STAFFORD COUNTY, VIRGINIA

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

FISCAL YEAR 2017
(July 1, 2016 - June 30, 2017)

Prepared by Stafford County, Virginia Finance Department

Thomas C. Foley, County Administrator
Maria J. Perrotte, Chief Financial Officer
Alan R. (Randy) Helwig, Controller
Annette Seay, Accounting Manager
Kim Schukis, General Accountant

Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

COUNTY OF STAFFORD, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

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Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

STAFFORD Virginia

December 18, 2017

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of Stafford, Virginia (County) for Fiscal Year (FY) 2017 in compliance with Section 15.2-2511 of the *Code of Virginia* (1950), as amended. The County has used professionally accepted standards to prepare its financial statements. The report is designed to present fairly the financial position and results of financial operations of the County in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure so that the reader may gain maximum understanding of the County's financial affairs.

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

- Accounting principles generally accepted in the United States of America (GAAP), which are uniform minimum standards and guidelines for financial accounting and reporting.

- Governmental accounting and financial reporting statements and interpretations issued by the Governmental Accounting Standards Board (GASB) and;

- Uniform financial reporting standards for counties, cities and towns issued by the Commonwealth of Virginia's Auditor of Public Accounts (APA).

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

RSM LLP, a firm of licensed certified public accountants, audited the County's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2017, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based on their audit, that there was a reasonable basis for rendering an unmodified opinion on the County's financial statements for the year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

1300 Courthouse Road, P. O. Box 339, Stafford, VA 22555-0339 Phone: (540) 658.8600 Fax: (540) 658.7643 www.staffordcountyva.gov

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

PROFILE OF STAFFORD COUNTY

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

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

The government of the County serves a population of 144,612 residents and provides a full range of local government services. These include general administration, judicial administration, public safety, public works, health and welfare, parks, recreation, and community facilities, education, and community and economic development. Funds required to support these services are reflected in this report.

Public Schools

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

Higher Education

Multiple opportunities for higher education exist in the County. The University of Mary Washington's graduate school campus is located in Stafford County. It offers a variety of career advancement and professional development programs for working adults. More than 1,000 students were enrolled in these programs during 2016-2017. Germanna Community College operates its Stafford County Center for Workforce and Community Education in the northern section of the County. The center was opened as a partnership with the County's Economic Development Authority. It offers a full range of credit courses in addition to workforce training classes. The Germanna Community College system serves approximately 1,000 local students. Other nearby educational institutions include the Marine Corp University and George Mason University.

In addition there are two regional partnerships that address continuing education needs for area employers. Stafford Workforce and Education Partnership (SWEP) is a partnership between Stafford County Economic Development, Stafford County Public Schools, Germanna Community College, The University of Mary Washington and the local business community. This group identified four key industry sectors (Federal contractors, healthcare, skilled trades and tourism/hospitality) in the community and monitors the continuing education needs to support local businesses. The resulting enhanced workforce capabilities will contribute to long-term economic growth for the community.

A partnership between the Stafford County Board of Supervisors, Stafford County Economic Development, The University of Mary Washington, Germanna Community College and George Mason University created and developed Stafford Technology and Research Center. There are numerous government agencies (defense, Federal and local) and high-tech contractors located in the area. This center is the precursor to an eventual full service tech park that will provide local employees working in the professional and scientific sectors with specialized high-tech training and research opportunities.

Budgetary Control

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

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

Internal Control

In developing and maintaining the County's overall accounting and financial management system, adequacy of internal accounting controls has been considered. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss and the reliability of financial records. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management. In this regard, we believe that the County's internal accounting controls are adequate. In addition, the external auditors evaluate these controls during the course of the annual audit. We are committed to deriving the maximum benefits from this review process and will continue to actively pursue implementation of all recommended policy and procedural changes which are deemed practicable.

Accounting System

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

Relevant Financial Policies

The Board's financial policy, *Principles of High Performance Financial Management*, was adopted in FY 2005 and updated in FY 2016 per policy guidelines. The policy defines the fund balance levels for the General Fund and sets debt capacity parameters in order to provide for overall stability and flexibility for financial planning purposes. It is reviewed and updated every two years, at a minimum. One of the Board's goals for FY 2014 was to continue strengthening its financial position through a commitment to fiscal discipline and accountability. The revised policy continues the minimum unrestricted, unassigned fund balance for the General Fund at twelve percent (12%) of General Fund revenues. Use of unassigned fund balance is restricted to significant unexpected declines in revenues or unanticipated emergencies. This policy was met; at June 30, 2017 unassigned fund balance in the General Fund was $34.4 million or 12% of revenues. The Board also reaffirmed previously established fund balance commitments:

- Revenue Stabilization Fund – one half of one percent of general fund revenue with a goal of 2% by 2018 – to be used during times of economic downturns when reduced revenues create fiscal stress.
- Capital Projects Reserve – a minimum of $1.5 million for capital needs to reduce reliance on debt.
- Schools Capital Projects Reserve – a minimum of $1.5 million for capital needs to reduce reliance on debt.
- Stafford Opportunity Fund – $0.5 million to enhance and promote economic development opportunities.
- PDR fund – dedicates all rollback tax revenue to purchase development rights and preserve open space and farm land.
- Reserve for healthcare costs - equal to the estimated Incurred But Not Reported (IBNR) plus 10% of annual claims.

All commitments were fully funded according to policy guidelines for FY 2017. See the Notes to Financial Statements, Summary of Significant Accounting Policies, Note 1, Section N – Net Position and Fund Balance Classification – for a detailed discussion of this policy.

Long-Term Financial Planning

The County prepares a Capital Improvement Plan (CIP) annually. The CIP serves as a planning tool to analyze initiatives, formulate service levels and phase-in funding needed for public facilities. The Board adopts the plan during the budget process. The adopted FY 2017-2026 CIP totaled $758.7 million with $321.0 million for County projects, $242.1 million for school projects and $195.6 million for Utilities Fund projects. A variety of funding sources including general obligation bonds, revenue bonds, capital leases, grants and General Fund revenues will fund the projects. The bond portion of the projects totaled $414.8 million - $145.5 million for County projects, $172.6 million for school projects and $95.8 million for Utilities Fund projects.

The Board's financial policy limits general obligation debt to no more than 3% of the assessed value of taxable real property. General obligation debt as a percentage of taxable real property assessed value for FY 2017 was 2.55%. General Fund debt service expenditures for the County and its Component Unit School Board are not to exceed 10% of general government and schools operating budgeted expenditures. Debt service expenditures were 9.43% of budgeted expenditures for FY 2017. The financial policy also states that each year's maximum available debt service will be established by increasing the prior year's actual debt service by the percentage of general fund revenue changes averaged over the last 5 years. The policy reduces reliance on debt to meet capital needs by limiting the percentage of capital lease debt service to 1% of the general government budget. Additional criteria for capital lease funded purchases include that (1) capital lease purchase is eligible under state law for such financing, (2) the useful life of the purchase equals or exceeds the term of the debt, (3) the purchase exceeds $100,000, and (4) sufficient funds are available for the resulting debt service. The adopted CIP is in full compliance with the County's financial debt management policies.

