

STAFFORD COUNTY Public Schools

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



Comprehensive Annual Financial Report (A Component Unit of Stafford County, Virginia)

Fiscal Year 2018
(July 1, 2017 – June 30, 2018)



Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2018



Members of the Stafford County Board of Supervisors

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

Members of the School Board

Ms. Patricia Healy, Rock Hill District – Chair
Mr. Dewayne McOsker, Jr., George Washington District – Vice-Chair
Ms. Irene M. Egan, Aquia District
Dr. Sarah Chase, Falmouth District
Ms. R. Pamela Yeung, Garrisonville District
Ms. Jamie Decatur, Griffis-Widewater District
Ms. Holly Hazard, Hartwood District

Officials of Stafford County Public Schools

Dr. Scott R. Kizner, Superintendent (as of 09/01/18)
Mr. G. Scott Horan, Assistant Superintendent of Operations
Ms. Pamela M. Kahle, Associate Superintendent of Instructional Services
Mr. Chris R. Fulmer, CPA CFE, Chief Financial Officer
Ms. Carrie B. Neely, Chief Elementary Officer
Mr. Thomas M. Nichols, Chief Secondary Officer
Ms. Lisa F. Boatwright, Executive Director of Human Resources
Ms. Wendy Martin-Johnson, Executive Director of Student Services
Mr. Darryl A. Nelson, Executive Director of Administrative and Legal Services
Ms. Nicole C. Stewart, Executive Director of Technology
Dr. Janis S. Streich, Executive Director of Learning and Organizational Development
Ms. Sherrie A. Johnson, Director of Strategic Communication & Community Engagement

2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018
(July 1, 2017 – June 30, 2018)

Prepared By:

Department of Financial Services

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Accounting Specialist



OUR VISION:

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

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2018

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INTRODUCTORY SECTION



STAFFORD COUNTY PUBLIC SCHOOLS

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

May 16, 2019

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

We hereby submit the Comprehensive Annual Financial Report (CAFR) of Stafford County Public Schools (SCPS, or the division) for the fiscal year ended June 30, 2018. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of SCPS. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities and funds of SCPS.

Overview of the Comprehensive Annual Financial Report

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

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

Independent Audit

SCPS' financial statements have been audited by the accounting firm of Cherry Bekaert LLP and earned an unmodified opinion. Cherry Bekaert LLP examined, on a test basis, documents supporting the amounts and disclosures in the financial statements, assessed the accounting principles used and significant estimates made by management, and evaluated the overall financial statement presentation. The Report of Independent Auditor is included as the first document in the Financial section of this report.

Single Audit Act

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

Profile of the County of Stafford and Stafford County Public Schools

The County of Stafford

Historical sites as well as cultural and recreational opportunities abound for residents of the County of Stafford (Stafford County, or the county) which is located only forty miles south of Washington, D.C. and fifty-five miles north of Richmond, Virginia.

Located across the Rappahannock River from the City of Fredericksburg, Stafford County's rich history is evident in places like Ferry Farm, George Washington's boyhood home; Chatham, an 18th century manor house; and Belmont, artist Gari Melchers' estate and gallery. Because of its close proximity to the richness of historical Virginia, the cultural attributes of Washington, D.C., and the recreational opportunities of the Atlantic Ocean, Chesapeake Bay, and the Blue Ridge Mountains, Stafford is one of the most attractive counties in the state. It is a family-oriented suburban community with plenty of rural countryside.

An elected seven-member Board of Supervisors, representing the following districts, governs Stafford County: Aquia, Falmouth, Garrisonville, George Washington, Griffis-Widewater, Hartwood, and Rockhill. The Board of Supervisors has established the following priorities for the community: public safety, education, economic development, infrastructure, and service excellence, all encompassed by fiscal responsibility and reducing the tax burden. As of 2017, the County's population was estimated to be over 146,000, an increase of 13.7% from the 2010 Census, making Stafford one of the fastest growing counties in Virginia and the United States. (*U.S. Census Bureau QuickFacts*)

Stafford County Public Schools

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

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

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

Economic Outlook

Median Household Income

Median household income in Stafford County in 2016 was estimated at \$97,607 (*Census Small Area Income and Poverty Estimates data*), the fifth highest household income in Virginia. This compares to an average \$68,127 household income in Virginia. Wages earned at businesses in Stafford from 2007 to 2017 experienced the fifth fastest growth rate (4.5%) among the state's counties and independent cities.

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

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

Composite Index

The Commonwealth of Virginia computes an index figure for each locality, known as the Composite Index of Local Ability-to-Pay (Composite Index). The calculation for the Composite Index is very complex, as summarized in *Management's Discussion & Analysis*. The Composite Index determines how much the required local match contribution to state funding for the standards of quality (SOQ) programs, incentive programs, and the lottery funded programs. In December 2016, the Composite Index increased from .3445 in the state biennium covering fiscal years 2016 and 2017 to .3462 in the state biennium covering fiscal years 2018 and 2019.

Impact of State Funding

The composite index, as discussed above, attempts to bring equity across the State. State funds are disbursed based on this index. As a locality acquires greater wealth, the State adjusts the index upward, which reduces State funding and increases the locality's funding responsibility. While Virginia has been slow to recover from the recession, it is still widely regarded as an excellent state for business, an important component of a state's health and economic growth.

Major Initiatives and Accomplishments

LEARNING AND ORGANIZATIONAL DEVELOPMENT (LOD)

There was a significant investment and focus on improving instructional programs and processes during the 2017-2018 school year. The new Learning and Organizational Development team was identified in Spring 2017. The LOD team began its *first year* working together in July 2017. Working closely with the Instructional Services team, other SCPS departments, and educational leaders from all of our schools, 2017-2018 Learning and Organizational Development accomplishments are highlighted below:

Professional Learning

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

In response to the desire of both school and teacher leaders to provide consistent, high quality, and timely learning to new teachers joining our organization every year, SCPS collaborated with Research for Better Teaching (RBT) to design a foundational course for new teachers entitled "Foundations in Teaching" (FIT). Partially underwritten by a grant from Apple Federal Credit Union (AFCU), FIT is a three-day training course that began during the New Teacher Institute in August 2018. Our own teacher leaders and school administrators were trained by RBT to deliver the course to new colleagues. In addition, SCPS updated its Skillful Teacher Course and expanded our own SCPS cadre of instructors to teach the course to peers during the 2017-2018 school year. Responsive Classroom continued to be offered in addition to FIT and Skillful Teacher courses. Responsive Classroom is not a program, but a set of strategies and structures that support the social and academic curriculum. These programs are designed to improve consistent, high-quality teaching and learning practices in every classroom for all students in SCPS. Evaluations and feedback indicate that SCPS educators greatly value these high-quality professional learning experiences.

Teaching and Learning Summit/C5W Learning Walks

In June 2018, the second Teaching and Learning Summit took place at Stafford High School. Approximately five hundred teachers and 150 administrators participated in the event. The Summit is a professional learning experience that is centered around three focal points of growth in our division: C5W (All Centuries, All Learners) and its alignment with VDOE's profile of the graduate, designing lesson activities to increase cognitive engagement, and working collaboratively with job-like peers. Job-like peer collaboration took place for educators at all levels of the organization who attended the event. Through daily and event exit slips the most popular activities reported were: Job-like Peer Communities of Practice (CoPs), learning with John Antonetti, and the event's focus on wellness.

Additional 2017-2018 professional learning accomplishments

- Supported the ITRT/instructional technology team in areas of instructional coaching and teacher leadership
- Refined Tier 1 instruction through direct and indirect (PLC) support
- Focus on STEM infused-instruction with SeaPerch, Vernier probeware, field experiences
- Launched Instructional Coaching Academy for elementary schools
- Launched professional learning series to address rigor for AP/IB educators
- Updated Mentor/Mentee 360 program and New Teacher Induction program

Professional learning partially underwritten by state and/or local grants during the 2017-2018 school year

- Launched Ex-Cel training in three middle schools
- Launched Northern Virginia Writing Project in SCPS

Teaching and Learning

During the newly-reorganized Learning and Organizational team's first year working together, the team responded to multiple needs from all levels of the organization and in all curricular areas. In partnership and collaboration with other departments and educator teams representing all SCPS schools and programs, 2017-2018 SCPS Curriculum & Instructional accomplishments are highlighted below:

Curriculum/Content

- Elementary Literacy Framework launched
- Adopted a universal screener for mathematics (MAPe)
- Developed a math blended learning summer course for rising middle school students
- Launched Curriculum Framework Committee work
- Identified and implemented a literacy solution to address ES Literacy/Dyslexia for Tier 1 & 2 (Lexia Open Court)
- Implemented middle school literacy intervention Lexia/Chromebook initiative for secondary (partnership with ITIS)
- Expanded enrollment in Stafford Academy for Technology (STAT)
- Completed successful audit in CTE

Pedagogy/Processes

- Math placement process updated
- Standards-based online grading course designed and launched
- Expanded high school Blended Learning Program (ELAB)
- Refined high school initial credit and credit recovery blended learning Summer School
- Provided direct coaching and instructional support to schools based on need/request
- Expanded access to advanced courses in high school
- Adopted CogAT screening for all SCPS 2nd graders

Assessment

- Developed World History performance-based assessment initiative in all five high schools (Partnership with ITIS)
- Implemented and aligned performance-based assessment with VDOE guidelines
- Promoted increased access to PowerSchool Analytics for common formative assessment development

DEPARTMENT OF STUDENT SERVICES

VDOE Annual Performance Report

The Virginia Department of Education (VDOE) designated SCPS as ***Meets Requirements*** (highest rating) for the 2016-2017 reporting year. The VDOE determines this rating based on whether the school division is in compliance with State Performance Indicators. Areas monitored by VDOE include: compliance indicators for suspension and expulsion of students with disabilities, disproportionate representation of racial and ethnic groups in special education, timelines for eligibility, post-secondary goals for transition, correct and timely submission of data, and percentage of students with disabilities participating in statewide assessments and graduation. VDOE reports data on these indicators in August for the previous school year; data for 2017-2018 will be available in August 2019.

Synergy SE and Section 504

Staff in Student Services completed the configuration of Section 504 in Synergy Special Education (SE) and trained staff in the 504 eligibility and 504 annual plan process. This marked the last phase of using the Synergy SE online program as opposed to pen and paper.

Project SEARCH

In June 2018, the Department of Student Services celebrated the graduation of nine candidates from the Project SEARCH program. The program provided an opportunity for three 10-week internships in a job setting for students with various disabilities. During the 2017-2018 school year, SCPS partnered with Mary Washington Healthcare, the Department of Aging and Rehabilitative Services (DARS), and Rehabilitative Services and Vocational Placement (RSVP) to teach students a variety of job skills in the Mary Washington Healthcare hospital setting. This program will provide positive outcomes for all involved. Ten new students started their internship on September 4, 2018 for the 2018 - 2019 school year.

Diagnostician Academy

In an effort to support building leaders at the elementary school level in gaining more instructional time in the classroom setting, the Department of Student Services conducted a year-long diagnostician's academy for special education teachers interested in working with students going through the Student Education Committee (SEC) process. With the support and leadership of the Lead Psychologist, staff were trained in assessment tools, developing final reports, and the facilitation of meetings. Educational diagnosticians play a key role in the identification process for students with disabilities. The School Board has supported this project, which should be completed during the 2018 - 2019 school year.

INSTRUCTIONAL TECHNOLOGY AND INFORMATION SERVICES

Assistive Technology

The team replaced a legacy AT inventory tracking system with a distribution and inventory management system for AT devices for tracking and reporting purposes. This system will be used across the district for not only AT but also for all computer devices. The team implemented Snap and Read for students with print disabilities, working collaboratively with literacy specialists from Student Services and Learning and Organizational Development to address dyslexia and other challenges in this field.

Network Infrastructure

During FY 2018, we doubled the bandwidth capacity of the internet filter. Internet access is now independent of the provider through the use of BGP. High school connectivity to the WAN is now 10Gb/s and middle school core switches have been upgraded and are moving to 10Gb/s connectivity. Finishing the wireless upgrades at all sites to support newer Wave technology, allowing for more connected devices and higher throughput. Secured the wireless using unique certificate per device. Continued wireless upgrades in middle and elementary schools, creating a density of one access point per two classrooms.

Computer Systems

Extended the life cycle of desktop computers to provide opportunities for procurement of mobile devices for student learning and teacher devices for take home. Upgrade division wide computers to Windows 10 including a hardware upgrade. Implement a resource management system for inventory reporting purposes.

Security

Provided division wide training on Defend Your Data. Strengthened review of software being implemented by teachers and schools in an effort to maintain protecting personally identifiable information (PII).

For the sixth straight year, IT&IS has received funding from the Virginia Public School Authority (VPSA) School Security Equipment Grant in the amount of \$98,903. Grant funds, in combination with local funds, will be used to upgrade security camera systems in the middle schools. The department continues to increase security devices throughout the school division in collaboration with Risk Management, and the Stafford County Sheriff's Department and 911 Call Center.

Records Management

In collaboration with Finance, Human Resources and IT&IS we have started the project of digitizing Human Resources records into a document repository. The next phases, over the three years, will be to digitize finance and student records. Digitizing records will increase efficiency on records retrieval and costs of paper.

Student Information System/Data Integration

The SIS, data integration and systems engineering teams have automated the creation of staff accounts between systems resulting in increased accuracy by diminishing manual data entry. The data integration team has automated multiple system integrations to provide efficiencies across the district for end-users.

Student login account creation has been fully automated. When students first enroll at schools, automatic systems create login accounts to use on computers and Chromebooks, access G Suite for Education and other online applications, including several online textbooks.

OFFICE OF ASSESSMENT, ACCOUNTABILITY, AND PROGRAM EVALUATION

Accreditation

According to the Virginia Department of Education State Accreditation Report released on September 27, 2018 all thirty schools in Stafford County Public Schools earned the highest accreditation rating of “Accredited” for the 2018-2019 school year. Public schools in Virginia are annually given accreditation ratings by the state, which are also based on SOL test scores from the previous school year.

Federal Annual Measurable Objectives (FAMO's)

Under the newly authorized *Every Student Succeeds Act of 2015 (ESSA)* federal accountability targets were reported for the 2018-2019 school year, but overall federal determinations were not calculated.

DEPARTMENT OF SAFETY, SECURITY & RISK-MANAGEMENT

Division-wide Crisis Management Plan and Emergency Management

The Department of Safety, Security and Risk Management (DSSRM) developed a division-wide Emergency Management Plan and Risk Program with proactive approaches in preparedness, health and safety, security, loss prevention and property & liability claims management. Additionally, DSSRM along with the Sheriff's Office and the School Safety Task Force, reviewed and updated the Division-wide Emergency Management Plan and completed a security (crime prevention survey) audit inspection for each school in the division. The inspections revealed several overall improvements from the previous audit review conducted in 2014. This particular audit (2017) recommended the implementation of improvements that included additional keyless entry points, numbering entrances to expedite response from emergency personnel, A-I Phones at each school entrance for better access controls, 911 duress alarm buttons in three locations at each school, 911 radios to all schools for immediate contact to the 911 center, emergency notification consoles at each school for easier response and actions during emergency situations and have continued to upgrade all CCTV coverage, mapping and imaging at all schools. In collaboration with the Sheriff's Office, provided active shooter training to well over 4,000 employees.

Workers' Compensation and Property and Liability Insurance

The Worker's Compensation manager received the risk management excellence award from our insurance provider for the school division's proactive approach to safety. The division received a 5% discount on all lines of insurance (Property, Liability and WC) for completing all VML's risk management guidelines. We provided 1,622 employees with an on line safety university and received a grant in the amount of \$10,382 to help fund loss prevention programs. Saved the division \$185,709 since 2013 by providing a pro-active OSHA/safety inspection program at all schools, facilities and playgrounds. Saved the division \$21,151 by participating in the VML driver safety program. By keeping our Workers Compensation experience modifier (past cost of injuries and future chance of risk) at a low .68% the division has saved approximately \$1,661,306 annually.

TRANSPORTATION

A new communication system was installed which ties school transportation directly to Stafford County's Emergency Management System. This system is digital and uses 13 towers in the county so there is complete coverage of the county which the old system did not offer. This new communication tool greatly enhances the safety and security of all of Stafford County's students, drivers and monitors. Almost 300 mobile units and a state of the art dispatch office were set up between April and August of 2018.

FLEET

An efficiency study was done and presented to the both the Operational Committee and the Executive Steering Committee which consists of the County Administrator, the Sheriff and the Superintendent of Schools. The study pointed out the necessity for expansion of both facilities and staff to meet the current and future needs of Stafford County.

HUMAN RESOURCES

The School Board adopted a Staffing Standards Plan for the division in FY 16 that continues to serve as a blueprint to ensure that class sizes are at an optimal level for learning. The approved SCPS Staffing Standards Plan is designed to meet the current school-based personnel needs of the division at a rate that meets and/or exceeds Virginia's minimum state standards. The purpose of the plan is to provide a compass for how we provide human capital resources in our schools. The School Board's strategic allocation of resources and commitment to the staffing standards have made a significant impact. The School Board emphasized the need to decrease elementary class sizes. As a result, based on SCPS staffing standards, significant progress has been made to align with the SCPS's staffing standards in FY 2017, FY 2018, and FY 2019.

NUTRITION SERVICES

The Nutrition Services Department established a new 6-week rotating lunch menu, increased overall student participation by 2% over SY 2017 and decreased overall food cost by 4.5% over SY 2017.

FACILITY PLANNING, DESIGN AND CONSTRUCTION DEPARTMENT

- Completed FY19 – 28 Joint Capital Improvement Plan including Capital Construction and Capital Maintenance (Infrastructure).
- Completed the development of FY19 – 28 (10 Year) Student Membership Forecast and Student Accommodation Report.
- Managed Hazardous Material Program including completion of six (6) month visual and a three (3) year re-inspection in support of the Asbestos Hazard Emergency Response Act (AHERA) Program and the School Radon Testing Program.
- Completed the FY17 Annual Operating Funded Repair and Maintenance by Contract Projects
- Completed the designs for the FY18 Repair and Maintenance by Contract Projects including but not limited to Replace Roofs at Hartwood ES, Widewater ES, Margaret Brent ES, Kate Waller Barrett ES; Repair Sewage Treatment Plant – Hartwood ES; Replace Mechanical System (Chiller) – Park Ridge ES; Repair HVAC (Gym) – Gari Melchers Complex; Repair Exterior Envelope – North Stafford HS; Repair Pavement – Gari Melchers Complex; and Upgrade Entrances – North Stafford HS.
- Completed all required AHERA, Radon & IAQ annual testing requirements including radon testing for BPHS, MVHS and CFHS Additions.
- Completed several FY17 Repair and Maintenance by Contract Projects awarded late in FY17 including Repair Track – Colonial Forge HS, Repair Generator – Hartwood ES and Repair PA and Media Retrieval System – Winding Creek ES.
- Completed the FY18 Repair and Maintenance by Contract Projects including but not limited to Replace Roof at Widewater ES, Margaret Brent ES, Kate Waller Barrett ES; Repair Sewage Treatment Plant – Hartwood ES; Repair HVAC (Gym) – Gari Melchers Complex; Repair PA and Media Retrieval System – Hampton Oaks ES, Upgrade Locker Commons – North Stafford HS, Repair Erosion – Dixon Smith MS.
- Completed the Classroom, Health/PE and Fine Arts Additions Project at Mountain View High School.
- Initiated construction on the Rebuild Moncure ES Project, with a planned construction completion of no later than April – May 2019.
- Completed construction on the library renovation – North Stafford HS.
- Started construction on the FY18 VPSA funded infrastructure projects including repair interior finishes (Phase I) and gym floor & bleachers at A.G. Wright MS/Garrisonville ES.

Other Postemployment Benefits (OPEB) Trust Fund

SCPS established an irrevocable trust to invest funds to cover the OPEB liability for current and future retiree health benefit costs. In FY 2018, a contribution was not authorized to be made to the OPEB Trust Fund. The market value of the trust fund investments at June 30, 2018 and 2017 was \$22,685,048 and \$20,724,834, respectively. The cost value of the trust fund investments at June 30, 2018 and 2017 was \$14,909,939 and \$14,926,027, respectively.

Financial Information

SCPS continues its sound financial condition as demonstrated by the financial statements and schedules included in this report, operating within the resources available while achieving many of its program goals. Approximately 84% of the current operating costs are related to employee compensation and providing competitive salaries and benefits to attract and retain qualified staff. This remains a top priority for SCPS in the FY 2019 budget development process.

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

Internal Controls

The internal control system is designed to provide reasonable, but not absolute, assurance that SCPS' management objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. The internal control system should reduce to a relatively low level the risk that material errors or fraud may occur. Materiality is determined in relation to the financial statements taken as a whole. The internal control system should ensure that any material errors or fraud that occurs are detected in a timely manner by employees in the normal course of performing their job duties and responsibilities.

Budgetary Controls

SCPS' management maintains budgetary controls to ensure compliance with the annual appropriated budget adopted by the School Board. In accordance with state law, the advertised budget is submitted to the Board of Supervisors (BOS) for appropriation. The BOS determines the level of local funding appropriated to SCPS. Based on their appropriation, the School Board makes changes to its advertised budget and usually adopts the approved budget, as amended, by late April or early May, depending upon the timing of the Virginia General Assembly's adoption of the state budget.

Legal spending control is placed on the individual fund level with regard to the county appropriations. However, SCPS has established account level control over the budget with functional reporting. The Financial Services Department ensures that purchase orders and other procurement methods comply with legal purchasing requirements and sufficient budgeted funds are available for the purchases.

SCPS also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Expenditure commitments, including purchase orders and contracts, are encumbered to ensure funds have been reserved and will be available when the purchased goods or services are received and payment is due. Outstanding encumbrances are reported as a reservation of fund balance.

