board of Supervisors, to be appointed by the Board of Supervisors
- The City Manager of Fredericksburg
- Two members of the City Council of Fredericksburg, to be appointed by the City Council

The Board adopts an annual operating budget and sets user fees for the landfill. The Board has the authority to enter into written agreements with any contracting party for the operation and maintenance of the landfill. The Board has entered into an operating agreement with the County of Stafford, which will expire December 31, 2024. The County and the City fund operating deficits equally. The title to all real property acquired, held or leased is also allocated equally between the County and City, except for 30 acres owned by Stafford County.

The County's equity interest as of June 30, 2019 was \$7,184,949. During fiscal year 2019, the R-Board paid \$ 252,929 in management fees to the County.

Note 13. JOINT VENTURES (Continued)

State and federal laws and regulations require the Board to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting the waste, the Board reports a portion of these closure and post closure costs as an operating expense in each period based on landfill capacity used as of each financial statement date. The \$7.7 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2019 represents the cumulative amount reported to date based on the percentage of use method for the estimated capacity of the landfill. One-hundred percent of the liability has been recorded for the cells that are currently closed. These amounts are based on the estimated cost to perform all closure and post-closure care in 2019. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Both Stafford County and the City of Fredericksburg have demonstrated financial assurance for these costs.

Complete financial statements for the Board can be obtained from the Director of Solid Waste Management, Rappahannock Regional Solid Waste Management Board, P.O. Box 339, Stafford, Virginia 22555-0339.

B. RAPPAHANNOCK REGIONAL JAIL AUTHORITY

The Rappahannock Regional Jail Authority (Authority) was created in January 1995, to share the cost of operating the existing Security Center and constructing, equipping, maintaining and operating a new regional facility. Member jurisdictions are the City of Fredericksburg, and the Counties of Stafford, Spotsylvania and King George. A twelve-member board consisting of three representatives from each of the member jurisdictions, as follows, governs the Authority:

- The Sheriff of each jurisdiction
- A member of each jurisdiction's governing body
- A representative from each member jurisdiction, appointed by their governing body

Before the Authority was created, the jail facility was operated by Stafford County. In November 1996, a transitional agreement between the Authority and Stafford County was signed. This agreement transferred operation of the Stafford County Jail to the Authority from January 1997, until the date the new regional facility opened, when Stafford's prisoners would be housed in the joint facility. The Rappahannock Regional Jail is located in Stafford County and opened in June 2000.

In accordance with the Authority Agreement, member jurisdictions pay operating (per diem) and debt service costs based on percentage of inmate population. The County retains an ongoing financial responsibility for this joint venture due to this requirement of the agreement. The County's payments for the year ended June 30, 2019 totaled \$6,942,519.

Complete financial statements for the Rappahannock Regional Jail Authority can be obtained from the Director of Support Services, Rappahannock Regional Jail, P.O. Box 3300, Stafford, VA 22555.

C. CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

The Central Rappahannock Regional Library (Library) was organized July 1, 1971, pursuant to the provisions of Title 42.1 of the *Code of Virginia* (1950), as amended. Member jurisdictions are the City of Fredericksburg, and the Counties of Stafford, Spotsylvania, and Westmoreland. It provides library and related services to the participating jurisdictions.

Note 13. JOINT VENTURES (Continued)

The Library operates under a Regional Library Board consisting of representatives from each of the member jurisdictions, as follows:

- 2 appointed by the governing body of the City of Fredericksburg
- 2 appointed by the governing body of the County of Stafford
- 2 appointed by the governing body of the County of Spotsylvania
- 1 appointed by the governing body of the County of Westmoreland

The Regional Library Board is empowered to budget and expend funds and to execute contracts. Eighty percent of the Library's operating revenues are derived from annual appropriations by the participating jurisdictions. The remaining twenty percent is derived from fines, fees, donations and State grants. For the year ended June 30, 2019, Stafford County's appropriation to the Regional Library was \$5,301,944.

Complete financial statements for the Central Rappahannock Regional Library can be obtained from the Library Director, Central Rappahannock Regional Library, 1201 Caroline St., Fredericksburg, VA 22401.

D. POTOMAC RAPPAHANNOCK TRANSPORTATION COMMISSION (PRTC)

The County is a member of the PRTC venture which participates with 5 other local Virginia jurisdictions to subsidize Virginia Railway Express and the Rideshare commuter bus routes. PRTC collects the jurisdictions fuel tax from the State and maintains fund balance which is proportioned to each jurisdiction based on the fuel tax collected in each jurisdiction. The subsidy is deducted from the fund balance during each year. During fiscal year 2019 the County's fund balance held by PRTC was \$ 5,653,805.

Note 14. RISK MANAGEMENT

PRIMARY GOVERNMENT

The County is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by a combination of commercial insurance purchased from independent third parties and participation in public entity risk pools. There have not been any significant reductions in insurance coverage as compared to the previous year. Settled claims from these risks have not exceeded commercial coverage for the past three fiscal years.

The County participates in VaCorp, which is a public entity risk pool that provides commercial general liability, property, automobile, and other types of insurance coverage to Virginia localities. The County also participates in the Virginia Municipal League Pool for its workers' compensation coverage. In the case of both pools, if there is a loss deficit and depletion of all assets and available insurance of the pool, the pool may assess all members in the pool a proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County has chosen to partially retain the risk associated with the employees' health and dental insurance plan. Risk is retained up to the limits based on monthly claims paid per employee and a 115% aggregate stop loss for total claims paid during the year. The risk financing is accounted for in the General Fund. Premiums are paid for all full-time employees of the County to a claims administrator, which processes all claims. Any excess funds at the end of the year are deposited in a reserve account with the claims administrator. This reserve account is used to fund losses in future years. At June 30, 2019, the account had a balance of \$ 2,855,598.

Note 14. RISK MANAGEMENT (Continued)

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

	<u>2019</u>	<u>2018</u>
Unpaid claims, beginning	\$ 1,448,129	\$ 1,398,577
Incurred claims (including IBNR)	10,963,898	11,195,874
Claim payments	<u>(11,048,691)</u>	<u>(11,146,322)</u>
Unpaid claims, ending	<u>\$ 1,363,336</u>	<u>\$ 1,448,129</u>

A reconciliation of the unpaid claims at June 30, 2019 is as follows:

General Government	\$ 1,225,113
Utilities	113,412
R-Board	<u>24,811</u>
Total	<u>\$ 1,363,336</u>

COMPONENT UNIT – Stafford County Public Schools

Public Schools carries commercial insurance for all risks of loss, except for workers' compensation. Like the County, it 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, 2019 were \$ 608,693, of which, \$ 478,311 was estimated to be current claims payable.

Beginning in fiscal year 2002, Stafford County Public Schools 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 to a claims administrator which processes all claims.

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

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

Note 15. OPERATING LEASES

Stafford County leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases were \$1,257,320 for the year ended June 30, 2019. The future minimum lease payments for these leases are as follows:

Year Ending June 30	General Government	Water and Sewer Fund
2020	\$ 709,330	\$ 161,261
2021	521,720	162,874
2022	334,235	40,820
2023	339,183	-
2024	317,432	-
Thereafter	1,560,604	-
	<u>\$ 3,782,504</u>	<u>\$ 364,955</u>

Note 16. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In November 2016, GASB issued Statement No. 83, "Certain Asset Retirement Obligations". This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs), which are a legally enforceable liabilities associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. Statement No. 83 will be effective for reporting periods beginning after June 15, 2018. The County implemented Statement No. 83 in FY 2019.

In April 2018, GASB issued Statement No. 88 "Certain Disclosures Related to Debt, including direct borrowings and direct placements". The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods after June 15, 2018. The County implemented Statement No. 88 in FY2019.

Note 17. PENDING GASB STATEMENTS

The County has not yet evaluated the financial impact of these pronouncement on the financial statements.

In January 2017, GASB issued Statement No. 84, "Fiduciary Activities". The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for account and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The County will implement Statement No. 84 in FY2020.

In June 2017, GASB issued Statement No. 87, "Leases". The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The County will implement Statement No. 87 in FY2021.

Note 17. PENDING GASB STATEMENTS (Continued)

In September 2018, GASB issued Statement No. 90, "Majority Equity Interest". The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The County implemented Statement No. 90 in FY2020.

In May 2019, GASB issued Statement No. 91, "Conduit Debt Obligations". The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The County will implement Statement No. 91 in FY2022.

Note 18. RESTATEMENT OF BEGINING NET POSITION

Certain previously recorded construction in process were removed from the County's assets due to the assets being deeded to VDOT at the end of the project. In addition, accumulated depreciation was restated due to a correction of the depreciation calculation. Due to this correction of an error, the following adjustment was made to the beginning net position of the Governmental Activities at July 1, 2018:

	<u>Governmental Activities</u>	<u>CIP Balance</u>	<u>Capital Assets</u>
Balance June 30, 2018	\$ (191,085,592)	\$ 50,077,414	\$ 268,138,293
Restatement	(6,904,481)	(7,336,069)	(6,904,481)
Balance June 30, 2018, restated	<u>\$ (197,990,073)</u>	<u>\$ 42,741,345</u>	<u>\$ 261,233,812</u>

COUNTY OF STAFFORD, VIRGINIA

Exhibit XII

Page 1 of 2

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
General property taxes	\$ 214,489,277	\$ 214,489,277	\$ 214,042,524	\$ (446,753)
Other local taxes	38,974,420	38,974,420	40,669,876	1,695,456
Permits, privilege fees and regulatory licenses	4,537,404	4,537,404	4,346,390	(191,014)
Fines and forfeitures	974,800	974,800	895,106	(79,694)
Use of money and property	1,141,676	1,141,676	2,638,461	1,496,785
Charges for services	6,346,435	6,346,435	6,093,443	(252,992)
Intergovernmental	30,251,141	29,643,684	30,724,182	1,080,498
Miscellaneous	5,223,459	5,469,373	5,346,938	(122,435)
Total revenues	301,938,612	301,577,069	304,756,920	3,179,851
Expenditures				
Current operating:				
General government:				
Board of Supervisors	726,133	794,198	665,925	128,273
Clerk of the Board	179,221	179,221	169,186	10,035
County Administrator	1,158,173	976,141	937,783	38,358
Public Information	393,263	424,169	361,688	62,481
County Attorney	1,050,925	1,429,206	954,621	474,585
Human Resources	1,023,804	1,292,028	991,238	300,790
Commissioner of the Revenue	2,821,406	2,824,784	2,696,801	127,983
Treasurer	2,161,774	2,504,134	2,131,579	372,555
Finance	2,154,677	2,752,786	2,250,154	502,632
Budget	500,744	506,290	447,560	58,730
Computer Services	2,313,798	2,351,170	1,979,805	371,365
Geographic Information Systems	647,052	656,412	647,343	9,069
Electoral Board and Registrar	531,566	539,194	530,328	8,866
	15,662,536	17,229,733	14,764,011	2,465,722
Judicial administration:				
Circuit Court	373,310	382,495	345,528	36,967
General District Court	117,648	122,474	93,491	28,983
Juvenile and Domestic Relations District Court	114,700	115,271	101,251	14,020
Clerk of the Circuit Court	1,587,422	1,886,314	1,548,352	337,962
Magistrate	8,830	9,303	7,416	1,887
Commonwealth's Attorney	3,260,572	3,269,391	3,222,630	46,761
Court Deputies	2,549,085	2,953,160	2,851,648	101,512
	8,011,567	8,738,408	8,170,316	568,092
Public safety:				
Policing and investigating	25,257,597	25,050,894	23,593,979	1,456,915
Emergency management	21,137,807	22,292,950	20,232,498	2,060,452
Volunteer rescue squads	145,115	161,923	132,181	29,742
Volunteer fire departments	340,845	382,114	309,243	72,871
Care and confinement of prisoners	6,909,588	6,944,184	6,944,184	-
15th District Court Unit	374,276	374,276	319,826	54,450
Rappahannock Juvenile Detention	1,215,307	1,215,307	1,123,032	92,275
Code compliance	4,434,351	4,961,078	4,479,726	481,352
Animal control	990,632	1,285,344	997,676	287,668
	60,805,518	62,668,070	58,132,345	4,535,725
Public works:				
Engineering	601,923	616,897	586,418	30,479
Maintenance of general buildings and grounds and general properties	4,829,412	4,800,484	4,258,054	542,430
	5,431,335	5,417,381	4,844,472	572,909

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Health and social services:				
Local health department	\$ 535,937	\$ 535,937	\$ 535,937	\$ -
Public assistance	14,007,307	11,825,137	11,825,137	-
Other	6,173,424	7,424,693	5,450,362	1,974,331
	<u>20,716,668</u>	<u>19,785,767</u>	<u>17,811,436</u>	<u>1,974,331</u>
Parks, recreation and cultural:				
Administration	4,901,097	5,334,434	4,942,097	392,337
Community programs	666,767	703,287	703,287	-
Sports programs	575,501	755,247	755,247	-
Gymnastics program	920,659	958,805	956,097	2,708
Pool program	848,531	618,179	617,020	1,159
Cultural programs	226,070	226,089	226,089	-
Regional library	5,301,944	5,301,944	5,301,944	-
	<u>13,440,569</u>	<u>13,897,985</u>	<u>13,501,781</u>	<u>396,204</u>
Community development:				
Planning and community development	2,468,083	2,391,005	2,285,460	105,545
Planning commission	96,250	96,250	95,586	664
Zoning board	-	4,511	-	4,511
Economic development	736,550	721,938	530,976	190,962
Other	288,069	288,069	288,069	-
Cooperative extension program	191,345	188,817	160,282	28,535
	<u>3,780,297</u>	<u>3,690,590</u>	<u>3,360,373</u>	<u>330,217</u>
Education:				
School operating	123,120,574	122,835,574	116,796,434	6,039,140
School capital projects	-	2,794,863	2,794,863	-
	<u>123,120,574</u>	<u>125,630,437</u>	<u>119,591,297</u>	<u>6,039,140</u>
Capital outlay	<u>3,501,063</u>	<u>8,107,129</u>	<u>3,209,416</u>	<u>4,897,713</u>
Debt service:				
Principal retirement	28,611,313	28,611,313	28,343,891	267,422
Interest and fiscal charges and bond issuance cost	16,996,100	17,021,100	16,581,791	439,309
	<u>45,607,413</u>	<u>45,632,413</u>	<u>44,925,682</u>	<u>706,731</u>
Total expenditures	<u>300,077,540</u>	<u>310,797,913</u>	<u>288,311,129</u>	<u>22,486,784</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,861,072</u>	<u>(9,220,844)</u>	<u>16,445,791</u>	<u>25,666,635</u>
Other Financing Sources (Uses)				
Transfers in	3,190,342	16,013,706	2,198,945	(13,814,761)
Transfers out	(5,051,414)	(5,713,656)	(3,324,415)	2,389,241
Total other financing sources (uses), net	<u>(1,861,072)</u>	<u>10,300,050</u>	<u>(1,125,470)</u>	<u>(11,425,520)</u>
Net change in fund balance	-	1,079,206	15,320,321	14,241,115
Fund balance, beginning	-	-	79,088,056	79,088,056
Fund balance, ending	<u>\$ -</u>	<u>\$ 1,079,206</u>	<u>\$ 94,408,377</u>	<u>\$ 93,329,171</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
Revenues				
Other local taxes	\$ 3,548,400	\$ 3,548,400	\$ 4,750,315	\$ 1,201,915
Use of money and property	9,888	9,888	84,228	74,340
Intergovernmental	2,845,045	5,953,145	5,993,131	39,986
Miscellaneous	-	-	71,400	71,400
Total revenues	<u>6,403,333</u>	<u>9,511,433</u>	<u>10,899,074</u>	<u>1,387,641</u>
Expenditures				
Current operating:				
Transportation	3,279,157	3,314,316	3,287,684	26,632
Capital outlay	3,699,125	17,211,602	8,062,992	9,148,610
Debt service:				
Principal retirement	817,801	817,801	817,801	-
Interest and fiscal charges	<u>741,428</u>	<u>741,428</u>	<u>628,986</u>	<u>112,442</u>
Total expenditures	<u>8,537,511</u>	<u>22,085,147</u>	<u>12,797,463</u>	<u>9,287,684</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,134,178)</u>	<u>(12,573,714)</u>	<u>(1,898,389)</u>	<u>10,675,325</u>
Other Financing Sources (Uses)				
Transfers in	1,734,598	1,737,478	602,880	(1,134,598)
Transfers out	<u>(32,000)</u>	<u>(32,000)</u>	<u>(26,000)</u>	<u>6,000</u>
Total other financing sources, net	<u>1,702,598</u>	<u>1,705,478</u>	<u>576,880</u>	<u>(1,128,598)</u>
Net change in fund balance	(431,580)	(10,868,236)	(1,321,509)	9,546,727
Fund balance, beginning	<u>431,580</u>	<u>10,868,236</u>	<u>9,955,078</u>	<u>(913,158)</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,633,569</u>	<u>\$ 8,633,569</u>

COUNTY OF STAFFORD, VIRGINIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Supervisors annually adopts budgets for the General Fund, and Special Revenue Funds of the Primary Government. All appropriations are legally controlled at the department level for the General Fund and Special Revenue Funds. On May 2, 2018, the Board of Supervisors approved the original budget reflected in the financial statements.

The budgets are integrated into the accounting system, and budgetary data, as presented in the financial statements, compare the revenues and expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedules for the General Fund and Transportation Fund present actual revenues and expenditures in accordance with GAAP on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations for annual budgets lapse at the end of each fiscal year.

Note 2. MATERIAL VIOLATIONS

There were no material violations of the annual appropriated budget for the General Fund or Transportation Fund for the fiscal year ended June 30, 2019.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - COUNTY'S VIRGINIA RETIREMENT SYSTEM

	As of June 30, 2019*	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Total Pension Liability					
Service cost	\$ 5,615,431	\$ 5,550,497	\$ 5,473,158	\$ 5,483,794	\$ 5,461,428
Interest	13,030,635	12,508,742	11,888,063	11,160,637	10,443,292
Changes in assumptions	-	(1,002,770)	-	-	-
Differences between expected and actual experience	328,425	(2,070,636)	(1,563,825)	(118,543)	-
Changes of assumptions	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(7,678,917)	(7,381,507)	(6,479,621)	(5,788,531)	(5,525,348)
Net change in total pension liability	11,295,574	7,604,326	9,317,775	10,737,357	10,379,372
Total pension liability - beginning	189,991,388	182,387,062	173,069,287	162,331,930	151,952,558
Total pension liability - ending (a)	\$ 201,286,962	\$ 189,991,388	\$ 182,387,062	\$ 173,069,287	\$ 162,331,930
Plan Fiduciary Net Position					
Contributions - employer	\$ 4,869,518	\$ 4,721,720	\$ 5,062,191	\$ 5,063,741	\$ 5,291,891
Contributions - employee	2,587,998	2,515,641	2,360,151	2,363,363	2,344,409
Net investment income	12,600,084	18,542,305	2,650,884	6,489,652	18,945,438
Benefit payments, including refunds of employee contributions	(7,678,917)	(7,381,507)	(6,479,621)	(5,788,531)	(5,525,348)
Administrative expense	(106,856)	(105,161)	(90,725)	(85,858)	(99,431)
Other	(11,285)	(16,572)	(1,108)	(1,378)	999
Net change in plan fiduciary net position	12,260,542	18,276,426	3,501,772	8,040,989	20,957,958
Plan fiduciary net position - beginning	169,572,604	151,296,178	147,794,406	139,753,417	118,795,459
Plan fiduciary net position - ending (b)	\$ 181,833,146	\$ 169,572,604	\$ 151,296,178	\$ 147,794,406	\$ 139,753,417
Net pension liability - ending (a) - (b)	\$ 19,453,816	\$ 20,418,784	\$ 31,090,884	\$ 25,274,881	\$ 22,578,513
Plan fiduciary net position as a percentage of the total pension liability	90.34%	89.25%	82.95%	85.40%	86.09%
County's covered payroll	\$ 52,419,661	\$ 47,936,244	\$ 51,368,053	\$ 49,442,402	\$ 48,461,394
Net pension liability as a percentage of covered payroll	37.11%	42.60%	60.53%	51.12%	46.59%

Notes to Schedule:

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

- (1) **Changes of benefit terms:** There have been no actuarially material changes to the VRS benefit provisions since the prior valuation.
- (2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

Non-Hazardous Duty:

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

Hazardous Duty:

Mortality Rates (Pre-Retirement, post-retirement healthy, and disabled)	Update to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

- (3) **Reporting Entity:** The numbers presented above represent the County, GWRC and the Rappahannock Regional Waste Management Board.
- (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 County will present information for those years for which information is available.