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

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

ECONOMIC CONDITION AND OUTLOOK

Stafford County Economic Development & Tourism is dedicated to the perpetuation of Stafford County as a premier business location and travel destination in Virginia. An economically competitive and sustainable community, Stafford County strives to create an exciting, diverse and amenity-rich identity. Initiatives undertaken in the areas of economic development, business retention and redevelopment continue to enhance the County's position as economic conditions improve. Stafford County saw modest growth in FY 2018. Business Attraction and Expansions showed gains in Healthcare, Construction, Small Business and Retail.

According to the Bureau of Labor Statistics, Stafford's unemployment rate through October 2018 was 3.6%, while the State of Virginia and national rates were 3.6% and 4.1% respectively. This comparatively low unemployment rate is due to a relatively high skilled and educated labor force and continued business growth in the County. There are more than 2,650 businesses located in Stafford, employing more than 43,350 people. The professional and business services and health care industries have contributed significantly to that growth. Nearly 363,000 square feet of commercial space is under construction. There are numerous commercial projects in various stages of development

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

- Activities associated with attracting quality retail opportunities to the County.
- Activities to attract data center facilities to the County
- Advancing capital projects consistent with the County's Master Redevelopment Plan element of the Comprehensive Plan to provide opportunities for business development and expansion
- Support multiple regional workshops for the business community focusing on business development and resources, workforce development, and veterans' transition programs.

Recognizing that most new jobs and investment in the community come from existing businesses, Stafford continues to focus considerable energy and staff resources on business retention and expansion. Economic Development staff visit many County businesses to seek feedback on the local business climate. Department staff provide Economic Development overviews to executive roundtables, professional associations, and community groups. The community has also identified expanded retail and data center attractions as a priority. Staff participated in several retail marketing and data center attraction events that promoted the County as a target expansion area.

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

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

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

The central Courthouse area includes a variety of retail, government and health care facilities. The historic Courthouse area has been master planned as a pedestrian-friendly community center with both retail and cultural facilities. Significant new infrastructure is in engineering and design, including the multimillion dollar streetscape improvement project. Stafford Hospital Center, a full service, 100-bed acute care facility, is also located in the Courthouse area. Future development, enhanced by transportation improvements, is expected to generate supporting businesses for the area.

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

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

Transportation issues continue to be addressed in all areas of the County. In North Stafford, a new southbound turn lane has been completed at the intersection of route 1 and Garrisonville Road. Construction began in Spring 2017 to widen Rt. 610, a major transportation corridor, and is almost complete. The Interstate 95 / Route 630 (Courthouse Road) Interchange Relocation is a $150 million "diverging diamond" interchange project. When completed in 2020, over 300 acres of underutilized and vacant area will available for long term development. Safety improvements to Brooke, Poplar and Mountain View Roads are in the design and land acquisition phases. These projects are part of VDOT's revenue sharing road improvement program. Construction is in the final stages to widen Rt. 610, a major transportation corridor. Safety improvements to Brooke, Poplar and Mountain View Roads, along Route 1 in the Courthouse area and in the vicinity of Telegraph Road are in the design and land acquisition phases. These projects are part of VDOT's revenue sharing road improvement program, and the recently enacted SmartScale funding program.

Efforts continue to enhance and expand the tourism sector of our economy. Marketing tools include the Stafford Visitor Center, a tourism website, a wayfinding signage program, cooperative regional programs, Civil War reenactments, and more. The construction of the replica of George Washington's boyhood home is set for completion in 2017.

Sports Tourism now brands Stafford County as a regional sports destination. The new Rouse Swim and Sports Center provides an Olympic pool complex, and 6 multi-sport fields with an additional 2 synthetic fields under construction. With the addition of this new complex, Stafford County will host seven confirmed new tournaments in 2017. Three more natural turf fields are in design at this site. More tournament and events are in the pipeline.

MAJOR INITIATIVES

The Finance and Budget staff continues its efforts to keep the Board apprised of the County's financial operations through a variety of initiatives. A monthly financial report compares budget to actual results, in dollars and percentage, for major revenue sources and departmental expenditures; a short narrative explains variances. There is also a quarterly presentation at a Board work session during which financial results are reviewed and projections are presented as well as plans to deal with them.

When the FY 2017 budget was adopted in April 2016, 5% of the operating budget for the local transfer to schools operations and County departments was withheld from appropriation. Only necessary appropriations were made after a comprehensive mid-year review, including revenue projections to support the additional appropriations. This practice is in place for FY 2018 as well.

In July, 2012, the Board passed a resolution to establish a commission to create an armed services memorial in Stafford County. The memorial will: honor the loss of Stafford's brave sons and daughters and their families; provide a place for families and citizens to honor the fallen; and serve as a visible reminder to the public of all the men and women who gave the last full measure of devotion to their county. The memorial's construction commenced during FY16 and was completed and opened to the public in July 2017.

The County has completed construction of buildings, public family style restrooms, trail and a boat launch at Lake Mooney (previously Rocky Pen). Lake Mooney is a 520 acre reservoir that holds 5.5 billion gallons of water. The lake now allows for non-motorized boating and is open to recreational fishing.

In November 2008, Stafford voters approved a local bond referendum for the issuance of a maximum of $70 million general obligation debt to finance road improvement and transportation enhancement projects. Several of these projects are in process; some are jointly funded through the County's participation in the State Revenue Sharing Program. Several road projects that were funded in part through these general obligation bonds were completed in FY2016. Garrisonville Road in northern Stafford County was widened to a six lanes. Improvement to Poplar Road in central Stafford County was finished. Reconstruction of a portion of Mountain View Road was also completed.

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

The Belmont-Ferry Farm Trail is part of a larger trail system that is envisioned to connect Stafford's parks and historical resources along the Rappahannock River. This is a multi-phase project; work is currently proceeding on the design phase of Section 4 which runs from Pratt Park along the Rappahannock River toward Ferry Farm. Sections 1, 2, 3 and 5 of this new walking, biking, and running trail have been completed. Future phases will extend the trail to George Washington's Boyhood Home at Ferry Farm. Grants from the Transportation Alternative Program partially fund the project.

The County commenced construction of a new Animal Shelter during FY17. The new facility will be approximately 17,000 square feet on 5 acres of land that is part of 38 acres of land owned by the County. The new shelter will triple the space for dogs and cats. This facility should be completed and operational in FY18

The County has also undertaken to construct a new fire station 14 on the existing land which will replace an all weather building and the manufactured housing and allow the facility to house a ladder truck, engine company and medic unit in order to meet existing and future needs.

Embrey Mill Park is home to a multi-field, rectangular athletic field complex. In Spring of 2014 construction of four synthetic turf fields, two grass athletic fields, athletic field lights, restroom and concession buildings, and parking began. The fields opened for use in Spring 2016. Funded primarily by proffers and cash reserves, the Jeff Rouse Swim and Sport Center, a new indoor recreation facility also opened at Embrey Mill Park. This 76,000 square foot indoor recreation facility, houses 3 pools, one of which is 50 meters x 25 yards, that accommodate high level championship swim meets, space for fitness equipment, aerobics, spinning, 2 basketball courts, and classrooms was completed.

Successful pursuit of Office of Economic Adjustment grant opportunities Stafford undertook a Joint Land Use Study with Prince William, Fauquier and Marine Base Quantico. The document resulting from the study serves as an on-going framework for those local governments and military actions necessary to encourage compatible community growth around Marine Corp Base Quantico and improve the quality of life in the surrounding communities.