Risk Management

The risk management program endeavors to minimize or eliminate, when possible, risks that endanger the safety and environmental health of the students, staff, property and financial resources of SCPS. These objectives are met by identifying risk exposures, measuring and analyzing them, and implementing appropriate procedures to mitigate them. The results are monitored and evaluated for effectiveness and revised, as necessary.

Liability risk is managed through insurance. SCPS' insurance policies include: property insurance, surety bonds, fiduciary insurance and catastrophic medical insurance for participants in the Virginia High School League. The self-insurance program provides health benefits for active employees and retirees and workers' compensation

benefits for active employees. SCPS also retains an insurance broker to render professional services, lead and participate in identifying and analyzing areas of concern and to provide assistance, ideas and solutions to reduce and control risk.

Cash Management

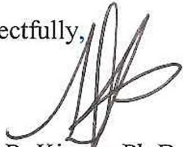
The county is the custodian of all the cash and investments of SCPS, except certain cash on hand, investments held for certain capital projects, and funds held in local student activity accounts. SCPS does not report a year-end cash balance as it is county policy to reclassify SCPS' year-end cash and equivalents balances as "Due from Primary Government". The Treasurer's Office has custodial and internal control responsibilities over SCPS' cash and cash equivalents, with the exception of SCPS' fiduciary funds, which is explained in Note 1, section F, of the financial statements.

Acknowledgements

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

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

Respectfully,



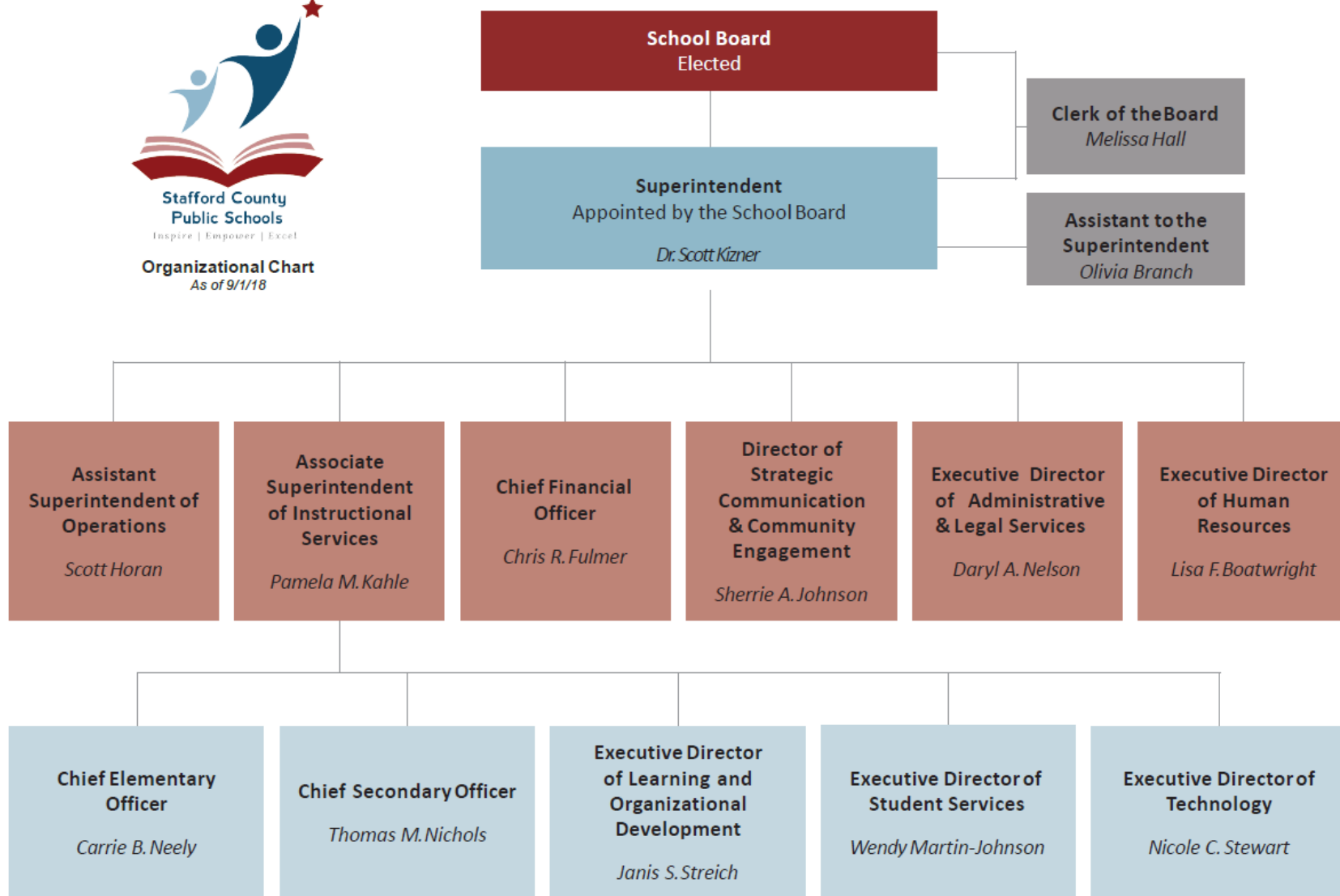
Scott R. Kizner, Ph.D.
Superintendent



Chris R. Fulmer, CPA CFE
Chief Financial Officer



**Stafford County
Public Schools**
Inspire | Empower | Excel
Organizational Chart
As of 9/1/18



FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITOR

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stafford County School Board (the "School Board"), a component unit of Stafford County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the School Board adopted Governmental Accounting Standards Board (the "GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017, which resulted in a restatement of net position. 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 and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2019, on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and compliance.



Tyson's Corner, Virginia
May 16, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of Stafford County Public Schools (SCPS), we offer readers an overview and analysis of financial activities for the fiscal year ended June 30, 2018. This section of the Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the overall financial performance of SCPS during the fiscal year ended June 30, 2018. Readers are encouraged to consider this information in conjunction with SCPS' transmittal letter, basic financial statements and notes to the basic financial statements to enhance their understanding and use of the basic financial statements.

FINANCIAL HIGHLIGHTS

SCPS' total net position (assets plus deferred outflows of resources less liabilities plus deferred inflows of resources) on a government-wide basis was \$79.1 million at June 30, 2018, representing an increase of \$8.2 million, or 11.6%, from the total net position of \$70.9 million, as restated, at June 30, 2017. The increase was due to increases in net investment in capital assets of \$2.7 million and restricted net position of \$15.5 million; offset by a decrease in unrestricted net position (deficit) of \$10.0 million. Restricted cash increased by \$4.5 million due to an increase in Virginia Public School Authority (VPSA) bond fund proceeds available at year end for construction projects. Current liabilities increased by \$.8 million in fiscal year 2018 over fiscal year 2017 primarily due to an increase in accounts payable of \$3.3 million, offset by a decrease in accrued salaries and benefits of \$2.6 million. Noncurrent liabilities (other than for pensions and OPEB) decreased by \$0.8 million in fiscal year 2018 over fiscal year 2017 due to a decrease in the noncurrent portion of debt service payments on long term debt and leases.

For fiscal year 2018, SCPS' governmental activities expenses of \$321.8 million exceeded program revenues (charges for services plus grants and contributions) of \$100.0 million by \$221.8 million. This deficit is a \$4.0 million increase from the \$217.8 million deficit for fiscal year 2017. Additionally, general revenues, unreserved funds available for all educational purposes including contributions from the County and general contributions from the state and federal governments, increased by \$4.9 million, or 2.2%, from \$225.1 million in fiscal year 2017 to \$230.0 million in fiscal year 2018.

SCPS' General Fund (otherwise referred to as the Operating Fund) reported a fund balance of \$10.0 million as of June 30, 2018. This represents a decrease of \$1.5 million, or 13.0%, as compared to the June 30, 2017 fund balance of \$11.5 million.

OVERVIEW OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

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

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

OVERVIEW OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (Continued)

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

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

Statistical section: The purpose of this section is to provide historical and trend data to help the reader of the financial statements better understand, review and analyze the overall viability and economic status of the governmental entity. This section presents tables with 10-year historical information on financial trends, revenue capacity, debt capacity, demographic and economic information and operating data. This section is unaudited.

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

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

THE BASIC FINANCIAL STATEMENTS

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

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

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

THE BASIC FINANCIAL STATEMENTS (Continued)

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

	Government-wide	Fund Financial Statements		
	Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire school division	Activities of school system not fiduciary or proprietary, such as Operating Fund, Capital Projects Fund, Food and Nutrition Services Fund and Grants Fund	Activities of school system operating similar to private businesses, such as Fleet Services Fund, Health Benefits Fund and Workers' Compensation Funds	Activities of school system with an agent or trustee overseeing resources, such as OPEB Trust Fund, Scholarship and Endowment Trust Funds, School Activity Agency Funds, Employee Flexible Spending Agency Fund, Fiduciary Services Fund and Stafford Education Foundation Fund
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Net Position • Statements of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Agency Fund – cash basis of accounting Trust Fund – accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital and short-term and long-term	Agency Fund – does not contain capital assets nor liabilities Trust Fund – all financial assets and liabilities, short-term and long-term
Type of inflow/outflow information	All revenues earned and expenses incurred during year, regardless of when cash is received or paid	Revenues when cash is received during or soon after year-end; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues earned and expenses incurred during year, regardless of when cash is received or paid	Agency Fund – all receipts as received and disbursements as paid Trust Fund – all revenues earned and expenses incurred during year

FINANCIAL ANALYSIS OF SCPS AS A WHOLE

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

Net Position

Total net position at June 30, 2018 increased by \$8.2 million, or 11.6%, over June 30, 2017, as restated. Current assets increased by \$1.2 million, or 1.4%, due primarily to a decrease in due from primary government of \$7.9 million, offset by increases in accounts receivable of \$5.1 million and cash of \$3.9 million from 2017 to 2018. Restricted assets increased by \$4.5 million, or 30.2%, from 2017 to 2018 due to an increase in VPSA bond proceeds available for construction projects. Capital assets increased by \$2.3 million, or 0.5%, due primarily to high school addition/renovation projects. Noncurrent liabilities (excluding OPEB and pension) decreased by \$0.8 million due to a decrease in the noncurrent portion of debt service payments on long term debt and leases. The restricted net position increased by \$15.5 million, or 203.0%, primarily due to an increase in VPSA bond proceeds and construction commitments in the Capital Projects Fund related to the rebuild of Moncure Elementary School. The unrestricted net position (deficit) decreased by \$10.0 million, primarily due to the increase in the restricted net position.

The following table provides a summary of SCPS' net position as of June 30, 2018 and 2017.

Summary of Net Position				
As of June 30, 2018 and 2017				
(In thousands of dollars)				
Governmental Activities				
	2018	(Restated)* 2017	Net Change	Net % Change
Assets:				
Current assets	\$ 87,783	\$ 86,600	\$ 1,183	1.4 %
Noncurrent assets:				
Restricted assets	19,383	14,883	4,500	30.2 %
Capital assets	450,851	448,506	2,345	0.5 %
Total assets	558,017	549,989	8,028	1.5 %
Deferred outflows of resources:				
Pension deferrals	32,691	38,739	(6,048)	(15.6) %
OPEB deferrals	7,464	5,175	2,289	
Total deferred outflows of resources	40,155	43,914	(3,759)	(8.6) %
Liabilities:				
Current liabilities	42,456	41,654	802	1.9 %
Noncurrent liabilities	7,633	8,458	(825)	(9.8) %
Net OPEB liability	175,820	190,949	(15,129)	(7.9) %
Net pension liability	236,628	266,971	(30,343)	(11.4) %
Total liabilities	462,537	508,032	(45,495)	(9.0) %
Deferred inflows of resources:				
Pension deferrals	31,754	15,018	16,736	111.4 %
OPEB deferrals	24,804	-	24,804	
Total deferred inflows of resources	56,558	15,018	41,540	276.6 %
Net position:				
Net investment in capital assets	448,765	446,018	2,747	0.6 %
Restricted	23,154	7,640	15,514	203.1 %
Unrestricted (deficit)	(392,842)	(382,805)	(10,037)	2.6 %
Total net position	\$ 79,077	\$ 70,853	\$ 8,224	11.6 %

* FY 2017 restated for the implementation of GASB 75.

FINANCIAL ANALYSIS OF SCPS AS A WHOLE (Continued)

Changes in Net Position

Revenue increased by a net of \$5.4 million, or 1.7%. The increase in revenue primarily consists of an increase in unrestricted grants and contributions of \$4.4 million and charges for services of \$.7 million. Program expenses increased by \$4.5 million, or 1.4%, which consists primarily of a \$10.6 million increase in instruction, a \$1.3 million increase in transportation, and a \$1.4 million increase in facilities; offset by a \$9.2 million decrease in administration, attendance and health. The following table summarizes SCPS' changes in net position for the fiscal years ended June 30, 2018 and 2017. The current year amounts reflect a July 1, 2017 restated balance for GASB 75; however, the information for the prior year calculations was not available.

Summary of Changes in Net Position
For the Fiscal Years Ended June 30, 2018 and 2017
(In thousands of dollars)

	Governmental Activities			
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>
Revenues:				
<i>Program revenues</i>				
Charges for services	\$ 18,723	\$ 18,062	\$ 661	3.7 %
Operating grants and contributions	62,835	54,536	8,299	15.2 %
Capital grants and contributions	18,501	26,927	(8,426)	(31.3) %
<i>General revenues</i>				
Sales Tax	27,609	28,680	(1,071)	(3.7) %
Basic aid	85,304	83,935	1,369	1.6 %
Unrestricted grants and contributions	116,441	112,072	4,369	3.9 %
Investment earnings	340	91	249	273.6 %
Gain on capital asset disposal	25	65	(40)	(61.5) %
Miscellaneous	272	269	3	1.1 %
Total revenues	330,050	324,637	5,413	1.7 %
Program expenses:				
Educational:				
Instruction	198,291	187,652	10,639	5.7 %
Administration, attendance and health	40,992	50,231	(9,239)	(18.4) %
Pupil transportation	14,250	12,974	1,276	9.8 %
Operation and maintenance	21,541	21,062	479	2.3 %
Food and nutrition services	11,530	11,365	165	1.5 %
Facilities	18,557	17,182	1,375	8.0 %
Technology	15,345	15,332	13	0.1 %
Capital outlays	1,282	1,442	(160)	(11.1) %
Interest and fiscal charges	38	52	(14)	(26.9) %
Total program expenses	321,826	317,292	4,534	1.4 %
Change in net position	8,224	7,345	879	12.0 %
Net position, July 1	70,853	208,883	(138,030)	(66.1) %
Restatement for accounting change (Note 18)	-	(145,375)	145,375	
Net position, as restated, July 1	70,853	63,508	7,345	11.6 %
Net position, ending	\$ 79,077	\$ 70,853	\$ 8,224	11.6 %

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

Below is a summary of the SCPS operating fund budget for the fiscal year ended June 30, 2018:

Operating Fund Budget Summary				
For the fiscal year ended June 30, 2018				
(In thousands of dollars)				
Operating Activity Category	Operating Budget		Actual	Variance from Final Budget Over (Under)
	Original	Final		
Total revenues	\$ 278,915	\$ 282,055	\$ 279,092	\$ (2,963)
Total expenditures	(278,915)	(292,296)	(280,048)	(12,248)
Total other financing uses	-	(545)	(545)	-
Net change in fund balance	\$ -	\$ (10,786)	\$ (1,501)	\$ (9,285)

CAPITAL ASSETS

Below is a summary of SCPS' net capital assets as of June 30, 2018 and 2017, respectively. Additional information on capital assets can be found in Note 8 to the financial statements.

Net Capital Assets Summary				
As of June 30, 2018 and 2017				
(In thousands of dollars)				
Capital Asset Category	Governmental Funds		Internal Service Funds	
	2018	2017	2018	2017
Land & land improvements	\$ 96,751	\$ 94,633	\$ 1,305	\$ 1,306
Construction in progress	15,366	14,946	46	-
Building & building improvements	529,632	512,641	1,861	1,849
Furniture, fixtures & equipment	11,823	11,354	242	242
Vehicles	24,171	23,659	100	107
Software	2,220	831	79	79
Technology infrastructure	4,190	3,954	-	-
Water treatment system	958	954	-	-
Less: accumulated depreciation and amortization	(235,908)	(216,181)	(1,985)	(1,868)
Total net capital assets	\$ 449,203	\$ 446,791	\$ 1,648	\$ 1,715

CAPITAL ASSETS (Continued)

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

Governmental Funds:

Building improvements increased primarily due to the following completed projects: Classroom, Health/PE and Fine Arts Additions at Mountain View High School (\$7.1 million); Mechanical Systems Repairs at H.H. Poole Middle School (\$4.4 million); and Library and Gymnasium Renovations at North Stafford High School (\$2.9 million).

Construction in progress increased slightly due to the difference between completed projects and those in progress. The following projects were completed in fiscal year 2018: Classroom, Health/PE and Fine Arts Addition at Mountain View High School, Mechanical Systems Repairs at H.H. Poole Middle School, and Library and Gymnasium Renovations at North Stafford High School. They are offset by the rebuild of Moncure Elementary School, the new digital communication system purchased for transportation, and the repair of interior finishes at A.G. Wright Middle School. Completed projects were reclassified from construction in progress to various other categories (\$12.8 million).

Land and land improvements increased primarily due to the Mountain View High School addition (\$1.3 million), Dixon Smith Middle School track drainage system (\$.2 million), Gari Melchers Complex storm drainage system (\$.2 million), and Brooke Point High School senior courtyard (\$.1 million).

Software increased by \$1.4 million due to the implementation of new Enterprise Resource Planning software to support the financial management, payroll, and human resources functions within SCPS.

Depreciation and amortization expense for 2018 was \$21.6 million.

Internal Service Funds:

There were no significant additions or retirements of internal service fund capital assets. Current year depreciation and amortization expense was \$.1 million.

COMPOSITE INDEX

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

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Since adopting the fiscal year 2019 budget, some factors have surfaced that may impact SCPS' financial operations:

- On May 2, 2018, the Board of Supervisors adopted and approved fiscal year 2019 County budgets, in resolution R18 - 48.
- The County's fiscal year 2019 budget adopted by the Board of Supervisors included a local operating transfer to the school division of \$122.0 million, but only \$115.9 million was appropriated. The balance of \$6.1 million was held back and these funds will not be available to the division until appropriated by the Board of Supervisors pending a mid-year review, subject to the results of the fiscal year 2018 annual audit.
- The potential for increased energy costs, specifically oil, has a major financial impact on SCPS operations. SCPS consumes approximately 563,000 gallons of fuel annually transporting students, operates 36 facilities that heat and cool approximately 4.0 million square feet of space, and maintains approximately 1,320 acres of school division property. The magnitude of SCPS' operations subjects its financial health to continuous volatility in the local, regional, national, and global energy marketplaces.
- In spite of the recent great recession, growth in the student population for SCPS returned for fiscal years 2010 through 2018, which increases the Commonwealth revenues received by SCPS, as the majority of Commonwealth revenues are driven by the average daily student membership. The extent of this growth in revenue is mitigated by required increases in expenditures to accommodate the additional students.
- Providing competitive salaries continues to put pressure on SCPS' resources as contiguous neighboring counties have historically exceeded SCPS teacher salaries. SCPS adopted a new pay scale enhancement model comparing its teacher pay scales to comparative school divisions. The introductory levels of service have been the target for improvement in fiscal years 2015 through 2019. Pay scales for bus drivers, bus monitors, and paraprofessionals were enhanced as well. While SCPS has seen improvements in the pay scale, scarce resources continue to inhibit the division's ability to achieve its target for all levels.
- SCPS continues to experience growing student populations in English as a Second Language (ESL), autism, and children who qualify for free and reduced lunch. These special populations add additional expenses beyond the general educational requirements.

CONTACTING SCPS MANAGEMENT

This financial report is designed to provide citizens, taxpayers, parents and guardians, and creditors with a general overview of SCPS' finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need any additional financial information, please contact Chris R. Fulmer, CPA, CFE, Chief Financial Officer, Stafford County Public Schools, 31 Stafford Avenue, Stafford, VA 22554, by email at fulmercr@staffordschools.net or by telephone at 540-658-6597.