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

Exhibit XIV
Page 2 of 2

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

Notes to Schedule:

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

- (1) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.
- (2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2017 based on the most recent experience study of the System for the four-year period ended June 30, 2016:
 - a. Update to a more current mortality table
 - b. Lowered retirement rates at older ages and changed final retirement from 70 to 75
 - c. Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
 - d. Decrease in disability rates
 - e. Increased line of duty disability rate from 14% to 15%
- (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.

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

Exhibit XV
Page 1 of 1

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

Notes to Schedule:

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

- (1) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.
- (2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2017 based on the most recent experience study of the System for the four-year period ended June 30, 2016:
 - a. Update to a more current mortality table
 - b. Lowered retirement rates at older ages and changed final retirement from 70 to 75
 - c. Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
 - d. Decrease in disability rates
 - e. Increased line of duty disability rate from 14% to 15%
- (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.

SCHEDULE OF CONTRIBUTIONS - COUNTY'S VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30, 2019	Fiscal Year June 30, 2018	Fiscal Year June 30, 2017	Fiscal Year June 30, 2016	Fiscal Year June 30, 2015	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	\$ 5,347,088	\$ 5,135,417	\$ 4,721,720	\$ 5,062,191	\$ 5,063,741	\$ 5,291,891
Contributions in relation to the CRC	5,347,088	5,135,417	4,721,720	5,062,191	5,063,741	5,291,891
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 52,919,167	\$ 52,419,661	\$ 47,936,244	\$ 51,368,053	\$ 49,442,402	\$ 48,461,394
Contributions as a percentage of covered payroll	10.10%	9.80%	9.85%	9.85%	10.24%	10.92%

Notes to Schedule:

- (1) Valuation date: June 30, 2017
- (2) Measurement date: June 30, 2018
- (3) Contractually determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (4) Methods and assumptions used in calculations of actuarials to determine contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage closed
Remaining amortization period	26,20,19,18, and 17 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.25% - 2.5%
Projected salary increases	3.50%-5.35%
Investment rate of return	7.0%, including inflation at 2.50%

A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA

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

Exhibit XVI

Page 2 of 3

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

Notes to Schedule:

(1) Valuation date: June 30, 2017

(2) Contractually 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 closed
Remaining amortization period	26, 20, 19, 18, and 17 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Payroll growth	3.0%
Projected salary increases, including inf	3.50% - 5.35%
Investment rate of return	7.0%, net of investment expenses

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

A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA

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

Exhibit XVI

Page 3 of 3

	Fiscal Year June 30, 2019	Fiscal Year June 30, 2018	Fiscal Year June 30, 2017	Fiscal Year June 30, 2016	Fiscal Year June 30, 2015	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	\$ 24,354,767	\$ 24,089,529	\$ 21,808,528	\$ 20,203,796	\$ 20,235,599	\$ 16,715,309
Contributions in relation to the CRC	24,354,767	24,089,529	21,808,528	20,203,796	20,235,599	16,715,309
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 161,000,993	\$ 153,228,530	\$ 148,882,433	\$ 143,696,984	\$ 139,553,875	\$ 143,355,995
Contributions as a percentage of covered payroll	15.13%	15.72%	14.65%	14.06%	14.50%	11.66%

Notes to Schedule:

(1) Valuation date: June 30, 2017

(2) Contractually 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 closed
Remaining amortization period	27, 20, 19, 18, and 6 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Payroll growth	3.0%
Projected salary increases, including inf	3.50% - 5.35%
Investment rate of return	7.0%, net of investment expenses

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

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS - COUNTY'S RETIREE HEALTH INSURANCE

	As of June 30, 2019	As of June 30, 2018	As of June 30, 2017
Total OPEB Liability			
Service cost	\$ 5,218,581	\$ 5,083,380	\$ 6,108,000
Interest	4,060,904	3,784,739	3,270,000
Differences between expected and actual experience	(651,067)	(104,742)	-
Changes of Assumptions	15,378,981	(906,877)	(17,335,000)
Benefit payments, including refunds of employee contributions	(1,165,603)	(1,243,304)	(805,000)
Net change in total OPEB liability	22,841,796	6,613,196	(8,762,000)
Total OPEB liability - beginning	113,006,196	106,393,000	115,155,000
Total OPEB liability - ending (a)	\$ 135,847,992	\$ 113,006,196	\$ 106,393,000
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,662,458	\$ 1,713,424	\$ 1,340,000
Net investment income	702,943	582,422	642,000
Benefit payments, including refunds of employee contributions	(1,165,603)	(1,243,304)	(805,000)
Administrative expense	-	-	(6,000)
Net change in plan fiduciary net position	1,199,798	1,052,542	1,171,000
Plan fiduciary net position - beginning	7,210,542	6,158,000	4,987,000
Plan fiduciary net position - ending (b)	\$ 8,410,340	\$ 7,210,542	\$ 6,158,000
Net pension liability - ending (a) - (b)	\$ 127,437,652	\$ 105,795,654	\$ 100,235,000
Plan fiduciary net position as a percentage of the total pension liability	6.19%	6.38%	5.79%

The plan does not make contributions based on payroll, therefore a Schedule of Contributions is not required or is included.

Notes to Schedule:

(1) **Reporting Entity:** The numbers presented above represent the County, GWRC and the Rappahannock Regional Waste Management Board.

Actuarial Assumptions: The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of January 1, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified

(2)

Inflation	2.50%
Salary Increases	General employees: 5.35% initially, decreasing to 3.50% over 20 year period, including inflation; depends on service Sheriff/Fire: 4.75% initially, decreasing to 3.50% over 20 year period, including inflation; depends on service
Investment rate of return	7.0%, including inflation
Discount rate	3.13%
Bond rate	3.13%

(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 County will present information for those years for which information is available.

Mortality	Description
Healthy	General active employees and all inactive: Pub-2010 Healthy Mortality, Headcount weighted, General Employees Sex Distinct, Fully Generational projected from 2010 using scale 2018. Sheriff/Fire active employees: Healthy Mortality, Headcount weighted. Public Safety Employees Sex Distinct, Fully Generational projected from 2010 using scale MP-2018. Table with Blue Collar adjustment, sex distinct, generational with Scale AA
Disabled	Pub-2010 Disabled Mortality. Headcount weighted, General Employees, Sex Distinct, Fully Generational projected from 2010 using scale MP-2018.

SCHEDULE OF CHANGES IN THE SCHOOL BOARD NET OPEB LIABILITY AND RELATED RATIOS - RETIREE HEALTH INSURANCE

	As of June 30, 2019	As of June 30, 2018
Total OPEB Liability		
Service cost	\$ 8,503,360	\$ 9,898,436
Interest	5,698,104	4,889,280
Differences between expected and actual experience	(3,477,196)	(5,614,431)
Changes of assumptions	(4,390,470)	(19,337,174)
Benefit payments	(2,658,722)	(1,397,982)
Net change in total OPEB liability	3,675,076	(11,561,871)
Total OPEB liability - beginning	158,903,791	170,465,662
Total OPEB liability - ending (a)	\$ 162,578,867	\$ 158,903,791
Plan Fiduciary Net Position		
Contributions - employer	\$ 2,658,722	\$ 1,397,982
Net investment income	1,960,214	2,355,594
Benefit payments (net of retiree contributions)	(2,658,722)	(1,397,982)
Net change in plan fiduciary net position	1,960,214	2,355,594
Plan fiduciary net position - beginning	20,724,834	18,369,240
Plan fiduciary net position - ending (b)	\$ 22,685,048	\$ 20,724,834
Net pension liability - ending (a) - (b)	\$ 139,893,819	\$ 138,178,957
Plan fiduciary net position as a percentage of the total pension liability	13.95%	13.04%

The plan does not make contributions based on payroll, therefore a Schedule of Contributions is not required or is included.

Notes to Schedule:

(1) **Benefit Changes:** None

(2) **Changes of Assumptions:** The discount rate was changed as follows

Discount Rate:

6/30/2017	2.88%
6/30/2018	3.61%

SCHEDULE OF COUNTY'S SHARE OF NET OPEB LIABILITY GROUP LIFE INSURANCE PROGRAM - VIRGINIA RETIREMENT SYSTEM

	As of 6/30/2019*	As of June 30, 2018
County's Proportion of the Net GLI OPEB Liability	0.27587%	0.27380%
County's Proportionate share of the Net GLI OPEB Liability (includes County and Rboard)	\$4,189,000	\$4,120,000
County's Covered Payroll	\$52,455,993	\$50,502,679
County's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%	48.86%

A COMPONENT UNIT OF STAFFORD COUNTY**SCHOOL BOARD NON-PROFESSIONAL - GROUP LIFE INSURANCE PROGRAM**

	As of 6/30/2019*	As of June 30, 2018
Employer's Proportion of the Net GLI OPEB Liability	0.045880%	0.045860%
Employer's Proportionate share of the Net GLI OPEB Liability	\$696,000	\$690,000
Employer's Covered Payroll	\$8,724,051	\$8,459,382
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	7.98%	8.16%
OPEB Liability	51.22%	48.86%

A COMPONENT UNIT OF STAFFORD COUNTY**SCHOOL BOARD PROFESSIONAL - GROUP LIFE INSURANCE PROGRAM**

	As of 6/30/2019*	As of June 30, 2018
Employer's Proportion of the Net GLI OPEB Liability	0.806620%	0.824420%
Employer's Proportionate share of the Net GLI OPEB Liability	\$12,250,000	\$12,406,000
Employer's Covered Payroll	\$153,377,599	\$152,067,324
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%	48.86%

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

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County and School Board will present information as available.

SCHEDULE OF CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM GROUP LIFE INSURANCE

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	County's Covered Payroll	Contributions as of % of Covered Payroll
2019	\$ 288,916	\$ 288,916	\$ -	\$ 52,919,167	0.55%
2018	\$ 272,772	\$ 272,771	\$ 1	\$ 52,455,993	0.52%
2017	\$ 262,614	\$ 262,614	\$ -	\$ 50,502,679	0.52%

A COMPONENT UNIT OF STAFFORD COUNTY**SCHOOL BOARD NON-PROFESSIONAL - GROUP LIFE INSURANCE PROGRAM**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as of % of Covered Payroll
2019	\$ 46,635	\$ 46,635	\$ -	\$ 8,968,209	0.52%
2018	\$ 45,365	\$ 45,365	\$ -	\$ 8,724,051	0.52%
2017	\$ 43,989	\$ 43,989	\$ -	\$ 8,459,382	0.52%

A COMPONENT UNIT OF STAFFORD COUNTY**SCHOOL BOARD PROFESSIONAL - GROUP LIFE INSURANCE PROGRAM**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as of % of Covered Payroll
2019	\$ 838,158	\$ 838,158	\$ -	\$ 161,184,289	0.52%
2018	\$ 797,564	\$ 797,564	\$ -	\$ 153,377,599	0.52%
2017	\$ 790,750	\$ 790,750	\$ -	\$ 152,067,324	0.52%

Notes to Schedule:

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

Notes to Required Supplementary Information - GLI For the Year Ended June 30, 2019

Changes of benefit terms – There have been no actuarially material changes to VRS benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Teachers

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

General Employees

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

Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

SCHEDULE OF CHANGES IN COUNTY'S NET VIRGINIA RETIREMENT SYSTEM NET HIC OPEB LIABILITY AND RELATED RATIOS

	June 30, 2019*	June 30, 2018
Total HIC OPEB Liability		
Service cost	\$ 22,861	\$ 23,793
Interest on the total OPEB liability	60,624	60,120
Difference between expected and actual experience	5,154	(31,628)
Benefit payments, including refunds of employee contributions	(61,670)	(28,536)
Net change in total HIC OPEB liability	26,969	23,749
Total HIC OPEB liability - beginning	896,887	873,138
Total HIC OPEB liability - ending (a)	<u>\$ 923,856</u>	<u>\$ 896,887</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 39,175	\$ 37,726
Net investment income	54,252	79,178
Benefit payments, including refunds of employee contributions	(61,670)	(28,536)
Administrative expense	(1,261)	(1,294)
Other changes	(3,977)	3,977
Net change in plan fiduciary net position	26,519	91,051
Plan fiduciary net position - beginning	768,415	677,364
Plan fiduciary net position - ending (b)	<u>\$ 794,934</u>	<u>\$ 768,415</u>
Net HIC OPEB liability - ending (a) - (b)	<u>\$ 128,922</u>	<u>\$ 128,472</u>
Plan fiduciary net position as a percentage of the total net HIC OPEB liability	86.05%	85.68%
Covered Payroll	\$ 30,135,840	\$ 29,021,854
Net OPEB liability as a percentage of covered payroll	0.43%	0.44%

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

(1) **Reporting Entity:** The numbers presented above represent the County, GWRC and the Rappahannock Regional Waste Management Board.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the County will present information for those years for which information is available.

A COMPONENT UNIT OF STAFFORD COUNTY

Exhibit XX

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SCHEDULE OF CHANGES IN SCHOOL BOARD NON-PROFESSIONAL VIRGINIA RETIREMENT SYSTEM NET HIC OPEB LIABILITY AND RELATED RATIOS

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

Notes to Schedule:

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

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

SCHEDULE OF SCHOOL BOARD SHARE OF NET OPEB LIABILITY PROFESSIONAL - HEALTH INSURANCE CREDIT (HIC) PROGRAM

	As of 6/30/2019*	As of 6/30/2018
Employer's Proportion of the Net HIC OPEB Liability	1.89482%	1.92437%
Employer's Proportionate share of the Net HIC OPEB Liability (Asset)	\$24,058,000	\$24,413,000
Employer's Covered Payroll	\$153,241,128	\$151,871,436
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	15.70%	16.07%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	8.08%	7.04%

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

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

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

SCHEDULE OF CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM HEALTH INSURANCE CREDIT PROGRAM

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	County's Covered Payroll	Contributions as of % of Covered Payroll
2019	\$ 38,398	\$ 38,398	\$ -	\$ 30,969,264	0.12%
2018	\$ 39,177	\$ 39,177	\$ -	\$ 30,135,840	0.13%
2017	\$ 37,728	\$ 37,728	\$ -	\$ 29,021,854	0.13%

Notes to Schedule:

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

A COMPONENT UNIT OF STAFFORD COUNTY**NON-PROFESSIONAL - HEALTH INSURANCE CREDIT PROGRAM**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as of % of Covered Payroll
2019	\$ 19,607	\$ 19,607	\$ -	\$ 8,946,867	0.22%
2018	\$ 19,150	\$ 19,150	\$ -	\$ 8,704,683	0.22%
2017	\$ 18,590	\$ 18,590	\$ -	\$ 8,450,387	0.22%

A COMPONENT UNIT OF STAFFORD COUNTY**PROFESSIONAL - HEALTH INSURANCE CREDIT PROGRAM**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as of % of Covered Payroll
2019	\$ 1,928,014	\$ 1,928,014	\$ -	\$ 161,036,584	1.20%
2018	\$ 1,884,866	\$ 1,884,866	\$ -	\$ 153,241,128	1.23%
2017	\$ 1,685,773	\$ 1,685,773	\$ -	\$ 151,871,436	1.11%

Notes to Schedule:

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

Notes to Required Supplementary Information - HIC For the Year Ended June 30, 2019

Changes of benefit terms – There have been no actuarially material changes to VRS benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Teachers

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

General Employees

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

Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

COMBINING SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Road Impact Fee – West Fund Accounts for impact fee receipts from new development in a designated service area in the western portion of the County. Disbursements from this fund are for road improvements attributable to the new development.

Road Impact Fee – South East Fund Accounts for impact fee receipts from new development in a designated service area in the southeastern portion of the County. Disbursements from this fund are for road improvements attributable to the new development.

Garrisonville Road Service District Fund Accounts for ad valorem tax receipts from property owners in the district to pay debt service for road improvements in the district.

Warrenton Road Service District Fund Accounts for ad valorem tax receipts from property owners in the district to pay debt service for road improvements in the district.

Lake Carroll Service District Fund Accounts for ad valorem tax receipts from property owners in the Lake Carroll subdivision to repay loan for dam repair.

Lynhaven Lane Service District Fund Accounts for ad valorem tax receipts from property owners along Lynhaven Lane repay loan for private road repair to meet VDOT standards for acceptance.

Lake Arrowhead Service District Fund Accounts for ad valorem tax receipts from property owners in the Lake Arrowhead subdivision to repay loan for dam repair.

Asset Forfeiture Fund Accounts for the revenues and expenditures associated with the County's drug enforcement activities.

Tourism Fund Accounts for the revenues and expenditures associated with promoting tourist venues in the County.

Wetlands Fund Accounts for wetlands mitigation fees and associated disbursements.

Hidden Lake Dam Fund Accounts for ad valorem tax receipts from property owners in the Hidden Lake subdivision to pay debt service for replacement of the dam.

Armed Services Memorial Fund Accounts for the revenues and expenditures associated with the Armed Services Memorial.

Transportation Impact Fee Accounts for impact fee receipts from new development in a designated service areas in the County. Disbursements from this fund are for road improvements attributable to the new development.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Special Revenue						
	Road Impact Fee - West Fund	Road Impact Fee - SE Fund	Garrisonville Rd Service District Fund	Warrenton Rd Service District Fund	Lake Carroll Service District Fund	Lake Arrowhead Service District Fund	Asset Forfeiture Fund
ASSETS							
Equity in pooled cash and investments	\$ 296	\$ 122,516	\$ 1,485,411	\$ 3,352,666	\$ -	\$ -	\$ -
Restricted assets:							
Cash	-	-	-	-	527,559	618,950	448,259
Receivables, net of allowance for uncollectibles:							
Property taxes	-	-	29,204	-	-	3,884	-
Accounts	-	-	-	-	-	-	3,690
Intergovernmental	-	-	25,028	34,294	-	-	-
Total assets	<u>\$ 296</u>	<u>\$ 122,516</u>	<u>\$ 1,539,643</u>	<u>\$ 3,386,960</u>	<u>\$ 527,559</u>	<u>\$ 622,834</u>	<u>\$ 451,949</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 18,097	\$ -	\$ 149	\$ -	\$ 22,320
Accrued salaries and benefits	-	-	56	898	-	-	-
Retainage payable	-	-	195,102	-	-	-	-
Unearned revenue	-	-	-	-	-	-	408,694
Total liabilities	<u>-</u>	<u>-</u>	<u>213,255</u>	<u>898</u>	<u>149</u>	<u>-</u>	<u>431,014</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	-	-	38,594	-	-	3,267	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>38,594</u>	<u>-</u>	<u>-</u>	<u>3,267</u>	<u>-</u>
FUND BALANCES							
Restricted	296	122,516	1,287,794	3,386,062	527,410	619,567	20,935
Committed	-	-	-	-	-	-	-
Total fund balances	<u>296</u>	<u>122,516</u>	<u>1,287,794</u>	<u>3,386,062</u>	<u>527,410</u>	<u>619,567</u>	<u>20,935</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 296</u>	<u>\$ 122,516</u>	<u>\$ 1,539,643</u>	<u>\$ 3,386,960</u>	<u>\$ 527,559</u>	<u>\$ 622,834</u>	<u>\$ 451,949</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Special Revenue						Total Nonmajor Governmental Funds
	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	Armed Services Memorial Fund	Lynhaven Lane Service District Fund	Transportation Impact Fee Fund	
ASSETS							
Equity in pooled cash and investments	\$ 764,216	\$ 102,588	\$ 90,625	\$ 20,686	\$ 2,761	\$ 2,077,547	\$ 8,019,312
Restricted assets:							
Cash	-	-	-	-	-	-	1,594,768
Receivables, net of allowance for uncollectibles:							
Property taxes	-	-	5,136	-	257	-	38,481
Accounts	268,311	-	-	-	-	-	272,001
Intergovernmental	-	-	-	-	-	-	59,322
Total assets	<u>\$ 1,032,527</u>	<u>\$ 102,588</u>	<u>\$ 95,761</u>	<u>\$ 20,686</u>	<u>\$ 3,018</u>	<u>\$ 2,077,547</u>	<u>\$ 9,983,884</u>
LIABILITIES							
Accounts payable	\$ 28,678	\$ -	\$ -	\$ 3,453	\$ -	\$ -	\$ 72,697
Accrued salaries and benefits	7,356	-	64	-	-	-	8,374
Retainage payable	-	-	-	-	-	-	195,102
Unearned revenue	-	-	-	-	-	-	408,694
Total liabilities	<u>36,034</u>	<u>-</u>	<u>64</u>	<u>3,453</u>	<u>-</u>	<u>-</u>	<u>684,867</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	-	-	4,072	-	257	-	46,190
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>4,072</u>	<u>-</u>	<u>257</u>	<u>-</u>	<u>46,190</u>
FUND BALANCES							
Restricted	996,493	-	91,625	17,233	2,761	2,077,547	9,150,239
Committed	-	102,588	-	-	-	-	102,588
Total fund balances	<u>996,493</u>	<u>102,588</u>	<u>91,625</u>	<u>17,233</u>	<u>2,761</u>	<u>2,077,547</u>	<u>9,252,827</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,032,527</u>	<u>\$ 102,588</u>	<u>\$ 95,761</u>	<u>\$ 20,686</u>	<u>\$ 3,018</u>	<u>\$ 2,077,547</u>	<u>\$ 9,983,884</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue						
	Road Impact Fee - West Fund	Road Impact Fee - SE Fund	Garrisonville Rd Service District Fund	Warrenton Rd Service District Fund	Lake Carroll Service District Fund	Lake Arrowhead Service District Fund	Asset Forfeiture Fund
REVENUES							
General property taxes	\$ -	\$ -	\$ 572,890	\$ -	\$ 19,693	\$ 105,363	\$ -
Other local taxes	-	-	-	-	-	-	-
Use of money and property	-	12,320	19,344	81,458	12,683	13,973	12,515
Charges for services	-	-	-	-	-	-	-
Intergovernmental	-	-	1,422,809	58,690	-	40,762	62,584
Miscellaneous	-	-	144,654	-	-	71,074	343
Total revenues	-	12,320	2,159,697	140,148	32,376	231,172	75,442
EXPENDITURES							
Current:							
Judicial administration	-	-	-	-	-	-	13,609
Public safety	-	-	-	-	-	-	208,085
Parks, recreation and cultural	-	-	-	-	-	-	-
Community development	-	-	-	-	15,901	150	-
Capital outlay	-	1,288,033	496,312	124,788	-	-	-
Debt service							
Principal Retirement	-	-	265,000	-	-	-	-
Interest and other fiscal charges	-	-	189,475	-	-	-	-
Total expenditures	-	1,288,033	950,787	124,788	15,901	150	221,694
Excess (deficiency) of revenues over (under) expenditures	-	(1,275,713)	1,208,910	15,360	16,475	231,022	(146,252)
OTHER FINANCING USES							
Transfers out	-	-	-	-	(11,706)	(60,965)	-
Total other financing uses	-	-	-	-	(11,706)	(60,965)	-
Net change in fund balances	-	(1,275,713)	1,208,910	15,360	4,769	170,057	(146,252)
Fund balance, beginning	296	1,398,229	78,884	3,370,702	522,641	449,510	167,187
Fund balance, ending	\$ 296	\$ 122,516	\$ 1,287,794	\$ 3,386,062	\$ 527,410	\$ 619,567	\$ 20,935