As discussed above in long term financial planning, the County's PDR program purchased 2 easements during FY16 and FY17 totaling retiring 42 development rights on 143 acres. Additional rights were purchased at Crow's Nest 124 acres in September 2017 and an additional 3 properties totaling 353 acres are in process for FY18 to FY20. The PDR program utilizes a 50/50 grant from the State to enhance its purchasing power.

OTHER INFORMATION

The Certificate of Achievement for Excellence in Financial Reporting - The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Stafford County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This was the County's thirty-fifth consecutive award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

Distinguished Budget Presentation Award - The GFOA has also awarded the County its Distinguished Budget Award for the last twenty-nine years, including the 2017 fiscal year budget. In order to receive this award, a governmental unit must publish a budget document that is an exceptional policy document, operations guide, financial plan and communications medium.

For an overview of the County's financial condition and financial highlights for FY2017, please refer to the Management's Discussion and Analysis, located in the Financial Section of this document.

ACKNOWLEDGEMENTS

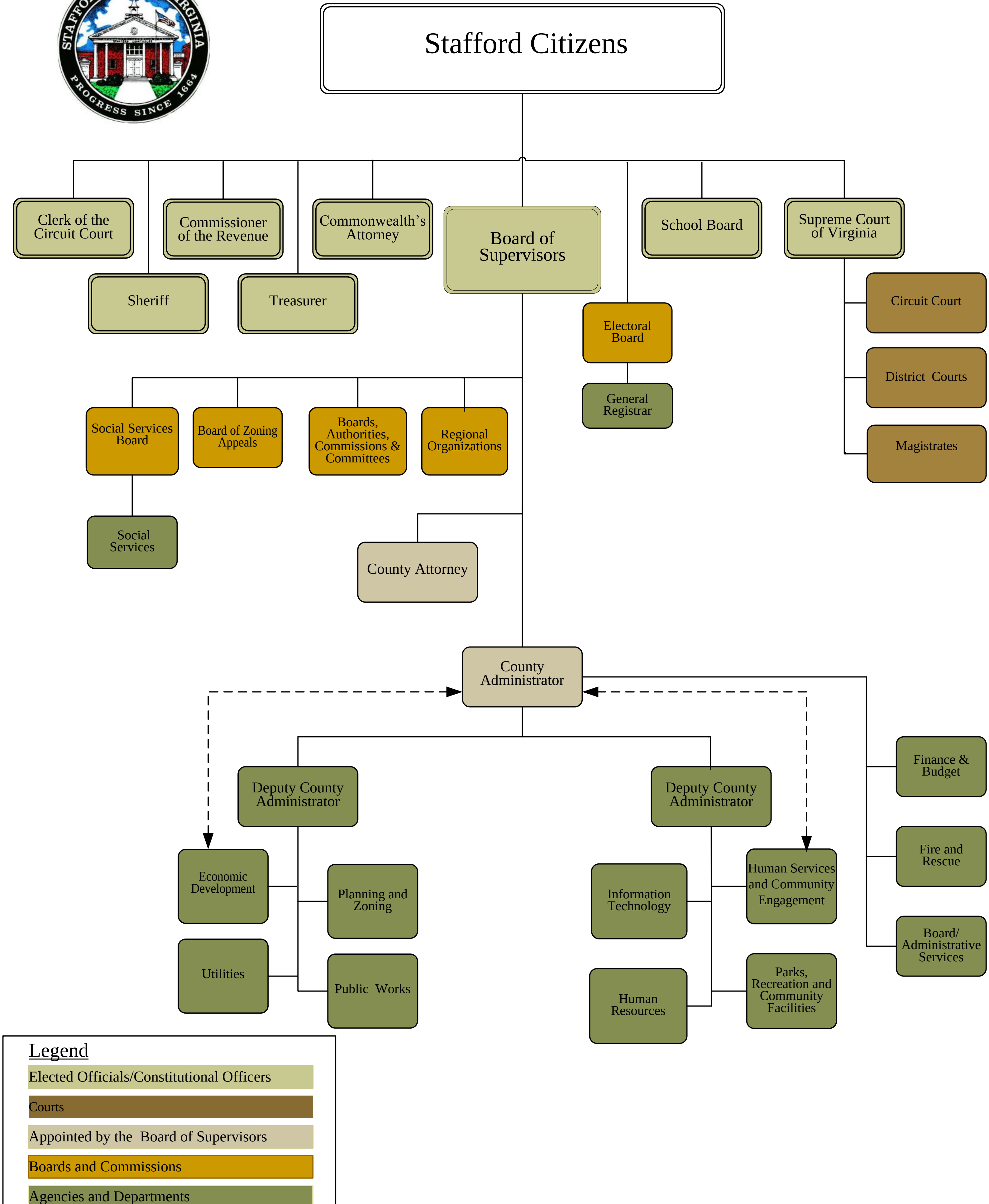
Stafford County has a sound record in financial management and continues to maintain a strong and stable financial reporting system. Appreciation is expressed to the members of the Stafford County Board of Supervisors, the School Board, the Treasurer, and the Commissioner of the Revenue for their interest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

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

Thomas C. Foley
County Administrator

Maria J. Perrotte
Chief Financial Officer

COUNTY OF STAFFORD, VIRGINIA



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Thomas C. Foley	County Administrator
Mike T. Smith	Deputy County Administrator
Fred J. Presley	Deputy County Administrator
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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Stafford County

Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Independent Auditor's Report

RSM

RSM US LLP

Board of Supervisors
County of Stafford, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Stafford, Virginia (the County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison information for the County's major funds, Other Post-Employment Benefits information, and the Virginia Retirement Systems' Pension information on pages 22–36 and 113–120 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining statements and individual fund budgetary schedules, the Schedule of Expenditures of Federal Awards required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and individual fund budgetary schedules, 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 combining statements and individual fund budgetary schedules, and the 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 December 18, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

RSM US LLP

New Bern, North Carolina
December 18, 2017

Management's Discussion and Analysis

As management of the County of Stafford, VA (County) we offer users of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the transmittal letter, financial statements, and the accompanying notes.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $245.5 million (*net position*).

- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $110.5 million. Of the $110.5 million, $34.4 million is available for spending in accordance with the County's financial policies (*unassigned fund balance*).

- The County's net general government long term liabilities which includes OPEB and Pension increased by $19.7 million during the current fiscal year. The increase was in part the result of change in long term debt of $9.3 million debt which consisted of VPSA debt for school renovation and construction projects and general obligation bonds for construction projects. Pension and OPEB liabilities increased by $10.3million.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

Statement of Net Position

As noted earlier, over time, changes in net position may serve as an indicator of the County's financial position. The County's assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by $245.5 million at the close of fiscal year 2017. By far, the largest portion of the County's net position ($464.8 million) reflects its net investment in capital assets net of depreciation (e.g., land, buildings, vehicles, distribution and collections systems, and equipment); less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to its citizens (e.g., law enforcement, fire and emergency medical services, libraries, water and wastewater services). Consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the related debt must be provided by other sources since the capital assets cannot be used to liquidate the liabilities (the assets are not generally sold or otherwise disposed of during their useful life).