BASIC FINANCIAL STATEMENTS

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2018

Exhibit A

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 45,090,588
Accounts receivable	14,109,717
Due from Primary Government	27,073,130
Deposits	75,000
Prepaid expenses	723,540
Inventory	710,581
Restricted cash and cash equivalents	19,383,155
Capital assets:	
Land	34,000,628
Land improvements	64,056,821
Construction in progress	15,411,924
Buildings and building improvements	531,492,752
Water treatment system	958,180
Furniture, fixtures and equipment	12,064,755
Technology infrastructure	4,190,020
Software	2,299,106
Vehicles	24,270,140
Less: accumulated depreciation and amortization	(237,893,565)
Total capital assets	450,850,761
Total assets	558,016,472
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	32,691,380
OPEB deferrals	7,463,794
Total deferred outflows of resources	40,155,174
LIABILITIES	
Current liabilities:	
Accounts payable	6,851,852
Accrued salaries and benefits	27,962,310
Contract retainage	588,354
Accrued insurance claims	5,764,074
Current portion of long-term debt	958,003
Unearned revenue	331,825
Noncurrent portion of accrued insurance claims	135,326
Noncurrent portion of long-term debt	7,497,327
Net OPEB liability	175,819,571
Net pension liability	236,628,109
Total liabilities	462,536,751
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	31,754,369
OPEB deferrals	24,803,733
Total deferred inflows of resources	56,558,102
NET POSITION	
Net investment in capital assets	448,764,864
Restricted for:	
Capital Projects	17,237,097
School Nutrition	5,771,134
Grants	145,312
Unrestricted (deficit)	(392,841,614)
Total net position	\$ 79,076,793

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expenses),
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
Governmental activities:					
Education:					
Instruction	\$198,291,384	\$ 1,444,890	\$ 56,042,838	\$ -	\$ (140,803,656)
Administration, attendance and health	41,036,840	7,094,890	-	-	(33,941,950)
Pupil transportation	14,334,182	1,201,948	-	-	(13,132,234)
Operation and maintenance	21,540,937	10,991	-	-	(21,529,946)
Food and nutrition services	11,529,852	6,587,698	6,792,183	-	1,850,029
Facilities	19,710,085	1,877,093	-	18,501,329	668,337
Technology	15,345,017	505,160	-	-	(14,839,857)
Interest and fiscal charges	37,503	-	-	-	(37,503)
Total governmental activities	<u>\$321,825,800</u>	<u>\$ 18,722,670</u>	<u>\$ 62,835,021</u>	<u>\$ 18,501,329</u>	<u>(221,766,780)</u>
General revenues:					
					27,609,115
					85,303,704
					116,440,953
					339,742
					24,671
					272,184
					<u>229,990,369</u>
					<u>8,223,589</u>
					<u>70,853,204</u>
					<u>\$ 79,076,793</u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

Exhibit C

	Special Revenue Funds				
	Nonmajor Governmental Fund				
	Food and Nutrition Services Fund				
	Operating Fund	Capital Projects Fund	Grants Fund		Total Governmental Funds
ASSETS					
Pooled cash and investments	\$ 15,275	\$ 6,959,782	\$ 72,530	\$ 5,626,471	\$ 12,674,058
Restricted cash and investments	-	19,383,155	-	-	19,383,155
Accounts receivable	446,975	3,421	-	8,899	459,295
Intergovernmental receivables:					
Federal Government	336,445	-	8,577,727	1,027,114	9,941,286
Commonwealth of Virginia	3,598,279	-	104,591	-	3,702,870
Due from Primary Government	27,073,130	-	-	-	27,073,130
Due from other funds	8,482,649	-	-	100,000	8,582,649
Deposits	75,000	-	-	-	75,000
Prepaid expenses	723,540	-	-	-	723,540
Inventory	-	-	-	465,648	465,648
Total assets	<u>\$ 40,751,293</u>	<u>\$ 26,346,358</u>	<u>\$ 8,754,848</u>	<u>\$ 7,228,132</u>	<u>\$ 83,080,631</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 3,128,435	\$ 2,226,147	\$ 54,357	\$ 100,302	\$ 5,509,241
Accrued salaries and benefits	27,306,923	-	-	642,625	27,949,548
Contract retainage	16,507	571,847	-	-	588,354
Unearned revenue	13,275	-	72,530	246,020	331,825
Due to other funds	281,074	244	8,482,649	2,403	8,766,370
Total liabilities	<u>30,746,214</u>	<u>2,798,238</u>	<u>8,609,536</u>	<u>991,350</u>	<u>43,145,338</u>
Fund balance:					
Nonspendable:					
Prepaid expenses	723,540	-	-	-	723,540
Inventory	-	-	-	465,648	465,648
Total nonspendable	<u>723,540</u>	<u>-</u>	<u>-</u>	<u>465,648</u>	<u>1,189,188</u>
Restricted:					
Capital projects	-	17,237,097	-	-	17,237,097
Food and nutrition services	-	-	-	5,771,134	5,771,134
Grants	-	-	145,312	-	145,312
Total restricted	<u>-</u>	<u>17,237,097</u>	<u>145,312</u>	<u>5,771,134</u>	<u>23,153,543</u>
Committed:					
Operating	211,584	-	-	-	211,584
Capital projects	-	6,311,023	-	-	6,311,023
Total committed	<u>211,584</u>	<u>6,311,023</u>	<u>-</u>	<u>-</u>	<u>6,522,607</u>
Assigned:					
Operating	9,069,955	-	-	-	9,069,955
Total assigned	<u>9,069,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,069,955</u>
Total fund balance	<u>10,005,079</u>	<u>23,548,120</u>	<u>145,312</u>	<u>6,236,782</u>	<u>39,935,293</u>
Total liabilities and fund balance	<u>\$ 40,751,293</u>	<u>\$ 26,346,358</u>	<u>\$ 8,754,848</u>	<u>\$ 7,228,132</u>	<u>\$ 83,080,631</u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2018

Exhibit C-1

Fund balance - total governmental funds	\$	39,935,293
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Amounts reported for governmental activities in the Statement of Net Position are different due to:

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

Governmental capital assets	\$ 685,111,782	
Less accumulated depreciation and amortization	<u>(235,908,157)</u>	
Net capital assets		449,203,625

Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds.	39,914,560
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Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

Assets	34,499,089	
Deferred outflows of resources	240,614	
Liabilities	(10,485,255)	
Deferred inflows of resources	<u>(400,328)</u>	
Net position		23,854,120

Long-term liabilities consist of a capital lease, note payable and compensated absences that are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Capital lease	(1,250,578)	
Compensated absences	(6,214,147)	
Stafford County loan	(705,000)	
Net OPEB liability	(174,803,747)	
Net pension liability	<u>(234,699,559)</u>	
Total		(417,673,031)

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental funds.	(56,157,774)
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Net position of governmental activities	\$	<u><u>79,076,793</u></u>
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The accompanying notes are an integral part of these financial statements.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

Exhibit D

	Special Revenue Funds				
	Nonmajor Governmental Fund				Total Governmental Funds
	Operating Fund	Capital Projects Fund	Grants Fund	Food and Nutrition Services Fund	
REVENUES					
Intergovernmental:					
Stafford County	\$ 116,440,953	\$ 18,501,329	\$ -	\$ -	\$ 134,942,282
Commonwealth of Virginia	155,807,954	-	237,481	244,440	156,289,875
Federal Government	2,190,829	-	10,719,393	6,547,743	19,457,965
Total intergovernmental revenues	274,439,736	18,501,329	10,956,874	6,792,183	310,690,122
Charges for services:					
Tuition and fees	783,138	-	-	-	783,138
Food sales	-	-	-	6,587,698	6,587,698
Recovered costs	3,779,844	100,453	-	-	3,880,297
Miscellaneous	88,746	-	268,903	3,281	360,930
Interest	-	268,578	-	-	268,578
Total revenues	279,091,464	18,870,360	11,225,777	13,383,162	322,570,763
EXPENDITURES					
Current operating:					
Education:					
Instruction	207,224,599	-	10,340,252	-	217,564,851
Administration, attendance and health	11,698,247	-	-	-	11,698,247
Pupil transportation	13,874,003	-	-	-	13,874,003
Operation and maintenance	21,944,518	-	-	-	21,944,518
Food and nutrition services	221,018	-	-	11,983,224	12,204,242
Facilities	600,213	-	-	-	600,213
Technology	14,821,003	-	422,048	130,280	15,373,331
Capital outlay	9,258,520	15,387,446	489,171	143,798	25,278,935
Debt service:					
Principal	372,323	-	-	-	372,323
Interest and fiscal charges	33,204	-	-	-	33,204
Total expenditures	280,047,648	15,387,446	11,251,471	12,257,302	318,943,867
Excess (deficiency) of revenues over (under) expenditures	(956,184)	3,482,914	(25,694)	1,125,860	3,626,896
OTHER FINANCING USES					
Net transfers to other funds	(545,069)	-	-	(21,481)	(566,550)
Total other financing uses	(545,069)	-	-	(21,481)	(566,550)
Change in fund balance	(1,501,253)	3,482,914	(25,694)	1,104,379	3,060,346
Fund balance, beginning - July 1, 2017	11,506,332	20,065,206	171,006	5,132,403	36,874,947
Fund balance, ending - June 30, 2018	\$ 10,005,079	\$ 23,548,120	\$ 145,312	\$ 6,236,782	\$ 39,935,293

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Exhibit D-1

Net change in fund balance - total governmental funds \$ 3,060,346

Amounts reported for governmental activities in the Statement of Activities are different due to:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.

Expenditures for acquisition of capital assets	\$ 24,165,922	
Less: Depreciation and amortization expense	(21,584,719)	
Excess of capital outlay over depreciation and amortization		2,581,203

The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals and donations) is to decrease net position. (169,210)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Position.

Principal repayments:

Capital lease	297,323	
Stafford County loan	75,000	
		372,323

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	410,873	
OPEB expense	(7,317,196)	
Pension expense	7,489,919	
		583,596

Internal service funds are used by management to charge the costs of vehicle maintenance and employee benefits to individual funds. The net expense is reported with governmental funds.

Total revenues and transfers from other funds	35,786,557	
Total expenses	(33,991,226)	
		1,795,331

Change in net position of governmental activities	\$ 8,223,589
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The accompanying notes are an integral part of these financial statements.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

Exhibit E

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 32,416,530
Accounts receivable	6,266
Due from other funds	184,224
Inventory	244,933
Capital assets:	
Land	37,357
Land improvements	1,268,429
Construction in progress	45,588
Buildings and building improvements	1,861,024
Furniture, fixtures and equipment	241,823
Software	78,725
Vehicles	99,598
Less: accumulated depreciation and amortization	(1,985,408)
Total capital assets	1,647,136
Total assets	34,499,089
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	200,076
OPEB deferrals	40,538
Total deferred outflows of resources	240,614
LIABILITIES	
Current liabilities:	
Accounts payable	1,342,611
Accrued salaries and benefits	12,762
Due to other funds	503
Current portion of accrued insurance claims	5,764,074
Current portion of capital lease	31,232
Current portion of compensated absences	13,956
Noncurrent portion of accrued insurance claims	135,326
Noncurrent portion of capital lease	99,087
Noncurrent portion of compensated absences	141,330
Net OPEB liability	1,015,824
Net pension liability	1,928,550
Total liabilities	10,485,255
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	172,800
OPEB deferrals	227,528
Total deferred inflows of resources	400,328
NET POSITION	
Net investment in capital assets	1,516,817
Unrestricted	22,337,303
Total net position	\$ 23,854,120

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018

Exhibit F

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services	\$ 35,124,172
Operating expenses:	
Personnel services	1,985,876
Contractual services	30,243,088
Materials and supplies	1,561,464
Utilities	17,877
Telecommunication	29,884
Depreciation and amortization	148,738
Total operating expenses	<u>33,986,927</u>
Operating income	<u>1,137,245</u>
Nonoperating revenues (expenses):	
Interest and investment revenue	71,164
Interest expense	(4,299)
Vehicle and other sales	24,671
Total nonoperating revenues, net	<u>91,536</u>
Income before transfers	1,228,781
Transfers from other funds	566,550
Change in net position	<u>1,795,331</u>
Net position, beginning - July 1, 2017, as restated (Note 18)	22,058,789
Net position, ending - June 30, 2018	<u><u>\$ 23,854,120</u></u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018

Exhibit G

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Receipts from customers	\$ 35,324,497
Payments to suppliers	(29,970,545)
Payments to employees	(2,020,997)
Net cash provided by operating activities	<u>3,332,955</u>
Cash flows from noncapital and related financing activities:	
Transfers from other funds, net	566,550
Net cash provided by noncapital and related financing activities	<u>566,550</u>
Cash flows from capital and related financing activities:	
Proceeds from vehicle and supply sales	24,671
Principal paid on capital lease	(30,374)
Interest paid on capital lease	(4,299)
Acquisition and construction of capital assets	(81,158)
Net cash used in capital and related financing activities	<u>(91,160)</u>
Cash flows from investing activities:	
Interest earned on investments	71,164
Net cash provided by investing activities	<u>71,164</u>
Net increase in cash and cash equivalents	3,879,509
Cash and cash equivalents, beginning - July 1, 2017	28,537,021
Cash and cash equivalents, ending - June 30, 2018	<u><u>\$ 32,416,530</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,137,245
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	148,738
Changes in assets and liabilities:	
Decrease in accounts receivable	200,325
Decrease in prepaid expenses	325,798
Decrease in inventory	3,583
Decrease in deferred outflows of resources	65,548
Increase in accounts payable and accrued expenses	1,519,010
Decrease in compensated absences	(1,666)
Decrease in net pension liability	(211,973)
Increase in deferred inflows of resources	292,548
Decrease in net OPEB liability	(146,201)
Total adjustments	<u>2,195,710</u>
Net cash provided by operating activities	<u><u>\$ 3,332,955</u></u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - TRUST AND AGENCY FUNDS
June 30, 2018

Exhibit H

	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 3,365,659
Restricted investments	22,685,048	37,041	-
Total assets	<u>\$ 22,685,048</u>	<u>\$ 37,041</u>	<u>\$ 3,365,659</u>
LIABILITIES			
Scholarships payable	\$ -	\$ 5,072	\$ -
Reserved for future expenditures	-	-	3,365,659
Total liabilities	<u>-</u>	<u>5,072</u>	<u>\$ 3,365,659</u>
NET POSITION			
Restricted for OPEB	22,685,048	-	
Restricted for scholarships	-	3,672	
Restricted for endowment	-	28,297	
Total restricted net position	<u>\$ 22,685,048</u>	<u>\$ 31,969</u>	

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2018

Exhibit I

	OPEB Trust Fund	Private Purpose Trust Funds
ADDITIONS		
Contributions from donors	\$ -	\$ 4,072
Investment earnings:		
Investment interest income	-	443
Investment gains, net	1,983,968	-
Total investment earnings	1,983,968	443
Less investment expense	23,754	-
Net investment earnings	1,960,214	443
Total additions	1,960,214	4,515
DEDUCTIONS		
Benefits	-	5,072
Total deductions	-	5,072
Change in net position	1,960,214	(557)
Restricted net position - beginning	20,724,834	32,526
Restricted net position - ending	<u>\$ 22,685,048</u>	<u>\$ 31,969</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stafford County Public Schools (SCPS or “the division”) is a corporate body operating under the constitution of the Commonwealth of Virginia and the *Code of Virginia*, and provides elementary and secondary education for the County of Stafford (County). The seven voting members of the School Board of Stafford County Public Schools (School Board) are elected by the citizens of the County to serve 4-year terms. Each of the County’s seven districts has a School Board member who represents its constituents. The School Board is responsible for setting the educational policies of SCPS and appoints a superintendent to implement the School Board’s policies and serve as the chief administrative officer of the division, providing leadership and direct management of the division in accordance with policies adopted by the School Board.

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

A. THE FINANCIAL REPORTING ENTITY

A financial reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the basic financial statements are not misleading. The primary government for SCPS includes all funds and departments that are not legally separate from SCPS. SCPS is not financially accountable for any legally separate organizations; therefore, it has no component units. However, because SCPS is fiscally dependent on the County and SCPS’ operations are funded by payments from the County’s general fund, SCPS is considered a component unit of the County. Other significant determining factors also include: the County approves SCPS’ budget, the County funds any deficits, and the County issues and contracts debt to finance capital projects for SCPS. Also, SCPS provides services, which primarily benefit the citizens of the County.

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

B. FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

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

Major Governmental Funds

- **General Fund (hereafter referred to as the Operating Fund):** The Operating Fund is SCPS’ primary fund to account for and report the assets, liabilities, fund balance, revenues and expenditures associated with SCPS’ operations, including financial resources not required to be accounted for and reported in another fund.
- **Capital Projects Fund:** This fund accounts for and reports the assets, liabilities, fund balance, revenues and expenditures that are restricted, committed or assigned to SCPS’ capital projects, including the acquisition, construction and equipping of new schools and the renovation, improvement and repairing of existing schools.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FUND ACCOUNTING (Continued)

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

Non-major Governmental Fund

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

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

PROPRIETARY FUNDS

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

Enterprise Funds

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

Internal Service Funds

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

- **Fleet Services Fund** – accounts for the assets, liabilities, net position, deferred outflows and inflows of resources, revenues and expenses associated with the provision of vehicle maintenance services on a cost reimbursement basis to the departments and agencies of the County and SCPS.
- **Health Benefits Fund** – accounts for the assets, liabilities, net position, revenues and expenses associated with the provision of health benefits to the enrolled employees and retirees of SCPS under a comprehensive health benefits self-insurance program.
- **Workers' Compensation Fund** – accounts for the assets, liabilities, net position, revenues and expenses associated with the administration of the workers' compensation self-insurance program and the provision of workers' compensation benefits to the injured employees of SCPS.

FIDUCIARY FUNDS

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FUND ACCOUNTING (Continued)

- ***Endowment Trust Fund*** – accounts for the assets, liabilities, net position and changes in net position (additions and deletions) associated with endowment programs administered by SCPS.
- ***School Activity Funds*** – account for the cash, cash receipts and cash disbursements associated with the various activities conducted at the individual school sites in connection with student athletics, classes, clubs, and various fundraising activities and private donations. In addition, each school also has a faculty activity fund. SCPS is liable if any school is unable to meet its obligations with respect to these funds.
- ***Fiduciary Services Fund*** – accounts for the cash, cash receipts and cash disbursements associated with certain activities conducted on a division-wide level, in connection with private donations and sales tax collections. SCPS is liable for any obligation this fund is unable to meet.
- ***Employee Flexible Spending Fund*** – accounts for the cash, cash receipts and cash disbursements associated with the employee flexible spending program, which includes medical expense reimbursements and dependent care reimbursements.
- ***Stafford Education Foundation Fund*** – accounts for the cash, cash receipts and cash disbursements associated with the Stafford Education Foundation (Foundation). SCPS, as the fiduciary agent, provides accounting support for the Foundation.

C. BASIS OF FINANCIAL STATEMENT PRESENTATION

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

The basic financial statements consist of the government-wide statements, including the Statement of Net Position and the Statement of Activities; fund financial statements, which provide more detailed financial information; and notes to the basic financial statements which provide detailed narrative information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements (the Statement of Net Position and the Statement of Activities) present financial information about SCPS as a whole. These statements include the financial activity of the SCPS primary government, except the fiduciary funds. In accordance with GASB reporting requirements, activities are reported in these statements as either governmental or business-type. SCPS does not have any business-type activities.

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

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

FUND FINANCIAL STATEMENTS

In order to provide budgetary controls and maintain legal compliance, SCPS records transactions in separate funds rendering a more detailed level. SCPS' Operating Fund and Capital Projects Fund are deemed to be major governmental funds; therefore, they are separately reported in the governmental fund statements. All of SCPS' special revenue funds are aggregated in the column entitled "non-major governmental funds". The internal service funds are presented in the proprietary fund statements; SCPS has three internal service funds. There are seven fiduciary funds, made up of three trust funds and four agency funds. The trust funds include (1) the OPEB (Other Postemployment Benefits) Trust Fund, an irrevocable trust, and involves the measurement of OPEB plan operations; (2) the Scholarship Trust Fund, a fund involved in the collection of donations for the distribution of scholarships to students; and (3) the Endowment Trust Fund, a fund involved in the collection of donations used for investment purposes and whose earnings are then distributed as scholarships. The agency funds include (1) School Activity Funds (one at each of the 30 schools); (2) Fiduciary Services Fund, (3) Flexible Spending Fund and (4) Stafford Education Foundation Fund. Agency funds do not involve the measurement of operations.

D. MEASUREMENT FOCUS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are presented using an economic resources measurement focus. All assets and liabilities are shown in the Statement of Net Position, which includes capital assets (i.e., land, buildings, improvements, and other capital assets) as well as long-term liabilities (i.e., capital lease obligations, compensated absences, accrued insurance claims and OPEB liability).

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

FUND FINANCIAL STATEMENTS

Governmental Funds

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

Proprietary Funds

All proprietary funds are accounted for on the economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. Proprietary fund equity (i.e., net position) is segregated into unrestricted and net investment in capital assets. The proprietary fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The operating revenue is charges for services; the cost to provide these services is reported as operating expenses. Non-operating revenue is generated from financing and investing type activities.

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS (Continued)

Fiduciary Funds

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

E. BASIS OF ACCOUNTING

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

REVENUES

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

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

EXPENDITURES/EXPENSES

On the accrual basis of accounting, expenses are recorded when incurred. On the modified accrual basis of accounting, decreases in net financial resources are reported as expenditures rather than expenses. Expenditures are reported in the fiscal year when the related fund liability is incurred, except certain general long-term obligations, such as compensated absences and pension obligations, which are recognized only to the extent they have matured. Depreciation and amortization, which are allocations of cost, are not recorded in the governmental funds.

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

STAFFORD COUNTY PUBLIC SCHOOLS
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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. CASH AND CASH EQUIVALENTS

Cash on deposit with the Treasurer's Office at the County represents the majority of SCPS' available cash throughout the fiscal year. At the close of the fiscal year, substantially all available cash in the Operating Fund is reclassified to Due from primary government and represents cash available to pay existing liabilities at year-end, primarily accrued payroll. The Treasurer's Office has custodial and internal control responsibilities for SCPS' cash including monthly bank reconciliations.

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County. In order to maximize investment returns, cash and cash equivalents are maintained in a fully insured or collateralized investment pool administered by the Treasurer's Office of the County. At June 30, 2018, all of the County's deposits were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act established a single body of law applicable to the pledge of security as collateral for public funds on deposit in banking institutions so that the procedure for securing public deposits is uniform throughout the Commonwealth. Under the Act, banks holding public deposits must pledge certain levels of collateral and make monthly filings with the State Treasury Board.

RESTRICTED CASH

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

G. DEPOSITS AND INVESTMENTS

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

H. INVENTORIES

The Food and Nutrition Services Fund (a non-major governmental special revenue fund) carries its inventory on a cost basis (first-in, first-out), which is not in excess of market value. This inventory consists of food service supplies and perishable and non-perishable food products.

The Fleet Services Fund (a proprietary fund that is an internal service fund) carries its inventory on a cost basis (first-in, first-out), which is not in excess of market value. The inventory consists of parts, materials and supplies for repairs and maintenance of SCPS and County vehicles, primarily school buses, police cars and fire trucks.

The consumption method of accounting for inventory is used in the government-wide statements as well as in the internal service funds. Under this method, inventory items are expensed as operating supplies and material as consumed. The purchase method of accounting for inventory is used in the governmental funds. Under this method, inventory items are considered expenditures when purchased. In the governmental funds, the inventory of the Food and Nutrition Services Fund, which consists of perishable and non-perishable food products, is considered non-spendable fund balance. The Internal Service Fund inventory is comprised of expendable supplies held for consumption.