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue						Total Nonmajor Governmental Funds
	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	Armed Services Memorial Fund	Lynhaven Lane Service District Fund	Transportation Impact Fee Fund	
REVENUES							
General property taxes	\$ -	\$ -	\$ 112,474	\$ -	\$ 2,750	\$ -	\$ 813,170
Other local taxes	1,922,955	-	-	-	-	764,705	2,687,660
Use of money and property	-	-	1,170	-	11	49,813	203,287
Charges for services	-	699	-	-	-	-	699
Intergovernmental	-	-	-	-	-	-	1,584,845
Miscellaneous	-	-	-	3,600	-	-	219,671
Total revenues	<u>1,922,955</u>	<u>699</u>	<u>113,644</u>	<u>3,600</u>	<u>2,761</u>	<u>814,518</u>	<u>5,509,332</u>
EXPENDITURES							
Current:							
Judicial administration	-	-	-	-	-	-	13,609
Public safety	-	-	-	-	-	-	208,085
Parks, recreation and cultural	-	-	-	470	-	-	470
Community development	1,203,228	-	52,935	-	-	-	1,272,214
Capital outlay	-	-	-	-	-	-	1,909,133
Debt service							
Principal Retirement	-	-	40,000	-	-	-	305,000
Interest and other fiscal charges	-	-	24,051	-	-	-	213,526
Total expenditures	<u>1,203,228</u>	<u>-</u>	<u>116,986</u>	<u>470</u>	<u>-</u>	<u>-</u>	<u>3,922,037</u>
Excess (deficiency) of revenues over (under) expenditures	<u>719,727</u>	<u>699</u>	<u>(3,342)</u>	<u>3,130</u>	<u>2,761</u>	<u>814,518</u>	<u>1,587,295</u>
OTHER FINANCING SOURCES (USES)							
Transfers out	(779,223)	-	-	-	-	(600,000)	(1,451,894)
Total other financing uses	<u>(779,223)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(600,000)</u>	<u>(1,451,894)</u>
Net change in fund balances	(59,496)	699	(3,342)	3,130	2,761	214,518	135,401
Fund balance, beginning	<u>1,055,989</u>	<u>101,889</u>	<u>94,967</u>	<u>14,103</u>	<u>-</u>	<u>1,863,029</u>	<u>9,117,426</u>
Fund balance, ending	<u>\$ 996,493</u>	<u>\$ 102,588</u>	<u>\$ 91,625</u>	<u>\$ 17,233</u>	<u>\$ 2,761</u>	<u>\$ 2,077,547</u>	<u>\$ 9,252,827</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive(Negative)
PRIMARY GOVERNMENT				
Special Revenue Funds:				
Road Impact Fee - West				
Revenues				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	296	296
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296</u>	<u>\$ 296</u>
Road Impact Fee - South East				
Revenues				
Use of money and property	\$ -	\$ -	\$ 12,320	\$ 12,320
Total revenues	-	-	12,320	12,320
Expenditures				
Current:				
Capital outlay	-	1,288,033	1,288,033	-
Total expenditures	-	1,288,033	1,288,033	-
Excess (deficiency) of revenues over (under) expenditures	-	(1,288,033)	(1,275,713)	(2,563,746)
Net change in fund balances	-	(1,288,033)	(1,275,713)	(2,563,746)
Fund balance, beginning	-	1,288,033	1,398,229	2,686,262
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,516</u>	<u>\$ 122,516</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive(Negative)
PRIMARY GOVERNMENT				
Special Revenue Funds:				
Garrisonville Road Service District Fund:				
Revenues				
General property taxes	\$ 565,813	\$ 565,813	\$ 572,890	\$ 7,077
Use of money and property	-	-	19,344	19,344
Intergovernmental	-	101,290	1,422,809	1,321,519
Miscellaneous	-	-	144,654	144,654
Total revenues	565,813	667,103	2,159,697	1,492,594
Expenditures				
Current:				
Capital outlay	111,338	770,976	496,312	274,664
Debt service				
Principal retirement	265,000	265,000	265,000	-
Interest and other fiscal charges	189,475	189,475	189,475	-
Total expenditures	565,813	1,225,451	950,787	274,664
Excess (deficiency) of revenues over (under) expenditures	-	(558,348)	1,208,910	1,767,258
Net change in fund balance	-	(558,348)	1,208,910	1,767,258
Fund balance, beginning	-	558,348	78,884	(479,464)
Fund balance, ending	\$ -	\$ -	\$ 1,287,794	\$ 1,287,794
Warrenton Road Service District Fund:				
Revenues				
Use of money and property	\$ -	\$ -	\$ 81,458	\$ 81,458
Intergovernmental	-	750,000	58,690	(691,310)
Total revenues	-	750,000	140,148	(609,852)
Expenditures				
Current operating:				
Capital outlay	-	1,831,354	124,788	1,706,566
Total expenditures	-	1,831,354	124,788	1,706,566
Excess (deficiency) of revenues over (under) expenditures	-	(1,081,354)	15,360	(2,316,418)
Net change in fund balances	-	(1,081,354)	15,360	1,096,714
Fund balance, beginning	-	1,081,354	3,370,702	2,289,348
Fund balance, ending	\$ -	\$ -	\$ 3,386,062	\$ 3,386,062

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive(Negative)
PRIMARY GOVERNMENT				
Special Revenue Funds:				
Lake Carroll Service District				
Revenues				
General property taxes	\$ 13,875	\$ 13,875	\$ 19,693	\$ 5,818
Use of money and property	-	-	12,683	12,683
Total revenues	13,875	13,875	32,376	18,501
Expenditures				
Current:				
Community development	13,875	52,642	15,901	36,741
Total expenditures	13,875	52,642	15,901	36,741
Excess (deficiency) of revenues over (under) expenditures	-	(38,767)	16,475	55,242
Other Financing Sources (Uses)				
Transfers in	-	550,000	-	550,000
Transfers out	-	-	(11,706)	(11,706)
Total other financing sources (uses) net	-	550,000	(11,706)	538,294
Net change in fund balance	-	511,233	4,769	593,536
Fund balance, beginning	-	-	522,641	-
Fund balance, ending	\$ -	\$ 511,233	\$ 527,410	\$ 593,536
Lake Arrowhead Service District:				
Revenues				
General property taxes	\$ 112,000	\$ 112,000	\$ 105,363	\$ (6,637)
Use of money and property	-	-	13,973	13,973
Intergovernmental	-	-	40,762	40,762
Miscellaneous	-	-	71,074	71,074
Total revenues	112,000	112,000	231,172	119,172
Expenditures				
Current:				
Community development	112,000	471,341	150	471,191
Total expenditures	112,000	471,341	150	471,191
Excess (deficiency) of revenues over (under) expenditures	-	(359,341)	231,022	590,363
Other Financing Sources (Uses)				
Transfers out	-	(60,965)	(60,965)	-
Total other financing sources (uses) net	-	(60,965)	(60,965)	-
Net change in fund balance	-	(420,306)	170,057	590,363
Fund balance, beginning	-	420,306	449,510	-
Fund balance, ending	\$ -	\$ -	\$ 619,567	\$ 590,363

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive(Negative)
PRIMARY GOVERNMENT				
Special Revenue Funds:				
Asset Forfeiture Fund:				
Revenues				
Use of money and property	\$ -	\$ -	\$ 12,515	\$ 12,515
Intergovernmental	200,000	200,000	62,584	137,416
Miscellaneous	-	-	343	343
Total revenues	200,000	200,000	75,442	150,274
Expenditures				
Current:				
Judicial administration	-	36,385	13,609	22,776
Public safety	250,000	250,000	208,085	41,915
Total expenditures	250,000	286,385	221,694	64,691
Excess (deficiency) of revenues over (under) expenditures	(50,000)	(86,385)	(146,252)	59,867
Net change in fund balance	(50,000)	(86,385)	(146,252)	(59,867)
Fund balance, beginning	50,000	86,385	167,187	80,802
Fund balance, ending	\$ -	\$ -	\$ 20,935	\$ 20,935
Tourism Fund:				
Revenues				
Other local taxes	\$ 1,875,000	\$ 1,875,000	\$ 1,922,955	\$ 47,955
Total revenues	1,875,000	1,875,000	1,922,955	47,955
Expenditures				
Current:				
Community development	1,115,000	1,495,339	1,203,228	292,111
Total expenditures	1,115,000	1,495,339	1,203,228	292,111
Excess (deficiency) of revenues over (under) expenditures	760,000	379,661	719,727	340,066
Other financing sources (uses)				
Transfers out	(760,000)	(760,000)	(779,223)	(19,223)
Total other financing sources (uses) net	(760,000)	(760,000)	(779,223)	(19,223)
Net change in fund balance	-	(380,339)	(59,496)	320,843
Fund balance, beginning	-	380,339	1,055,989	675,650
Fund balance, ending	\$ -	\$ -	\$ 996,493	\$ 996,493

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
PRIMARY GOVERNMENT				
Transportation Impact Fee:				
Revenues:				
Other local taxes	\$ 600,000	\$ 600,000	\$ 764,705	\$ 164,705
Use of money and property	-	-	49,813	49,813
Total revenues	-	600,000	814,518	214,518
Expenditures				
Current:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Other Financing Sources				
Transfers out	(600,000)	(600,000)	(600,000)	-
Total other financing sources	(600,000)	(600,000)	(600,000)	-
Net change in fund balance	(600,000)	-	214,518	214,518
Fund balance, beginning	-	-	1,863,029	969,661
Fund balance, ending	\$ (600,000)	\$ -	\$ 2,077,547	\$ 1,184,179
Hidden Lake Dam Fund:				
Revenues:				
General property taxes	\$ 110,700	\$ 110,700	\$ 112,474	\$ 1,774
Use of money and property	400	400	1,170	770
Total revenues	111,100	111,100	113,644	2,544
Expenditures				
Current operating:				
Community development	47,049	53,649	52,935	714
Debt service				
Principal retirement	40,000	40,000	40,000	-
Interest and other fiscal charges	24,051	24,051	24,051	-
Total expenditures	111,100	117,700	116,986	714
Excess (deficiency) of revenues over (under) expenditures	-	(6,600)	(3,342)	3,258
Net change in fund balance	-	(6,600)	(3,342)	3,258
Fund balance, beginning	-	6,600	94,967	88,367
Fund balance, ending	\$ -	\$ -	\$ 91,625	\$ 91,625

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
PRIMARY GOVERNMENT				
Armed Services Memorial Fund:				
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 3,600	\$ 3,600
Total revenues	-	-	3,600	3,600
Expenditures				
Current:				
Parks, recreation and cultural	-	1,250	470	(780)
Total expenditures	-	1,250	470	(780)
Excess (deficiency) of revenues over (under) expenditures	-	(1,250)	3,130	4,380
Net change in fund balance	-	(1,250)	3,130	4,380
Fund balance, beginning	-	1,250	14,103	12,853
Fund balance, ending	\$ -	\$ -	\$ 17,233	\$ 17,233

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive(Negative)
PRIMARY GOVERNMENT				
Capital Projects Funds:				
General Capital Projects Fund:				
Revenues				
Use of money and property	\$ 20,000	\$ 20,000	\$ 233,591	\$ 213,591
Intergovernmental	-	4,841	-	(4,841)
Miscellaneous	-	8,738	8,075	(663)
Total revenues	20,000	33,579	241,666	208,087
Expenditures				
Current:				
Public safety	-	8,495,520	3,874,827	4,620,693
Public works	-	181,147	2,031	179,116
Parks, recreation and cultural	248,500	4,088,285	707,013	3,381,272
Education	-	14,376,503	13,374,601	1,001,902
Capital outlay	4,345,000	9,413,553	4,772,572	4,640,981
Debt service:				
Bond issuance costs	-	81,805	81,805	-
Total expenditures	4,593,500	36,636,813	22,812,849	13,823,964
Deficiency of revenues under expenditures	(4,573,500)	(36,603,234)	(22,571,183)	14,032,051
Other financing sources (uses)				
Transfers in	4,528,316	5,187,678	3,321,535	(1,866,143)
Transfers out	-	(466,431)	(466,431)	-
Issuance of debt:				
Issuance of new bonds	-	13,376,503	12,100,000	(1,276,503)
Issuance of capital leases	-	5,708,308	2,194,073	(3,514,235)
Premiums on bond issuances	-	-	1,304,024	1,304,024
Total other financing sources (uses), net	4,528,316	23,806,058	18,453,201	(5,352,857)
Net change in fund balance	(45,184)	(12,797,176)	(4,117,982)	8,679,194
Fund balance, beginning	45,184	12,797,176	12,891,437	94,261
Fund balance, ending	\$ -	\$ -	\$ 8,773,455	\$ 8,773,455

FIDUCIARY FUNDS:

Agency Funds:

Celebrate Virginia North Fund

This fund accounts for assets held by the County in a trustee capacity. It accounts for a special assessment collection used to retire debt incurred by the Celebrate Virginia North Community Development Authority for public infrastructure improvements in the district.

Lake Arrowhead Sanitary District Fund

This fund accounts for assets held by the County in a trustee capacity. It accounts for a special assessment collection used to service a bond issue for road improvements in the District.

George Washington Regional Commission Fund

Stafford County acts as fiscal agent for the George Washington Regional Commission payroll function. This fund records the payroll expense and tracks the reimbursement receipts for this activity.

Embrey Mill Fund

This fund accounts for assets held by the County in a trustee capacity. It accounts for a special assessment collection used to retire debt incurred by the Embrey Mill Development for public infrastructure improvements in the district.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2019

	Agency Funds				Totals
	Celebrate Virginia North	Lake Arrowhead Sanitary District	George Washington Regional Commission	Embrey Mill	
ASSETS					
Current assets:					
Cash and short-term investments	\$ 529,319	\$ 11,567	\$ -	\$ 1,166,904	\$ 1,707,790
Receivables:					
Property taxes	7,577,599	36,561	-	-	7,614,160
Accounts	-	-	152,304	-	152,304
Total Assets	<u>\$ 8,106,918</u>	<u>\$ 48,128</u>	<u>\$ 152,304</u>	<u>\$ 1,166,904</u>	<u>\$ 9,474,254</u>
LIABILITIES					
Accrued salaries and benefits	\$ -	\$ -	\$ 74,471	\$ -	\$ 74,471
Other liabilities	504,964	-	77,833	-	582,797
Reserve for future expenses	-	48,128	-	-	48,128
Reserve for bondholders	7,601,954	-	-	1,166,904	8,768,858
Total Liabilities	<u>\$ 8,106,918</u>	<u>\$ 48,128</u>	<u>\$ 152,304</u>	<u>\$ 1,166,904</u>	<u>\$ 9,474,254</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS & LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
<u>Celebrate Virginia North Fund</u>				
ASSETS				
Cash and short-term investments	\$ 664,765	\$1,002,854	\$(1,138,300)	\$ 529,319
Property taxes receivable	6,662,220	1,470,528	(555,149)	7,577,599
Total Assets	<u>\$ 7,326,985</u>	<u>\$2,473,382</u>	<u>\$(1,693,449)</u>	<u>\$ 8,106,918</u>
LIABILITIES				
Other liabilities	\$ 640,411	\$1,002,853	\$(1,138,300)	\$ 504,964
Reserve for bondholders	6,686,574	915,380	-	7,601,954
Total Liabilities	<u>\$ 7,326,985</u>	<u>\$1,918,233</u>	<u>\$(1,138,300)</u>	<u>\$ 8,106,918</u>
<u>Lake Arrowhead Sanitary District Fund</u>				
ASSETS				
Cash and short-term investments	\$ 88,427	\$ 5,313	\$ (82,173)	\$ 11,567
Property taxes receivable	45,034	-	(8,473)	36,561
Total Assets	<u>\$ 133,461</u>	<u>\$ 5,313</u>	<u>\$ (90,646)</u>	<u>\$ 48,128</u>
LIABILITIES				
Accounts Payable	\$ 561	\$ -	\$ (561)	\$ -
Reserve for future expenditures	132,900	-	(84,772)	48,128
Total Liabilities	<u>\$ 133,461</u>	<u>\$ -</u>	<u>\$ (85,333)</u>	<u>\$ 48,128</u>
<u>George Washington Regional Commission</u>				
ASSETS				
Accounts receivable	\$ 100,870	\$ 51,434	\$ -	\$ 152,304
Total Assets	<u>\$ 100,870</u>	<u>\$ 51,434</u>	<u>\$ -</u>	<u>\$ 152,304</u>
LIABILITIES				
Accrued salaries and benefits	\$ 46,939	\$ 27,532	\$ -	\$ 74,471
Other liabilities	53,931	23,902	-	77,833
Total Liabilities	<u>\$ 100,870</u>	<u>\$ 51,434</u>	<u>\$ -</u>	<u>\$ 152,304</u>
<u>Embrey Mill Agency Fund</u>				
ASSETS				
Cash and short-term investments	\$ 1,269,593	\$2,479,855	\$(2,582,544)	\$ 1,166,904
Property taxes receivable	-	-	-	-
Total Assets	<u>\$ 1,269,593</u>	<u>\$2,479,855</u>	<u>\$(2,582,544)</u>	<u>\$ 1,166,904</u>
LIABILITIES				
Reserve for bondholders	\$ 1,269,593	\$ -	\$ (102,689)	\$ 1,166,904
Total Liabilities	<u>\$ 1,269,593</u>	<u>\$ -</u>	<u>\$ (102,689)</u>	<u>\$ 1,166,904</u>
<u>Totals - All Fiduciary Agency Funds</u>				
ASSETS				
Cash and short-term investments	\$ 2,022,785	\$3,488,022	\$(3,803,017)	\$ 1,707,790
Property taxes receivable	6,707,254	1,470,528	(563,622)	7,614,160
Accounts receivable	100,870	51,434	-	152,304
Total assets	<u>\$ 7,956,723</u>	<u>\$5,009,984</u>	<u>\$(4,366,639)</u>	<u>\$ 9,474,254</u>
LIABILITIES				
Accounts payable	\$ 561	\$ -	\$ (561)	\$ -
Accrued salaries and benefits	46,939	27,532	0	74,471
Other liabilities	694,342	1,026,755	(1,138,300)	582,797
Reserve for future expenditures	132,900	-	(84,772)	48,128
Reserve for bondholders	7,956,167	915,380	(102,689)	8,768,858
Total Liabilities	<u>\$ 7,956,723</u>	<u>\$1,969,667</u>	<u>\$(1,326,322)</u>	<u>\$ 9,474,254</u>



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Through a culture of enthusiasm, creativity, and continuous improvement, we serve to make a difference.