An additional portion of the County's net position ($12.3 million) represents resources that are subject to external restrictions on how they may be used. These restrictions include debt service, construction and maintenance, grants and Federal drug enforcement constraints.

Another significant point to note regarding school assets and their related debt is that in the State of Virginia, school boards cannot issue debt; however, they hold title to the assets acquired through debt issued by their respective primary governments. They are custodians of the assets and maintain the property. Therefore, the County reports a significant liability for debt related to school property and equipment. The $140.9 million governmental net position deficit is primarily due to $293.0 million for school property and equipment.

The net $20.6 million increase in business-type activities net position is largely due to capital contributions donated infrastructure and developer contributions.

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

Summary of Net Position
As of June 30, 2017 and 2016
($ in millions)

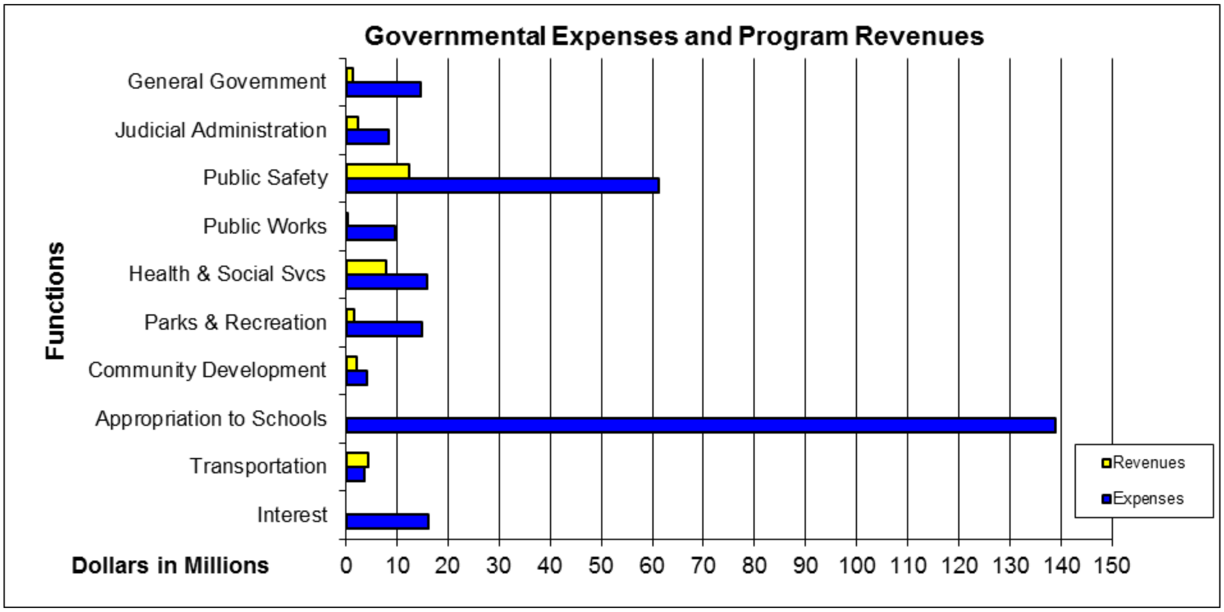
	Primary Government							
	Governmental Activities		Business-Type Activities		Total Primary		Component Unit	
	2017	2016	2017	2016	2017	2016	2017	2016
Assets:								
Current and other assets	$ 186.7	$ 176.1	$ 78.3	$ 69.9	$ 260.7	$ 246.0	$ 101.5	$ 105.8
Capital assets (net)	262.4	253.9	429.8	420.9	702.2	674.8	448.4	442.2
Total assets	449.1	430.0	508.1	490.8	952.9	920.8	549.9	548.0
Total deferred outflows of resources	14.7	10.5	4.3	1.1	19.0	11.6	38.7	23.4
Liabilities:								
Other liabilities	101.8	106.1	12.5	12.4	110.0	118.5	41.8	56.8
Long-term liabilities	495.7	476.1	112.7	112.6	608.4	588.7	315.7	277.3
Total liabilities	597.5	582.2	125.2	125.0	718.4	707.2	357.5	334.1
Total deferred inflows of resources	7.2	8.1	0.8	0.9	8.0	9.0	15.0	28.4
Net position:								
Net Investment in capital assets	495.4	125.6	327.6	322.7	823.0	448.3	446.0	438.9
Restricted	-	2.0	8.3	10.7	8.3	12.7	7.6	12.9
Unrestricted	(636.3)	(277.3)	50.6	32.6	(585.7)	(244.7)	(237.4)	(242.9)
Total net position	$(140.9)	$(149.7)	$ 386.5	$ 366.0	$ 245.6	$ 218.3	$ 216.2	$ 208.9

Statement of Activities
Governmental Activities

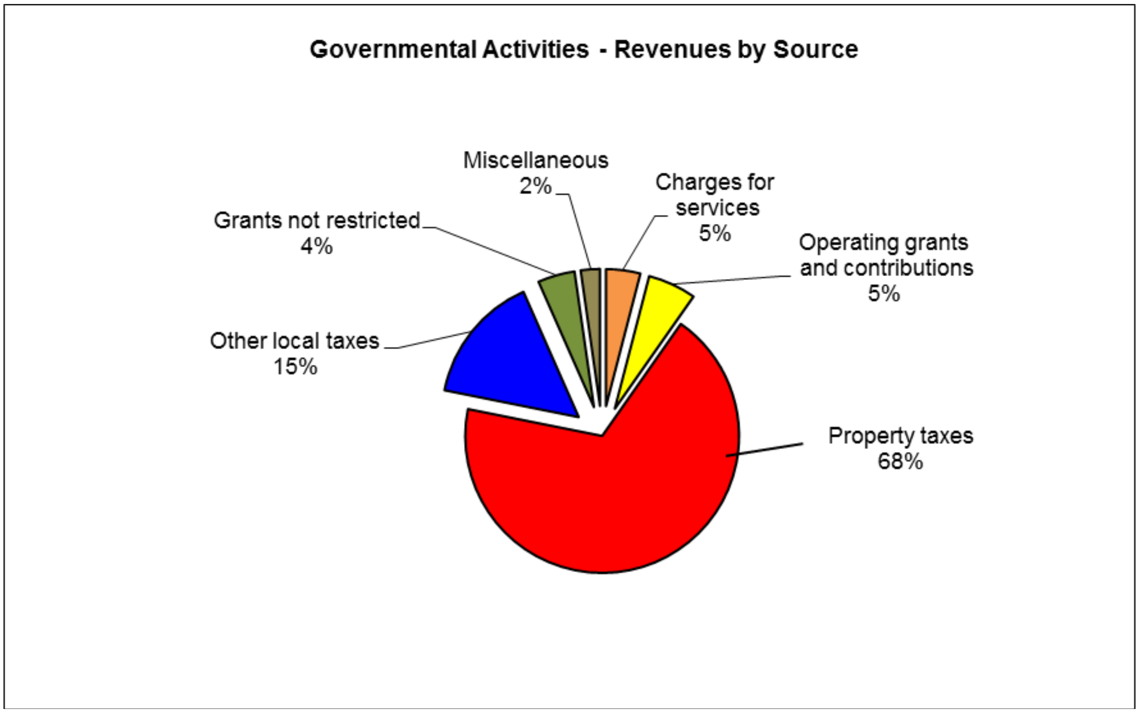
The increase in net position attributable to the County's governmental activities totaled $8.8 million for fiscal year 2017. Generally, the change in net position is the difference between revenues and expenses. For fiscal year 2017 governmental revenues were $296.7 million and expenses were $287.9 million. A summary of key elements follows:

- Revenues increased $10.6 million due to increased real estate and personal property tax collections, sales and meals tax and recordation.
- Operating grants and contributions increased $1.6 million.
- Capital grants and contributions decreased $1.1 million reflecting revenue sharing agreements for local road improvement projects.
- Expenses for governmental activities recorded a net increase of $13.0 million compared to the prior year. Increases in public safety, social services and schools were partly offset by a reduction in parks and recreation together with a decrease in community development and interest.