STAFFORD COUNTY PUBLIC SCHOOLS
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June 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. CAPITAL ASSETS

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

Assets acquired through capital lease agreements are recorded at the present value of the minimum lease payments, as stated in the lease's amortization schedule. The interest expense incurred during the construction is capitalized.

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

Land improvements	5 – 20 years
Buildings and building improvements	4 – 50 years
Water treatment system	15 – 20 years
Furniture, fixtures and equipment	5 – 20 years
Vehicles	8 – 15 years
Software	5 – 15 years
Technology infrastructure	20 years

J. COMPENSATED ABSENCES

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

The current and long-term portions of the governmental funds' accumulated vacation, personal and sick leave are recorded as liabilities in the government-wide financial statements only. Current and long-term compensated absences liabilities for proprietary funds are recorded in the government-wide and proprietary fund financial statements.

K. PENSIONS

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

RETIREE HEALTH INSURANCE

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

HEALTH INSURANCE CREDIT PROGRAM

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

GROUP LIFE INSURANCE

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

M. ACCRUED LIABILITIES AND LONG-TERM DEBT

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

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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June 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

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

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

O. NET POSITION

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

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

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

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. ENCUMBRANCES

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

Q. USE OF ESTIMATES

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

R. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING

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

1. SCPS' Superintendent prepares an annual budget that is presented to the School Board. The School Board then reviews and requests changes be made or approves the Superintendent's Budget and presents it to the Board of Supervisors of the County.
2. Prior to April 1, the County Administrator submits a proposed budget (operating and capital) to the Board of Supervisors of the County for the fiscal year commencing the following July 1. The budget includes proposed obligations and the means of financing them. The budget embodies estimates of specific amounts of revenue.
3. Public hearings are conducted by the Board of Supervisors of the County to obtain taxpayer and citizen comments.
4. Prior to June 30, the County's budget, which includes SCPS as a component unit, is legally enacted through passage of a resolution by the Board of Supervisors of the County. The School Board then adopts the budget approved by the County and the following individual fund budgets are legally adopted:

Stafford County Public Schools' Budgets

Governmental Funds:

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

Proprietary Funds – Internal Service Funds:

Fleet Services Fund
Health Benefits Fund
Workers' Compensation Fund

STAFFORD COUNTY PUBLIC SCHOOLS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING (Continued)

Budgets are adopted on a basis consistent with GAAP. The budget for the proprietary funds serves as a guide and not as legally binding limitations. Although legal restrictions on expenditures are established at the departmental level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets. For the year ended June 30, 2018, there were no expenditures in excess of budgetary appropriations.

The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, comparing actual revenue and expenditures with budgeted amounts as originally adopted, and as amended by the Board of Supervisors through June 30, 2018. Individual amendments were not material in relation to the original appropriations.

S. FUND BALANCES

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

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

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

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

Note 2. DEPOSITS AND INVESTMENTS

DEPOSITS

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 2. DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS

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

CUSTODIAL CREDIT RISK

The School Board’s investments at June 30, 2018 were held by the School Board or in the School Board’s name by the County’s custodial accounts.

CREDIT RISK OF DEBT SECURITIES

Stafford County Public Schools’ debt investments as of June 30, 2018 were rated by Standard & Poor’s and/or an equivalent national rating organization. The ratings using Standard & Poor’s rating scale are presented below:

	AAAm
VACo/VML Pooled OPEB Trust	\$ 22,685,048
LGIP	4,890,710
SNAP	19,383,155
Total	<u>\$ 46,958,913</u>

EXTERNAL INVESTMENT POOLS

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

	Fair Value	Less than 1 Year
LGIP	\$ 4,890,710	\$ 4,890,710
SNAP	19,383,155	19,383,155
	<u>\$ 24,273,865</u>	<u>\$ 24,273,865</u>

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

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

The School Board has the following recurring fair value measurements as of June 30, 2018:

- SNAP securities of \$19,383,155 are valued using quoted market prices (Level 2 inputs).
- VACo/VML Pooled OPEB Trust of \$22,685,048 are valued using quoted market prices (Level 2 inputs).
- LGIP of \$4,890,710 are valued using quoted market prices (Level 2 inputs).

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Note 3. DUE FROM STAFFORD COUNTY (PRIMARY GOVERNMENT)

The receivable due from Stafford County at June 30, 2018 represents SCPS' ending cash balance, excluding the balance reported as "Pooled cash and investments", which was reclassified and reported at year-end as "Due from Primary Government" in the Operating Fund.

Note 4. DUE FROM COMMONWEALTH OF VIRGINIA AND FEDERAL GOVERNMENT

Significant amounts of intergovernmental receivables due from other governments at June 30, 2018 were as follows:

<i>Intergovernmental Receivables:</i>	Governmental Funds – Operating Fund	Governmental Funds – Grants Fund	Nonmajor Governmental Funds – Food and Nutrition Services Fund	Governmental Funds Total
Commonwealth of Virginia	\$ 3,598,279	\$ 104,591	\$ -	\$ 3,702,870
Federal Government	336,445	8,577,727	1,027,114	9,941,286
Total	<u>\$ 3,934,724</u>	<u>\$ 8,682,318</u>	<u>\$ 1,027,114</u>	<u>\$ 13,644,156</u>

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

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

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

Note 5. INTERFUND TRANSFERS

The inter-fund transfers made during the year ended June 30, 2018 were as follows:

<i>Transfer from:</i>	Operating Fund	Food and Nutrition Services	Fleet Services	Total
<i>Transfer to:</i>				
Workers' Compensation Fund	<u>\$ 545,069</u>	<u>\$ 21,481</u>	<u>\$ 7,129</u>	<u>\$ 573,679</u>

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

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Note 6. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term liability activity of SCPS for the year ended June 30, 2018:

	Amounts Payable at July 1, 2017	Increases	Decreases	Amounts Payable at June 30, 2018	Amounts Due within One Year
<i>Governmental Activities:</i>					
Capital Lease	\$ 1,547,901	\$ -	\$ 297,323	\$ 1,250,578	\$ 303,329
Note Payable-Stafford County	780,000	-	75,000	705,000	75,000
Compensated Absences*	6,625,020	112,047	522,920	6,214,147	534,486
<i>Internal Service Funds:</i>					
Capital Lease	160,693	-	30,374	130,319	31,232
Compensated Absences	156,952	11,039	12,705	155,286	13,956
Total	\$ 9,270,566	\$ 123,086	\$ 938,322	\$ 8,455,330	\$ 958,003

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

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

Fiscal year ending June 30:	Amount
2019	\$ 75,000
2020	75,000
2021	75,000
2022	80,000
2023	80,000
2024-2027	320,000
Total future payments	<u>\$ 705,000</u>

Note 7. CAPITAL LEASE OBLIGATIONS

In May 2015, SCPS executed a contract for the purchase of an enterprise resource planning (ERP) system. The financing for this project was funded by a Master Equipment Lease/Purchase Agreement and qualifies as a capital lease for accounting purposes. The total amount financed was \$2,125,000, of which \$1,250,578 was outstanding as of June 30, 2018.

For the year ended June 30, 2018, interest expense from the ERP capital lease obligation totaled \$28,630.

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Note 7. CAPITAL LEASE OBLIGATIONS (Continued)

The maturities of future minimum lease payments and the net present value of capitalized lease obligations as of June 30, 2018 are as follows:

Fiscal year ending June 30:	Amount
2019	\$ 326,949
2020	326,949
2021	326,949
2022	326,949
Total future minimum lease payments	1,307,796
Less: interest included in total future minimum lease payments	(57,218)
Net present value of capitalized lease obligations	<u>\$ 1,250,578</u>

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

The financing for this project was structured as a Tax-exempt Lease/Purchase Agreement and qualifies as a capital lease for accounting purposes. The total amount financed was \$300,500, including capitalized interest of \$500, of which \$130,319 is outstanding as of June 30, 2018.

For the year ended June 30, 2018, interest expense from the capital lease obligation totaled \$4,294.

The maturities of future minimum lease payments and the net present value of the capitalized lease obligation as of June 30, 2018 are as follows:

Fiscal year ending June 30:	Amount
2019	\$ 34,668
2020	34,668
2021	34,668
2022	34,671
Total future minimum lease payments	138,675
Less: interest included in total future minimum lease payments	(8,356)
Net present value of capitalized lease obligations	<u>\$ 130,319</u>

Assets acquired under capital leases at June 30, 2018 are summarized below:

	Governmental Activities	Internal Service Activities
Software	\$ 1,413,062	\$ -
Buildings & building improvements	-	329,793
Total assets, at cost	1,413,062	329,793
Accumulated depreciation	(47,102)	(90,693)
Total assets, net	<u>\$ 1,365,960</u>	<u>\$ 239,100</u>

STAFFORD COUNTY PUBLIC SCHOOLS
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Note 8. CAPITAL ASSETS

The following is a summary of the changes in *Total capital assets, net - governmental activities*, excluding internal service funds, for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Re-classifications	Balance June 30, 2018
<i>Governmental Funds:</i>					
<u>Capital assets not being depreciated or amortized:</u>					
Land	\$ 33,907,711	\$ 55,560	\$ -	\$ -	\$ 33,963,271
Construction in progress	14,946,614	13,246,428	(44,350)	(12,782,356)	15,366,336
Total capital assets not being depreciated or amortized	48,854,325	13,301,988	(44,350)	(12,782,356)	49,329,607
<u>Capital assets being depreciated or amortized</u>					
Land improvements	60,725,292	1,870,328	(15,995)	208,767	62,788,392
Buildings & building improvements	512,641,042	5,939,454	(58,052)	11,109,284	529,631,728
Furniture, fixtures & equipment	11,353,591	1,369,706	(956,917)	56,552	11,822,932
Vehicles	23,658,984	1,439,356	(927,798)	-	24,170,542
Software	830,941	42,000	(23,622)	1,371,062	2,220,381
Technology infrastructure	3,953,859	199,470	-	36,691	4,190,020
Water treatment system	954,560	3,620	-	-	958,180
Total capital assets being depreciated or amortized	614,118,269	10,863,934	(1,982,384)	12,782,356	635,782,175
<u>Less accumulated depreciation or amortization for:</u>					
Land improvements	(23,318,013)	(3,273,971)	4,799	-	(26,587,185)
Buildings & building improvements	(172,958,926)	(15,426,786)	29,026	-	(188,356,686)
Furniture, fixtures & equipment	(6,794,935)	(955,404)	956,920	-	(6,793,419)
Vehicles	(11,252,342)	(1,506,335)	843,157	-	(11,915,520)
Software	(623,634)	(164,069)	23,622	-	(764,081)
Technology infrastructure	(666,595)	(218,113)	-	-	(884,708)
Water treatment system	(566,517)	(40,041)	-	-	(606,558)
Total accumulated depreciation or amortization	(216,180,962)	(21,584,719)	1,857,524	-	(235,908,157)
Total capital assets being depreciated or amortized, net	397,937,307	(10,720,785)	(124,860)	12,782,356	399,874,018
Total capital assets, net - governmental funds	\$ 446,791,632	\$ 2,581,203	\$ (169,210)	\$ -	\$ 449,203,625

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Note 8. CAPITAL ASSETS (Continued)

The following is a summary of the changes in *Total capital assets, proprietary funds* (i.e., for SCPS' Fleet Services Fund, an internal service fund) for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<i>Internal Service Activities:</i>				
<u>Capital assets not being depreciated or amortized</u>				
Land	\$ 37,357	\$ -	\$ -	\$ 37,357
Construction in progress	-	45,588	-	45,588
Total capital assets not being depreciated or amortized	37,357	45,588	-	82,945
<u>Capital assets being depreciated or amortized</u>				
Land improvements	1,268,429	-	-	1,268,429
Buildings & building improvements	1,848,904	12,120	-	1,861,024
Furniture, fixtures & equipment	241,823	-	-	241,823
Vehicles	107,270	23,450	(31,122)	99,598
Software	78,725	-	-	78,725
Total capital assets being depreciated or amortized	3,545,151	35,570	(31,122)	3,549,599
<u>Less accumulated depreciation or amortization for:</u>				
Land improvements	(562,433)	(62,325)	-	(624,758)
Buildings & building improvements	(1,072,180)	(62,933)	-	(1,135,113)
Furniture, fixtures & equipment	(79,407)	(14,985)	-	(94,392)
Vehicles	(75,047)	(8,495)	31,122	(52,420)
Software	(78,725)	-	-	(78,725)
Total accumulated depreciation or amortization	(1,867,792)	(148,738)	31,122	(1,985,408)
Total capital assets being depreciated or amortized, net	1,677,359	(113,168)	-	1,564,191
Total capital assets, net				
- internal service activities	\$ 1,714,716	\$ (67,580)	\$ -	\$ 1,647,136

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

Function	Depreciation and amortization expense
Instruction	\$ 581,726
Administration, attendance and health	256,865
Pupil transportation	1,547,712
Operation and maintenance	416,304
Food and nutrition services	149,359
Facilities	17,958,718
Technology	822,773
Total depreciation and amortization expense	\$ 21,733,457

STAFFORD COUNTY PUBLIC SCHOOLS
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Note 9. CONSTRUCTION COMMITMENTS

At June 30, 2018, SCPS had contractual commitments for significant construction projects of \$3.4 million in the Operating Fund and \$19.8 million in the Capital Projects Fund. Operating Fund projects include roof replacement at various schools and track repair at Colonial Forge High School. Capital Fund projects include the rebuild of Moncure Elementary School.

Note 10. RELATED PARTIES

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

Note 11. DEBT SERVICE

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

Note 12. RISK MANAGEMENT

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

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

SCPS carries commercial insurance for all risks of loss, except for workers' compensation. Like the County, SCPS participates in the VML public entity risk pool. Settled claims have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year. The total estimated workers' compensation insurance claims payable as of June 30, 2018 were \$661,500, of which \$526,174 was estimated to be current claims payable.

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

STAFFORD COUNTY PUBLIC SCHOOLS
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Note 12. RISK MANAGEMENT (Continued)

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

Fiscal Year Ended June 30	2018	2017
Unpaid claims, beginning of fiscal year	\$ 4,974,900	\$ 4,258,304
Incurred claims (including IBNR)	25,687,492	24,383,185
Claims payments	(25,424,492)	(23,666,589)
Unpaid claims, end of fiscal year	<u>\$ 5,237,900</u>	<u>\$ 4,974,900</u>

Note 13. LITIGATION AND CONTINGENT LIABILITIES

SCPS is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. It is the opinion of SCPS' management, based on advice from legal counsel, that any losses incurred as a result of claims existing as of June 30, 2018 will not be material to the financial statements.

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

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Note 14. PENSION PLAN

A. PLAN DESCRIPTION

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

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

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

Plan 1	Plan 2	Hybrid Retirement Plan
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"> ▪ The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. ▪ The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
		About the Hybrid Retirement Plan (Continued)
		<ul style="list-style-type: none"> ▪ In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members	Eligible Members	Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.	Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: <ul style="list-style-type: none"> ▪ School division employees ▪ Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
Hybrid Opt-In Election	Hybrid Opt-In Election	
VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	
The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.	The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.	Those employees eligible for an optional retirement plan (ORP) must elect the ORP or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or the ORP.
If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	
Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	

STAFFORD COUNTY PUBLIC SCHOOLS
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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

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

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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> ▪ After two years, a member is 50% vested and may withdraw 50% of employer contributions. ▪ After three years, a member is 75% vested and may withdraw 75% of employer contributions.

STAFFORD COUNTY PUBLIC SCHOOLS
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June 30, 2018

Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

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

STAFFORD COUNTY PUBLIC SCHOOLS
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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

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

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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.
<u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.	<u>Eligibility:</u> Same as Plan 1.	<u>Eligibility:</u> Same as Plan 1 and Plan 2.
For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.		
<u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: <ul style="list-style-type: none"> ▪ The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. ▪ The member retires on disability. ▪ The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. 		

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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Cost-of-Living Adjustment (COLA) in Retirement (Continued) <u>Exceptions to COLA Effective Dates:</u> <ul style="list-style-type: none"> ▪ The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	Cost-of-Living Adjustment (COLA) in Retirement (Continued) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement (Continued) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.	Disability Coverage Employees of school divisions (teachers), including Plan 1 and Plan 2 opt-ins, participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

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June 30, 2018

Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

School Board Non-Professional

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	177
Inactive members:	
Vested inactive members	34
Non-vested inactive members	119
Inactive members active elsewhere in VRS	52
Total inactive members	205
Active members	302
Total covered employees	684

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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Contributions

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

School Board Non-Professional

The School Board's non-professional contractually required contribution rate for the year ended June 30, 2018 was 6.22% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the non-professional plan were \$508,852 and \$560,715 for the years ended June 30, 2018 and 2017, respectively.

School Board Professional

The School Board's professional contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. 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 \$24,089,528 and \$22,443,877 for the years ended June 30, 2018 and 2017, respectively.

B. NET PENSION LIABILITY

The School Board's non-professional plan net pension liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

At June 30, 2018, the School Board reported a liability for the professional plan of \$235,676,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion was 1.91638% as compared to 1.88465% at June 30, 2016.

STAFFORD COUNTY PUBLIC SCHOOLS
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June 30, 2018

Note 14. PENSION PLAN (Continued)

B. NET PENSION LIABILITY (Continued)

Actuarial Assumptions – School Board Non-Professional Plan

The total pension liability for non-professionals in the School Board's retirement plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
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June 30, 2018

Note 14. PENSION PLAN (Continued)

B. NET PENSION LIABILITY (Continued)

Actuarial Assumptions – School Board Professional Plan

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality Rates:

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

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

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

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Note 14. PENSION PLAN (Continued)

B. NET PENSION LIABILITY (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public 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%.

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 member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate.

Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the School Board's retirement plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed 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.

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Note 14. PENSION PLAN (Continued)

C. CHANGES IN THE NET PENSION LIABILITY

School Board Non-Professional

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	\$ 27,701,333	\$ 24,846,943	\$ 2,854,390
Changes for the Year:			
Service cost	811,596	-	811,596
Interest	1,893,932	-	1,893,932
Difference between expected and actual experience	(466,649)	-	(466,649)
Assumption changes	(230,348)	-	(230,348)
Contributions – employer	-	505,800	(505,800)
Contributions – employee	-	409,474	(409,474)
Net investment income	-	3,015,642	(3,015,642)
Benefit payments, including refunds of employee contributions	(1,290,317)	(1,290,317)	-
Administrative expense	-	(17,420)	17,420
Other changes	-	(2,684)	2,684
Net changes	718,214	2,620,495	(1,902,281)
Balances at June 30, 2017	\$ 28,419,547	\$ 27,467,438	\$ 952,109

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board's non-professional net pension liability (asset)	\$ 4,476,814	\$ 952,109	\$ (1,994,070)
School Board's professional net pension liability	351,943,000	235,676,000	139,500,000

Detailed information about the pension plans' Fiduciary Net Position is available in the separately issued VRS financial reports. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules and the VRS Teacher Retirement Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500

STAFFORD COUNTY PUBLIC SCHOOLS
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Note 14. PENSION PLAN (Continued)

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

School Board Non-Professional

For the year ended June 30, 2018, the School Board recognized \$165,337 pension expense related to its non-professional plan. The School Board also reported deferred outflows of resources and deferred inflows of resources related to its non-professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ -	\$ 734,094
Change in assumptions	-	157,912
Net difference between projected and actual earnings on pension plan investments		394,363
Employer contributions subsequent to the measurement date	508,852	-
Total	<u>\$ 508,852</u>	<u>\$ 1,286,369</u>

The \$508,852 reported as deferred outflows of resources related to pensions resulting from the School Board non-professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

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

Year Ending June 30,	Amount
2019	\$ (734,841)
2020	(252,252)
2021	(41,238)
2022	(258,038)
	<u>\$ (1,286,369)</u>

STAFFORD COUNTY PUBLIC SCHOOLS
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Note 14. PENSION PLAN (Continued)

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

School Board Professional

For the year ended June 30, 2018, the School Board recognized pension expense related to the professional plan of \$16,514,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions for the professional plan 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	\$ -	\$ 8,562,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,654,000	5,218,000
Change in assumptions	3,439,000	-
Difference between expected and actual experience	-	16,688,000
Employer contributions subsequent to the measurement date	<u>24,089,528</u>	<u>-</u>
Total	<u>\$ 32,182,528</u>	<u>\$ 30,468,000</u>

The \$24,089,528 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, 2019. 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ (10,131,000)
2020	(1,676,000)
2021	(3,068,000)
2022	(7,098,000)
2023	<u>(402,000)</u>
	<u>\$ (22,375,000)</u>

STAFFORD COUNTY PUBLIC SCHOOLS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note 15. OTHER POSTEMPLOYMENT BENEFITS (OPEB) MEDICAL PLAN

A. PLAN DESCRIPTION

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

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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

B. PROVIDED BENEFITS (Continued)

NET OPEB LIABILITY

The School Board's net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, and rolled forward to the measurement date of June 30, 2017.

ACTUARIAL METHODS AND ASSUMPTIONS

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

- Discount rate 3.61%
- 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, 2017, was 3.61%. 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, 2017, 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 \$2,658,722 and \$1,397,982 for the years ended June 30, 2018 and June 30, 2017, 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.