STATISTICAL SECTION

(unaudited)

This section of Stafford County's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the County's overall financial health.

Contents

Financial Trends **S-1 thru S-4**

These tables contain trend information to help the reader understand how the County's financial performance and well-being has changed over time.

Revenue Capacity **S-5 thru S-9**

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.

Debt Capacity **S-10 thru S-14**

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic & Economic Information **S-15 thru S-17**

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

Operation Information **S-18 thru S-20**

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.

Sources: Unless otherwise noted, the information in these tables is derived from the CAFR for the relevant year.

NET POSITION BY COMPONENT

Fiscal Years 2010 - 2019

(accrual basis of accounting)

(unaudited) (1)

	2010	2011	2012	2013	2014	2015	2016	2017 (3)	2018	2019
Primary Government:										
Governmental activities:										
Net investment in capital assets	\$ 63,339,727	\$ 73,303,969	\$ 81,905,153	\$ 83,012,683	\$ 94,214,362	\$ 98,292,334	\$ 125,608,019	\$ 137,144,534	\$ 140,085,894	\$ 123,810,124
Restricted (2)	777,238	2,540,231	2,585,376	2,563,552	3,127,912	2,682,185	861,102	42,442,927	36,387,289	30,924,661
Unrestricted (deficit) (2)	(210,589,191)	(192,423,702)	(192,972,219)	(217,209,926)	(236,728,731)	(261,870,499)	(276,183,484)	(379,448,731)	(367,558,775)	(319,676,121)
Total governmental activities net position	<u>\$ (146,472,226)</u>	<u>\$ (116,579,502)</u>	<u>\$ (108,481,690)</u>	<u>\$ (131,633,691)</u>	<u>\$ (139,386,457)</u>	<u>\$ (160,895,980)</u>	<u>\$ (149,714,363)</u>	<u>\$ (199,861,270)</u>	<u>\$ (191,085,592)</u>	<u>\$ (164,941,336)</u>
Business-type activities:										
Net investment in capital assets	\$ 214,291,000	\$ 243,840,540	\$ 215,975,340	\$ 263,389,309	\$ 314,276,234	\$ 308,716,780	\$ 322,691,679	\$ 327,610,514	\$ 338,103,297	\$ 347,102,176
Restricted	12,165,547	14,293,655	51,224,071	14,008,268	-	9,617,314	10,673,889	6,252,110	10,990,332	10,687,024
Unrestricted (2)	54,892,613	32,052,353	34,373,851	41,136,662	24,506,342	29,366,937	32,584,518	36,726,832	46,656,505	55,477,185
Total business-type activities net position	<u>\$ 281,349,160</u>	<u>\$ 290,186,548</u>	<u>\$ 301,573,262</u>	<u>\$ 318,534,239</u>	<u>\$ 338,782,576</u>	<u>\$ 347,701,031</u>	<u>\$ 365,950,086</u>	<u>\$ 370,589,456</u>	<u>\$ 395,750,134</u>	<u>\$ 413,266,385</u>
Total Primary Government										
Net investment in capital assets	\$ 277,630,727	\$ 317,144,509	\$ 297,880,493	\$ 346,401,992	\$ 408,490,596	\$ 407,009,114	\$ 448,299,698	\$ 464,755,048	\$ 478,189,191	\$ 470,912,300
Restricted	12,942,785	16,833,886	53,809,447	16,571,820	3,127,912	12,299,499	11,534,991	48,695,037	47,377,621	41,611,685
Unrestricted (deficit)	(155,696,578)	(160,371,349)	(158,598,368)	(176,073,264)	(212,222,389)	(232,503,562)	(243,598,966)	(342,721,899)	(320,902,270)	(264,198,936)
Total Primary Government net position	<u>\$ 134,876,934</u>	<u>\$ 173,607,046</u>	<u>\$ 193,091,572</u>	<u>\$ 186,900,548</u>	<u>\$ 199,396,119</u>	<u>\$ 186,805,051</u>	<u>\$ 216,235,723</u>	<u>\$ 170,728,186</u>	<u>\$ 204,664,542</u>	<u>\$ 248,325,049</u>

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) In FY17 the FY16 amounts were revised to coincide with Exhibit I

(3) 2017 fund balance has been restated to reflect GASB 75.

COUNTY OF STAFFORD, VIRGINIA

Table S-2

CHANGES IN NET POSITION
Fiscal Years 2010-2019
(accrual basis of accounting)
(unaudited) (1)

Page 1 of 2

	2010	2011	2012	2013	2014	2015	2016 (8)	2017	2018	2019
Primary Government:										
Expenses										
Governmental activities:										
General government	\$ 12,261,364	\$ 12,719,415	\$ 12,623,568	\$ 12,734,773	\$ 13,533,596	\$ 14,757,363	\$ 14,362,591	\$ 14,559,295	\$ 18,839,600	\$ 19,436,349
Judicial administration	6,703,566	6,735,964	6,839,212	6,105,930	7,606,669	6,370,324	6,918,104	8,482,351	8,306,197	8,367,589
Public safety	45,897,812	45,474,144	49,986,737	55,435,338	57,699,254	52,314,985	57,976,361	61,276,611	63,986,551	62,878,549
Public works	7,326,583	7,674,038	7,851,234	9,554,439	8,694,821	8,243,611	8,232,226	9,657,053	7,575,241	6,822,248
Health and social services	13,664,321	13,783,282	14,070,334	13,856,403	13,479,255	12,448,947	13,905,298	15,961,005	17,445,345	17,843,554
Parks, recreation and cultural	10,096,206	9,659,082	12,034,049	12,784,641	14,321,722	25,408,604	16,142,774	14,761,609	16,539,452	16,523,294
Community development	4,603,445	5,472,934	4,837,754	4,921,864	5,159,874	4,377,659	4,993,035	4,249,540	5,004,066	4,723,229
Appropriation to School Board	109,379,789	107,730,081	123,139,836	142,751,306	141,597,936	131,273,166	133,974,547	139,074,307	135,017,282	133,040,898
Transportation	3,770,803	3,124,991	3,988,075	4,829,573	3,322,814	3,019,659	3,227,877	3,723,774	13,854,155	5,296,964
Interest	16,617,439	13,427,364	16,147,660	16,736,309	13,807,460	17,050,475	17,260,538	16,208,762	16,388,405	15,204,938
Total governmental activities expenses	230,321,328	225,801,295	251,518,459	279,710,576	279,223,401	275,264,793	276,993,351	287,954,307	302,956,294	290,137,612
Total business-type activities expenses	31,035,605	30,216,044	31,324,423	30,473,842	31,904,381	34,817,632	34,526,713	35,208,525	41,099,002	43,344,960
Total Primary Government expenses	\$ 261,356,933	\$ 256,017,339	\$ 282,842,882	\$ 310,184,418	\$ 311,127,782	\$ 310,082,425	\$ 311,520,064	\$ 323,162,832	\$ 344,055,296	\$ 333,482,572
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,108	\$ 25,964	\$ 225,028	\$ 242,505	\$ 266,157	\$ 281,000	\$ 641,721	\$ 844,646	\$ 277,761	\$ 386,783
Judicial administration	277,479	335,598	304,592	371,234	258,636	249,493	269,789	276,435	373,817	323,817
Public safety	6,691,261	6,549,245	6,693,587	7,926,496	7,672,339	7,267,651	7,562,952	6,913,255	7,934,736	6,956,517
Public works	70,097	71,817	68,888	72,680	54,814	66,868	38,912	43,210	204,629	308,264
Health and social services	292,027	175,902	140,145	195,762	247,335	75,819	135,963	144,916	53,475	39,425
Parks, recreation and cultural	1,754,006	1,806,643	1,840,751	1,900,427	1,888,993	2,441,178	2,213,931	1,723,461	1,767,047	1,533,151
Community development	1,077,860	1,343,065	1,237,301	1,796,945	1,835,090	2,321,592	1,689,645	1,795,183	1,776,963	1,749,523
Transportation	28,890	37,455	36,450	44,650	51,785	67,320	49,708	41,803	35,040	38,158
Operating grants and contributions										
General government	591,090	563,978	571,979	593,732	591,531	716,671	643,329	615,479	1,111,753	1,187,826
Judicial administration	1,697,023	1,890,125	1,619,250	1,775,749	1,765,593	1,713,319	1,909,899	2,117,745	2,190,237	2,186,048
Public safety	5,795,343	6,940,239	6,341,182	6,247,021	5,549,949	5,163,714	5,367,744	5,604,834	6,772,215	6,008,303
Public works	-	-	-	-	-	-	-	-	-	-
Health and social services	7,752,214	7,472,568	7,246,818	6,126,643	6,300,225	6,383,766	7,019,454	7,931,317	8,683,077	8,792,974
Parks, recreation and cultural	-	-	39,496	-	-	-	-	-	-	-
Community development	579,847	1,111,018	75,348	101,161	250,254	-	50	308,657	6,414	2,797
Transportation	10,729	139,175	1,031,384	82,849	918,886	836,333	-	-	109,931	66,557
Capital grants and contributions										
Public Safety	-	-	-	-	-	6,945	-	-	-	-
Community development	-	-	-	-	-	-	-	-	433,000	40,762
Public works	601,983	49,327	-	-	-	-	-	-	-	-
Parks, recreation and cultural	16,453,700	-	-	-	-	-	-	-	-	-
Transportation	-	-	685,812	898,290	1,602,859	1,165,321	5,376,640	4,321,120	5,918,751	7,474,630
Total governmental program revenues	\$ 43,674,657	\$ 28,512,119	\$ 28,158,011	\$ 28,376,144	\$ 29,254,446	\$ 28,756,990	\$ 32,919,737	\$ 32,682,061	\$ 37,648,846	\$ 37,095,535

COUNTY OF STAFFORD, VIRGINIA

Table S-2

CHANGES IN NET POSITION
Fiscal Years 2010-2019
(accrual basis of accounting)
(unaudited) (1)

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	2010	2011	2012	2013	2014	2015	2016 (8)	2017	2018	2019
Business-type activities:										
Charges for services	\$ 22,675,662	\$ 23,348,476	\$ 24,085,502	\$ 26,115,323	\$ 27,444,874	\$ 30,660,729	\$ 32,449,975	\$ 35,852,460	\$ 38,997,356	\$ 42,674,920
Operating grants and contributions	3,496,906	2,914,691	1,037,356	276,145	-	-	-	-	-	-
Capital grants and contributions	8,644,800	11,958,913	17,037,061	21,404,272	24,410,978	16,888,941	19,716,714	19,319,750	27,095,667	16,433,343
Total business-type activities	<u>34,817,368</u>	<u>38,222,080</u>	<u>42,159,919</u>	<u>47,795,740</u>	<u>51,855,852</u>	<u>47,549,670</u>	<u>52,166,689</u>	<u>55,172,210</u>	<u>66,093,023</u>	<u>59,108,263</u>
program revenues										
Total Primary Government program revenues	<u>\$ 63,329,487</u>	<u>\$ 66,380,091</u>	<u>\$ 70,536,063</u>	<u>\$ 76,171,884</u>	<u>\$ 80,612,842</u>	<u>\$ 80,469,407</u>	<u>\$ 85,086,426</u>	<u>\$ 87,854,271</u>	<u>\$ 103,741,869</u>	<u>\$ 96,203,798</u>
Net (expense)/revenue (2)										
Governmental activities	\$ (197,289,176)	\$ (223,360,448)	\$ (251,334,432)	\$ (251,334,432)	\$ (246,507,803)	\$ (244,622,808)	\$ (244,073,614)	\$ (255,272,246)	\$ (265,307,448)	\$ (253,042,077)
Business activities	4,601,324	6,897,657	11,686,077	17,321,898	17,038,220	47,549,670	17,639,976	19,963,685	24,994,021	15,763,303
Total Primary Government net expense	<u>\$ (192,687,852)</u>	<u>\$ (216,462,791)</u>	<u>\$ (239,648,355)</u>	<u>\$ (234,012,534)</u>	<u>\$ (229,469,583)</u>	<u>\$ (197,073,138)</u>	<u>\$ (226,433,638)</u>	<u>\$ (235,308,561)</u>	<u>\$ (240,313,427)</u>	<u>\$ (237,278,774)</u>
General revenues and other changes in net assets										
Governmental activities:										
Taxes										
General property taxes	\$ 168,106,174	\$ 172,389,860	\$ 175,603,509	\$ 176,261,594	\$ 183,480,382	\$ 185,302,231	\$ 192,132,277	\$ 199,376,130	\$ 206,800,056	\$ 215,780,411
Other local taxes	36,866,175	38,933,477	40,345,254	41,711,420	39,281,476	40,503,669	42,531,750	43,974,287	46,404,868	48,107,851
Unrestricted grants and contributions	15,599,795	15,019,020	14,911,207	14,941,367	14,591,241	15,584,842	15,978,707	12,748,800	12,542,261	12,542,261
Investment earnings	205,052	116,813	46,162	38,656	206,821	106,796	448,174	840,815	1,747,745	3,159,567
Miscellaneous	570,010	722,730	552,128	884,870	4,656,269	6,616,292	4,088,986	6,677,921	5,864,196	5,575,010
Gain on sale of property	-	-	-	-	-	-	75,337	33,673	-	-
Transfers	-	-	-	121,100	-	10,000	-	371,402	724,000	854,620
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>\$ 221,347,206</u>	<u>\$ 227,181,900</u>	<u>\$ 231,458,260</u>	<u>\$ 233,959,007</u>	<u>\$ 242,216,189</u>	<u>\$ 248,123,830</u>	<u>\$ 255,255,231</u>	<u>\$ 264,023,028</u>	<u>\$ 274,083,126</u>	<u>\$ 286,019,720</u>
Business-type activities										
Investment earnings	\$ 964,691	\$ 514,145	\$ 377,663	\$ 282,527	\$ 235,995	\$ 203,909	\$ 449,208	\$ 371,330	\$ 680,907	\$ 2,371,917
Gain on disposal of capital assets	-	-	5,122	13,000	12,882	43,365	23,560	23,440	-	-
Miscellaneous	41,841	317,207	168,433	159,109	47,989	35,920	136,311	175,099	209,750	235,651
Transfers	-	-	-	(121,100)	-	(10,000)	-	-	(724,000)	(854,620)
Total business-type activities	<u>1,006,532</u>	<u>831,352</u>	<u>551,218</u>	<u>333,536</u>	<u>296,866</u>	<u>273,194</u>	<u>609,079</u>	<u>569,869</u>	<u>166,657</u>	<u>1,752,948</u>
Total Primary Government	<u>\$ 222,353,738</u>	<u>\$ 228,013,252</u>	<u>\$ 232,009,478</u>	<u>\$ 234,292,543</u>	<u>\$ 242,513,055</u>	<u>\$ 248,397,024</u>	<u>\$ 255,864,310</u>	<u>\$ 264,592,897</u>	<u>\$ 274,249,783</u>	<u>\$ 287,772,668</u>
Change in net position										
Primary government:										
Governmental activities	\$ 34,700,535	\$ 29,892,724	\$ 8,097,812	\$ (17,375,425)	\$ (7,752,766)	\$ 1,616,027	\$ 11,181,617	\$ 8,750,782	\$ 8,775,678	\$ 32,977,643
Business-type activities	4,788,295	8,837,388	11,386,714	17,655,434	20,248,337	13,005,232	18,249,055	20,533,554	25,160,678	17,516,251
Total primary government	<u>\$ 39,488,830</u>	<u>\$ 38,730,113</u>	<u>\$ 19,484,526</u>	<u>\$ 280,009</u>	<u>\$ 12,495,571</u>	<u>\$ 14,621,259</u>	<u>\$ 29,430,672</u>	<u>\$ 29,284,336</u>	<u>\$ 33,936,356</u>	<u>\$ 50,493,894</u>
Total primary government										
Net position, beginning (3) - (7) & (9)	\$ 95,388,104	\$ 134,876,934	\$ 173,507,046	\$ 186,620,539	\$ 186,900,548	\$ 172,183,792	\$ 186,805,051	\$ 216,235,723	\$ 170,728,186	\$ 197,760,061
Net position, ending	<u>\$ 134,876,934</u>	<u>\$ 173,607,047</u>	<u>\$ 192,991,572</u>	<u>\$ 186,900,548</u>	<u>\$ 199,396,119</u>	<u>\$ 186,805,051</u>	<u>\$ 216,235,723</u>	<u>\$ 245,520,059</u>	<u>\$ 204,664,542</u>	<u>\$ 248,253,955</u>

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) Net (expense) revenue is the difference between the expenses and program revenues. A positive number indicates that

the program can be supported by program revenues. A negative number indicates that general revenues are needed to support or supplement the program.

(3) In fiscal year 2006, the beginning net position balance was restated to exclude road construction projects from the County's fixed asset balance. These road projects will eventually be turned over to the State to maintain.

(4) In fiscal year 2009, the beginning net position balance for the General Government was restated to reflect an adjusted prior year transfer from the Component Unit-School Board.

(5) In fiscal year 2012, the beginning net position balance for the governmental activities was restated to reflect an adjusted prior year transfer of a land asset to the Component Unit - School Board.

(6) In fiscal year 2013, the beginning net position balance for the governmental activities was restated to reflect a change in accounting principle and a restatement of an error.

(7) In fiscal year 2015, the beginning net position balance for the governmental activities was restated to reflect a change in accounting for pensions per GASB 68.

(8) In fiscal year 2017, FY2016 amounts were revised to coincide with Exhibit II.

(9) In fiscal year 2018, the beginning net position balance for the governmental activities and business-type activities was restated to reflect a change in accounting for OPEB per GASB 75.

Table S-3

Fiscal Years 2010-2019

(modified accrual basis of accounting)

(unaudited) (1)

	Pre-GASB 54 (2)
	Fiscal Year
General Fund	<u>2010</u>
Reserved	
Unreserved	\$ 1,237,328
Designated	
Undesignated (4)	9,514,224
Total General Fund	<u>26,268,217</u>
	<u>37,019,769</u>
All Other Governmental Funds	
Reserved	
Unreserved	810,531
Designated	
Special revenue funds	
Capital projects funds	12,813,595
Undesignated	10,852,158
Special revenue funds	
Capital projects funds	1,919,703
Total all other government funds	-
Total fund balances	<u>26,395,987</u>
	<u>\$ 63,415,756</u>

Post-GASB 54 (3)

	Fiscal Year								
	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund									
Nonspendable	\$ 38,977	\$ 39,554	\$ 27,813	\$ 326,168	\$ 220,609	\$ 181,993	\$ 691,811	\$ 432,115	\$ 456,906
Restricted	569,745	652,293	879,437	3,373,807	3,306,455	3,189,177	3,276,037	4,646,807	5,072,636
Committed	9,588,558	11,846,432	13,937,000	8,413,076	5,164,702	10,672,838	6,949,499	25,028,902	31,624,093
Assigned	10,219,883	13,496,185	11,883,767	18,539,638	24,541,606	23,332,365	25,525,307	12,364,759	18,553,831
Unassigned	29,129,794	29,590,639	30,376,952	30,969,982	32,909,983	32,901,993	34,369,821	36,615,473	38,700,911
Total General Fund	49,546,957	55,625,103	57,104,969	61,622,671	66,143,355	70,278,366	70,812,475	79,088,056	94,408,377
All Other Governmental Funds									
Nonspendable	-	-	-	-	-	-	117	12,500	787,310
Restricted									
Special Revenue	740,486	-	-	-	-	610,499	610,499	8,893,967	8,633,569
Capital Projects	1,230,000	1,155,000	1,080,000	-	-	-	-	12,891,437	7,986,145
Other Governmental Funds	-	778,082	604,115	689,251	622,351	250,238	175,418	9,955,078	9,157,311
Committed									
Special Revenue	7,648,876	6,220,896	10,765,215	11,642,718	8,422,525	6,795,956	18,217,607	210,959	-
Capital Projects	8,946,013	9,874,269	16,903,871	11,476,554	9,996,099	6,200,789	9,692,399	-	-
Other Governmental Funds	-	1,152,849	7,123,925	8,844,875	9,596,848	5,757,073	7,138,126	-	95,516
Assigned									
Special Revenue	10,027,309	4,330,167	3,798,204	721,863	-	-	-	-	-
Other Governmental Funds	-	8,618,960	8,726,946	7,677,381	5,423,842	6,513,216	3,916,439	-	-
Total all other government funds	28,592,684	32,130,221	49,002,276	41,052,642	34,061,665	26,127,771	39,750,605	31,963,941	26,659,851
Total fund balances	\$ 78,139,641	\$ 87,755,324	\$ 106,107,245	\$ 102,675,313	\$ 100,205,020	\$ 96,406,137	\$ 110,563,080	\$ 111,051,997	\$ 121,068,228

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) Fiscal year 2003 through fiscal year 2010 were in compliance with GASB 34.