The following graph compares the County's fiscal year 2017 expenses by function to associated program revenues for governmental activities.



The following graph illustrates the County's fiscal year 2017 governmental revenues by source.



Business-type Activities

The increase in net position attributable to the County's business-type activities totaled $20.5 million for fiscal year 2017. Similar to the changes in net position attributable to government activities, changes in business-type activity net position also result from the difference between revenues and expenses. However, unlike governmental activities, which primarily rely on general tax revenues to finance operations, business-type activities are financed to a significant extent by fees charged for goods and services provided. The County's business-type activities consist of a Water and Sewer Fund. Like all business-type activities, the Water and Sewer Fund attempts to recover much of the operating expenses it incurs through user charges. Nevertheless, operating revenues were less than operating expenses for fiscal year 2017, resulting in a net loss before contributions of $2.8 million, primarily due to user fees failing to keep pace with operating cost. The net asset increase was primarily due to non-operating contributions (availability fees and pro-rata fees) and donated capital assets. The following is a summary of relevant financial results for fiscal year 2017:

- Charges for services totaled $35.9 million, which were $3.5 million more than the prior fiscal year. This increase includes additional service to new customers.

- Availability and pro-rata fees totaled $13.6 million which is a $1.9 million increase compared to the prior year. Availability and pro-rata fees are paid by the developer of a subdivision and then passed on to the new homeowner.

- Donated capital assets (infrastructure completed by developers and dedicated to the County) totaled $5.8 million, a $2.2 million decrease compared to the prior year.

- Expenses totaled $35.1 million, a net $.3 million increase over the prior year. This is due Contractual service increased $0.2 million, materials and supplies increased $0.7 million, other expenses such as personnel heat, light, telecommunications decreased $0.6 million.

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

Change in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016
($ in millions)

	Primary Government						Component Unit School Board	
	Governmental Activities		Business-Type Activities		Total Primary		Component Unit School Board	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues:								
Program revenues:								
Charges for services	$ 11.8	$ 12.6	$ 35.9	$ 32.5	$ 47.7	$ 45.1	$ 18.1	$ 18.4
Operating grants and contributions	16.6	14.9	-	-	16.6	14.9	138.4	132.0
Capital grants and contributions	4.3	5.4	19.3	19.7	23.6	25.1	26.9	22.2
General revenues:								
General property taxes	199.3	192.1	-	-	199.3	192.1	-	-
Other local taxes	44.1	42.6	-	-	44.1	42.6	28.7	27.8
Grants not restricted	12.7	16.0	-	-	12.7	16.0	112.1	111.7
Investment earnings	.8	.5	.2	.6	1.0	1.1	.1	.1
Miscellaneous	6.7	4.0	-	-	6.7	4.0	.3	.1
Total revenues	296.3	288.1	55.4	52.8	351.7	340.9	324.6	312.3
Expenses:								
General Government	14.6	14.3	-	-	14.6	14.3	-	-
Judicial administration	8.5	7.0	-	-	8.5	7.0	-	-
Public safety	61.3	58.0	-	-	61.3	58.0	-	-
Public works	9.6	6.2	-	-	9.6	6.2	-	-
Health and social services	15.9	13.9	-	-	15.9	13.9	-	-
Parks, recreation and cultural	14.8	16.1	-	-	14.8	16.1	-	-
Community development	4.2	5.0	-	-	4.2	5.0	-	-
Appropriation to schools	139.1	134.0	-	-	139.1	134.0	317.3	300.4
Transportation	3.7	3.2	-	-	3.7	3.2	-	-
Interest	16.2	17.2	-	-	16.2	17.2	-	-
Water and sewer	-	-	34.9	34.5	34.9	34.5	-	-
Total expenses	287.9	274.9	34.9	34.5	322.8	309.4	317.3	300.4
Excess (deficiency) before transfer	8.4	13.2						
Transfers	.4	(2.0)	-	-	.4	(2.0)	-	-
Change in net position	8.8	11.2	20.5	18.3	29.3	29.0	7.3	11.9
Net position (deficit) beginning	(149.7)	(160.9)	366.0	347.7	216.3	186.8	208.9	197.0
Net position (deficit) ending	$ (140.9)	$ (149.7)	$ 386.5	$ 366.0	$ 245.6	$ 216.3	$ 216.2	$ 208.9

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $110.6 million, an increase of $14.2 million in comparison with the prior year. Of the $110.6

million, $4.0 million is restricted for grant programs, drug enforcement activities and debt service requirements. Committed and assigned portions of its fund balances are established to indicate plans for use of financial resources. The County reserves portions of its fund balances as commitments for specific purposes such as capital needs, economic development and risk management. Commitments include fund balance reservations required by the Board's financial policies as well as contractual obligations of the County. Assignments represent management's plans for future expenditures and the intent to liquidate purchase orders (encumbrances) of the prior fiscal year. By policy, the unassigned portion of fund balance is equal to 12% of annual general fund revenues, not including transfers, reserves and grants. Unassigned funds beyond the 12 % are by policy set aside in the capital project reserve to Unassigned fund balance for fiscal year 2017 was $34.4 million. The Fund Balance section of Note 1, Summary of Significant Accounting Policies, presents details of the County's governmental fund balance classification.