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

D. INVESTMENT POLICY

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

VACo/VML Pooled OPEB Trust Portfolio I	Target Allocation	Expected LT Return	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, 2018 the annual money weighted rate of return on investments, net of investment expense, was 9.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

E. CHANGES IN THE NET OPEB LIABILITY

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2016	\$ 170,465,662	\$ 18,369,240	\$ 152,096,422
Changes for the Year:			
Service cost	9,898,436	-	9,898,436
Interest	4,889,280	-	4,889,280
Experience Losses/(Gains)	(5,614,431)	-	(5,614,431)
Assumption changes	(19,337,174)	-	(19,337,174)
Contributions – employer	-	1,397,982	(1,397,982)
Net investment income	-	2,355,594	(2,355,594)
Benefit payments	(1,397,982)	(1,397,982)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	(11,561,871)	2,355,594	(13,917,465)
Balances at June 30, 2017	\$ 158,903,791	\$ 20,724,834	\$ 138,178,957

Plan fiduciary net position as a percentage of the total OPEB liability 13.04%

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 3.61%, 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 (2.61%) or one percentage point higher (4.61%) than the current rate:

	1% Decrease (2.61%)	Current Discount Rate (3.61%)	1% Increase (4.61%)
Total OPEB Liability	\$193,694,495	\$158,903,791	\$131,841,904
Net OPEB Liability	\$172,969,661	\$138,178,957	\$111,117,070

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%)	Current Trend Rate (3.94%)	1% Increase (4.94%)
Total OPEB Liability	\$128,865,689	\$158,903,791	\$202,172,819
Net OPEB Liability	\$108,140,855	\$138,178,957	\$181,447,985

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

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

For the year ended June 30, 2018, the School Board recognized OPEB expense of \$10,515,519. 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
Net difference between expected and actual experience	\$ -	\$ 4,990,605
Change in assumptions	-	17,188,599
Net difference between projected and actual earnings on OPEB plan investments	-	855,798
Employer contributions subsequent to the measurement date	2,658,722	-
Total	<u>\$ 2,658,722</u>	<u>\$ 23,035,002</u>

The \$2,658,722 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, 2019. The OPEB plan does not make contributions based on payroll; therefore, a Schedule of Contributions is not required or included.

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

Year Ending June 30,	Amount
2019	\$ (2,986,350)
2020	(2,986,350)
2021	(2,986,350)
2022	(2,986,352)
2023	(2,772,401)
Thereafter	(8,317,199)
	<u>\$ (23,035,002)</u>

Note 16. HEALTH INSURANCE CREDIT OPEB PLAN

A. PLAN DESCRIPTION

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

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Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

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

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

Benefit Amount

School Board Non Professional

At Retirement – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.

Disability Retirement - For employees who retire on disability or go on long-term disability under the VLDP, the month benefit is \$45.00 per month.

School Board Professional

At Retirement – For teachers and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.

Disability Retirement - For teachers and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the month benefit is either \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Program Notes:

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

Employees Covered by Benefit Terms

School Board Non Professional

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>50</u>
Inactive members:	
Vested inactive members	3
Non-vested inactive members	0
Inactive members active elsewhere in VRS	<u>0</u>
Total inactive members	<u>53</u>
Active members	<u>302</u>
Total covered employees	<u>355</u>

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Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

Contributions

School Board Non Professional

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided by the Virginia General Assembly. The contractually required employer contribution rate for the year ended June 30, 2018 was 0.22% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the HIC Program were \$19,105 and \$18,611 for the years ended June 30, 2018 and June 30, 2017, respectively.

School Board Professional

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided by the Virginia General Assembly. The contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the HIC Program were \$1,865,257 and \$1,669,879 for the years ended June 30, 2018 and June 30, 2017, respectively.

B. NET HIC OPEB LIABILITY

The School Board's non-professional plan net HIC OPEB liability was measured as of June 30, 2017. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

At June 30, 2018, the School Board reported a liability for the professional plan of \$24,413,000 for its proportionate share of the Net HIC Program OPEB Liability. The Net HIC Program OPEB Liability was measured as of June 30, 2017 and the total HIC Program OPEB liability used to calculate the Net HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net HIC Program OPEB Liability was based on the School Board's actuarially determined employer contributions to the Employee HIC Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 1.92437% as compared to 1.88453% at June 30, 2016.

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Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

B. NET HIC OPEB LIABILITY (Continued)

Actuarial Assumptions – School Board Non-Professional Plan

The total HIC OPEB liability for non-professionals was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality Rates:

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

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

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

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Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

B. NET HIC OPEB LIABILITY (Continued)

Actuarial Assumptions – School Board Professional Plan

The total HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality Rates:

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

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

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

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Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

B. NET HIC OPEB LIABILITY (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public 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%.

Discount Rate

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

Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the School Board's HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

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Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

B. NET HIC OPEB LIABILITY (Continued)

Net HIC OPEB Liability - School Board Professional Plan

The net OPEB liability (NOL) for the HIC Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the HIC Program is as follows (amounts expressed in thousands):

	HIC OPEB Program
Total HIC OPEB Liability	\$ 1,364,702
Plan Fiduciary Net Position	96,091
Employers' Net HIC OPEB Liability	<u>\$ 1,268,611</u>
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	7.04%

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

C. CHANGES IN THE NET HIC OPEB LIABILITY

School Board Non-Professional

	Increase (Decrease)		
	Total HIC OPEB Liability	Plan Fiduciary Net Position	Net HIC OPEB Liability
Balances at June 30, 2016	<u>\$ 378,648</u>	<u>\$ 229,004</u>	<u>\$ 149,644</u>
Changes for the Year:			
Service cost	10,954	-	10,954
Interest	25,945	-	25,945
Assumption changes	(8,780)	-	(8,780)
Contributions – employer	-	18,590	(18,590)
Net investment income	-	26,654	(26,654)
Benefit payments	(16,000)	(16,000)	-
Administrative expense	-	(435)	435
Other changes	-	1,340	(1,340)
Net changes	<u>12,119</u>	<u>30,149</u>	<u>(18,030)</u>
Balances at June 30, 2017	<u>\$ 390,767</u>	<u>\$ 259,153</u>	<u>\$ 131,614</u>

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Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

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

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board's non-professional net HIC OPEB liability	\$ 172,345	\$ 131,614	\$ 96,808
School Board's professional net HIC OPEB liability	27,247,000	24,413,000	22,004,000

Detailed information about the HIC programs' Fiduciary Net Position is available in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

School Board Non-Professional

For the year ended June 30, 2018, the School Board recognized HIC OPEB expense related to its non-professional plan of \$16,291. The School Board also reported deferred outflows of resources and deferred inflows of resources related to its non-professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 7,329
Net difference between projected and actual earnings on HIC OPEB plan investments	-	8,402
Employer contributions subsequent to the measurement date	19,105	-
Total	<u>\$ 19,105</u>	<u>\$ 15,731</u>

The \$19,105 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board non-professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the HIC OPEB liability in the year ending June 30, 2019.

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Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

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

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ (3,551)
2020	(3,551)
2021	(3,551)
2022	(3,553)
2023	(1,451)
Thereafter	(74)
	<u>\$ (15,731)</u>

School Board Professional

For the year ended June 30, 2018, the School Board recognized HIC OPEB expense related to the professional plan of \$2,052,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the HIC OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on HIC OPEB plan investments	\$ -	\$ 44,000
Changes in proportionate share	439,000	-
Change in assumptions	-	251,000
Employer contributions subsequent to the measurement date	1,865,257	-
Total	<u>\$ 2,304,257</u>	<u>\$ 295,000</u>

The \$1,865,257 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the HIC OPEB liability in the year ending June 30, 2019.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 17,000
2020	17,000
2021	17,000
2022	17,000
2023	28,000
Thereafter	48,000
	<u>\$ 144,000</u>

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Note 17. GROUP LIFE INSURANCE PLAN

A. PLAN DESCRIPTION

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

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

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

Eligible Employees

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

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

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

Benefit Amounts

The benefits payable under the GLI Program have several components.

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

Reduction in Benefit Amounts

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

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Note 17. GROUP LIFE INSURANCE PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

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

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. The School Board has elected to pay both the employee and employer contributions. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

School Board Non-Professional

Contributions to the GLI Program from the School Board for the non-professional plan were \$113,900 and \$109,773 for the years ended June 30, 2018 and June 30, 2017, respectively.

School Board Professional

Contributions to the GLI Program from the School Board for the professional plan were \$2,007,810 and \$1,963,559 for the years ended June 30, 2018 and June 30, 2017, respectively.

B. NET GROUP LIFE INSURANCE OPEB LIABILITY

At June 30, 2018, the School Board reported a liability for the non-professional plan of \$690,000 and for the professional plan of \$12,406,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net GLI OPEB Liability was based on the School Board's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion for the non-professional plan was 0.04586% as compared to 0.04587% at June 30, 2016. At June 30, 2017, the School Board's proportion for the professional plan was 0.82442% as compared to 0.80009% at June 30, 2016.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 17. GROUP LIFE INSURANCE PLAN (Continued)

B. NET GROUP LIFE INSURANCE OPEB LIABILITY (Continued)

Actuarial Assumptions – School Board Non-Professional

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality Rates:

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

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 17. GROUP LIFE INSURANCE PLAN (Continued)

B. NET GROUP LIFE INSURANCE OPEB LIABILITY (Continued)

Actuarial Assumptions – School Board Professional

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality Rates:

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

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 17. GROUP LIFE INSURANCE PLAN (Continued)

B. NET GROUP LIFE INSURANCE OPEB LIABILITY (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public 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%.

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, 2019, 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. From July 1, 2019 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.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 17. GROUP LIFE INSURANCE PLAN (Continued)

B. NET GROUP LIFE INSURANCE OPEB LIABILITY (Continued)

Net GLI OPEB Liability - School Board Professional Plan

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability	\$ 1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

C. CHANGES IN THE NET GROUP LIFE INSURANCE OPEB LIABILITY

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board's proportionate share of the non-professional plan Group Life Insurance Program Net OPEB Liability	\$ 893,000	\$ 690,000	\$ 526,000
School Board's proportionate share of the professional plan Group Life Insurance Program Net OPEB Liability	16,046,000	12,406,000	9,455,000

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 17. GROUP LIFE INSURANCE PLAN (Continued)

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

School Board Non-Professional

For the year ended June 30, 2018, the School Board recognized GLI OPEB expense related to its non-professional plan of \$8,000. 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. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to its non-professional GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on GLI OPEB program investments	\$ -	\$ 26,000
Change in assumptions	-	36,000
Difference between expected and actual experience	-	15,000
Employer contributions subsequent to the measurement date	113,900	-
Total	<u>\$ 113,900</u>	<u>\$ 77,000</u>

The \$113,900 reported as deferred outflows of resources related to the GLI OPEB resulting from the School Board's non-professional plan contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the year ending June 30, 2019. 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:

Year Ending June 30,	Amount
2019	\$ (16,000)
2020	(16,000)
2021	(16,000)
2022	(16,000)
2023	(9,000)
Thereafter	(4,000)
	<u>\$ (77,000)</u>

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 17. GROUP LIFE INSURANCE PLAN (Continued)

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

School Board Professional

For the year ended June 30, 2018, the School Board recognized GLI OPEB expense related to its professional plan of \$205,000. 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. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to its professional GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on GLI OPEB program investments	\$ -	\$ 467,000
Changes in proportion	360,000	-
Change in assumptions	-	639,000
Difference between expected and actual experience	-	275,000
Employer contributions subsequent to the measurement date	2,007,810	-
Total	<u>\$ 2,367,810</u>	<u>\$ 1,381,000</u>

The \$2,007,810 reported as deferred outflows of resources related to the GLI OPEB resulting from the School Board's professional plan contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the year ending June 30, 2019. 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:

Year Ending June 30,	Amount
2019	\$ (218,000)
2020	(218,000)
2021	(218,000)
2022	(218,000)
2023	(102,000)
Thereafter	(47,000)
	<u>\$ (1,021,000)</u>

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 18. PRIOR PERIOD RESTATEMENT

A restatement of beginning net position was necessary with the implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" (GASB 75). The restatement of net position includes the adjustments to prior year ending net position and the elimination of the net OPEB obligation based upon the previous standards.

The following adjustments were made to the beginning net position of the Governmental Activities at July 1, 2017:

	<u>Governmental Activities</u>
Net position, beginning of year, as previously reported	\$ 216,227,601
Eliminate net OPEB liabilities under previous standards	40,398,989
Record deferred outflows per GASB 75	5,175,680
Record net OPEB liabilities per GASB 75	<u>(190,949,066)</u>
Net position, beginning of year, as restated	<u>\$ 70,853,204</u>

The following adjustments were made to the beginning net position of the Proprietary Funds at July 1, 2017:

	<u>Proprietary Funds</u>
Net position, beginning of year, as previously reported	\$ (17,206,314)
Eliminate net OPEB liabilities under previous standards	40,398,989
Record deferred outflows per GASB 75	28,139
Record net OPEB liabilities per GASB 75	<u>(1,162,025)</u>
Net position, beginning of year, as restated	<u>\$ 22,058,789</u>

Note 19. PENDING ACCOUNTING STANDARDS OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD

At June 30, 2018, the GASB had issued statements not yet implemented by SCPS. The statements which might impact SCPS are as follows:

GASB Statement No. 83, "Certain Asset Retirement Obligations," addresses accounting and financial reporting for certain asset retirement obligations (ARO's). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's. Statement No. 83 will be effective for fiscal years beginning after June 15, 2018.

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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

GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements," clarifies which liabilities governments should include in their note disclosures related to debt and requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. Statement No. 88 will be effective for fiscal years beginning after June 15, 2018.

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

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

Note 20. SUBSEQUENT EVENTS

The School Board has evaluated subsequent events through May 16, 2019, the date on which the financial statements were available to be issued. On November 28, 2018, the School Board completed the purchase of an existing building with the intention of performing renovations in order to locate Early Childhood Education students there in August 2019.

REQUIRED SUPPLEMENTARY INFORMATION

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Operating Fund
For the Fiscal Year Ended June 30, 2018

Exhibit J

	Budget			Variance from Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Intergovernmental:				
Stafford County	\$ 115,841,867	\$ 117,481,867	\$ 116,440,953	\$ (1,040,914)
Commonwealth of Virginia	157,305,669	157,443,207	155,807,954	(1,635,253)
Federal Government	1,988,000	1,988,000	2,190,829	202,829
Total intergovernmental revenues	275,135,536	276,913,074	274,439,736	(2,473,338)
Charges for services:				
Tuition and fees	787,245	787,245	783,138	(4,107)
Recovered costs	2,870,705	4,163,218	3,779,844	(383,374)
Miscellaneous	121,249	191,198	88,746	(102,452)
Total revenues	278,914,735	282,054,735	279,091,464	(2,963,271)
EXPENDITURES				
Current operating:				
Instruction	208,784,526	207,961,738	207,224,599	(737,139)
Administration, attendance and health	14,245,053	13,283,627	11,698,247	(1,585,380)
Pupil transportation	13,890,825	13,808,538	13,874,003	65,465
Operation and maintenance	22,248,527	23,226,580	21,944,518	(1,282,062)
Food and nutrition services	235,918	235,918	221,018	(14,900)
Facilities	245,000	916,924	600,213	(316,711)
Technology	17,206,444	17,850,003	14,821,003	(3,029,000)
Capital outlay	1,651,494	14,605,833	9,258,520	(5,347,313)
Debt service:				
Principal	372,322	372,322	372,323	1
Interest and fiscal charges	34,626	34,626	33,204	(1,422)
Total expenditures	278,914,735	292,296,109	280,047,648	(12,248,461)
Excess (deficiency) of revenues over (under) expenditures	-	(10,241,374)	(956,184)	9,285,190
OTHER FINANCING (USES)				
Transfers (to) other funds	-	(545,069)	(545,069)	-
Net change in fund balance	\$ -	\$ (10,786,443)	(1,501,253)	\$ 9,285,190
Fund balance, beginning - July 1, 2017			11,506,332	
Fund balance, ending - June 30, 2018			\$ 10,005,079	

STAFFORD COUNTY PUBLIC SCHOOLS
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 K

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

Notes to Schedule:

- (1) This schedule is presented based on the measurement date used in the actuarial valuation, which is one year prior to the date of the financial statements.
- (2) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.
- (3) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2017 based on the most recent experience study of the System for the four-year period ended June 30, 2016:
 - a. Update to a more current mortality table
 - b. Lowered retirement rates at older ages and changed final retirement from 70 to 75
 - c. Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
 - d. Decrease in disability rates
 - e. Increased line of duty disability rate from 14% to 15%
- (4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

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

Exhibit L

	2018	As of June 30,		2015
		2017	2016	
Employer's proportion of the net pension liability	1.91638%	1.88465%	1.87703%	1.96028%
Employer's proportionate share of the net pension liability	\$ 235,676,000	\$ 264,117,000	\$ 236,250,000	\$ 236,893,000
Employer's covered payroll	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	158.30%	183.80%	169.29%	165.25%
Plan fiduciary net position as a percentage of the total pension liability	72.92%	68.28%	70.68%	70.88%

Notes to Schedule:

- (1) This schedule is presented based on the measurement date used in the actuarial valuation, which is one year prior to the date of the financial statements.
- (2) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.
- (3) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2017 based on the most recent experience study of the System for the four-year period ended June 30, 2016:
 - a. Update to a more current mortality table
 - b. Lowered retirement rates at older ages and changed final retirement from 70 to 75
 - c. Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
 - d. Adjusted disability rates to better match experience
- (4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

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

Exhibit M

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

Notes to Schedule:

- (1) Valuation date: June 30, 2015
- (2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:
- | | |
|---|-------------------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 27, 20, 19, 18, and 6 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.50% |
| Payroll growth | 3.0% |
| Projected salary increases, including inflation | 3.50% - 5.35% |
| 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.

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

Exhibit N

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

Notes to Schedule:

- (1) Valuation date: June 30, 2015
- (2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:
- | | |
|---|-------------------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 27, 20, 19, 18, and 6 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.50% |
| Payroll growth | 3.0% |
| Projected salary increases, including inflation | 3.50% - 5.95% |
| Investment rate of return | 7.0%, net of investment expenses |
- (4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years for which information is available.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF CHANGES IN THE SCHOOL BOARD
NET MEDICAL PLAN OPEB LIABILITY AND RELATED RATIOS

Exhibit O

	As of June 30, 2018	As of June 30, 2017
Total Medical Plan 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 Medical Plan OPEB liability	3,675,076	(11,561,871)
Total Medical Plan OPEB liability - beginning	158,903,791	170,465,662
Total Medical Plan OPEB liability - ending (a)	<u>\$ 162,578,867</u>	<u>\$ 158,903,791</u>
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)	<u>\$ 22,685,048</u>	<u>\$ 20,724,834</u>
School Board net Medical Plan OPEB liability - ending (a) - (b)	<u>\$ 139,893,819</u>	<u>\$ 138,178,957</u>
Plan fiduciary net position as a percentage of the total Medical Plan OPEB liability	13.95%	13.04%
Employer's covered-employee payroll	\$ 161,933,213	\$ 151,834,911
School Board's net Medical Plan OPEB liability as a percentage of covered-employee payroll	86.39%	91.01%

Notes to Schedule:

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF INVESTMENT RETURNS
OTHER POST EMPLOYMENT BENEFITS MEDICAL PLAN

Exhibit P

June 30, 2018

Annual money-weighted rate of return, net of investment expense

9.52%

Notes to Schedule:

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

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

Exhibit Q

	As of June 30, 2018*
Total HIC OPEB Liability	
Service cost	\$ 10,954
Interest	25,945
Changes of assumptions	(8,780)
Benefit payments, including refunds of employee contributions	(16,000)
Net change in total HIC OPEB liability	12,119
Total HIC OPEB liability - beginning	378,648
Total HIC OPEB liability - ending (a)	<u><u>\$ 390,767</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 18,590
Net investment income	26,654
Benefit payments, including refunds of employee contributions	(16,000)
Administrative expense	(435)
Other	1,340
Net change in plan fiduciary net position	30,149
Plan fiduciary net position - beginning	229,004
Plan fiduciary net position - ending (b)	<u><u>\$ 259,153</u></u>
School Board non-professional net HIC OPEB liability - ending (a) - (b)	<u><u>\$ 131,614</u></u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	66.32%
Employer's covered payroll	\$ 8,450,387
School Board's non-professional net HIC OPEB liability as a percentage of covered-employee payroll	1.56%

Notes to Schedule:

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

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

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

Exhibit R

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

Notes to Schedule:

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

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

	Fiscal Year Ended				
	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Contractually required contribution (CRC)	\$ 38,058	\$ 37,330	\$ 22,750	\$ 22,421	\$ 23,392
Contributions in relation to the CRC	38,058	37,330	22,750	22,421	23,392
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 9,282,327	\$ 9,104,944	\$ 8,749,842	\$ 8,623,393	\$ 8,354,374
Contributions as a percentage of covered payroll	0.41%	0.41%	0.26%	0.26%	0.28%

Fiscal Year Ended					
June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	
\$ 24,145	\$ 19,168	\$ 18,945	\$ 18,590	\$ 19,150	Contractually required contribution (CRC)
24,145	19,168	18,945	18,590	19,150	Contributions in relation to the CRC
<hr/>					
\$ -	\$ -	\$ -	\$ -	\$ -	Contribution deficiency (excess)
<hr/>					
\$ 8,623,160	\$ 8,333,781	\$ 8,237,042	\$ 8,450,387	\$ 8,704,683	Employer's covered payroll
0.28%	0.23%	0.23%	0.22%	0.22%	Contributions as a percentage of covered payroll

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

	Fiscal Year Ended				
	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Contractually required contribution (CRC)	\$ 1,482,793	\$ 1,027,697	\$ 841,342	\$ 844,081	\$ 1,554,883
Contributions in relation to the CRC	1,482,793	1,027,697	841,342	844,081	1,554,883
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 137,295,613	\$ 98,817,060	\$ 140,223,697	\$ 140,680,230	\$ 140,079,529
Contributions as a percentage of covered payroll	1.08%	1.04%	0.60%	0.60%	1.11%

Fiscal Year Ended					
June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	
\$ 1,591,451	\$ 1,479,292	\$ 1,523,188	\$ 1,685,773	\$ 1,884,866	Contractually required contribution (CRC)
1,591,451	1,479,292	1,523,188	1,685,773	1,884,866	Contributions in relation to the CRC
<u>\$ - \$ - \$ - \$ - \$ -</u>					Contribution deficiency (excess)
\$ 143,373,972	\$ 139,555,858	\$ 143,696,986	\$ 151,871,436	\$ 153,241,128	Employer's covered payroll
1.11%	1.06%	1.06%	1.11%	1.23%	Contributions as a percentage of covered payroll