(3) GASB 54 was adopted in fiscal year 2011 and fiscal year 2010 data was restated for GASB 54 comparable presentation.

(4) The General Fund Undesignated fund balance was re-stated in fiscal year 2009 for fiscal year 2007 and fiscal year 2008.

COUNTY OF STAFFORD, VIRGINIA

Table S-4

Page 1 of 2

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 2010-2019

(modified accrual basis of accounting)

(unaudited) (1)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
General property taxes	\$ 168,767,569	\$ 172,389,860	\$ 175,603,509	\$ 178,881,369	\$ 183,606,999	\$ 186,177,201	\$ 191,531,969	\$ 200,177,097	\$ 207,303,957	\$ 214,855,694
Other local taxes	34,883,967	38,218,971	39,638,192	41,017,797	38,426,342	40,503,669	41,686,287	43,974,287	46,404,868	48,107,851
Permits, privilege fees and regulatory licenses	4,058,796	3,368,355	3,165,460	4,342,575	4,312,561	3,723,699	4,203,746	4,600,431	4,640,366	4,346,390
Fines and forfeitures	729,490	904,319	730,433	784,514	1,057,819	1,071,872	1,034,714	791,570	878,756	895,106
Use of money and property	465,207	429,386	334,240	347,769	432,444	462,759	872,914	840,813	1,747,745	3,159,567
Charges for services	4,993,840	5,218,433	5,817,807	6,193,509	6,326,343	6,920,303	6,657,657	6,390,908	6,904,346	6,094,142
Intergovernmental	30,386,436	31,783,161	31,186,940	29,382,578	30,032,267	32,269,995	36,357,443	33,647,952	37,767,639	38,302,158
Miscellaneous	4,777,219	3,456,531	3,139,690	3,883,714	7,402,475	6,616,291	5,229,929	6,745,267	5,864,196	5,646,084
Total revenues	249,062,524	255,769,016	259,616,271	264,833,825	271,597,250	277,745,789	287,574,659	297,168,325	311,511,873	321,406,992
Expenditures										
Current operating:										
General government	15,796,367	15,118,921	16,048,880	12,083,734	12,585,414	13,324,624	13,311,548	13,178,287	13,890,180	14,764,011
Judicial administration	6,485,676	6,489,706	6,459,754	6,949,212	6,996,272	7,069,087	7,168,625	7,589,619	7,873,248	8,183,925
Public safety	44,816,171	45,841,713	48,822,682	53,421,921	51,822,442	52,124,684	58,166,109	57,866,940	62,605,381	62,215,257
Public works	4,382,841	5,221,699	7,167,438	7,124,172	9,728,759	5,387,823	7,993,681	7,918,462	5,077,713	4,846,503
Health and social services	13,564,781	13,597,282	13,684,536	13,435,827	13,141,477	12,331,075	13,647,667	15,778,608	17,111,432	17,811,436
Parks, recreation and cultural	10,079,702	10,875,709	11,314,097	14,444,997	22,263,174	28,875,822	25,508,295	13,860,112	15,180,699	14,209,264
Community development	4,521,530	5,272,457	4,723,822	4,795,928	4,708,570	4,580,033	4,937,518	4,865,208	4,737,547	4,632,587
Appropriation to school board:										
School operation	103,189,962	99,323,620	98,599,339	108,625,975	108,414,728	103,735,323	111,449,395	112,072,288	116,440,953	116,796,434
School capital projects	6,189,827	8,406,461	24,540,497	34,050,331	33,108,208	27,462,843	22,450,152	26,927,019	18,501,329	16,169,464
Transportation	-	-	-	2,781,761	3,347,968	3,662,264	3,651,700	3,377,104	3,076,652	3,287,684
Capital outlay	14,460,024	12,305,815	4,854,714	6,950,065	10,611,313	12,471,531	20,308,877	13,521,319	25,208,481	17,954,113
Debt service										
Principal	22,461,779	22,295,756	25,714,726	25,436,816	21,021,636	23,835,993	25,222,800	27,733,990	28,431,591	29,466,692
Interest and fiscal charges	17,839,981	17,604,636	16,932,891	16,780,980	14,233,335	19,014,887	18,523,042	18,328,443	17,931,102	17,420,603
Bond issuance costs	-	-	-	-	-	-	-	-	70,608	85,505
Total expenditures	263,788,641	262,353,775	278,863,376	306,881,719	311,983,296	313,875,989	332,339,409	323,017,399	336,136,916	327,843,478
Excess of revenues (under) expenditures	(14,726,117)	(6,584,759)	(19,247,105)	(42,047,894)	(40,386,046)	(36,130,200)	(44,764,750)	(25,849,074)	(24,625,043)	(6,436,486)
Other Financing Sources (Uses)										
Issuance of debt	6,189,827	9,585,984	26,515,000	54,115,000	30,973,208	97,984,907	32,800,001	36,029,020	22,100,000	12,100,000
Issuance of capital leases	350,054	8,707,998	-	-	5,980,906	-	5,128,339	-	-	2,194,073
Bond premium	-	-	3,577,788	6,163,715	-	-	3,037,527	3,605,595	2,219,352	1,304,024
Refunding bonds issuance	-	-	-	-	-	-	-	-	4,085,000	-
Premium on refunding bonds issuance	-	-	-	-	-	-	-	-	353,100	-
Transfers in	2,060,019	1,710,869	4,011,416	4,603,625	12,031,878	6,586,311	5,547,969	5,932,652	3,822,766	6,123,360
Transfers out	(2,060,019)	(1,710,869)	(4,011,416)	(4,482,525)	(12,031,878)	(6,576,311)	(5,547,969)	(4,624,699)	(3,098,766)	(5,268,740)
Payment from Joint Venture	-	-	-	-	-	-	-	238,984	-	-
Payment to Joint Venture	-	-	-	-	-	-	-	(1,175,535)	-	-
Refunding of debt (4)	-	-	-	-	-	(64,335,000)	-	-	(4,367,492)	-
Other miscellaneous non-operating revenue	-	3,089,662	-	-	-	-	-	-	-	-
Loan to Component Unit	-	(1,305,000)	-	-	-	-	-	-	-	-
Total other financing sources, net	6,539,881	20,078,644	30,092,788	60,399,815	36,954,114	33,659,907	40,965,867	40,006,017	25,113,960	16,452,717
Net change in fund balances	(8,186,236)	13,493,885	10,845,683	18,351,921	(3,431,932)	(2,470,293)	(3,798,883)	14,156,943	488,917	10,016,231
Fund balance, beginning (3)	71,601,992	63,415,756	76,909,641	87,755,324	106,107,245	102,675,313	100,205,020	96,406,137	110,563,080	111,051,997
Fund balance, ending (3)	\$ 63,415,756	\$ 76,909,641	\$ 87,755,324	\$ 106,107,245	\$ 102,675,313	\$ 100,205,020	\$ 96,406,137	\$ 110,563,080	\$ 111,051,997	\$ 121,068,228

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

FISCAL YEARS 2010-2019

(modified accrual basis of accounting)

(unaudited) (1)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total debt service	\$ 40,301,760	\$ 39,900,392	\$ 42,647,617	\$ 42,217,796	\$ 35,254,971	\$ 42,850,880	\$ 43,745,842	\$ 46,062,433	\$ 46,362,693	\$ 46,887,295
Total expenditures	\$ 263,788,641	\$ 262,353,775	\$ 278,863,376	\$ 306,881,719	\$ 311,983,296	\$ 313,875,989	\$ 332,339,409	\$ 323,017,399	\$ 336,136,916	\$ 327,843,478
Less: Capital outlay (2)	17,834,948	19,148,190	13,202,826	16,817,195	27,686,981	28,386,661	41,765,283	21,696,360	22,621,490	21,968,049
Non-capital expenditures	\$ 245,953,693	\$ 243,205,585	\$ 265,660,550	\$ 290,064,524	\$ 284,296,315	\$ 285,489,328	\$ 290,574,126	\$ 301,321,039	\$ 313,515,426	\$ 305,875,429
Debt service as a percentage of noncapital expenditures	16.39%	16.41%	16.05%	14.55%	12.40%	15.01%	15.05%	15.29%	14.79%	15.33%

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) The amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.

(3) In Fiscal Year 2009, the beginning fund balance was restated for fiscal year 2007-2008.

In Fiscal year 2009, the beginning fund balance was restated for fiscal 2007-2008. See Footnote 14 of the Financial Statements for fiscal year 2009.

(4) In Fiscal year 2015, the Fiscal year 2006 and part of Fiscal year 2008 lease revenue bonds were refunded.

In Fiscal year 2018, part of the Fiscal year 2008 lease revenue bonds were refunded.

Principal Tax Revenue by Source
Fiscal Year 2010-2019
(unaudited) (1)

Table S-5

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Restaurant Food Taxes	Taxes on Recordation and Wills	Vehicle License Taxes	Fuels Sales Tax	Service Districts Property Taxes	Other Local Taxes(1)	Total
2010	\$ 168,767,569	\$ 9,798,938	\$ 6,683,324	\$ 5,600,607	\$ 2,234,400	\$ 2,312,394	\$ 3,943,817	\$ 512,637	\$ 3,797,850	\$ 203,651,536
2011	172,389,860	10,318,717	10,086,911	5,949,285	2,242,017	2,450,070	5,181,825	534,239	1,455,907	210,608,831
2012	175,603,509	11,014,935	10,391,870	6,251,632	2,447,621	2,245,004	5,345,841	530,537	1,410,752	215,241,701
2013	176,261,594	11,800,992	10,018,017	6,400,869	3,600,473	2,344,309	5,616,151	533,358	703,628	217,279,391
2014	183,480,382	11,790,128	10,190,648	6,577,615	3,515,617	411,185	4,946,890	530,862	463,397	221,906,724
2015	185,302,231	12,376,768	11,094,684	7,102,018	2,967,321	2,019,185	3,828,615	541,721	573,357	225,805,900
2016	192,132,277	12,872,793	9,929,556	7,779,537	3,939,630	2,371,392	2,961,265	556,373	2,121,204	234,664,027
2017	199,376,130	13,641,300	6,448,823	8,022,545	6,142,390	2,522,370	3,363,483	562,865	2,944,965	243,024,871
2018 (2)	206,800,056	14,341,668	7,035,404	8,512,213	5,985,497	2,645,892	3,806,666	570,237	4,077,528	253,775,161
2019	214,042,524	14,958,972	6,970,652	9,103,132	5,886,356	2,752,636	4,750,315	813,170	3,685,788	262,963,545

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) In FY2019, FY2018 General Property Taxes revised when compared to FY2018 CAFR.

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Calendar Years 2010 - 2019

(unaudited) (1)

Real Property					Personal Property									
Calendar Year	Residential Real Property	Commercial and Industrial Real Property	Agricultural Real Property	Total Real Property (3)	Personal Property	Merchants Capital	Machinery & Tools	Mobile Homes	Aircraft (4)	Recreational Vehicles/ Trailers; Watercraft & Business Property	Total Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate (5)	
2010 (2)	\$ 9,850,345,400	\$ 2,514,103,100	\$ 634,355,800	\$ 12,555,580,113	\$ 585,711,380	\$ 174,917,430	\$ 35,020,440	\$ 21,025,020	\$ -	\$ 156,031,145	\$ 972,705,415	\$ 13,528,285,528	\$ 1.21	
2011	10,021,541,300	2,540,176,800	611,053,100	12,719,091,716	580,866,160	180,885,340	30,960,430	20,411,060	-	158,134,400	971,257,390	13,690,349,106	1.19	
2012 (2)	10,236,576,300	2,623,917,176	517,222,800	13,002,326,118	608,786,840	196,387,420	30,495,880	19,280,860	-	177,549,360	1,032,500,360	14,034,826,478	1.19	
2013	10,453,773,090	2,673,373,426	497,992,200	13,262,150,638	632,393,059	186,440,770	-	16,697,240	-	137,968,580	973,499,649	14,235,650,287	1.19	
2014 (2)	11,453,237,050	2,765,187,000	510,902,000	14,389,795,201	646,424,160	198,206,730	-	15,648,640	-	132,954,700	993,234,230	15,383,029,431	1.12	
2015	11,771,269,050	2,775,865,500	495,224,200	14,699,463,435	658,036,590	199,069,300	-	16,162,950	-	139,524,240	1,012,793,080	15,712,256,515	1.12	
2016 (2)	12,745,166,500	2,946,159,700	473,016,900	15,857,245,779	694,942,180	195,895,430	-	16,622,020	-	147,308,220	1,054,767,850	16,912,013,629	1.09	
2017	13,046,815,950	2,993,924,200	455,058,000	16,495,801,650	716,779,720	249,816,840	-	16,880,360	-	157,450,170	1,140,927,090	17,636,728,740	1.09	
2018 (2)	13,855,938,651	3,183,115,300	459,242,200	17,498,296,151	755,575,220	206,150,400	-	17,017,230	-	168,845,320	1,147,588,170	18,645,884,321	1.09	
2019 (2)	14,247,191,601	3,179,860,300	431,519,300	17,858,571,201	770,824,880	173,543,320	-	17,083,260	-	170,802,840	1,132,254,300	18,990,825,501	1.11	

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) The county reassesses real property every two years. Real property is assessed at 100% of the fair market value.

(3) The assessed value of real property does not include exempt values.

(4) The tax for aircraft was eliminated in Calendar Year 2009.

(5) Total Direct Tax Rates are calculated per \$100 of assessed value, calculated on a weighted average basis. Refer to Table 7.

(5) FY17 Total Direct Tax Rates revised in FY18 to reflect correct rate.

Source: Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA

Table S-7

DIRECT AND OVERLAPPING TAX RATES (1)

Calendar Years 2010 - 2019

(unaudited) (2)

Calendar Year	Real Estate		Personal Property (4)		Merchants Capital		Machinery and Tools		Mobile Homes (5)		Recreational Vehicles/ Trailers; Watercraft & Business Property (6)		Total Direct Tax Rate For each Fiscal Year (7)
	Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied	Tax Rate	Direct Rate Applied	
2010 (3)	\$1.10	\$ 1.02	\$6.89	\$ 0.12	\$0.50	\$ 0.01	\$0.75	\$ -	\$1.10	\$ -	\$5.49	\$ 0.06	\$1.21
2011	1.08	1.00	6.89	0.12	0.50	0.01	0.75	-	1.08	-	5.49	0.06	1.19
2012 (3)	1.07	0.99	6.89	0.12	0.50	0.01	0.75	-	1.07	-	5.49	0.07	1.19
2013	1.07	0.99	6.89	0.12	0.50	0.01	-	-	1.07	-	5.49	0.05	1.19
2014 (3)	1.02	0.95	6.61	0.11	0.50	0.01	-	-	1.02	-	5.49	0.05	1.12
2015	1.02	0.95	6.61	0.11	0.50	0.01	-	-	1.02	-	5.49	0.05	1.12
2016 (3)	0.99	0.93	6.50	0.10	0.50	0.01	-	-	0.99	-	5.49	0.05	1.09
2017	0.99	0.93	6.46	0.11	0.50	0.01	-	-	0.99	-	5.49	0.05	1.09
2018 (3)	0.99	0.93	6.46	0.10	0.50	0.01	-	-	0.99	-	5.49	0.05	1.09
2019	1.01	0.95	6.46	0.10	0.50	0.00	-	-	0.99	-	5.49	0.05	1.11

(1) All the rates listed on this page are direct rates, meaning the primary government has the authority to set, modify or approve.

Although the County does support some regional activities, there are no rates set or charged by any overlapping governmental bodies.

(2) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(3) Years of General Reassessments. Real estate is assessed at 100% of fair market value. Rates are charged per \$100 of assessed value.

(4) Personal property is assessed at 40% of fair market value. Hence, the effective tax rate is approximately \$2.58 per \$100 of fair market value.

(5) Mobile homes are assessed at 100% of fair market value.

(6) Beginning in calendar year 2009, recreational vehicles / trailers, watercraft and business property have a separate rate set.

In years prior to 2009, they were taxed at the personal property rate. FY17 Direct Rate Applied was revised to correct rate in FY18.

(7) The Direct Tax Rates are calculated per \$100 of assessed value, calculated on a weighted average basis based on assessed value. Refer to Table 6 for Assessed Values.

FY17 Total Direct Tax Rate revised to correct rate in FY18.

Source: Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA

Table S-8

PRINCIPAL PROPERTY TAX PAYERS
Calendar Years 2019 vs 2010
(unaudited) (1)

Tax Payer	Type of Business	Calendar Year 2019			Calendar Year 2010		
		Assessed Valuation	Rank	% Total Assessed Valuation	Assessed Valuation	Rank	% Total Assessed Valuation
Virginia Electric & Power Co	Utility	\$ 278,833,849	1	1.5%			
Park Ridge Townhomes	Commercial	98,102,200	2	0.5%			
Quantico Corporate Center	Commercial	84,068,900	3	0.4%			
Silver Companies	Commercial	82,041,700	4	0.4%	143,965,700	1	1.1%
Stafford Marketplace	Commercial	81,231,800	5	0.4%	66,630,100	5	0.5%
Government Insurance Employee Co	Commercial	79,465,520	6	0.4%	82,419,740	3	0.6%
Verizon	Utility	75,894,969	7	0.4%			
Kensington Crossing	Commercial	70,686,200	8	0.4%			
Aventine at Courthouse Square Apt.	Commercial	69,730,700	9	0.4%			
Walmart	Commercial	65,658,518	10	0.3%			
Dominion Virginia Power	Utility				111,401,180	2	0.8%
The Garrett Companies	Commercial				74,703,100	4	0.6%
United Dominion Realty Trust	Commercial				61,780,900	6	0.5%
ACPRE ACS Realty LLC	Commercial				54,270,700	7	0.4%
Stafford Lake Associates LP	Commercial				51,158,500	8	0.4%
Northern Stafford Associates LLC	Commercial				50,583,700	9	0.4%
Pulte Home Corp	Commercial				47,575,400	10	0.4%
Totals		<u>\$ 985,714,356</u>		5.2%	<u>\$ 744,489,020</u>		5.5%
Total taxable assessed value		18,990,825,501			\$ 13,528,285,528		

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

Source: Office of the Commissioner of Revenue.

REAL PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Years 2010 - 2019

(unaudited) (1)

Fiscal Year	Taxes Levied for the	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Subsequent Collections by Levy Years (4)	Total Collections to Date	
	Fiscal Year (3) (Original Levy)			Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2010 (2)	\$ 138,276,717	\$ (439,122)	\$ 137,837,595	\$ 133,418,693	96.49%	\$ 3,910,483	\$ 137,329,176	99.63%
2011	139,098,207	(477,378)	138,620,829	134,537,353	96.72%	3,198,299	137,735,652	99.36%
2012	138,195,291	(566,768)	137,628,524	134,446,756	97.29%	3,020,397	137,467,153	99.88%
2013	141,088,714	(628,046)	140,460,667	136,430,178	96.70%	2,852,337	139,282,515	99.16%
2014	144,738,631	(390,547)	144,348,083	140,322,929	96.95%	2,489,831	142,812,760	98.94%
2015	147,557,767	(395,963)	147,161,804	144,103,736	97.66%	2,349,184	146,452,920	99.52%
2016	152,915,361	(788,345)	152,127,016	148,989,753	97.43%	2,165,989	151,155,742	99.36%
2017	157,468,327	(848,373)	156,619,954	154,159,375	97.90%	1,735,271	155,894,646	99.54%
2018	163,675,360	(1,246,706)	162,428,654	159,946,093	97.72%	1,169,759	161,115,852	99.19%
2019	170,959,805	(1,845,323)	169,114,482	166,830,279	97.58%	-	166,830,279	98.65%

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) Beginning in fiscal year 2010, Garrisonville Rd, Warrenton Rd, and Hidden Lake Dam Service Districts are included.