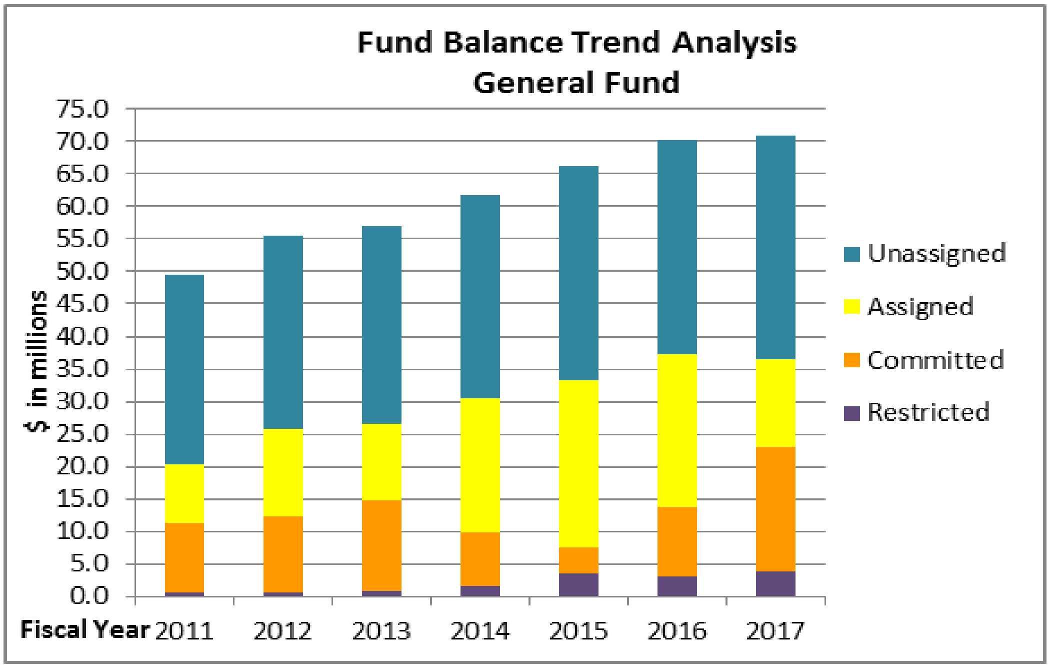
The General Fund is the primary operating fund of the County. The total fund balance of the County's General Fund increased $.5 million during fiscal year 2017. This was due to management's conservative budgeting, commitment to maintain unassigned fund balance at or above stated policy levels, frequent analysis of revenue collection and expenditure patterns, and underspending by Schools and County departments. Of the $70.8 million General Fund balance,$.7 million is nonspendable made up mostly of inventory, $0.6 million is restricted for grant-funded programs, $2.6 million is restricted for health insurance expenditures, $6.9 million is committed by policy or for contractual obligations, $25.6 million is assigned for future expenditures and to provide budget flexibility while ensuring a structurally balanced budget and $34.4 million is unassigned.

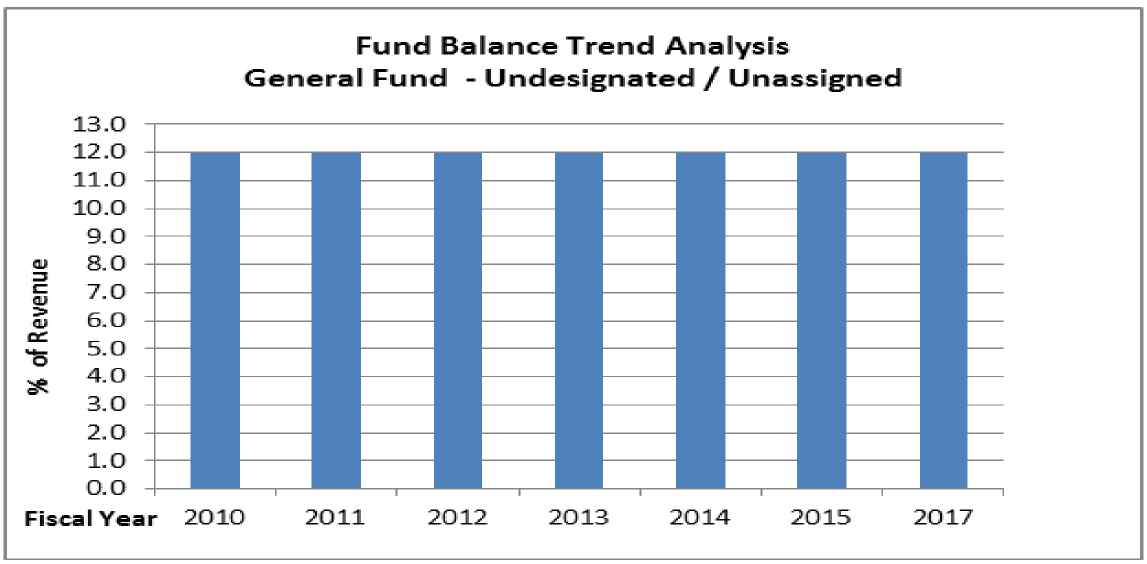
In addition to the General Fund the County has two major governmental funds, the Transportation Fund and the General Capital Projects Fund. Total fund balance for the Transportation Fund at year end was $18.8 million, an increase of $ 6.3 million compared to the prior year. Of the $18.8 million, $18.2 million is committed and $0.6 million is restricted for debt service. The increase in fund balance is attributable to the issuance of GO bonds at the end of the fiscal year mostly allocated to transportation with some going to the capital projects fund.

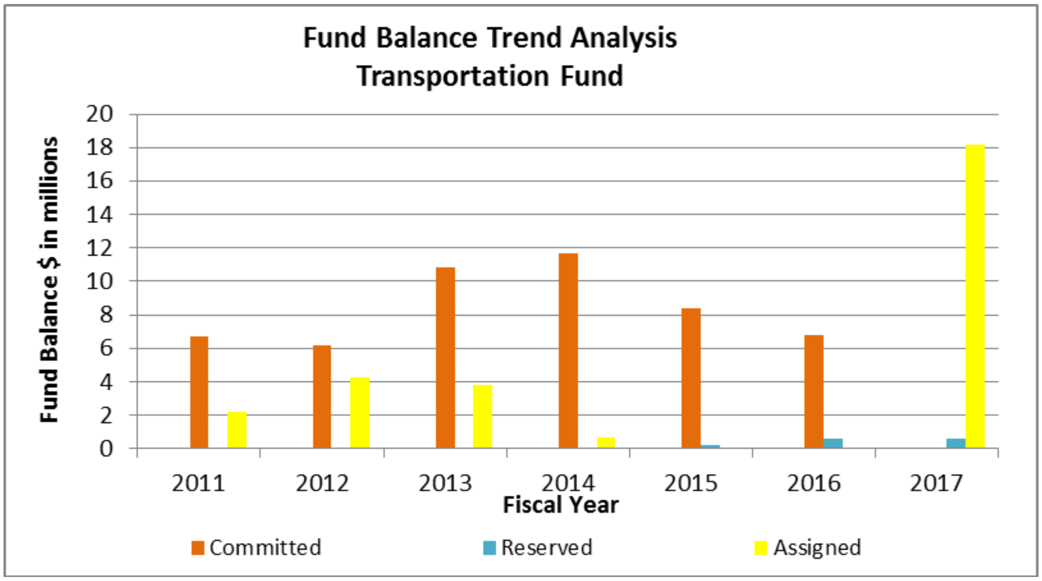
Total fund balance for the General Capital Projects Fund at year end was $9.7 million. This is an increase of $3.5 million from the previous fiscal year, which is primarily due to the issuance of GO bonds at the end of FY 2017 described in the paragraph above.