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

Exhibit U

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

Notes to Schedule:

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

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

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

Exhibit V

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

Notes to Schedule:

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

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

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

	Fiscal Year Ended				
	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Contractually required contribution (CRC)	\$ 25,077	\$ 17,911	\$ 24,562	\$ 24,229	\$ 40,058
Contributions in relation to the CRC	25,077	17,911	24,562	24,229	40,058
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 9,287,894	\$ 6,633,831	\$ 8,772,319	\$ 8,653,225	\$ 8,345,360
Contributions as a percentage of covered payroll	0.27%	0.27%	0.28%	0.28%	0.48%

Fiscal Year Ended					
June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	
\$ 41,423	\$ 40,121	\$ 39,562	\$ 43,989	\$ 45,365	Contractually required contribution (CRC)
41,423	40,121	39,562	43,989	45,365	Contributions in relation to the CRC
<hr/>					
\$ -	\$ -	\$ -	\$ -	\$ -	Contribution deficiency (excess)
<hr/>					
\$ 8,629,723	\$ 8,358,626	\$ 8,242,052	\$ 8,459,382	\$ 8,724,051	Employer's covered payroll
0.48%	0.48%	0.48%	0.52%	0.52%	Contributions as a percentage of covered payroll

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

	Fiscal Year Ended				
	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Contractually required contribution (CRC)	\$ 371,057	\$ 266,872	\$ 393,021	\$ 394,562	\$ 673,367
Contributions in relation to the CRC	371,057	266,872	393,021	394,562	673,367
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 137,428,371	\$ 98,841,644	\$ 140,364,792	\$ 140,915,085	\$ 140,284,867
Contributions as a percentage of covered payroll	0.27%	0.27%	0.28%	0.28%	0.48%

Fiscal Year Ended					
June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	
\$ 688,808	\$ 670,263	\$ 690,132	\$ 790,750	\$ 797,564	Contractually required contribution (CRC)
688,808	670,263	690,132	790,750	797,564	Contributions in relation to the CRC
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	Contribution deficiency (excess)
 \$ 143,501,617	 \$ 139,638,173	 \$ 143,777,585	 \$ 152,067,324	 \$ 153,377,599	Employer's covered payroll
0.48%	0.48%	0.48%	0.52%	0.52%	Contributions as a percentage of covered payroll

OTHER SUPPLEMENTARY INFORMATION

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

Exhibit Y

	Internal Service Funds			Total
	Fleet Services Fund	Health Benefits Fund	Workers' Compensation Fund	Proprietary Funds
ASSETS				
Cash and cash equivalents	\$ 1,617,388	\$ 29,461,169	\$ 1,337,973	\$ 32,416,530
Accounts receivable	6,266	-	-	6,266
Due from other funds	-	184,224	-	184,224
Inventory	244,933	-	-	244,933
Capital assets:				
Land	37,357	-	-	37,357
Land improvements	1,268,429	-	-	1,268,429
Construction in progress	45,588	-	-	45,588
Buildings and building improvements	1,861,024	-	-	1,861,024
Furniture, fixtures and equipment	241,823	-	-	241,823
Software	78,725	-	-	78,725
Vehicles	99,598	-	-	99,598
Less accumulated depreciation and amortization	(1,985,408)	-	-	(1,985,408)
Total capital assets	1,647,136	-	-	1,647,136
Total assets	3,515,723	29,645,393	1,337,973	34,499,089
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	200,076	-	-	200,076
OPEB deferrals	40,538	-	-	40,538
Total deferred outflows of resources	240,614	-	-	240,614
LIABILITIES				
Current liabilities:				
Accounts payable	39,155	1,255,404	48,052	1,342,611
Accrued salaries and benefits	10,062	1,237	1,463	12,762
Due to other funds	437	-	66	503
Current portion of accrued insurance claims	-	5,237,900	526,174	5,764,074
Current portion of capital lease	31,232	-	-	31,232
Current portion of compensated absences	13,956	-	-	13,956
Noncurrent portion of accrued insurance claims	-	-	135,326	135,326
Noncurrent portion of capital lease	99,087	-	-	99,087
Noncurrent portion of compensated absences	141,330	-	-	141,330
Net OPEB liability	1,015,824	-	-	1,015,824
Net pension liability	1,928,550	-	-	1,928,550
Total liabilities	3,279,633	6,494,541	711,081	10,485,255
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	172,800	-	-	172,800
OPEB deferrals	227,528	-	-	227,528
Total deferred inflows of resources	400,328	-	-	400,328
NET POSITION				
Net investment in capital assets	1,516,817	-	-	1,516,817
Unrestricted (deficit)	(1,440,441)	23,150,852	626,892	22,337,303
Total net position	\$ 76,376	\$ 23,150,852	\$ 626,892	\$ 23,854,120

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018

Exhibit Z

	Internal Service Funds			
	Fleet Services Fund	Health Benefits Fund	Workers' Compensation Fund	Total Proprietary Funds
Operating revenues:				
Charges for services	\$ 3,593,933	\$ 31,530,239	\$ -	\$ 35,124,172
Operating expenses:				
Personnel services	1,749,957	145,198	90,721	1,985,876
Contractual services	43,118	29,451,975	747,995	30,243,088
Materials and supplies	1,561,464	-	-	1,561,464
Utilities	17,877	-	-	17,877
Telecommunications	29,884	-	-	29,884
Depreciation and amortization	148,738	-	-	148,738
Total operating expenses	3,551,038	29,597,173	838,716	33,986,927
Operating income (loss)	42,895	1,933,066	(838,716)	1,137,245
Nonoperating revenues (expenses):				
Interest and investment revenue	-	71,164	-	71,164
Interest expense	(4,299)	-	-	(4,299)
Vehicle and other sales	24,671	-	-	24,671
Total nonoperating revenues, net	20,372	71,164	-	91,536
Income (loss) before transfers	63,267	2,004,230	(838,716)	1,228,781
Net transfers (to) from other funds	(7,129)	-	573,679	566,550
Change in net position	56,138	2,004,230	(265,037)	1,795,331
Net position, beginning - July 1, 2017, as restated	20,238	21,146,622	891,929	22,058,789
Net position, ending - June 30, 2018	\$ 76,376	\$ 23,150,852	\$ 626,892	\$ 23,854,120

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018

Exhibit AA

	Internal Service Funds			
	Fleet Services Fund	Health Benefits Fund	Workers' Compensation Fund	Total Proprietary Funds
Cash flows from operating activities:				
Receipts from customers	\$ 3,813,919	\$ 31,510,578	\$ -	\$ 35,324,497
Payments to suppliers	(1,643,631)	(27,753,372)	(573,542)	(29,970,545)
Payments to employees	(1,784,889)	(145,580)	(90,528)	(2,020,997)
Net cash provided by (used in) operating activities	385,399	3,611,626	(664,070)	3,332,955
Cash flows from noncapital financing activities:				
Transfers (to) from other funds, net	(7,129)	-	573,679	566,550
Net cash provided by (used in) noncapital financing activities	(7,129)	-	573,679	566,550
Cash flows from capital and related financing activities:				
Proceeds from vehicle and supply sales	24,671	-	-	24,671
Principal paid on capital lease	(30,374)	-	-	(30,374)
Interest paid on capital lease	(4,299)	-	-	(4,299)
Acquisition and construction of capital assets	(81,158)	-	-	(81,158)
Net cash used in capital and related financing activities	(91,160)	-	-	(91,160)
Cash flows from investing activities:				
Interest earned on investments	-	71,164	-	71,164
Net cash provided by investing activities	-	71,164	-	71,164
Net increase (decrease) in cash and cash equivalents	287,110	3,682,790	(90,391)	3,879,509
Cash and cash equivalents, beginning July 1, 2017	1,330,278	25,778,379	1,428,364	28,537,021
Cash and cash equivalents, ending June 30, 2018	\$ 1,617,388	\$ 29,461,169	\$ 1,337,973	\$ 32,416,530
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 42,895	\$ 1,933,066	\$ (838,716)	\$ 1,137,245
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	148,738	-	-	148,738
Changes in assets and liabilities:				
Decrease (increase) in accounts receivables	219,986	(19,661)	-	200,325
Decrease in prepaid expenses	-	325,798	-	325,798
Decrease in inventory	3,583	-	-	3,583
Decrease in deferred outflows of resources	65,548	-	-	65,548
Increase (decrease) in accounts payable and accrued expenses	(28,059)	1,372,423	174,646	1,519,010
Decrease in compensated absences	(1,666)	-	-	(1,666)
Decrease in net pension liability	(211,973)	-	-	(211,973)
Increase in deferred inflows of resources	292,548	-	-	292,548
Decrease in net OPEB liability	(146,201)	-	-	(146,201)
Total adjustments	342,504	1,678,560	174,646	2,195,710
Net cash provided by (used in) operating activities	\$ 385,399	\$ 3,611,626	\$ (664,070)	\$ 3,332,955

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PRIVATE PURPOSE TRUST FUNDS
June 30, 2018

Exhibit BB

	Scholarship Trust Fund	Endowment Trust Fund	Total Trust Funds
ASSETS			
Restricted investments	<u>\$ 7,744</u>	<u>\$ 29,297</u>	<u>\$ 37,041</u>
LIABILITIES			
Scholarships payable	\$ 4,072	\$ 1,000	\$ 5,072
NET POSITION			
Restricted for OPEB	-	-	-
Restricted for scholarships	3,672	-	3,672
Restricted for endowment	-	28,297	28,297
Total restricted net position	<u>\$ 3,672</u>	<u>\$ 28,297</u>	<u>\$ 31,969</u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2018

Exhibit CC

	Scholarship Trust Fund	Endowment Trust Fund	Total Trust Funds
ADDITIONS			
Contributions from donors	\$ 4,072	\$ -	\$ 4,072
Investment earnings:			
Investment interest income	-	443	443
Investment gains, net	-	-	-
Total investment earnings	-	443	443
Less investment expense	-	-	-
Net investment earnings	-	443	443
Total additions	4,072	443	4,515
DEDUCTIONS			
Benefits	4,072	1,000	5,072
Total deductions	4,072	1,000	5,072
Change in net position	-	(557)	(557)
Restricted net position - beginning	3,672	28,854	32,526
Restricted net position - ending	<u>\$ 3,672</u>	<u>\$ 28,297</u>	<u>\$ 31,969</u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
June 30, 2018

Exhibit DD

	School Activity Funds	Employee Flexible Spending Fund	Fiduciary Services Fund	Stafford Education Foundation	Total Agency Funds
ASSETS					
Cash and cash equivalents	\$ 2,920,710	\$ 296,619	\$ 29,355	\$ 118,975	\$ 3,365,659
LIABILITIES					
Reserved for future expenditures	\$ 2,920,710	\$ 296,619	\$ 29,355	\$ 118,975	\$ 3,365,659

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - SCHOOL ACTIVITY FUNDS
For the Fiscal Year Ended June 30, 2018

Exhibit EE

	Agency Fund			
	School Activity Funds			
	Beginning Balance - July 1, 2017	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance - June 30, 2018
ASSETS				
Cash and cash equivalents	\$ 3,044,988	\$ 5,368,153	\$ (5,492,431)	\$ 2,920,710
LIABILITIES				
Reserved for future expenditures	\$ 3,044,988	\$ 5,368,153	\$ (5,492,431)	\$ 2,920,710

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - EMPLOYEE FLEXIBLE SPENDING FUND
For the Fiscal Year Ended June 30, 2018

Exhibit FF

	Agency Fund			
	Employee Flexible Spending Fund			
	Beginning Balance - July 1, 2017	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance - June 30, 2018
ASSETS				
Cash and cash equivalents	\$ 239,289	\$ 710,010	\$ (652,680)	\$ 296,619
LIABILITIES				
Reserved for future expenditures	\$ 239,289	\$ 710,010	\$ (652,680)	\$ 296,619

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - FIDUCIARY SERVICES FUND
For the Fiscal Year Ended June 30, 2018

Exhibit GG

	Agency Fund			
	Fiduciary Services Fund			Ending Balance June 30, 2018
	Beginning Balance July 1, 2017	Additions - Cash Receipts	Deductions - Cash Disbursements	
ASSETS				
Cash and cash equivalents	\$ 18,506	\$ 31,351	\$ (20,502)	\$ 29,355
LIABILITIES				
Reserved for future expenditures	\$ 18,506	\$ 31,351	\$ (20,502)	\$ 29,355

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - STAFFORD EDUCATION FOUNDATION
For the Fiscal Year Ended June 30, 2018

Exhibit HH

	Agency Fund			
	Stafford Education Foundation			Ending Balance June 30, 2018
	Beginning Balance July 1, 2017	Additions - Cash Receipts	Deductions - Cash Disbursements	
ASSETS				
Cash and cash equivalents	\$ 93,773	\$ 67,129	\$ (41,927)	\$ 118,975
LIABILITIES				
Reserved for future expenditures	\$ 93,773	\$ 67,129	\$ (41,927)	\$ 118,975

STATISTICAL SECTION

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2018

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

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

The following information included in this statistical section is unaudited.

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STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NET POSITION BY COMPONENT
Fiscal Years 2009 - 2018
(Accrual Basis of Accounting)

	June 30,				
	2009	2010	2011	2012	2013
NET ASSETS/NET POSITION					
Investment in capital assets, net of related debt	\$ 377,290,792	\$ 371,615,809	\$ 371,880,043	\$ 377,833,302	\$ -
Net investment in capital assets	-	-	-	-	383,728,660
Restricted	-	6,615,701	11,479,446	17,548,128	21,973,458
Unrestricted	<u>17,502,199</u>	<u>8,350,669</u>	<u>4,772,785</u>	<u>(5,832,921)</u>	<u>5,638,327</u>
Total net assets	<u>\$ 394,792,991</u>	<u>\$ 386,582,179</u>	<u>\$ 388,132,274</u>	<u>\$ 389,548,509</u>	N/A
Total net position	N/A	N/A	N/A	N/A	<u>\$ 411,340,445</u>

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

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

Table S-1

June 30,					
2014	2015	2016	2017	2018	
					NET ASSETS/NET POSITION
\$ -	\$ -	\$ -	\$ -	\$ -	Investment in capital assets, net of related debt
402,418,884	433,631,721	438,932,856	446,017,754	448,764,864	Net investment in capital assets
49,239,175	21,465,238	12,861,062	7,639,914	23,153,543	Restricted
<u>(21,932,140)</u>	<u>(258,123,522)</u>	<u>(242,911,240)</u>	<u>(237,430,067)</u>	<u>(392,841,614)</u>	Unrestricted (deficit)
N/A	N/A	N/A	N/A	N/A	Total net assets
<u>\$ 429,725,919</u>	<u>\$ 196,973,437</u>	<u>\$ 208,882,678</u>	<u>\$ 216,227,601</u>	<u>\$ 79,076,793</u>	Total net position

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
CHANGES IN NET POSITION BY COMPONENT
Fiscal Years 2009 - 2018
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013
Expenses					
Governmental activities	\$ 279,829,235	\$ 275,344,685	\$ 281,858,250	\$ 287,665,251	\$ 290,728,443
Program revenues					
Charges for services	17,996,927	21,992,880	17,282,725	16,404,687	17,987,309
Grants and contributions	152,758,520	140,144,414	64,321,646	73,208,380	81,370,952
Total program revenues	<u>170,755,447</u>	<u>162,137,294</u>	<u>81,604,371</u>	<u>89,613,067</u>	<u>99,358,261</u>
Net expenses	<u>(109,073,788)</u>	<u>(113,207,391)</u>	<u>(200,253,879)</u>	<u>(198,052,184)</u>	<u>(191,370,182)</u>
General revenues					
Sales Tax and Basic Aid	*	*	96,195,244	100,375,990	102,845,402
Unrestricted grants and contributions, including Payments from Stafford County	101,194,329	103,808,533	99,323,620	98,599,339	108,625,975
Investment earnings	411,486	24,374	22,090	33,339	53,507
Gain on capital asset disposals and other sales	-	(9,726)	80,567	40,600	1,069,605
Miscellaneous	1,631,563	1,791,969	332,453	419,151	567,629
Total general revenues	<u>103,237,378</u>	<u>105,615,150</u>	<u>195,953,974</u>	<u>199,468,419</u>	<u>213,162,118</u>
Change in net position/assets	<u>\$ (5,836,410)</u>	<u>\$ (7,592,241)</u>	<u>\$ (4,299,905)</u>	<u>\$ 1,416,235</u>	<u>\$ 21,791,936</u>

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

Table S-2

For the Fiscal Year Ended June 30,					
2014	2015	2016	2017	2018	
<u>\$ 293,901,842</u>	<u>\$ 285,238,534</u>	<u>\$ 300,625,771</u>	<u>\$ 317,291,665</u>	<u>\$ 321,825,800</u>	Expenses
					Governmental activities
					Program revenues
18,232,507	18,902,311	18,372,613	18,061,718	18,722,670	Charges for services
82,741,613	76,415,692	72,638,754	81,471,179	81,336,350	Grants and contributions
<u>100,974,120</u>	<u>95,318,003</u>	<u>91,011,367</u>	<u>99,532,897</u>	<u>100,059,020</u>	Total program revenues
<u>(192,927,722)</u>	<u>(189,920,531)</u>	<u>(209,614,404)</u>	<u>(217,758,768)</u>	<u>(221,766,780)</u>	Net expenses
					General revenues
102,485,508	107,949,304	109,421,075	112,615,106	112,912,819	Sales Tax and Basic Aid
					Unrestricted grants and contributions,
					including Payments from Stafford
108,414,728	103,735,323	111,658,395	112,072,289	116,440,953	County
51,177	42,190	71,599	90,762	339,742	Investment earnings
					Gain on capital asset disposals and
117,222	133,484	115,058	64,697	24,671	other sales
244,561	276,331	257,518	260,837	272,184	Miscellaneous
<u>211,313,196</u>	<u>212,136,632</u>	<u>221,523,645</u>	<u>225,103,691</u>	<u>229,990,369</u>	Total general revenues
<u>\$ 18,385,474</u>	<u>\$ 22,216,101</u>	<u>\$ 11,909,241</u>	<u>\$ 7,344,923</u>	<u>\$ 8,223,589</u>	Change in net position/assets

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS
Fiscal Years 2009 - 2018
(Modified Accrual Basis of Accounting)

	June 30,				
Operating Fund:	2009	2010	2011	2012	2012
Nonspendable	\$ -	\$ -	\$ -	\$ 490,227	\$ 525,298
Restricted	-	-	960,510	-	-
Committed	-	-	-	4,757,640	7,318,523
Assigned	-	-	7,007,460	544,058	-
Unassigned	-	-	-	(2,816,334)	(2,329,257)
Reserved	4,329,683	3,566,366	-	-	-
Designated	4,700,000	618,571	-	-	-
Fund balance - operating fund	<u>9,029,683</u>	<u>4,184,937</u>	<u>7,967,970</u>	<u>2,975,591</u>	<u>5,514,564</u>
All Other Governmental Funds:					
Reserved:					
Capital Projects Fund	1,822,581	4,581,296	-	-	-
Food and Nutrition Services Fund	353,134	315,257	-	-	-
School Construction, Renovation and Maintenance Fund	-	-	-	-	-
Grants Fund	<u>558,638</u>	<u>47,115</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,734,353</u>	<u>4,943,668</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unreserved:					
Capital Projects Fund	3,546,746	1,923,648	-	-	-
Food and Nutrition Services Fund	1,375,483	1,540,575	-	-	-
School Construction, Renovation and Maintenance Fund	-	-	-	-	-
Grants Fund	<u>(558,638)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,363,591</u>	<u>3,464,223</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonspendable:					
Food and Nutrition Services Fund	-	-	234,485	238,566	341,770
	-	-	234,485	238,566	341,770
Restricted:					
Capital Projects Fund	-	-	8,168,063	14,990,608	19,823,101
Food and Nutrition Services Fund	-	-	2,273,740	2,395,383	2,109,164
Grants Fund	-	-	77,133	40,328	41,193
	-	-	10,518,936	17,426,319	21,973,458
Committed:					
Capital Projects Fund	-	-	1,781,748	2,126,770	13,584,453
	-	-	1,781,748	2,126,770	13,584,453
Fund balance - other governmental funds	<u>7,097,944</u>	<u>8,407,891</u>	<u>12,535,169</u>	<u>19,791,655</u>	<u>35,899,681</u>
Fund balance - total governmental funds	<u>\$ 16,127,627</u>	<u>\$ 12,592,828</u>	<u>\$ 20,503,139</u>	<u>\$ 22,767,246</u>	<u>\$ 41,414,245</u>