(3) Taxes Levied for the Fiscal Year = Tax setups minus Tax Relief and Disable Vet Relief.

(4) The Collections in Subsequent Years column is restated annually to accurately report delinquent taxes by levy year rather than by collection year.

Source: Data provided by the Stafford County Treasurer's Office.

RATIOS OF OUTSTANDING DEBT BY TYPE

Direct Debt Ratios

Fiscal Years 2010 - 2019

(unaudited) (1)

Fiscal Year	Governmental Activities					Business-Type Activities		Total Direct Debt			
	General Obligation Bonds (2)	Lease Revenue Bonds (2)	Literary Loans	Capital Leases	VRA Loan	Revenue Bonds (3)	Total Primary Government	Total Primary Government Including Premiums (4)	Percentage of Assessed Real Property Value (5)	Percentage of Personal Income (6)	Outstanding Debt Per Capita (7)
2010	\$ 257,206,940	\$ 88,205,000	\$ 4,828,782	\$ 7,978,053	\$ 8,783,857	\$ 42,092,841	\$ 409,095,473	\$ 417,007,548	3.26%	7.77%	\$ 3,172
2011	251,459,634	84,470,000	4,172,633	14,138,137	8,409,471	38,017,841	400,667,716	408,575,132	3.15%	7.46%	3,107
2012	257,810,098	80,685,000	3,661,484	7,949,797	8,023,769	87,277,322	445,407,470	464,569,943	3.43%	7.97%	3,371
2013	297,085,268	77,195,000	3,195,335	7,026,320	7,626,409	85,002,056	477,130,388	501,455,917	3.60%	8.09%	3,526
2014	310,375,533	73,665,000	2,729,186	12,053,731	7,205,949	98,204,379	504,233,778	530,507,968	3.28%	8.38%	3,686
2015	314,821,489	12,415,000	2,263,037	10,339,667	71,099,213	95,339,840	506,278,246	540,065,412	3.22%	8.04%	3,558
2016	327,095,270	9,875,000	1,796,888	13,674,528	71,202,259	101,019,503	524,663,448	560,324,897	3.10%	8.17%	3,685
2017	337,758,148	7,315,000	1,330,739	11,186,218	74,634,850	100,489,853	532,714,808	569,666,129	3.23%	8.00%	3,684
2018	333,349,649	500,000	864,590	8,637,381	82,346,744	96,977,811	522,676,175	559,827,933	2.99%	7.64%	3,587
2019	323,653,653	460,000	648,441	8,530,958	77,232,694	93,352,959	503,878,705	539,886,064	2.82%	7.06%	3,379

(1) The scope of the independent audit does not include the tables displayed in the Statistical section of the CAFR.

(2) Bond numbers shown do not include the impact of deferred amounts for premiums or discounts.

(3) In fiscal year 2010, Revenue Bonds for Business-Type Activities were included to show the total primary government's outstanding debt. Prior years were restated.

(4) In FY2016, Total Primary Government Including Premiums were added. However, percentage of assessed real property valued, percentage of personal income and outstanding debt per capita are calculated without the use of premiums.

In FY18, restated figures to include Business-Type Premiums.

(5) Percentage of Assessed Taxable Real Property = Total Direct Debt/Total Assessed Taxable Real Property Value (See Table S-14).

(6) Percentage of Personal Income = Outstanding Debt Per Capita/Total Per Capita Personal Income (See Table S-14).

(7) Percentage of Assessed Real Property = Total Direct Debt/Population (See Table S-14).

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Fiscal Years 2010 - 2019
(unaudited) (1)

Fiscal Year	General Obligation Bonds (2)	Premiums on General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property (3)	Outstanding Debt Per Capita (4)
2010	\$257,206,940	\$ 7,735,698	1.86%	\$ 1,994
2011	251,459,634	220,648	1.83%	1,950
2012	257,810,098	10,782,718	1.85%	1,951
2013	297,085,268	16,255,429	2.09%	2,196
2014	310,375,533	17,344,516	2.11%	2,242
2015	314,821,489	25,242,174	2.10%	2,212
2016	327,095,270	26,557,015	2.08%	2,297
2017	337,758,148	28,124,783	2.07%	2,336
2018	333,349,649	28,742,719	1.92%	2,288
2019	323,653,653	28,015,819	1.79%	2,171

(1) The scope of the independent audit does not include the tables displayed in the Statistical section of the CAFR.

(2) There are currently no resources that have been externally restricted for the repayment of the principal of general bonded debt. Therefore net bonded debt is equal to total bonded debt.

(3) See Assessed Value and Actual Value of Taxable Real Property, Table S-5.

Percentage = Outstanding General Bonded Debt / Taxable Assessed Real Property Value X Tax rate.

(4) Population data can be found Taxable Real Property Value (See Table S-15) on Demographic and Economic Statistics (Table S-15).

COUNTY OF STAFFORD, VIRGINIA

Table S-12

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2019

(unaudited) (1)

	Debt Outstanding	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
Direct debt:			
General Government			
General obligation bonds (3)	\$ 323,653,653	100.0%	\$ 323,653,653
Lease revenue bonds (3)	460,000	100.0%	460,000
Literary loans	648,441	100.0%	648,441
Capital leases	8,530,507	100.0%	8,530,507
VRA	77,232,694	100.0%	77,232,694
Total general government direct debt	410,525,295		410,525,295
Bond premiums	28,015,819		
Total general government obligations including premiums	\$ 438,541,114		
Overlapping Debt:			
Regional Joint Activities			
Rappahannock Regional Jail	61,485,000	47.6%	29,266,860
Juvenile Detention Center (4)	-	33.6%	-
Total regional joint ventures	61,485,000		29,266,860
Total overlapping debt	61,485,000		29,266,860
Total direct and overlapping debt	\$ 472,010,295		\$ 439,792,155

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) The estimated percentage applicable of overlapping debt was calculated based on the population.

(3) Bond numbers shown do not include the impact of any deferred amounts for premiums or losses on refunding.

(4) Juvenile Detention Center debt paid in full as of 6/30/19.

DEBT MARGIN INFORMATION**Fiscal Years 2010 - 2019****(unaudited) (1)**

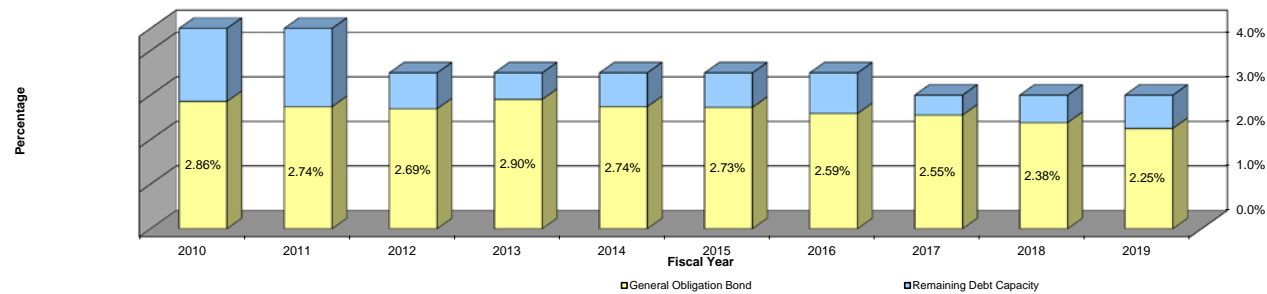
On June 4, 2019, the Board of Supervisors adopted new "Principles of High Performance Financial Management" as a means to prudently manage the people's resources through accountable and transparent allocation of resources, planned strategic use of financial resources to ensure sustainability, maintain and upgrade the County's bond ratings and ensure a balanced tax burden from residential and commercial sources. The principles include three significant debt limitations as follows:

Debt Limitation 1:

The (tax-supported) general obligation debt shall not exceed 3.5% of the assessed valuation of taxable real property prior to FY2014, 3% between FY2014-FY2019 and 2.75% thereafter. (2)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed value of taxable real property	\$ 12,555,580,113	\$ 12,719,091,716	\$ 13,002,326,118	\$ 13,262,150,638	\$ 14,372,802,061	\$ 14,699,463,435	\$ 15,857,245,779	\$ 16,495,801,650	\$ 17,498,296,151	\$ 17,858,571,201
Debt limit, 3% of assessed value prior to 6/4/19, 2.75% thereafter (2)	\$565,001,105	\$445,168,210	\$455,081,414	\$464,175,272	\$503,048,072	\$514,481,220	\$475,717,373	\$494,874,050	\$524,948,885	\$535,757,136
Tax-supported general obligation debt (3)	\$359,024,579	\$348,511,738	\$350,180,351	\$385,102,012	\$393,975,668	\$400,598,739	\$409,969,416	\$421,038,737	\$417,060,984	\$401,994,788
% of assessed real property	2.86%	2.74%	2.69%	2.90%	2.74%	2.73%	2.59%	2.55%	2.38%	2.25%
Debt margin (4)	<u>\$205,976,526</u>	<u>\$96,656,472</u>	<u>\$104,901,063</u>	<u>\$79,073,260</u>	<u>\$109,072,404</u>	<u>\$113,882,481</u>	<u>\$65,747,957.37</u>	<u>\$ 73,835,313</u>	<u>\$ 107,887,901</u>	<u>\$ 133,762,348</u>

**Total Debt to Assessed Value of Property
not to exceed 3.0% prior to 6/4/19, 2.75 thereafter**



(1) The scope of the independent audit does not include the tables/charts displayed in the Statistical section of the CAFR.

(2) Debt limit was 3% of assessed value prior to June 21, 2005; it changed to 4.5% of assessed value until July 6, 2010; at that time it was set at 3.5% of assessed value with a goal to reach 3% by July 1, 2015. On 11/17/15, the Debt limit was returned to 3.0 % of assessed value. In FY18 CAFR, years FY 16 and FY17 have been revised to correctly reflect 3.0 % of assessed value. On June 4, 2019, the debt limit was set to 2.75%.

(3) The tax-supported general obligation debt includes general obligation bonds (including VPSA), lease-revenue bonds (issued for the construction of public safety projects), literary loans, certificates of participation and VRS taxable refunding bonds. Any impact of premiums and/or losses on refunding are excluded from these numbers.

(4) Counties in Virginia are not subject to state imposed debt margins. The debt margin above represents a self-imposed debt limitation established by the Board of Supervisors.

COUNTY OF STAFFORD, VIRGINIA

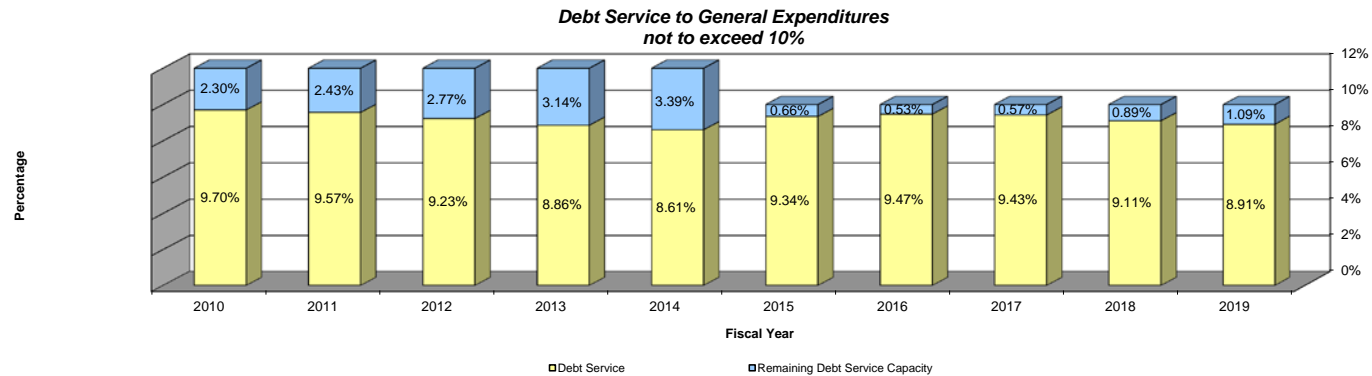
Table S-13
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DEBT MARGIN INFORMATION
Fiscal Years 2010 - 2019
(unaudited) (1)

Debt Limitation 2:

General fund debt service expenditures not including master leases (County and Schools) shall not exceed 11% of the general government budget or 10 % after FY15. (2)

	Fiscal Year											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		
General government budget (3)	\$ 381,759,337	\$ 383,015,888	\$ 387,213,980	\$ 399,027,672	\$ 409,450,896	\$ 419,269,371	\$ 426,175,667	\$ 444,242,723	\$ 462,388,414	\$ 475,651,388		
Debt limit, 11% of general government budget, 10 % after 2015 (7)	\$45,811,120	\$45,961,907	\$42,593,538	\$43,893,044	\$45,039,599	\$41,926,937	\$42,617,567	\$44,424,272	\$46,238,841	\$47,565,139		
Debt service expenditure (4) (5)	37,039,949	36,636,001	35,742,589	\$35,348,244	35,254,971	39,169,081	40,370,084	41,870,495	42,103,993	42,394,149		
Percentage of the general government budget	9.70%	9.57%	9.23%	8.86%	8.61%	9.34%	9.47%	9.43%	9.11%	8.91%		
Debt service margin (6)	\$ 8,771,171	\$ 9,325,906	\$ 6,850,949	\$ 8,544,800	\$ 9,784,628	\$ 2,757,856	\$ 2,247,483	\$ 2,553,777	\$ 4,134,849	\$ 5,170,990		



(1) The scope of the independent audit does not include the tables/charts displayed in the Statistical section of the CAFR.

(2) Debt service limit was 10% of general expenditures prior to June 21, 2005; it changed to 12% of general expenditures until July 6, 2010; at that time it was set at 11% of general expenditures with a goal to reach 10% by July 1, 2015.

(3) General government is defined in the adopted Principles of High Performance Financial Management as General Fund plus the School Operating Fund (including School Grant Funds) less the School transfer.

(4) Debt service expenditures = principal payments plus interest.

(5) The above schedule excludes debt service on master leases, the fiscal year 2007 through 2013 expenditures were revised in the 2014 CAFR.

(6) Counties in Virginia are not subject to state imposed debt margins. The debt margin above represents a self-imposed debt limitation established by the Board of Supervisors.

(7) In FY17 CAFR, The debt limits for 2015 and 2017 were restated to 10%.

COUNTY OF STAFFORD, VIRGINIA

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DEBT MARGIN INFORMATION

Fiscal Years 2010 - 2019

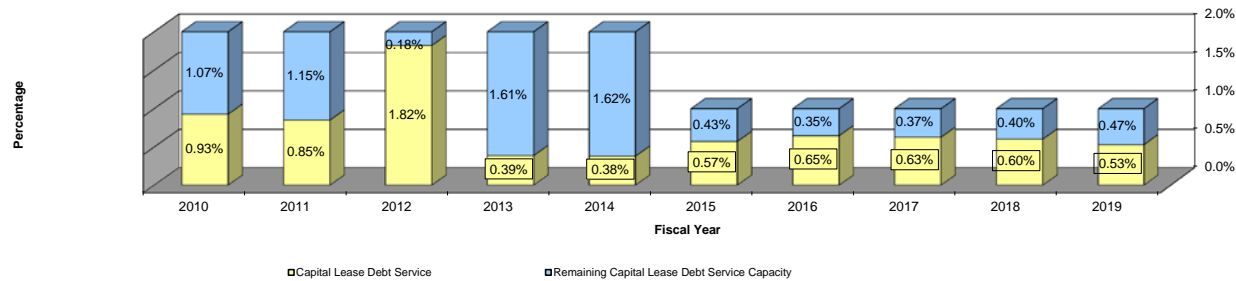
(unaudited) (1)

Debt Limitation 3:

Capital lease debt service shall not exceed 2% of the general government budget prior to FY13 and 1% thereafter. (2)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government budget	\$ 381,759,337	\$ 383,015,888	\$ 387,213,980	\$ 399,027,672	\$ 409,450,896	\$ 419,269,371	\$ 426,175,667	\$ 444,242,723	\$ 462,388,414	\$ 475,651,388
Capital lease debt service limit (2)										
Total debt service limitation	7,635,187	7,660,318	7,744,280	3,990,276	4,094,509	4,192,694	4,261,757	4,442,427	4,623,884	4,756,514
Amount of total debt service applicable to limit (3)	3,545,952	3,264,391	7,054,952	1,549,552	1,559,682	2,405,210	2,766,685	2,795,283	2,795,283	2,527,833
Capital lease debt service as a percentage of general government budget	0.93%	0.85%	1.82%	0.39%	0.38%	0.57%	0.65%	0.63%	0.60%	0.53%
Debt service margin (4)	\$ 4,089,235	\$ 4,395,927	\$ 689,327	\$ 2,440,724	\$ 2,534,827	\$ 1,787,483	\$ 1,495,072	\$ 1,647,145	\$ 1,828,602	\$ 2,228,681

Capital Lease Debt Service to General Government Budget
not to exceed 2% prior to FY13 and 1% thereafter



(1) The scope of the independent audit does not include the tables/charts displayed in the Statistical section of the CAFR.

(2) Debt service limit was 2% of general expenditures prior to fiscal year 2012; the Board changed this policy to 1% of general government budget in June 2012 after all debt service transactions had been recorded.

(3) At the end of fiscal year 2012 capital leases were paid down by \$ 5.3 million.

(4) Counties in Virginia are not subject to state imposed debt margins. The debt margin above represents a self-imposed debt limitation established by the Board of Supervisors.

PLEDGED REVENUE COVERAGE: WATER AND SEWER FUND
Fiscal Years 2010 - 2019
(unaudited) (1)

Fiscal Year	Water and Sewer Fund							Coverage (Times) (4)
	Gross Revenue (2)	Less: Expenses (3)	Net Available Revenue	Debt Service				
				Principal	Interest	Total		
2010	\$ 30,500,257	\$ 20,306,248	\$ 10,194,009	\$ 3,435,000	\$ 510,034	\$ 3,945,034	2.58	
2011 (5)	28,805,551	19,454,526	9,351,025	6,270,000	759,468	7,029,468	1.33	
2012	31,620,457	20,670,017	10,950,440	3,815,613	1,567,969	5,383,582	2.03	
2013	37,586,122	20,577,533	17,008,589	1,975,883	3,174,914	5,150,797	3.30	
2014	40,151,093	21,637,360	18,513,733	2,807,676	3,294,940	6,102,616	3.03	
2015	39,480,956	24,423,982	15,056,974	2,864,536	3,777,812	6,642,348	2.27	
2016	44,781,008	23,836,325	20,944,683	2,924,720	3,814,897	6,739,617	3.11	
2017	49,965,359	27,155,536	22,809,823	3,314,650	3,663,117	6,977,767	3.27	
2018	53,488,200	27,485,520	26,002,680	3,512,042	3,494,594	7,006,636	3.71	
2019	55,081,671	24,190,604	30,891,067	3,624,851	3,426,297	7,051,149	4.38	

(1) The scope of the independent audit does not include the tables displayed in the Statistical section of the CAFR.

(2) Includes availability fees and any other revenue sources pledged for the retirement of debt which is consistent with Stafford County's Master Bond Covenants.

(3) Total expenses are exclusive of depreciation, amortization and bond interest.

(4) Net revenue coverage required by the covenants is 1.2 times the debt service.

(5) Fiscal year 2011 Principal payments for Debt Service includes a payout of refunding bonds of \$3,350,000.

COUNTY OF STAFFORD, VIRGINIA

Table S-15

DEMOGRAPHIC AND ECONOMIC STATISTICS

Fiscal Years 2010 - 2019

(unaudited) (1)

Fiscal Year	Population (2)	Civilian Labor Force (3)	At Place Employment(4)	Unemployment Rate (5)	Personal Income (in thousands) (6)	Per Capita Personal Income (7)	Total Taxable Assessed Real Property (8)
2010	128,961	67,677	35,064	5.7%	\$ 5,265,160	\$ 40,828	\$ 12,555,580,113
2011	129,772	68,039	35,484	5.2%	5,439,653	41,917	12,719,091,716
2012	132,719	72,993	37,508	4.9%	5,674,401	42,755	13,002,326,118
2013	135,311	71,569	38,039	5.1%	5,900,913	43,610	13,262,150,638
2014	138,423	71,229	39,672	5.2%	6,091,996	44,010	14,389,795,201
2015	142,299	70,828	40,341	5.2%	6,296,162	44,246	14,699,463,435
2016	142,380	67,413	41,939	4.0%	6,425,740	45,131	15,857,245,779
2017	144,612	69,913	42,399	3.6%	6,657,002	46,034	16,495,801,650
2018	145,699	70,284	43,130	3.3%	6,841,181	46,954	17,498,296,151
2019	149,110	71,656	44,318	2.7%	7,141,369	47,893	17,858,571,201

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) Population figures for fiscal year 2010 were provided by the U.S. Census Count. Fiscal Year 2011 figure is from American Community Survey Estimate.