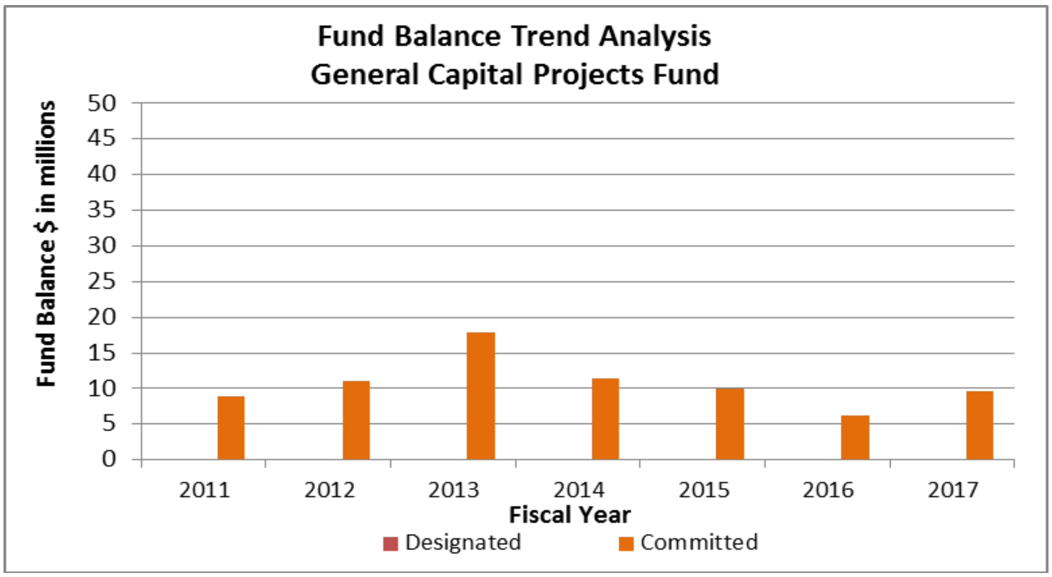
The County also has nine non-major governmental funds. In total, fund balance is $11.2 million, a $1.3 million decrease compared to prior year. Of the $11.2 million, $0.2 million is restricted for drug enforcement activities. $11.0 million is committed for contractual obligations related to each fund's purpose.

The following graphs illustrate fund balance trends for the County's governmental funds for fiscal years 2010 through 2016.


Fund Balance Trend Analysis
General Fund
75.0
70.0
65.0
60.0
55.0
50.0
45.0
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
$ in millions
Fiscal Year
2011
2012
2013
2014
2015
2016
2017
Unassigned
Assigned
Committed
Restricted


Fund Balance Trend Analysis
General Fund - Undesignated / Unassigned
13.0
12.0
11.0
10.0
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
% of Revenue
Fiscal Year
2010
2011
2012
2013
2014
2015
2017





Proprietary fund: The County's proprietary fund financial statements provide the same type of information presented in the business-type activities on the government–wide financial statements, but in more detail. The Water and Sewer Fund total net position increased $20.5 million during fiscal year 2017. Capital assets, net of depreciation and related debt increased $8.9 million. Restricted net position decreased by $4.4 million and unrestricted net position increased by $6.8 million. These changes reflect finalizing the construction expense related to Rocky Penn.Reservoir. A summary of the Water and Sewer Fund operations for the year was previously provided in the discussion of business-type activities.

Component Unit – School Board: The change in net position for the component unit School Board was $7.3 million. This was due to the increases in program revenues exceeding the increase in expense. Funds transferred from the County General Fund include a local appropriation for operations and bond proceeds used to offset facility construction expenditures. The School Board issues a separate set of financial statements, which may be obtained directly from the School Board.

General Fund Budgetary Highlights

Budget amendments for expenditures resulted in an increase of $20.4 million between the original budget and the final budget. Major budget amendments included in this amount:
NEED BUDGETS INPUT FOR BELOW

- $2.2 million in re-appropriated encumbrances
- $0.5 million in re-appropriated grant funds
- $9.7 million in re-appropriated commitments for ongoing capital improvements
- $1.5 million for Schools' operating expenditures
- $6.5 million for Schools' construction projects

General Fund revenues increased $11.1 million over the prior year amount. General property taxes increased $8.6 million driven by new construction and increases in real estate and personal property tax collections. Other local taxes increased by $1.6 million. Robust sales tax, meals tax, and recordation fee collections contributed to the increase in other local taxes.
General Fund expenditures recorded a net increase of $14.7 million compared to the prior year amount. Highlights that contributed to the net increase include:

- Debt service increased due to new debt issuance for School and County capital projects.
- Additional funding for School Operating in the amount of $7.0 million.
- Increased capital expenditures using cash capital (per the Board's financial policies)
- Replacement of public safety vehicles

The following table compares General Fund revenues and expenditures for fiscal year 2017 with the previous fiscal year.

General Fund Comparison
Revenues and Expenditures
FY 2017 – FY 2016
($ in millions)

	FY 2017	FY 2016	Increase (Decrease)
Revenues:			
General property taxes	$ 199.5	$ 190.9	$ 8.6
Other local taxes	38.9	37.3	1.6
Licenses and permits	4.6	4.2	0.4
Use of money and property	.7	.8	(0.1)
Charges for services	6.4	6.6	(0.2)
Other	6.0	6.0	-
Intergovernmental	29.3	28.5	.8
Total revenues	$ 285.4	$ 274.3	$ 11.1
Expenditures:			
General government	$ 13.2	$ 13.3	$ (.1)
Judicial administration	7.5	7.1	0.4
Public safety	55.1	52.7	2.4
Public works	4.8	5.2	(.4)
Health and social services	15.8	13.6	2.2
Parks, recreation and cultural	13.0	12.9	.1
Community development	3.8	3.9	(.1)
Education	118.7	111.7	7.0
Capital outlay	3.2	2.3	.9
Debt service	44.7	42.4	2.3
Total expenditures	$ 279.8	$ 265.1	$ 14.7

Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals $692.2 million, net of accumulated depreciation. This represents an increase of $17.4 million over the prior year. The investment in capital assets includes land, buildings, distribution and collection systems, equipment, vehicles, construction in progress. Major capital asset acquisitions during the current fiscal year included the following:

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

The following tables summarize the changes in the County's governmental and business-type capital assets for fiscal year 2017. Additional information on the County's capital assets can be found in Note 4.

Change in Capital Assets ($ in millions)			
	Balance June 30, 2016	Net Additions And Deletions	Balance June 30, 2017
Governmental Activities:			
Land	$ 49.3	$ .6	$ 49.9
Other intangible	1.0	.6	1.6
Construction in progress	76.9	(1.3)	75.6
Capital assets not being depreciated	127.2	(.1)	127.1
Land improvements	39.0	7.0	46.0
Buildings and building improvements	103.8	12.8	116.6
Furniture, fixtures and equipment	54.0	1.0	55.0
Vehicles	24.1	.1	24.2
Capital assets being depreciated	220.9	20.9	241.8
Less accumulated depreciation	(94.2)	(12.2)	(106.4)
Net capital assets being depreciated	126.7	8.7	135.4
Governmental activities capital assets	$ 253.9	$ 8.6	$ 262.5

Change in Capital Assets ($ in millions)			
	Balance June 30, 2016	Net Additions And Deletions	Balance June 30, 2017
Business-Type Activities:			
Land	$ 19.1	$ -	$ 19.1
Other intangible	4.0	-	4.0
Construction in progress	192.7	(33.3)	159.4
Capital assets not being depreciated	215.8	(33.3)	182.5
Land improvements	0.6	-	0.6
Buildings and building improvements	4.2	-	4.2
Distribution and collection systems	357.7	53.0	410.7
Furniture, fixtures and equipment	15.3	0.7	16.0
Vehicles	4.2	.1	4.3
Capital assets being depreciated	382.0	53.8	435.8
Less accumulated depreciation	(176.9)	(11.6)	(188.5)
Net capital assets being depreciated	205.1	42.2	247.3
Business-type activities capital assets	$ 420.9	$ 8.9	$ 429.8

Long-term liabilities excluding Deferred Revenue, OPEB and Pension: At the end of the current fiscal year, County governmental activities reported total debt outstanding of $467.8 million. Of this amount, $366.0 million is general obligation debt backed by the full faith and credit of the County. The remainder of the County's debt is secured by specific revenue sources. County governmental activities had a net increase in long term liabilities excluding OPEB and Pension of $9.3 million during the fiscal year. Issuances for FY 2017 included $18.8 million general obligation bonds for school renovation projects, $12.1 million for transportation and capital projects and $5.8 million VRA loan for construction of a new animal shelter.