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

Table S-3

June 30,					
2014	2015	2016	2017	2018	Operating Fund:
\$ 659,455	\$ 444,506	\$ 577,597	\$ 569,714	\$ 723,540	Nonspendable
-	-	-	-	-	Restricted
2,465,667	3,091,085	-	144,043	211,584	Committed
2,961,531	5,213,871	12,794,590	10,792,575	9,069,955	Assigned
-	-	-	-	-	Unassigned
-	-	-	-	-	Reserved
-	-	-	-	-	Designated
<u>6,086,653</u>	<u>8,749,462</u>	<u>13,372,187</u>	<u>11,506,332</u>	<u>10,005,079</u>	Fund balance - operating fund
					All Other Governmental Funds:
					Reserved:
-	-	-	-	-	Capital Projects Fund
-	-	-	-	-	Food and Nutrition Services Fund
-	-	-	-	-	School Construction, Renovation and Maintenance Fund
-	-	-	-	-	Grants Fund
-	-	-	-	-	
					Unreserved:
-	-	-	-	-	Capital Projects Fund
-	-	-	-	-	Food and Nutrition Services Fund
-	-	-	-	-	School Construction, Renovation and Maintenance Fund
-	-	-	-	-	Grants Fund
-	-	-	-	-	
<u>297,730</u>	<u>240,566</u>	<u>260,626</u>	<u>282,149</u>	<u>465,648</u>	Nonspendable:
<u>297,730</u>	<u>240,566</u>	<u>260,626</u>	<u>282,149</u>	<u>465,648</u>	Food and Nutrition Services Fund
46,626,075	18,204,234	8,997,231	2,618,654	17,237,097	Restricted:
2,508,113	3,141,740	3,797,665	4,850,254	5,771,134	Capital Projects Fund
104,987	119,264	66,166	171,006	145,312	Food and Nutrition Services Fund
<u>49,239,175</u>	<u>21,465,238</u>	<u>12,861,062</u>	<u>7,639,914</u>	<u>23,153,543</u>	Grants Fund
(10,966,533)	-	2,985,882	17,446,552	6,311,023	Committed:
(10,966,533)	-	2,985,882	17,446,552	6,311,023	Capital Projects Fund
<u>38,570,372</u>	<u>21,705,804</u>	<u>16,107,570</u>	<u>25,368,615</u>	<u>29,930,214</u>	Fund balance - other governmental funds
<u>\$ 44,657,025</u>	<u>\$ 30,455,266</u>	<u>\$ 29,479,757</u>	<u>\$ 36,874,947</u>	<u>\$ 39,935,293</u>	Fund balance - total governmental funds

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Fiscal Years 2009 - 2018
(Modified Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013
REVENUES:					
Intergovernmental:					
Stafford County	\$ 101,194,329	\$ 109,379,789	\$ 107,735,478	\$ 123,180,386	\$ 142,676,306
Commonwealth of Virginia	138,721,700	119,332,877	118,851,130	126,557,871	133,476,749
Federal Government	14,036,820	20,811,537	33,253,902	22,445,452	16,689,274
Total intergovernmental revenues	253,952,849	249,524,203	259,840,510	272,183,709	292,842,329
Charges for services:					
Tuition and fees	646,368	804,273	695,978	721,180	911,220
Food sales	7,124,957	6,817,209	7,316,875	7,231,445	6,681,246
Recovered costs	1,199,174	960,986	1,370,939	1,180,368	1,767,641
Miscellaneous	396,412	768,248	332,453	419,151	587,600
Interest	331,375	10,472	12,329	26,157	45,810
Total revenues	263,651,135	258,885,391	269,569,084	281,762,010	302,835,846
EXPENDITURES:					
Education:					
Instruction	182,434,351	181,521,213	181,073,501	187,321,574	191,433,956
Administration, attendance and health	13,411,457	12,611,894	9,688,371	10,062,051	10,422,301
Pupil transportation	12,363,412	12,279,285	12,706,286	13,335,894	13,419,206
Operation and maintenance	21,287,639	19,949,060	20,957,014	20,688,827	21,315,872
Food and nutrition services	10,848,880	10,620,763	11,162,148	11,908,144	12,054,783
Facilities	524,866	250,290	187,981	182,034	198,990
Technology	12,005,015	11,949,997	14,581,888	13,887,167	15,129,827
Capital outlay	18,306,903	9,273,865	11,518,149	21,150,304	22,907,317
Debt service:					
Principal	268,828	280,422	367,517	380,132	393,292
Interest and fiscal charges	118,081	106,486	102,347	81,776	71,631
Total expenditures	271,569,432	258,843,275	262,345,202	278,997,903	287,347,175
Excess (deficiency) of revenues over (under) expenditures	(7,918,297)	42,116	7,223,882	2,764,107	15,488,671
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of land	-	-	-	-	1,000,000
Proceeds from capital lease	-	-	-	-	-
Transfers from other funds	100,000	118,434	1,958,212	-	2,361,672
Transfers to other funds	(5,395,311)	(4,313,920)	(1,958,212)	(500,000)	(203,343)
Loan from Stafford County	-	-	1,305,000	-	-
Total other financing uses, net	(5,295,311)	(4,195,486)	1,305,000	(500,000)	3,158,329
Net change in fund balance	\$ (13,213,608)	\$ (4,153,370)	\$ 8,528,882	\$ 2,264,107	\$ 18,647,000

Table S-4

For the Fiscal Year Ended June 30,					
2014	2015	2016	2017	2018	
					REVENUES:
					Intergovernmental:
\$ 141,522,936	\$ 131,198,166	\$ 133,899,547	\$ 138,999,308	\$ 134,942,282	Stafford County
135,588,828	139,495,094	142,268,097	148,896,372	156,289,875	Commonwealth of Virginia
16,530,085	17,407,059	17,550,580	18,262,894	19,457,965	Federal Government
293,641,849	288,100,319	293,718,224	306,158,574	310,690,122	Total intergovernmental revenues
					Charges for services:
759,633	867,202	752,941	868,492	783,138	Tuition and fees
6,640,211	6,684,272	6,754,639	6,762,593	6,587,698	Food sales
2,059,853	2,082,884	2,374,395	2,514,639	3,880,297	Recovered costs
286,236	280,754	329,978	445,984	360,930	Miscellaneous
46,322	36,892	56,296	54,853	268,578	Interest
303,434,104	298,052,323	303,986,473	316,805,135	322,570,763	Total revenues
					EXPENDITURES:
					Education:
190,904,984	190,794,453	196,107,491	206,214,135	217,564,851	Instruction
10,587,435	10,448,126	10,743,059	11,407,604	11,698,247	Administration, attendance and health
13,591,390	12,923,044	12,463,033	12,810,665	13,874,003	Pupil transportation
20,731,939	19,888,292	20,578,357	21,543,418	21,944,518	Operation and maintenance
11,517,146	11,724,692	12,077,813	12,047,774	12,204,242	Food and nutrition services
111,512	100,323	161,377	163,332	600,213	Facilities
15,320,646	15,021,211	16,878,885	15,717,051	15,373,331	Technology
36,172,121	52,277,196	34,604,747	28,145,272	25,278,935	Capital outlay
					Debt service:
407,020	421,339	721,941	743,292	372,323	Principal
68,147	49,701	68,115	46,704	33,204	Interest and fiscal charges
299,412,340	313,648,377	304,404,818	308,839,247	318,943,867	Total expenditures
4,021,764	(15,596,054)	(418,345)	7,965,888	3,626,896	Excess (deficiency) of revenues over (under) expenditures
					OTHER FINANCING SOURCES (USES):
-	-	-	-	-	Proceeds from sale of land
-	2,125,000	-	-	-	Proceeds from capital lease
200,000	1,302,000	318,630	-	-	Transfers from other funds
(978,985)	(2,032,707)	(875,794)	(570,698)	(566,550)	Transfers to other funds
-	-	-	-	-	Loan from Stafford County
(778,985)	1,394,293	(557,164)	(570,698)	(566,550)	Total other financing uses, net
\$ 3,242,779	\$ (14,201,761)	\$ (975,509)	\$ 7,395,190	\$ 3,060,346	Net change in fund balance

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
GENERAL INFORMATION
June 30, 2018

Table S-5

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

Stafford County Public Schools			
Number of Schools:		Fall Membership: (1)	
Early childhood centers	1	Elementary schools	12,398
Elementary schools	17	Middle schools	6,919
Middle schools	8	High schools	9,476
High schools	5	Total	<u>28,793</u>
Alternative schools	<u>2</u>		
	<u>33</u>		

Contracted Employees: FY 2018	
Licensed Instructional	2,403
Other Employees	<u>1,864</u>
	<u>4,267</u>

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION
Fiscal Years 2009 - 2018

	Fiscal Year				
	2009	2010	2011	2012	2013
Contracted Employees:					
Licensed Instructional	2,125	2,186	2,149	2,168	2,174
Other Employees	2,424	1,603	1,586	1,537	1,541
Total	<u>4,549</u>	<u>3,789</u>	<u>3,735</u>	<u>3,705</u>	<u>3,715</u>

Table S-6

Fiscal Year					Contracted Employees: Licensed Instructional Other Employees Total
2014	2015	2016	2017	2018	
2,139	2,116	2,304	2,480	2,403	
1,486	1,428	1,449	1,402	1,864	
<u>3,625</u>	<u>3,544</u>	<u>3,753</u>	<u>3,882</u>	<u>4,267</u>	

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NUMBER OF SCHOOLS IN THE DIVISION
Fiscal Years 2009 - 2018

	Fiscal Year				
	2009	2010	2011	2012	2013
Number of Schools:					
Elementary Schools	17	17	17	17	17
Secondary Schools:					
Middle Schools	8	8	8	8	8
High Schools	5	5	5	5	5
Total	30	30	30	30	30

Table S-7

Fiscal Year					Number of Schools: Elementary Schools Secondary Schools: Middle Schools High Schools Total
2014	2015	2016	2017	2018	
17	17	17	17	17	
8	8	8	8	8	
5	5	5	5	5	
30	30	30	30	30	

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
DIVISION-WIDE ENROLLMENT
Fiscal Years 2009 - 2018

	Fiscal Year				
	2009	2010	2011	2012	2013
Student Membership:					
September 30 membership	26,435	26,672	26,797	26,815	26,972
Average daily membership as of March 31	26,350	26,648	26,745	26,773	26,904
End-of-year membership	26,219	26,522	26,603	26,681	26,803
Students enrolled in special education programs	2,410	2,391	2,412	2,412	2,559
English Language Learners	996	1,135	1,160	1,192	1,121
Students enrolled in grades K-3	7,320	7,416	5,471	5,505	7,526

Table S-8

Fiscal Year					
2014	2015	2016	2017	2018	
26,944	27,218	27,510	28,005	28,793	Student Membership:
26,901	27,197	27,519	28,017	28,487	September 30 membership
26,925	27,218	27,474	28,786	28,576	Average daily membership as of March 31
2,392	2,532	2,653	2,964	3,303	End-of-year membership
					Students enrolled in special education programs
1,183	1,251	1,352	1,380	1,735	English Language Learners
7,532	7,761	7,822	7,916	8,018	Students enrolled in grades K-3

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
VARIOUS OPERATING INDICATORS
Fiscal Years 2009 - 2018

	Fiscal Year				
	2009	2010	2011	2012	2013
Operating Statistics:					
Average per pupil expenditures	\$ 9,531	\$ 9,399	\$ 12,387	\$ 9,752	\$ 9,971
Average classroom teacher salary	\$50,820	\$52,591	\$50,692	\$51,465	\$50,864
Composite index (1)	0.3629	0.3629	0.3362	0.3362	0.3305

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

Table S-9

Fiscal Year					
2014	2015	2016	2017	2018	
\$ 9,285	\$ 8,255	\$ 9,514	\$ 9,961	\$ 9,561	Operating Statistics:
\$ 52,080	\$ 52,716	\$ 54,490	\$ 56,462	\$ 52,618	Average per pupil expenditures
0.3305	0.3412	0.3412	0.3445	0.3462	Average classroom teacher salary
					Composite index (1)

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
TRANSPORTATION OPERATING INDICATORS
Fiscal Years 2009 - 2018

	Fiscal Year				
	2009	2010	2011	2012	2013
Transportation Statistics:					
Average Ridership (Regular)	17,997	19,950	20,007	19,991	18,893
Average Ridership (Special Needs)	532	576	650	626	566
Average Ridership (Head Start)	250	284	300	300	353
Buses Operated Daily (Regular)	166	154	159	143	150
Buses Operated Daily (Special Needs)	41	53	45	63	70
Buses Operated Daily (Head Start)	11	14	12	11	11
Special Trip Assignments	2,600	2,132	4,214	4,477	4,048
Miles Traveled (Regular)	1,479,400	1,612,567	2,118,744	1,529,964	1,269,012
Miles Traveled (Special Needs)	685,040	1,053,310	1,331,000	716,207	839,917

Table S-10

Fiscal Year					
2014	2015	2016	2017	2018	
16,489	17,048	15,664	17,069	17,089	Average Ridership (Regular)
561	726	697	732	799	Average Ridership (Special Needs)
350	350	300	350	350	Average Ridership (Head Start)
138	140	137	139	139	Buses Operated Daily (Regular)
71	71	57	67	69	Buses Operated Daily (Special Needs)
10	10	10	11	12	Buses Operated Daily (Head Start)
3,926	3,864	3,976	4,217	3,771	Special Trip Assignments
1,421,050	1,465,231	1,686,888	1,649,558	1,473,182	Miles Traveled (Regular)
860,773	865,854	1,103,008	1,291,239	1,007,595	Miles Traveled (Special Needs)

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FOOD AND NUTRITION SERVICES OPERATING INDICATORS
Fiscal Years 2009 - 2018

	Fiscal Year				
	2009	2010	2011	2012	2013
School Nutrition Program (SNP)					
Statistics:					
September 30 Membership	26,435	26,672	26,797	26,815	26,972
Eligible for Free Lunch	3,727	4,632	5,277	5,933	5,993
Percentage	14.10%	17.37%	19.69%	22.13%	22.22%
Eligible for Reduced Price Lunch	1,237	1,281	1,106	1,520	1,520
Percentage	4.68%	4.80%	4.13%	5.67%	5.64%
Eligible for Free and Reduced Price Lunch - Total	4,964	5,913	6,383	7,453	7,513
Percentage	18.78%	22.17%	23.82%	27.79%	27.85%
High School Lunch Prices	\$ 2.10	\$ 2.25	\$ 2.25	\$ 2.40	\$ 2.40
Middle School Lunch Prices	\$ 2.10	\$ 2.25	\$ 2.25	\$ 2.40	\$ 2.40
Elementary School Lunch Prices	\$ 2.10	\$ 2.15	\$ 2.15	\$ 2.30	\$ 2.30

Table S-11

Fiscal Year					School Nutrition Program (SNP) Statistics:
2014	2015	2016	2017	2018	
26,944	27,173	27,510	28,005	29,025	September 30 Membership
6,135	6,439	7,222	8,035	8,376	Eligible for Free Lunch
22.77%	23.70%	26.25%	28.69%	28.86%	Percentage
1,552	1,608	1,711	1,617	1,560	Eligible for Reduced Price Lunch
5.76%	5.92%	6.22%	5.77%	5.37%	Percentage
7,687	8,047	8,933	9,652	9,936	Eligible for Free and Reduced Price Lunch - Total
28.53%	29.61%	32.47%	34.47%	34.23%	Percentage
\$ 2.65	\$ 2.75	\$ 2.80	\$ 2.90	\$ 3.00	High School Lunch Prices
\$ 2.55	\$ 2.65	\$ 2.70	\$ 2.80	\$ 2.90	Middle School Lunch Prices
\$ 2.45	\$ 2.55	\$ 2.60	\$ 2.70	\$ 2.80	Elementary School Lunch Prices

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FLEET SERVICES OPERATING INDICATORS
Fiscal Years 2009 - 2018

	Fiscal Year									
	2009	2010	2011	2012	2013			2014		
					Active	Average Age	Average Mileage	Active	Average Age	Average Mileage
Fleet Vehicles Serviced by Fleet Services:										
Stafford County Public Schools Fleet Vehicles:										
Buses:										
Mainstream	229	232	240	233	236	9.33	12,287	223	8.61	10,675
Special Needs	69	67	66	62	64	6.32	15,366	68	6.35	14,627
Activity Buses	5	5	5	5	5	1.51	13,195	5	2.40	21,062
Less: Salvaged (1)	-	(5)	(20)	(6)	(18)			(27)		
Subtotal Buses	303	299	291	294	287			269		
Other School Vehicles:										
Administration	2	2	2	2	2	3.74	7,428	2	4.50	9,851
Driver's Education	13	13	13	13	13	6.46	7,232	11	7.30	6,253
Fleet Services	7	7	7	7	7	8.61	3,564	6	9.33	3,577
Head Start	4	4	4	6	6	8.67	2,756	6	9.66	2,440
Maintenance	42	46	48	51	53	9.26	7,150	43	10.12	7,786
Food and Nutritional Services	1	1	1	1	1	8.15	1,151	1	9.00	1,693
Planning & Construction	4	4	4	4	4	7.38	4,013	4	7.75	4,342
Technology	0	0	1	1	1	3.20	1,864	1	4.00	2,050
Security	5	8	7	7	7	7.30	1,831	7	7.28	1,631
Transportation	7	7	8	8	8	7.35	2,101	8	7.50	2,153
Subtotal Other Vehicles	85	92	95	100	102			89		
Total Stafford County Public Schools Fleet Vehicles	388	391	386	394	389			358		
County of Stafford Fleet Vehicles:										
Fire & Rescue	2	144	151	154	166	9.94	N/A	169	11.36	N/A
Sheriff	190	216	232	223	222	5.97	N/A	241	5.94	N/A
Utilities	101	103	84	105	108	9.27	N/A	117	8.69	N/A
Other	132	127	145	142	145	8.47	N/A	139	9.28	N/A
Total County of Stafford Fleet Vehicles	565	590	612	624	641			666		
Total Fleet Vehicles	953	981	998	1,018	1,030			1,024		
Other Vehicles Serviced by Fleet Services:										
Airport Authority Fleet Vehicles	2	2	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vocational Foundation Fleet Vehicles	1	1	1	1	1	18	N/A	1	19	N/A
Total Other Vehicles	3	3	3	1	1			1		

Source: Fleet Services internal records.

(1) To be sold at auction

N/A - Not available.

Fiscal Year											
2015			2016			2017			2018		
Average	Average		Average	Average		Average	Average		Average	Average	
Active	Age	Mileage	Active	Age	Mileage	Active	Age	Mileage	Active	Age	Mileage
Fleet Vehicles Serviced by Fleet Services:											
Stafford County Public Schools Fleet Vehicles:											
Buses:											
195	9.05	12,606	192	8.25	14,709	195	7.50	12,921	188	7.99	13,045
67	6.66	17,274	68	6.82	21,283	66	7.30	17,501	67	7.14	18,635
5	3.20	22,632	5	4.20	23,982	5	5.20	22,085	5	6.20	23,762
(15)			(20)			(8)			-		
252			245			258			260		
Mainstream											
Special Needs											
Activity Buses											
Less: Salvaged (1)											
Subtotal Buses											
Other School Vehicles:											
2	6.00	10,464	2	6.50	9,555	-	-	-	-	-	-
12	4.50	6,185	13	4.50	7,307	13	3.61	5,770	12	4.20	5,862
6	7.16	3,276	6	7.16	3,276	6	8.60	4,276	5	5.80	5,035
6	10.33	4,423	6	10.60	537	6	12.33	4,543	7	11.40	1,981
45	9.75	6,339	45	8.90	6,803	58	10.00	5,675	59	10.40	6,372
1	10.00	1,409	1	11.00	1,987	1	12.00	1,743	2	7.00	1,399
4	9.00	5,243	4	10.00	6,154	4	11.00	6,642	4	12.00	6,491
1	5.00	1,813	1	6.00	1,647	1	7.00	1,993	1	4.00	2,226
7	8.85	1,897	7	9.87	2,254	7	10.00	1,576	6	12.10	1,703
7	8.00	2,908	8	7.62	2,769	8	9.00	1,906	8	9.88	2,127
91			93			104			104		
343			338			362			364		
Subtotal Other Vehicles											
Total Stafford County Public Schools Fleet Vehicles											
County of Stafford Fleet Vehicles:											
172	11.34	N/A	178	11.34	4,318	170	11.97	4,950	174	12.42	4,712
221	6.01	6,930	227	6.01	9,137	259	5.84	9,847	275	5.66	9,497
120	8.38	7,767	120	8.38	7,002	134	8.19	10,715	143	8.60	7,940
153	8.02	N/A	157	9.04	4,920	139	11.13	N/A	152	-	N/A
666			682			702			744		
Total County of Stafford Fleet Vehicles											
1,009			1,020			1,064			1,108		
Total Fleet Vehicles											
Other Vehicles Serviced by Fleet Services:											
Airport Authority Fleet Vehicles											
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1	20	N/A	1	21	N/A	-	N/A	N/A	-	N/A	N/A
Vocational Foundation Fleet Vehicles											
1			1			-			-		
Total Other Vehicles											

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FLEET SERVICES OPERATING INDICATORS
Fiscal Years 2009 - 2018

	Fiscal Year				
	2009	2010	2011	2012	2013
FLEET OPERATIONS					
Work orders completed	6,394	6,314	6,390	6,101	5,593
Invoices processed	5,303	5,292	5,780	4,814	4,374
Parts transactions	22,140	27,222	20,147	93,302	95,663

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

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

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

Source: Fleet Services internal records.