Fiscal year 2012 figure is from Weldon Cooper Center. Fiscal year 2013 -2019 figures are from Stafford County Planning and Zoning.

(3) The Civilian Labor Force represents the number of people that live in Stafford County. Source: fiscal year 2010- 2014 (US Census DP-3), fiscal year 2015-2019 figures are from Virginia Employment Commission (VEC) .

(4) The At Place Employment numbers represent the number of jobs in Stafford County. It includes people that commute into Stafford County to work and excludes those that travel out of the County to work. Figures are based on a calendar year. Source: Virginia Employment Commission (VEC)

(5) Unemployment Rate Source: Virginia Employment Commission (VEC)

(6) Personal Income figures are based on a calculation of per capita and population numbers.

(7) Per capita personal income figures (fiscal year 2010-2011): Estimate provided by Stafford County Finance Department assuming a growth of 2%.

Per capita personal income figures (fiscal year 2012-2013): Provided by Stafford Economic Development. Fiscal year 2011 figure revised, fiscal year 2012 , 2013, 2016-2019 based on 2% increase. Fiscal Year 2014-2015 figures are from Stafford County Economic Development.

(8) Total taxable assessed real property figures are based on a calendar year. Source: Stafford County Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA

Table S-16

COMPARATIVE DEMOGRAPHIC AND ECONOMIC STATISTICS
Census Years 2000 & 2010
(unaudited) (1)

	2000 Census	2010 Census		
	Stafford County	Stafford County	Virginia	United States
Population:				
Median age	33.0	34.2 (2)	37.5 (2)	37.2 (2)
Persons under 18 years old	28.6%	29.2%	23.4%	24.3%
Persons 19 to 64 years old	65.8%	64.3%	64.4%	62.8%
Persons 65 years old and over	5.6%	6.5%	12.2%	12.9%
Persons per square mile	341.9	477.0 (2)	202.1 (2)	87.3 (2)
Education:				
High school or higher	88.6%	91.3%	85.8%	84.6%
Bachelor's degree or higher	29.6%	35.5%	33.4%	27.5%
Income:				
Median household income	\$75,456	\$88,179	\$59,372	\$50,221
Housing:				
Number persons/household	3.0	3.0	2.5	2.6
Percent owner occupied	80.6%	79.5%	69.2%	66.9%
Owner occupied median value	\$156,400	\$364,900	\$247,100	\$185,400

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) Census numbers for Median Age and Persons per Square Mile are for year 2010 all other numbers reflect data for year 2009.

(Source: <http://quickfacts.census.gov>)

Source: US Census, 2000 & 2010.

COUNTY OF STAFFORD, VIRGINIA

Table S-17

PRINCIPAL EMPLOYERS
Fiscal Years 2019 vs 2010
(unaudited) (1)

Employer	Industry	Fiscal Year 2019			Fiscal Year 2010		
		Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
GEICO, Government Employees Insurance	Insurance	1000+	1	2.3%	1000+	2	2.9%
Stafford County School System	Education	4,117	2	9.3%	1000+	1	2.9%
U.S. Federal Bureau of Investigation	Government Services	1000+	3	2.3%	1000+	3	2.9%
U.S. Department of Defense	Government Services	1000+	4	2.3%			
Stafford County Government	County Government	939	5	2.1%	500-999	4	2.2%
Wal Mart	Retail Distribution	1000+	6	2.3%	500-999	5	2.2%
McLane Mid Atlantic	Merchant Wholesalers, Nondurable Goods	500-999	7	1.7%	500-999	7	2.2%
Stafford Hospital Center	Medical	500-999	8	1.7%	500-999	6	2.2%
Intuit	Merchant Wholesalers, Durable Goods	250-499	9	0.8%			
Lowes' Home Centers, Inc	Building Material and Garden, Equipment, & Supplies Dealers	250-499	10	0.8%			
Cox Auto Trader Inc	Merchant Wholesalers, Durable Goods				250-499	8	1.1%
Giant Food	Food and Beverage Stores				250-499	9	1.1%
YMCA	Religious, Grantmaking, Civic, Professional and Similar Organizations				250-499	10	1.1%
Total 10 Largest Employers		<u>10,556-12,052+</u>		<u>25.6%</u>	<u>5,750-8,493+</u>		<u>20.5%</u>
Total County Employment		44,202			34,836		

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) Percentage of Total County Employment is based on the midpoints in the ranges given.

(The data above does not include the 6,700 Marines or 6,900 civilians stationed/employed at the Quantico Marine Corps Base or any retail.)

Source: Virginia Employment Commission.& US Bureau of Labor Statistics

COUNTY OF STAFFORD, VIRGINIA

Table S-18

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION

Fiscal Years 2010- 2019

(unaudited) (1)

Function/Program Employees:	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Primary Government:										
Governmental activities:										
General government	105	98	99	99	97	103	102	107	107	124
Judicial administration	47	44	46	48	46	44	48	52	53	59
Public safety (2)	314	319	332	338	358	355	379	378	415	419
Public services (3)	-	-	-	-	-	-	-	-	-	-
Health and welfare	51	49	54	51	51	54	52	51	64	72
Parks, recreation and community facilities (4)	56	53	53	51	53	54	58	56	62	88
Community development	67	63	62	67	69	66	62	63	72	75
Transportation (5)	-	-	-	-	-	-	-	-	-	-
Total governmental activities employees	640	626	646	654	674	676	701	707	773	837
Business-type activities:										
Utilities	135	134	136	132	134	137	137	133	140	139
Total business-type activities employees										
Total primary government employees	775	760	782	786	808	813	838	840	913	976
Volunteers:										
Public safety (6)	461	600	550	400	200	200	200	327	368	260

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) Includes E-911 Fund employees.

(3) Beginning in fiscal year 2010, Public services was reclassified to Parks, Recreation and Community Facilities.

(4) Does not include seasonal employees.

(5) Beginning in fiscal year 2010, Transportation was reclassified to Community development.

(6) The number of Public Safety Volunteers is provided by the Stafford County Fire and Rescue Department and Sheriff's Office.

Source: Stafford Human Resources Department.

COUNTY OF STAFFORD, VIRGINIA

Table S-19

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OPERATING INDICATORS BY FUNCTION

Fiscal Years 2010 - 2019

(unaudited) (1)

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
General government										
Commissioner of Revenue										
Taxpayers assisted at real estate and personal property counters	12,765	12,645	11,262	9,748	8,841	11,546	12,744	13,230	8,786	8,292
Building permits reviewed	1,604	1,609	1,798	1,961	1,976	1,858	1,973	2,310	2,248	2,270
State income tax returns processed	11,160	5,096	2,504	5,570	6,838	7,027	5,741	5,739	5,317	4,825
Personal property records processed	71,453	83,746	87,541	86,054	77,632	80,419	92,063	79,169	74,828	70,632
Finance										
Landfill bills processed	293	310	351	352	369	407	421	479	661	832
Accounts payable transactions processed (2)	42,105	43,980	44,497	45,156	47,429	43,731	44,379	49,327	33,859	31,096
Department of Human Resources										
Number of new hires	206	225	214	249	242	272	310	367	346	361
Number of positions recruited	93	86	94	80	78	90	104	111	134	155
Public Services										
Total facilities maintained (sq ft) (3)	433,427	495,567	495,567	563,271	565,128	555,218	600,967	594,232	612,624	612,800
Registrar										
Voters served at polling places	50,000	35,162	32,965	63,431	36,479	45,043	53,212	81,911	50,515	64,781
Registered Voters Served (4)		77,053	80,572	81,765	82,630	81,394	86,603	90,645	93,755	96,160
Treasurer										
Real estate and personal property bills processed	265,003	267,955	267,546	271,311	277,174	283,455	291,455	293,468	307,064	314,318
Water and sewer bills processed	377,978	385,619	390,614	395,147	401,193	415,050	415,050	431,776	440,792	451,511
Judicial administration										
Victims' services (5)	1,345	785	856	957	914	929	973	1,335	1,434	1,341
Public safety										
Requests for law enforcement service (responded)	70,941	68,817	75,457	73,371	75,716	75,458	82,317	85,332	71,310	67,788
Number of arrests	7,216	6,764	6,851	6,194	6,084	5,341	5,029	5,297	5,465	5,478
Number of fire and EMS calls (6)	20,648	22,674	25,660	25,957	25,432	24,845	17,983	25,039	26,665	19,400

COUNTY OF STAFFORD, VIRGINIA

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OPERATING INDICATORS BY FUNCTION

Fiscal Years 2010 - 2019

(unaudited) (1)

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Social Services										
Benefit applications received (11)	7,907	7,910	7,853	8,552	8,810	7,989	7,552	N/A	7,445	9,112
CPS complaints investigated (7)	521	542	603	546	542	695	704	755	780	709
Food stamp households served	2,942	3,363	3,701	4,024	4,032	3,718	3,379	3,201	3,106	3,126
Foster care children served	88	79	73	71	82	59	56	52	56	72
Parks, Recreational and Cultural										
Programs offered: gymnastics	2,000	2,042	2,230	2,056	1,610	2,532	2,689	3,312	3,339	3,417
Programs offered: senior citizens	376	412	377	260	495	564	801	834	838	714
Programs offered: sports/recreation	1,051	811	915	618	1,244	1,131	1,268	752	448	790
Programs offered: aquatics	550	549	550	630	507	635	903	704	1,685	899
Acres maintained (12)	1,432	1,432	1,432	1,476	1,476	1,476	2,072	2,072	2,072	2,072
Community Development										
Public Works										
Permits issued (8)	3,157	3,381	3,567	4,306	4,424	4,062	5,228	5,735	5,495	5,616
Chesapeake Bay building permits reviewed	1,558	1,422	1,487	1,744	1,893	1,942	1,877	2,141	2,187	2,197
Building inspections performed	25,740	25,188	26,254	30,708	33,897	24,889	35,244	37,836	44,680	36,198
E&S control inspections performed (9)	7,256	6,276	5,765	6,584	6,576	7,504	6,973	7,055	6,646	6,271
Economic Development/Legislative Affairs										
At-place employment	35,064	35,484	37,508	38,039	39,443	40,341	41,939	42,399	43,130	44,318
Unemployment rate	5.7%	5.2%	4.9%	5.1%	5.1%	5.2%	4.0%	3.6%	3.3%	2.7%
Businesses in the County	2,217	2,234	2,257	2,272	2,329	2,377	2,639	2,618	2,674	2,810
Legislative bills reviewed for action/response (13)	2,964	2,693	2,876	2,575	2,942	2,925	3,009	2,959	3,722	3,128
Planning and Zoning										
Addresses issued (10)	486	308	760	1,666	633	716	417	1,626	1,040	398
Subdivision applications processed	205	343	316	442	652	482	460	365	602	258
Site plans processed	145	140	143	160	180	167	150	176	112	126
Zoning site development inspections	152	169	272	265	700	678	457	446	513	452
Zoning enforcement inspections performed	1,130	987	807	604	525	304	671	518	635	564

OPERATING INDICATORS BY FUNCTION

Fiscal Years 2010 - 2019

(unaudited) (1)

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business-Type Activities:										
Water & Sewer Utilities										
Billions of gallons of water treated per year	3.504	3.418	3.400	3.944	3.305	3.328	3.160	3.185	3.173	3.450
Water storage (mg)	16.645	16.645	16.645	16.645	17.645	17.645	17.645	18.145	17.145	20.250
Billions of gallons of wastewater treated per year	3.418	2.951	2.994	2.844	3.066	2.486	2.948	3.047	3.204	3.220
Number of customer accounts served	32,803	32,289	32,650	33,240	33,768	34,518	35,427	36,268	37,035	37,845

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) The number of accounts payable transactions includes checks and purchasing cards.

(3) Beginning with fiscal year 2008 the total of sq ft maintained includes owned and rental property. In FY16, sq ft maintained includes county owned property only.

In FY17, Woodlands Pool's square footage decreased significantly because it became a seasonal facility (the pool is no longer enclosed by a dome). A few other structures were added to offset its decreased sq footage.

(4) The number of registered voters served was added to the schedule beginning with fiscal year 2011.

(5) The number of victims' services decreased in fiscal year 2011 due to an increase in Domestic Violence cases which require more time per case than other services.

(6) EMS = Emergency Medical Services-Number provided by the EnRoute report Fire Incidents by Time and Day of Week for Fiscal Year

(7) CPS = Child Protection Services

(8) Beginning with fiscal year 2009 Public Works modified the methodology for counting building permits from counting all fee categories as permits to just counting actual permits.

This change in methodology contributed to the unusually steep decline in the number of permits issued in fiscal year 2009.

(9) E&S = Erosion & Sediment

(10) The number of new addresses decreased in fiscal year 2010, which reflected an overall slow down in new home starts.

Fiscal year 2013 increased due to volume of residential applications. Beginning with FY17, all newly recorded lots were assigned addresses.

At the time of final plat review in coordination with GIS to enhance and expedite the address assignment process. Some addresses were assigned during building permit reviews not associated with final plats.

Included in these numbers were two major apartment complexes totaling 544 new address assignments.

(11) Due to the conversion of a new computer system, VDSS was unable to merge the data between two different systems and therefore, could not provide reliable reports to local departments for several months during FY17.

(12) Lake Mooney acreage was added in FY16. In the FY18 CAFR, the FY16 Parks, Recreational and Cultural "Acres Maintained" was revised to correctly reflect Lake Mooney acreage.

(13) Represents the total number of bills introduced into the General Assembly.

Source: Various Stafford County Departments

CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Years 2010 - 2019

(unaudited) (1)

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public services										
Total facilities maintained (sq ft) (2)	433,427	495,567	495,567	563,271	520,858	518,034	600,967	594,232	612,624	612,800
Public safety (3)										
Number of Fire & Rescue Stations	7	7	7	8	8	8	10	10	10	10
Number of Fire Stations	4	4	4	4	4	4	3	3	3	3
Number of Rescue Squads	5	5	5	4	4	4	3	3	3	3
Utilities										
Water Plant Capacity (mgd)	19	19	19	19	19	19	19	19	19	19
Water Lines (miles)	579	584	600	613	619	634	643	657	704	679
Wastewater Plant Capacity (mgd)	10.5	14.5	14.5	14.5	18	18	18	18	18	18
Sewer Lines (miles)	480	481	497	506	511	516	522	534	540.6	549
Pumping Stations	88	89	89	89	91	90	88	88	94	94
Parks, recreation and cultural										
Number of County parks (6)	13	13	13	18	18	18	19	19	19	19
Acreage of County parks	1432	1432	1432	1476	1476	1476	2072	2072	2072	2072
Number of Regional parks (4)	0	0	0	0	0	0	0	0	0	0
Acreage of Regional parks (4)	0	0	0	0	0	0	0	0	0	0
State and National parks (1,184 acres)	2	2	2	2	2	2	2	2	3	3
Playgrounds (County & Schools) (7)	25	25	25	25	25	25	27	27	43	43
Athletic fields (County & Schools) (7)	82	82	82	93	93	92	99	99	151	151
Tennis courts (County & Schools) (7)	19	19	19	19	19	19	19	19	18	18
Campgrounds (48 acres)	1	1	1	1	1	1	1	1	1	1
Private golf courses (9 holes)	1	1	1	1	1	1	1	1	2	2
Public golf courses (18 holes) (7)	3	3	3	3	3	3	3	3	3	3
National historic attractions	10	10	10	10	10	10	10	10	10	10
Public beaches/waterfront parks (48 acres)	2	2	2	2	2	2	2	2	2	2
Public swimming pools	2	2	2	2	2	2	5	5	5	5
Public fishing lakes	2	2	2	2	2	2	2	3	3	3
Public boat ramps	3	3	3	3	3	3	4	4	4	4

CAPITAL ASSET STATISTICS BY FUNCTION

Fiscal Years 2010 - 2019

(unaudited) (1)

Function/Program	Fiscal Year									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Parks, recreation and cultural (cont.)										
Skateboard parks	2	2	2	2	2	2	2	2	2	2
Senior citizens centers	1	1	1	1	1	1	1	1	1	1
Gymnastics training centers	1	1	1	1	1	1	1	1	1	1
Community centers	3	2	2	2	2	2	4	4	4	4
Community development										
Libraries (5)	1	2	2	2	2	2	2	2	2	2

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) County owned facilities only. FY2016 amount restated for FY2017 CAFR and thereafter. FY2014 and FY2015 amounts restated to exclude rental facilities for FY2018 CAFR and thereafter.

(3) Although the County supports the Fire and Rescue stations, not all stations are owned by the County. In FY18, FY16 and FY17 Rescue Squads were revised from 2 to 3.

(4) Regional parks & regional acreage was added to County parks & County acreage in fiscal year 2010.

(5) The Central Rappahannock Regional Library (CRRL) is a shared facility serving the Central Rappahannock area.

(6) Lake Mooney acreage was added in FY16. In the FY18 CAFR, the FY16 Parks, Recreational and Cultural "Acres Maintained" was revised to correctly reflect Lake Mooney acreage.

(7) The number of playgrounds, athletic fields and tennis courts were updated in FY18. Numbers were provided by County and Schools.

Source: Various Stafford County Departments

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

Compliance and Other Matters

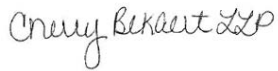
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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* and three instances of noncompliance required to be reported under the *Specifications for Audits of Counties, Cities, and Towns* which are described in the accompanying schedule of findings and questioned costs as items 2019-005, 2019-006, and 2019-007.

County's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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



Tysons Corner, Virginia
December 26, 2019

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County'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 County's compliance.

Basis for Qualified Opinion on Temporary Assistance for Needy Families ("TANF")

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the TANF program as described in finding number 2019-002 for Eligibility and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

Qualified Opinion on TANF

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TANF program for the year ended June 30, 2019.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the County 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 County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-002 and 2019-004 to be significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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



Tyson's Corner, Virginia
December 26, 2019

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass Through Payments:			
Department of Social Services			
State Administrative Matching Grants for			
Food Stamp Program	10.561	0010113-90103	\$ 818,298
		0010113-90223	
		0040113-90104	
		0040113-90224	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 818,298
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass Through Payments:			
Department of Social Services			
Social Services Block Grant	93.667	1000113-90648	353,060
		1000113-90335	
		1000113-90340	
		1000113-90123	
		1000113-90124	
		1000113-90240	
		1000113-90242	
		1000113-90243	
		1000113-90244	
		1000113-90245	
		1000113-90246	
		1000113-90262	
		1000113-90351	
		1000113-90379	
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596	0760113-90116	86,359
		0760113-90117	
		0760113-90118	
		0760113-90236	
		0760113-90237	
		0760113-90238	
		0760113-90529	
Administration for Children and Families			
Chafee Education and Training Vouchers Program	93.599	9160112-90353	319
Child Welfare Services - State Grants	93.645	0900113-90251	504

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)			
Pass Through Payments:			
Department of Social Services			
Temporary Assistance for Needy Families	93.558	0400113-90109 0400113-90110 0400113-90111 0400113-90112 0400113-90127 0400113-90229 0400113-90230 0400113-90231 0400113-90232 0400113-90247 0400113-90249 0400113-90365 0400113-90377	\$ 477,215
Promoting health and stable families	93.556	950113-91129	2,901
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113-90623 0500113-90113 0500113-90233	10,164
Low-Income Home Energy Assistance	93.568	0600413-90114 0600413-90115 0600413-90234 0600413-90235	75,474
Foster Care Title IV-E	93.658	1100113-90639 1100113-90658 1100113-90105 1100113-90106 1100113-90147 1100113-90225 1100113-90226 1100113-90227 1100113-90253 1100113-90258 1100113-90267 1100113-90268	485,103
Adoption Assistance	93.659	1120113-90606 1120113-90607 1120113-90228	458,180
Chafee Foster Care Independence Program	93.674	9150113-90254 9150113-90356	4,697
State Children's Insurance Program	93.767	0540113-90102 0540113-90222	19,536
Medical Assistance Program (Medicaid; Title XIX)	93.778	1200113-90101 1200113-90146 1200113-90221 1200112-90266	<u>920,975</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 2,894,487</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures
U.S. DEPARTMENT OF JUSTICE			
Direct Payments:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	not applicable	51,338
Equitable Sharing Program	16.922	not applicable	6,054
Pass Through Payments:			
Office for Victims of Crime	16.575	19-V9564VW17	146,063
TOTAL U.S. DEPARTMENT OF JUSTICE			\$ 203,455
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Payments:			
Federal Highway Administration			
Highway Planning and Construction	20.205	not applicable	502,335
Pass Through Payments:			
Department of Motor Vehicles			
State and Community Highway Safety (Section 402)	20.600	SC2014-54108-5356	9,691
Selective Enforcement - Alcohol	20.601	K8-2013-53164-4879	35,992
Selective Enforcement - Occupant Protection	20.602	K2-2013-53165-4880	4,125
Total Highway Safety Cluster			49,808
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			\$ 552,143
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct Payments:			
Department of Emergency Management			
Staffing for adequate Fire & Emergency Response	97.083	not applicable	591,110
Pass Through Payments:			
Department of Emergency Management			
Emergency Management Performance Grant	97.042	2010-EP-EO-0039	74,017
Disaster Grants - Public Assistance	97.036	179-99179-00	16,966
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			\$ 682,093
U.S. DEPARTMENT OF TREASURY			
Direct Payments:			
QSCB Interest	Unknown	not applicable	\$ 64,999
GRAND TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 5,215,475

See notes to the schedule of expenditures of federal awards

COUNTY OF STAFFORD, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Note 1. Significant Accounting Policies

A. BASIS OF PRESENTATION

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

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and the Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the SEFA."

Pass Through Payments – Assistance received in a pass through relationship from entities other than the Federal government is classified as pass through payments on the SEFA.

Major Programs – The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the County were determined using a risk-based approach in accordance with the requirements of Uniform Guidance.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying SEFA.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs.

Component Unit, Stafford County Public Schools has a separate Single Audit. They issue a separate set of financial statements which includes an audit of Federal awards.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

Stafford County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Subrecipients

Stafford County does not pass through any federal funds to subrecipients.

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

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **Yes, Finding 2019-001**
4. Noncompliance, which is material to the financial statements: **None**
5. Significant deficiencies in internal control over major programs: **Yes, Findings 2019-002, 2019-004**
6. Material weaknesses in internal control over major programs: **Yes, Finding 2019-003**
7. The type of report issued on compliance for major programs:

Major Program	CFDA Number	Type of Report Issued
Temporary Assistance for Needy Families (TANF)	93.558	Qualified
Medical Assistance Program (Medicaid)	93.778	Unmodified

8. Any audit findings which are required to be reported under the Uniform Guidance: **Yes**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program and Cluster</u>
93.558	Temporary Assistance for Needy Families (TANF)
93.778	Medical Assistance Program (Medicaid)

10. Dollar threshold used to distinguish between type A and type B programs: **\$750,000**
11. Auditee qualified as low-risk auditee? **Yes**

**Stafford County, Virginia
Schedule of Findings and Questioned Costs
June 30, 2019**

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

Finding 2019-001

Type of Finding: Material Weakness in Internal Controls over Financial Reporting – Capital Assets

Prior Year Audit Finding Number: Not Applicable

Criteria:

In order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), accurate and complete records must be maintained to support the ownership, existence and valuation of assets to ensure an accurate presentation of the financial position of the County at the end of the year.

Condition:

The County identified project costs related to assets held by the Virginia Department of Transportation totaling \$7,336,069 that were inadvertently capitalized as part of their construction in progress balances in prior years. This resulted in an overstatement and restatement of the County's construction in progress and net position as of June 30, 2018.

Cause:

Internal controls were not properly designed and review procedures were not in place to ensure that all assets included in construction in progress were assets owned by the County.

Effect:

The County's construction in progress and net position balances at June 30, 2018 were overstated by \$7,336,069.

Recommendation:

We recommend that the internal controls for managing capital assets be strengthened to ensure that the County has satisfactory title to all capital assets recorded.

Views of responsible officials and planned corrective action:

Management concurs. Most road projects are on secondary roads that are owned by the County even though they are maintained and repaired by the state. This adjustment was comprised of one joint state and County project where the rights of way will be deeded to VDOT at the end of the project and also for a state project where the County contributed to VDOT's costs but VDOT is purchasing the land, rights of way, and expense of the overall project. Finance and Project Management will implement a new project request sheet to capture relevant information to determine whether the expense related to the outlay is County owned and to be recorded as an asset.

**Stafford County, Virginia
Schedule of Findings and Questioned Costs
June 30, 2019**

C. Findings and Questioned Costs Relating to Federal Awards:

Finding 2019-002

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

State Awarding Agency: Virginia Department of Social Services (VDSS)

Department: Stafford County Department of Social Services (DSS)

Program name: Medical Assistance Program (Medicaid) **CFDA#:** 93.778

Compliance Requirement: Eligibility

Type of Finding: Significant Deficiency, Non-Material Noncompliance

Prior Year Audit Finding Number: 2018-001

Criteria:

Per *Title 2 Subpart §200.303*, "The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings."

Per *Subchapter M1520.001* of the *Virginia Medical Assistance Eligibility Manual*, "An annual review of all of the enrollee's eligibility requirements is called a "renewal." A renewal of the enrollee's eligibility must be completed at least once every 12 months. The renewal should be initiated in the 10th month to ensure timely completion of the renewal."

Condition:

Of the sixty (60) beneficiaries that were enrolled in the Medical Assistance Program selected for testing, we identified one (1) beneficiary where the documentation was missing to evidence of a timely renewal of eligibility.

**Stafford County, Virginia
Schedule of Findings and Questioned Costs
June 30, 2019**

Cause:

DSS management could not locate documentation to support that the current renewal occurred within 12 months. This is likely due to increased caseloads caused by the Medicaid Expansion Program, as well as the recent conversion to an electronic case management system.

Effect:

Failure to timely perform renewals could result in medical assistance rendered to ineligible individuals.

Recommendation:

We recommend the DSS ensure all documentation is retained to support timely renewal of benefits.

Questioned costs: Undeterminable.

Views of responsible officials and planned corrective actions:

The agency concurs with this finding. Training for agency staff will be completed on the renewal process and the importance of completing renewals timely. The agency has made significant progress in this area since the last audit. Additionally, as the caseload continues to grow (with Medicaid expansion) more positions will be needed to keep up with the demand.

Finding 2019-003

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

State Awarding Agency: Virginia Department of Social Services (VDSS)

Department: Stafford County Department of Social Services (DSS)

Program name: Temporary Assistance for the Needy Families (TANF) **CFDA#:** 93.558

Compliance Requirement: Eligibility and Special Tests and Provisions

Type of Finding: Material Weakness, Material Noncompliance

Prior Year Audit Finding Number: 2018-002 and 2018-003

Criteria:

Per *Title 2 Subpart §200.303*, "The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms, and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings."

Per *Subchapter 401.3* of the *TANF Manual*, eligibility for TANF recipients must be redetermined at least every 12 months.

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

Per *Subchapter 401.1* of the *TANF Manual*, the Request for Assistance or Application for Benefits must be signed. A signature must be obtained or the application must be denied.

Per *Subchapter 201.11* of the *TANF Manual*, the applicant must state, in writing, whether he or any other required member of the assistance unit has been convicted in a state or federal county of a felony offense for possession, use or distribution of a controlled substance.

Per *Subchapter 305.1* of the *TANF Manual*, 45 Code of Federal Regulation section 263.2(b) (3), when an increase in income occurs, conduct a prospective eligibility determination based on the information provided. If the prospective determination renders the case ineligible, close the case as soon as administratively possible.

Condition:

Of the sixty (60) beneficiaries that were enrolled in the TANF program selected for testing, we noted the following:

- Two (2) beneficiaries where the renewal of eligibility was not performed within twelve (12) months.
- Two (2) beneficiaries who did not have a signed application on file.
- Ten (10) beneficiaries who did not have a completed application or a written statement stating if the beneficiary had been convicted of a felony offense for possession of a controlled substance.
- One (1) beneficiary whose case was not closed timely after verification of income caused them to be ineligible.

Cause:

DSS management informed us that the untimely completion of the eligibility renewals was due to a lack of resources available to handle the continuous increase in workload as a result of the implementation of the Virginia Case Management System (VaCMS). We did corroborate with the VDSS that there was a new case management system implemented prior to the fiscal year and that the untimely renewals is not an isolated event to the County. The audit finding does not appear to be an isolated instance, but rather a systemic condition as a result of the increase in workload and the County's lack of resources.

Effect:

The TANF program as operated by the DSS was not in compliance with the eligibility compliance requirements during the fiscal year ended June 30, 2019.

Recommendation:

We recommend the DSS continue to assess their current staffing levels and implement a plan to address their staff shortage.

Questioned costs: Undeterminable.

Views of responsible officials and planned corrective actions:

The agency concurs with this finding and has identified two solutions. A new Benefit Supervisor was hired to enhance communication between the TANF and Self-Sufficiency programs. TANF staffing ratios were reviewed, and a plan was developed in 2018. Subsequently, a reduction in caseload occurred for the Stafford County TANF program, moving from one worker to a four man team. In April 2018, a Training and Development Supervisor was added to conduct in house agency training for all benefit programs. The Training and Development Supervisor initiated a quality assurance process for cases. The quality assurance component was enhanced in 2019, to include a two-step designed review by the Benefit Program Specialist III, and then by the Benefit Supervisor. The second solution enhanced the document management procedure. The system is now in place that all documentation is scanned prior to completion of the case. This system is a three-step process, by which either the worker or the front desk scans all case related documents into the file, the worker checks the file prior to authorization, and then the project leader completes a monthly review to ensure cases are being processed via the document inbox. Similarly, as with Medicaid more positions will be needed to accommodate the growth in caseloads.

**Stafford County, Virginia
Schedule of Findings and Questioned Costs
June 30, 2019**

Finding 2019-004

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

State Awarding Agency: Virginia Department of Social Services (VDSS)

Department: Stafford County Department of Social Services (DSS)

Program name: Temporary Assistance for the Needy Families (TANF) **CFDA#:** 93.558 and Medical Assistance Program (Medicaid) **CFDA#:** 93.778

Compliance Requirement: Activities Allowed or Unallowed and Allowable Cost Principles

Type of Finding: Significant Deficiency

Prior Year Audit Finding Number: Not Applicable

Criteria:

Per *Title 2 Subpart §200.303*, "The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings."

Condition:

Of the twenty-five (25) employees that were selected for testing, we noted one (1) instance where an employee's timesheet was not approved by a supervisor.

Cause:

There is no formal process in place for a backup supervisor to approve timesheets in the case that a supervisor is out on leave and is unable to approve a timesheet.

Effect:

The programs operated by DSS are at risk for incurring incorrect payroll charges.

Recommendation:

We recommend DSS implement a process to ensure all timesheets are approved by a supervisor.

Questioned costs: Undeterminable.

**Stafford County, Virginia
Schedule of Findings and Questioned Costs
June 30, 2019**

Views of responsible officials and planned corrective actions:

DSS concurs with the finding. The Executime payroll system is new to the County, and unforeseen circumstances have arisen during implementation. For the one time sheet noted, the finance department completed the approval of the employee's leave request as the supervisor lacked the ability in the system to indicate time and leave approval. We have recently enacted a plan to have multiple supervisors with access to employees' time and leave approval. Additionally, all instances where a time sheet is not approved in the system prior to the deadline will have a documented approval outside the system to be retained by the department.

D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grants

Finding 2019-005

Type of Finding: Non-Material, Noncompliance - Procurement

Prior Year Audit Finding Number: Not Applicable

Criteria:

All purchases must be made in accordance with the Virginia Public Procurement Act (Chapter 43 (Section 2.2-4300 et. Seq.) of Title 2.2 of the *Code of Virginia*).

Condition:

During our testing of thirty (30) contracts, we noted the following:

- one (1) instance where a contract was over \$50,000, but there was no formal written contract and, therefore, did not include the nondiscrimination clause.
- four (4) instances where emergency purchase procedures were not properly followed.
- two (2) cooperative contracts instances where the other localities contract was not kept on file at the County.
- one (1) instance where there was no documentation kept on file for our selection.
- two (2) instances where it was not clear if a contract was truly a sole source as the proper sole source request form was not filled out.
- two (2) instances where contracts did not include the nondiscrimination clause.

Cause:

Lack of controls over the procurement process to ensure all bids are in compliance with the *Code of Virginia*.

Effect:

Non-compliance could result in action by the Commonwealth of Virginia.

Recommendation:

The Procurement Department should ensure that all bids are in compliance with the *Code of Virginia*.

Views of responsible officials and planned corrective actions:

Management concurs. Prior to FY19 most procurement functions were decentralized. Management recognized this and began centralizing procurement functions during FY19. Procurement has developed processes to properly document solicitations and other procurement actions (e.g., Sole Source and Emergency procurement documentation, Cooperative Contract Riders, and verification of contracting terms) and bring them into compliance.

**Stafford County, Virginia
Schedule of Findings and Questioned Costs
June 30, 2019**

Finding 2019-006

Type of Finding: Non-Material, Non-compliance – Conflict of Interest

Prior Year Audit Finding Number: Not Applicable

Criteria:

Section 2.2-3115 of the *Code of Virginia* requires that certain local government officials and employees file a Statement of Economic Interest ("SOEI"), Financial Disclosure Statement, and Real Estate Disclosure form with the clerk of the local governing body by February 1st or prior to assuming office or taking employment.

Condition:

During our testing of eighteen (18) County Board members, County constitutional officers, and other County officials and personnel required to complete the forms, we noted the following:

- one (1) instance where the SOEI form was not fully completed
- five (5) instances where the forms were not accurately completed

We also noted twelve (12) out of a total one-hundred sixty-five (165) total individuals required to complete a SOEI forms did not complete their disclosure requirements.

Cause:

Lack of controls over the statements of economic interest to verify that all statements are filed and that the statements are accurately completed.

Effect:

Non-compliance could result in action by the Commonwealth of Virginia.

Recommendation:

Local government officials should complete the statement of economic interest in accordance with prescribed requirements.

Views of responsible officials and planned corrective actions:

Management concurs. It is County policy to comply with the provisions of the State and Local Government Conflict of Interest Act. Each year, staff sends necessary forms and website information to all affected individuals. Additionally, email reminders are sent and follow up phone calls are made. No county employee or elected official were late. Regarding specific forms, some individuals resigned at the end of 2018 or were appointed after the beginning of 2019.

Finding 2019-007

Type of Finding: Non-Material, Non-compliance – Unclaimed Property

Prior Year Audit Finding Number: Not Applicable

Criteria:

The Uniform Disposition of Unclaimed Property Act in Chapter 11.1 (§55-210.1 et. seq.) of Title 55 of the *Code of Virginia* sets forth procedures for unclaimed or abandoned property. As a general rule, the Act presumes abandoned any property remaining unclaimed by its owner for more than the specified period, usually five years. However, for any government, all intangible property held for the owner that remains unclaimed for more than a year is presumed abandoned (§55-210.9). Unclaimed property may consist of outstanding checks, utility deposits, tax refunds, unpaid wages, unpaid pension benefits, unclaimed insurance demutualization proceeds (§55-210.4:2) and other tangible or intangible property.

**Stafford County, Virginia
Schedule of Findings and Questioned Costs
June 30, 2019**

Condition:

During our testing of two (2) checks that had been outstanding for over a year, we identified one (1) instance where the outstanding check was not properly included on the unclaimed property listing.

Cause:

Lack of controls over the unclaimed property reporting to verify that all unclaimed property is properly included.

Effect:

Non-compliance could result in action by the Commonwealth of Virginia.

Recommendation:

Unclaimed property filings should be completed in accordance with prescribed requirements.

Views of responsible officials and planned corrective actions:

Management concurs. The check in question was generated through payroll paid to a third party via payroll deduction which was not monitored through the unclaimed return to State process with the Treasurer. Finance staff will work with the Treasurer to incorporate all bank codes and to reconcile all outstanding checks that should be returned to the State.

E. Status of Prior Year Findings

Finding 2018-001 – Eligibility for Medicaid Cluster (CFDA #93.778)

Status: Finding repeated in the current year as Finding 2019-002.

Finding 2018-002 – Eligibility for TANF Cluster (CFDA #93.558)

Status: Finding repeated in the current year as Finding 2019-003.

Finding 2018-003 – Special Tests and Provisions for TANF Cluster (CFDA #93.558)

Status: Finding repeated in the current year as Finding 2019-003.

Finding 2018-004 – Allowable Activities/Costs, Cash Management, Level of Effort, and Reporting for Staffing for Adequate Fire and Emergency Response Program (CFDA #97.083)

Status: Corrected.

Gary F. Snellings, Chairman
L. Mark Dudenhefer, Vice Chairman
Meg Bohmke
Jack R. Cavalier
Thomas C. Coen
Wendy E. Maurer
Cindy C. Shelton

Thomas C. Foley
County Administrator

County of Stafford, VA

Corrective Action Plan For the Year Ended June 30, 2019

Section II – Financial Statement Findings

Finding 2019-001 – Material Weakness in Internal Controls over Financial Reporting – Capital Assets

Corrective Action: Finance and Project Management will implement a new project request sheet to capture relevant information to determine whether the expense related to the outlay is County owned and to be recorded as an asset.

Section III – Findings and Questioned Costs for Federal Awards

Finding 2019-002 – Medical Assistance Program Eligibility CFDA#93.778

Corrective Action: Training for agency staff will be completed on the renewal process and the importance of completing renewals timely. The agency has made significant progress in this area since the last audit. Additionally, as the caseload continues to grow (with Medicaid expansion) more positions will be needed to keep up with the demand.

Finding 2019-003 – Temporary Assistance for the Needy Families (TANF) CFDA#: 93.558

Corrective Action: . A new Benefit Supervisor was hired to enhance communication between the TANF and Self-Sufficiency programs.

TANF staffing ratios were reviewed, and a plan was developed in 2018. Subsequently, a reduction in caseload occurred for the Stafford County TANF program, moving from one worker to a four man team. In April of 2018 a Training and Development Supervisor was added to conduct in house agency training for all benefit programs. The Training and Development Supervisor initiated a quality assurance process for cases. The quality assurance component was enhanced in 2019, to include a twostep designed review by Benefit Program Specialist III, and then by the Benefit Supervisor. The second solution enhanced the document management procedure. The system is now in place that all documentation is scanned prior to completion of the case. This system is a three step process, by which either the worker or the front desk scans all case related documents into the file, the worker checks the file prior to authorization, and then the project leader completes a monthly review to ensure cases are being processed via the document inbox. Similarly, as with Medicaid more positions will be needed to accommodate the growth in caseloads.

Gary F. Snellings, Chairman
L. Mark Dudenhefer, Vice Chairman
Meg Bohmke
Jack R. Cavalier
Thomas C. Coen
Wendy E. Maurer
Cindy C. Shelton

Thomas C. Foley
County Administrator

**Finding 2019-004 – Temporary Assistance for the Needy Families (TANF) CFDA#: 93.558
and Medical Assistance Program (Medicaid) CFDA#: 93.778**

Corrective Action: For the one time sheet noted, the finance department completed the approval of the employee's leave request as the supervisor lacked the ability in the system to indicate time and leave approval. We have recently enacted a plan to have multiple supervisors with access to employees time and leave approval. Additionally, all instances where a time sheet is not approved in the system prior to the deadline will have a documented approval outside the system to be retained by the department

D. Section IV – Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grants

Finding 2019-005 – Non-Material, Non-compliance - Procurement

Corrective Action: Prior to FY19 most procurement functions were decentralized. Management recognized this and began centralizing procurement functions during FY19. Procurement has developed processes to properly document solicitations and other procurement actions (e.g. Sole Source and Emergency procurement documentation, Cooperative Contract Riders, and verification of contracting terms) and bring them into compliance

Finding 2019-006 – Non-Material, Non-compliance – Conflict of Interest

Corrective Action: Staff sends necessary forms and website information to all affected individuals. Additionally, email reminders will be sent and follow up phone calls made.

Finding 2019-007 – Non-Material, Non-compliance – Unclaimed Property

Corrective Action: Finance staff will work with the Treasurer to incorporate all bank codes and to reconcile all outstanding checks that should be returned to the State.