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

Table S-12B

Fiscal Year						
2014	2015	2016	2017	2018		
5,638	5,254	5,402	5,220	5,475	FLEET OPERATIONS	
4,670	4,593	4,532	4,443	4,266	Work orders completed	
90,926	83,703	80,917	87,410	87,209	Invoices processed	
					Parts transactions	
Fiscal Year						
2016		2017		2018		
<u>Schools</u>	<u>County</u>	<u>Schools</u>	<u>County</u>	<u>Schools</u>	<u>County</u>	FLEET FUEL
541,287	478,829	556,154	487,511	562,598	503,230	Gallons Purchased
\$ 777,308	\$ 733,776	\$ 921,522	\$ 785,867	\$ 1,171,800	\$ 971,072	Cost
Fiscal Year						
2016		2017		2018		
<u>Replacement</u>	<u>Additional</u>	<u>Replacement</u>	<u>Additional</u>	<u>Replacement</u>	<u>Additional</u>	FLEET ACQUISITIONS
-	20	23	-	7	-	School Buses - Mainstream
-	5	3	-	3	-	- Special Needs
3	-	3	-	6	-	Other School Vehicles
Fiscal Year						
2016		2017		2018		
<u>Heavy Duty Shop</u>	<u>Light Duty Shop</u>	<u>Heavy Duty Shop</u>	<u>Light Duty Shop</u>	<u>Heavy Duty Shop</u>	<u>Light Duty Shop</u>	FLEET SHOPS
36	124	36	128	36	148	Vehicles per Technician by Shop

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Technology and Information Services
Fiscal Years 2009 - 2018

	Fiscal Years				
	2009	2010	2011	2012	2013
Technology Statistics:					
Number of Sites Serviced (Schools and Support Offices)	34	34	34	34	34
Computer Statistics:					
Total Desktop Computers	6,863	6,943	7,077	7,141	7,141
Desktop Computers over 5 years old	608	2,073	819	139	65
Percentage of Desktop Computers over 5 years old	9%	30%	12%	2%	1%
Total MacBooks	3,746	3,746	3,731	3,825	3,825
MacBooks over 5 years old	31	617	731	108	187
Percentage of MacBooks over 5 years old	1%	16%	20%	3%	5%
Total Chromebooks	0	0	0	0	778
Chromebooks Reaching EOL	0	0	0	0	0
Percentage of Chromebooks Reaching EOL	0%	0%	0%	0%	0%
Total Windows Laptops					
Windows Laptops over 5 years old					
Percentage of Windows Laptops over 5 years old					
Connectivity Statistics by Site					
Number of Sites with Wireless LAN connection	5	5	34	34	34
Percentage of Sites with Wireless LAN connection	15%	15%	100%	100%	100%
Number of Sites with Fiber WAN connection	-	9	9	18	18
Percentage of Sites with Fiber WAN connection	0%	26%	26%	53%	53%
Number of Sites with Wireless WAN connection	18	18	18	18	18
Percentage of Sites with Wireless WAN connection	53%	53%	53%	53%	53%
Number of Sites with T1 WAN connection	14	8	8	6	6
Percentage of Sites with T1 WAN connection	41%	24%	24%	18%	18%
Other Technology Statistics:					
Number of Schools fully equipped with Mounted Projectors	3	3	3	30	30
Percentage of Schools fully equipped with Mounted Projectors	10%	10%	10%	100%	100%

Table S-13

Fiscal Years					
2014	2015	2016	2017	2018	
Technology Statistics:					
34	34	34	34	35	Number of Sites Serviced (Schools and Support Offices)
Computer Statistics:					
7,270	7,326	7,457	7,449	7,534	Total Desktop Computers
138	174	5	993	554	Desktop Computers over 5 years old
2%	2%	0%	13%	7%	Percentage of Desktop Computers over 5 years old
3,245	3,135	3,161	2,696	2,246	Total MacBooks
600	110	465	290	604	MacBooks over 5 years old
18%	4%	15%	11%	27%	Percentage of MacBooks over 5 years old
1,651	3,025	6,955	13,867	14,751	Total Chromebooks
0	0	0	65	2,308	Chromebooks Reaching EOL
0%	0%	0%	0%	16%	Percentage of Chromebooks Reaching EOL
				1,336	Total Windows Laptops
				600	Windows Laptops over 5 years old
				45%	Percentage of Windows Laptops over 5 years old
Connectivity Statistics by Site					
34	34	34	34	35	Number of Sites with Wireless LAN connection
100%	100%	100%	100%	100%	Percentage of Sites with Wireless LAN connection
26	27	31	33	34	Number of Sites with Fiber WAN connection
76%	79%	91%	97%	97%	Percentage of Sites with Fiber WAN connection
18	18	18	18	0	Number of Sites with Wireless WAN connection
53%	53%	53%	53%	0%	Percentage of Sites with Wireless WAN connection
3	3	2	2	1	Number of Sites with T1 WAN connection
9%	9%	6%	6%	3%	Percentage of Sites with T1 WAN connection
Other Technology Statistics:					
30	30	30	30	32	Number of Schools fully equipped with Mounted Projectors
100%	100%	100%	100%	100%	Percentage of Schools fully equipped with Mounted Projectors

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Property Data
June 30, 2018

Table S-14

	Year of Construction	Year of Last Renovation	Building - Square Feet	Site - Acreage
High School Data				
Brooke Point HS	1993	2016	281,637	52.82
Colonial Forge HS	1999	2016	268,091	62.90
Mountain View HS	2005	2017	271,439	95.35
North Stafford HS	1981	2003	304,096	88.50
Stafford Senior HS	2015	-	288,253	124.56
Middle School Data				
Edward Drew MS	1951	1998	98,913*	15.31
<i>*6,032 SF is designated to the Heather Empfield Day School</i>				
Dixon-Smith MS	2006	-	145,700	48.04
H. H. Poole MS	1995	1998	145,140	36.62
Rodney Thompson MS	2000	-	138,199	44.55
Stafford MS	1991	2007	136,677	37.45
Shirley Heim MS	2008	-	146,770	22.00
T.B. Gayle MS	2002	-	148,221	39.98
A.G. Wright MS and Garrisonville ES (combined campus)	1981	2007	195,099	50.20
Elementary School Data				
Anthony Burns ES	2006	-	88,300	38.57
K. W. Barrett ES	2002	-	87,800	20.51
Conway ES	2005	-	88,300	19.92
Falmouth ES	1967	2012	73,725	41.49
Ferry Farm ES	1957	1992	70,550	18.12
Grafton Village ES	1967	2014	81,384	12.16
Hartwood ES	1963	1993	61,068	29.60
Hampton Oaks ES	1992	1996	80,968	18.76
Margaret Brent ES	2004	-	87,800	22.80
Moncure ES	1966	1997	76,098	18.54
Park Ridge ES	1990	1994	76,431	20.00
Rockhill ES	1989	1994	76,438	23.38
Rocky Run ES	2000	-	87,700	20.00
Stafford ES	1968	2013	74,317	15.87
Widewater ES	1988	1995	77,108	22.44
Winding Creek ES	1997	-	82,016	20.89
Other Property				
Alvin York Bandy Administration Building and and Professional Development Center	1998	2000	74,124	9.55
Gari Melchers Complex	1931	1990	156,934	29.87
Pupil Transportation (Included in Fleet Acreage)	2009	-	7,362	-
Fleet Services	1980	-	16,000	21.54
Support Services Building (included in Fleet Acreage)	1998	-	25,650	-
Aimee Building (JROTC Office on Stafford Senior HS campus)	1981	-	2,304	-
Land				
High School #6, Clift Farm Road	-	-	-	172.00
Armstrong Property	-	-	-	151.45

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Energy Management - Utilities Savings
Calendar Years 2008 - 2017

	Calendar Year				
	2008	2009	2010	2011	2012
Utilities Summary of All Schools (by Year):					
Thousand British Thermal Units (KBTU)	235,724,780	217,896,785	233,409,383	201,773,183	189,007,876
Square Footage	3,771,182	3,771,182	3,771,182	3,771,182	3,771,182
KBTU/Square Footage	62.51	57.78	61.89	53.50	50.12

Utilities Summary by School Level (in KBTU):

	2017		
	Actual	Historical	Savings
Elementary Schools:			
Electric	52,107,569	51,940,098	(167,471)
Gas	17,669,782	20,884,214	3,214,432
Oil	-	1,913,050	1,913,050
Propane	144,895	237,106	92,211
Subtotal	69,922,246	74,974,468	5,052,222
Middle Schools:			
Electric	31,394,716	33,915,240	2,520,524
Gas	12,250,657	8,896,709	(3,353,948)
Oil	1,969,988	3,635,214	1,665,226
Propane	10,842	68,919	58,077
Subtotal	45,626,203	46,516,082	889,879
High Schools			
Electric	48,904,404	51,765,654	2,861,250
Gas	15,519,275	11,977,726	(3,541,549)
Oil	4,295,120	8,050,065	3,754,945
Propane	259,638	74,772	(184,866)
Subtotal	68,978,437	71,868,217	2,889,780
Total	184,526,886	193,358,767	8,831,881

Percentage of Savings 4.56%
Dollar Savings (net of capital lease payment of \$386,908) \$ 258,848

Table S-15

Calendar Year					Utilities Summary of All Schools (by Year):
2013	2014	2015	2016	2017	
191,080,280	189,759,963	187,518,601	182,780,846	184,526,886	Thousand British Thermal Units (KBTU)
3,771,182	3,771,182	3,784,663	3,840,542	3,840,542	Square Footage
50.67	50.32	49.55	47.59	48.05	KBTU/Square Footage

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
AVERAGE SAT SCORES
Fiscal Years 2009 - 2018

	2009	2010	2011	2012	2013
Average SAT Scores:					
Math	504	509	504	505	509
Writing	484	493	486	489	490
Critical Reading	506	516	510	514	514

Source: College Board (2018) SAT Suite Assessments Annual Report.

Table S-16

2014	2015	2016	2017	2018	Average SAT Scores:
511	519	513	521	541	
					Mathematics
					Evidence-
					Based Reading
493	492	486	542	560	and Writing
519	522	520	-	-	

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2009 - 2018

Table S-17A

Grade	Location	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Reading											
3	Division	81%	84%	85%	88%	76%	70%	76%	75%	74%	73%
	State	89%	88%	83%	88%	72%	69%	75%	76%	75%	72%
4	Division	86%	88%	90%	88%	74%	72%	82%	77%	78%	77%
	State	89%	88%	87%	88%	70%	70%	77%	77%	79%	76%
5	Division	88%	89%	91%	89%	79%	76%	83%	83%	83%	80%
	State	92%	90%	89%	89%	73%	73%	79%	81%	81%	80%
6	Division	84%	85%	89%	90%	79%	76%	78%	80%	83%	83%
	State	86%	88%	87%	89%	73%	73%	76%	77%	78%	80%
7	Division	89%	86%	91%	92%	82%	83%	86%	85%	85%	84%
	State	88%	89%	89%	88%	74%	76%	81%	82%	82%	81%
8	Division	87%	83%	92%	92%	77%	74%	81%	81%	79%	81%
	State	87%	90%	90%	89%	71%	70%	75%	75%	76%	77%
High School	Division	96%	94%	96%	97%	93%	92%	92%	90%	90%	89%
	State	95%	94%	94%	94%	89%	90%	89%	89%	87%	87%
Writing											
5	Division	84%	87%	91%	90%	75%	74%	NLG	NLG	NLG	NLG
	State	86%	88%	87%	87%	71%	71%	NLG	NLG	NLG	NLG
8	Division	89%	87%	90%	91%	74%	69%	76%	75%	74%	69%
	State	89%	91%	88%	88%	70%	70%	72%	71%	73%	73%
High School	Division	95%	92%	96%	95%	90%	85%	86%	86%	86%	85%
	State	92%	92%	93%	93%	87%	84%	83%	83%	84%	84%

NLG = No longer given

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2009 - 2018

Table S-17B

Grade	Location	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
3	Division State	History									
		93%	94%	87%	89%	89%	88%	NLG	NLG	NLG	NLG
5	Division State	93%	93%	85%	87%	87%	86%	NLG	NLG	NLG	NLG
		N/A	83%	100%	93%	95%	95%	NLG	NLG	NLG	NLG
4	Division State	94%	90%	80%	84%	82%	86%	NLG	NLG	NLG	NLG
		History and Social Science (Alternative Assessment)									
6	Division State	N/A	N/A	88%	93%	96%	95%	NLG	NLG	NLG	NLG
		95%	92%	87%	84%	81%	88%	NLG	NLG	NLG	NLG
7	Division State	N/A	100%	95%	88%	83%	90%	NLG	NLG	NLG	NLG
		N/A	91%	92%	86%	84%	89%	NLG	NLG	NLG	NLG
High School	Division State	N/A	100%	95%	96%	89%	96%	NLG	NLG	NLG	NLG
		N/A	92%	91%	88%	84%	89%	NLG	NLG	NLG	NLG
High School	Division State	N/A	95%	89%	92%	86%	92%	90%	90%	85%	74%
		90%	91%	87%	84%	77%	86%	78%	85%	80%	83%
High School	Division State	Virginia and U.S. History									
		96%	97%	89%	93%	91%	90%	91%	90%	90%	88%
High School	Division State	95%	95%	83%	85%	86%	87%	87%	86%	86%	84%
		World History I									
High School	Division State	96%	98%	88%	88%	92%	91%	89%	89%	90%	85%
		93%	93%	81%	84%	84%	85%	85%	84%	85%	82%
High School	Division State	World History II									
		97%	97%	88%	91%	90%	92%	91%	90%	90%	87%
High School	Division State	93%	92%	82%	85%	85%	86%	87%	86%	87%	84%
		World Geography									
High School	Division State	96%	99%	100%	99%	97%	99%	100%	99%	95%	99%
		86%	86%	85%	85%	86%	86%	86%	86%	83%	82%
Content Specific	Division State	Virginia Studies									
		86%	87%	92%	91%	90%	87%	89%	87%	85%	84%
Content Specific	Division State	88%	87%	89%	89%	87%	85%	87%	87%	87%	85%
		U.S. History 1865 to 1877									
Content Specific	Division State	66%	80%	84%	82%	85%	79%	NLG	NLG	NLG	NLG
		74%	78%	81%	81%	83%	81%	NLG	NLG	NLG	NLG
Content Specific	Division State	U.S. History 1877 to present									
		94%	94%	88%	86%	88%	84%	NLG	NLG	NLG	NLG
Content Specific	Division State	92%	91%	85%	84%	82%	81%	NLG	NLG	NLG	NLG
		Civics and Economics									
Content Specific	Division State	81%	82%	82%	84%	87%	83%	86%	87%	84%	83%
		84%	86%	84%	84%	85%	83%	86%	87%	87%	86%

NLG = No longer given

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2009 - 2018

Table S-17C

Grade	Location	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Mathematics											
3	Division	88%	93%	93%	69%	69%	68%	78%	77%	74%	75%
	State	89%	92%	91%	64%	65%	67%	74%	77%	75%	73%
4	Division	84%	88%	90%	75%	79%	84%	85%	83%	81%	79%
	State	86%	88%	89%	70%	74%	80%	84%	83%	81%	79%
5	Division	87%	94%	91%	72%	76%	78%	84%	81%	83%	79%
	State	90%	92%	89%	67%	69%	73%	79%	79%	79%	77%
6	Division	76%	83%	83%	82%	83%	86%	90%	90%	88%	84%
	State	73%	77%	73%	74%	77%	76%	83%	82%	82%	79%
7	Division	66%	68%	73%	54%	75%	75%	79%	81%	79%	78%
	State	71%	75%	77%	58%	61%	65%	72%	72%	71%	69%
8	Division	90%	89%	90%	83%	68%	72%	79%	77%	76%	70%
	State	85%	87%	82%	60%	61%	67%	74%	73%	74%	71%
Mathematics (Alternate Assessment)											
High School	Division	91%	95%	100%	92%	67%	88%	100%	97%	96%	74%
	State	81%	80%	77%	68%	65%	69%	72%	69%	69%	86%
Algebra I											
High School	Division	94%	97%	97%	83%	87%	84%	85%	84%	84%	81%
	State	94%	94%	94%	75%	76%	79%	82%	83%	82%	81%
Geometry											
High School	Division	91%	90%	92%	77%	81%	82%	85%	82%	81%	81%
	State	87%	88%	87%	74%	76%	77%	80%	80%	78%	77%
Algebra II											
High School	Division	92%	92%	92%	72%	86%	91%	95%	92%	89%	91%
	State	91%	91%	91%	69%	76%	82%	87%	89%	90%	89%

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2009 - 2018

Table S-17D

Grade	Location	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Science											
3	Division	88%	91%	90%	92%	85%	85%	NLG	NLG	NLG	NLG
	State	89%	91%	90%	90%	84%	83%	NLG	NLG	NLG	NLG
5	Division	87%	90%	86%	88%	79%	75%	82%	81%	79%	78%
	State	88%	88%	87%	88%	75%	73%	79%	81%	79%	79%
8	Division	95%	94%	96%	96%	83%	79%	83%	83%	82%	77%
	State	90%	92%	92%	92%	76%	74%	78%	79%	79%	78%
Science (Alternate Assessment)											
High School	Division	100%	86%	94%	96%	71%	85%	84%	90%	81%	78%
	State	88%	88%	90%	83%	59%	74%	77%	84%	82%	83%
Biology											
High School	Division	93%	93%	95%	95%	89%	88%	91%	90%	88%	86%
	State	88%	93%	90%	92%	83%	83%	84%	84%	82%	82%
Chemistry											
High School	Division	97%	96%	95%	96%	90%	90%	91%	87%	87%	86%
	State	93%	94%	93%	93%	86%	87%	88%	88%	89%	89%
Earth Science											
High School	Division	93%	92%	93%	96%	91%	88%	87%	87%	86%	83%
	State	87%	88%	89%	90%	83%	83%	83%	84%	82%	81%

NLG = No longer given

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHOOL ACCREDITATION AND ADEQUATE YEARLY PROGRESS (AYP)
OR FEDERAL ANNUAL MEASURABLE OBJECTIVES (FAMOs)
Fiscal Years 2009 - 2018

	2009	2010	2011	2012	2013
Division-wide Status:					
Schools Fully Accredited	100%	100%	100%	100%	100%
Schools that Made AYP/AMO	47%	53%	37%	37%	47%
Division AYP/AMO	Made AYP	Did not make AYP	Did not make AYP	Did not make AYP	Did not meet FAMO
Schools that Made FAMO	-	-	-	-	47%
Division FAMO	-	-	-	-	Did not meet FAMO

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

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

Table S-18

2014	2015	2016	2017	2018	
97%	100%	100%	100%	100%	Division-wide Status: Accredited
50%	37%	*	*	*	Schools that Made AYP/AMO
Did not meet FAMO	Did not meet FAMO	*	*	*	Division AYP/AMO
50%	37%	*	*	*	Schools that Made FAMO
Did not meet FAMO	Did not meet FAMO	*	*	*	Division FAMO

COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stafford County School Board (the "School Board"), a component unit of Stafford County, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements, and have issued our report thereon dated May 16, 2019. Our report recognizes that the School Board implemented a new accounting standard effective July 1, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the *Specifications for Audits of Counties, Cities, and Towns*.

Purpose of this Report

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

Cherry Bekaert LLP

Tysons Corner, Virginia
May 16, 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 Stafford County School Board
Stafford County Public Schools
Stafford County, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Stafford County Public School's (the "School Board"), a component unit of Stafford County, Virginia, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School Board's major federal programs for the year ended June 30, 2018. The School Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Programs

In our opinion, the School Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the School Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Cherry Berkant LLP

Tysons Corner, Virginia
May 16, 2019

Stafford County Public Schools
Component Unit of the County of Stafford
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Subrecipient	Federal Expenditures
Department of Agriculture:				
Direct Payments:				
Child Nutrition Cluster:				
Food Distribution	10.555	10.555/2012	-	\$ 807,784
Department of Education:				
National School Lunch Program	10.555	2014IN109941	-	4,207,461
Total 10.555			-	5,015,245
National School Breakfast Program	10.553	2014IN109941	-	1,532,498
Total Child Nutrition Cluster			-	6,547,743
Total Department of Agriculture			-	6,547,743
Department of Defense:				
Direct Payments:				
JROTC	12.000	N/A	-	293,011
Basic and Applied Scientific Research	12.300	N/A	-	743
Total Department of Defense			-	293,754
Department of Education:				
Direct Payments:				
Impact Aid	84.041	N/A	-	977,184
Pass Through Payments:				
Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	H027A130107	-	4,845,581
Special Education - Preschool Grants	84.173	H173A130112	-	65,341
Total Special Education Cluster			-	4,910,922
Title I Grants to Local Educational Agencies	84.010	S010A130046	-	2,227,763
Title IV Part B-21 Twenty-First Century Community Learning Center	84.287	S287C130047	-	26,723
Education for Homeless Children and Youth	84.196	S196A160048	-	30,063
Advance Placement Incentive Program	84.330	S330B130008	-	-
Career and Technical Education - Basic Grants to States	84.048	V048A130046	-	293,581
Improving Teacher Quality State Grants	84.367	S367A130044	-	251,203
English Language Acquisition Grant	84.365	S365A130046	-	128,879
Total Department of Education			-	8,846,318
Department of Health and Human Services:				
Direct Payments:				
Head Start Program	93.600	N/A	-	2,849,516
Pass Through Payments:				
Department of Social Services:				
Medicaid Cluster:				
Medical Assistance Program	93.778	93.778/2012	-	920,634
Total Medicaid Cluster			-	920,634
Total Department of Health and Human Services			-	3,770,150
Total Expenditures of Federal Awards			-	\$ 19,457,965

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

Stafford County Public Schools
Component Unit of the County of Stafford
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Stafford County Public Schools under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Stafford County Public Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Stafford County Public Schools.

Note 2 - Summary of Significant Accounting Policies

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Pass-through entity identifying numbers are presented where available.
3. The School Board has elected not to use the 10 percent de minimus indirect cost as allowed under the Uniform Guidance.

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
School Operating Fund	\$ 2,190,829
School Grants Fund	10,719,393
School Food and Nutrition Services Fund	6,547,743 **
Total federal expenditures per basic financial statements	\$ <u>19,457,965</u>
 Total federal expenditures per the Schedule of Expenditures of Federal Awards	 \$ <u>19,457,965</u>

** Includes non-cash expenditures - value of donated commodities of \$807,784.

**Stafford County Public Schools
Schedule of Findings and Questioned Costs
June 30, 2018**

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: **None**
4. Noncompliance, which is material to the financial statements: **None**
5. Significant deficiencies in internal control over major programs: **None reported**
6. Material weaknesses in internal control over major programs: **None**
7. The type of report issued on compliance for major programs: **Unmodified**
8. Any audit findings which are required to be reported under the Uniform Guidance: **No**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program and Cluster</u>
84.010	Title I Grants to Local Education Agencies
84.041	Impact Aid
84.027-CL	Special Education Cluster
93.778	Medical Assistance Program

10. Dollar threshold used to distinguish between type A and type B programs: **\$750,000**
11. Auditee qualified as low-risk auditee? **No**

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

None reported

C. Findings and Questioned Costs Relating to Federal Awards:

None reported

D. Status of Prior Year Findings:

None reported