The County's strong wealth and income levels, diverse local economy, sound financial management and moderate debt burden recently earned an upgrade (AA+ to AAA) for its general obligation bonds from Fitch Ratings and Standard and Poor's. Moody's affirmed its Aa2 rating, adding a positive outlook.

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

The County's business-type activities reported total long term liabilities excluding OPEB and Pension of $110.5 million at the end of the current fiscal year.

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

The following table compares summarized debt for the primary government for the current year with the prior year.

Summary of Changes in Long-Term Liabilities Excluding Deferred Revenue, OPEB and Pension
($ in millions)

	June 30, 2016	Net Increase (Decrease)	June 30, 2017
Governmental Activities:			
General obligation bonds, net	$ 353.7	$ 12.3	$ 366.0
Lease revenue bonds	9.9	(2.6)	7.3
Capital leases	13.7	(2.5)	11.2
Other	72.9	2.9	75.8
Compensated absences	7.4	.1	7.5
Total long-term debt	$ 457.6	$ 10.2	$ 467.8
Business-Type Activities:			
Revenue bonds, net	$ 84.1	$ .7	$ 84.8
VRA loans	26.1	(1.6)	24.5
Compensated absences	1.3	(.1)	1.2
Total long-term debt	$ 111.5	$ (1.0)	$ 110.5

Factors Influencing Future Budgets

Key factors that are expected to impact future budgets include:

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

Requests for Information

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

STATEMENT OF NET POSITION
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	School Board
ASSETS				
Current assets:				
Cash, cash equivalents and temporary cash investments	$ 126,195,703	$ 56,302,545	$182,498,248	41,154,628
Receivables, net of allowance for uncollectibles	28,649,739	5,098,947	33,748,686	9,027,111
Due from primary government	-	-	-	34,991,341
Internal balances	(418,536)	418,536	-	-
Prepaids	680,704	54,104	734,808	895,512
Inventory	11,224	825,107	836,331	530,665
Total current assets	155,118,834	62,699,239	217,818,073	86,599,257
Noncurrent assets:				
Restricted cash and cash equivalents	28,201,301	15,632,677	43,833,978	14,883,309
Note receivable - Component Unit	705,000	-	705,000	-
Investment in joint venture	5,778,637	-	5,778,637	-
Capital assets:			-	
Land	49,871,202	19,053,161	68,924,363	33,945,068
Construction in progress	75,563,670	159,374,827	234,938,497	14,946,614
Other intangible assets	1,668,570	4,035,282	5,703,852	-
Subtotal non-depreciable capital assets	127,103,442	182,463,270	309,566,712	48,891,682
Land improvements	46,050,626	618,111	46,668,737	61,993,721
Buildings and building improvements	116,582,107	4,223,105	120,805,212	514,489,946
Distribution and collection systems	16,525	410,674,389	410,690,914	954,560
Furniture, fixtures and equipment	43,588,495	15,189,196	58,777,691	11,595,414
Technology infrastructure	4,952,100	610,759	5,562,859	3,953,859
Software	6,284,058	240,638	6,524,696	909,666
Vehicles	24,272,540	4,303,589	28,576,129	23,766,254
Less accumulated depreciation	(106,467,273)	(188,515,097)	(294,982,370)	(218,048,754)
Subtotal depreciable capital assets	135,279,178	247,344,690	382,623,868	399,614,666
Total noncurrent assets	297,067,558	445,440,637	742,508,195	463,389,657
Total assets	452,186,392	508,139,876	960,326,268	549,988,914
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferrals	10,807,146	1,856,622	12,663,768	38,739,239
Other deferrals	3,849,783	2,480,368	6,330,151	-
Total deferred outflows of resources	14,656,929	4,336,990	18,993,919	38,739,239
LIABILITIES				
Current liabilities:				
Accounts payable	10,714,398	2,616,946	13,331,344	3,596,358
Retainage payable	387,886	491,192	879,078	842,632
Accrued salaries and benefits	2,078,281	325,860	2,404,141	30,561,892
Accrued insurance claims	1,276,357	71,648	1,348,005	5,357,824
Accrued interest	7,112,162	967,842	8,080,004	-
Other accrued liabilities	1,556,107	77,521	1,633,628	-
Due to component unit	34,961,354	29,987	34,991,341	-
Deposits	13,387,118	3,848,182	17,235,300	-
Unearned revenue	2,371,442	-	2,371,442	357,457
Current portion of long-term debt	31,557,488	4,030,142	35,587,630	938,322
Total current liabilities	105,402,593	12,459,320	117,861,913	41,654,485
Noncurrent liabilities:				
Noncurrent portion of long-term debt	436,261,936	106,523,522	542,785,458	8,332,244
Noncurrent portion of accrued insurance claims	-	-	-	125,572
Other post-employment benefits	33,152,736	1,665,757	34,818,493	40,398,989
Net pension liability	25,809,901	4,554,005	30,363,906	266,971,390
Total noncurrent liabilities	495,224,573	112,743,284	607,967,857	315,702,623
Total liabilities	600,627,166	125,202,604	725,829,770	357,357,108
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	2,577,630	-	2,577,630	-
Pension related deferrals	4,602,106	790,622	5,392,728	15,017,872
Total deferred inflows of resources	7,179,736	790,622	7,970,358	15,017,872
NET POSITION (DEFICIT)				
Net Investment in capital assets	137,144,534	327,610,514	464,755,048	446,017,754
Restricted:				
Drug enforcement	175,418	-	175,418	-
Capital projects	37,476,200	-	37,476,200	2,618,654
School Nutrition	-	-	-	4,850,254
Grant programs	595,377	-	595,377	171,006
Transportation	608,736	-	608,736	
CFR	2,638,886	-	2,638,886	-
Tourism	948,310		948,310	
Water-sewer restricted construction	-	6,252,110	6,252,110	-
Unrestricted (deficit)	(320,551,042)	52,621,016	(267,930,026)	(237,430,067)
Total net position (deficit)	$ (140,963,581)	$386,483,640	$245,520,059	$ 216,227,601

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

COUNTY OF STAFFORD, VIRGINIA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
General government	$ 14,559,295	$ 844,646	$ 615,479	$ -
Judicial administration	8,482,351	276,435	2,117,745	-
Public safety	61,276,611	6,913,255	5,604,834	-
Public works	9,657,053	43,210	-	-
Health and social services	15,961,005	144,916	7,931,317	-
Parks, recreation and cultural	14,761,609	1,723,461	-	-
Community development	4,249,540	1,795,183	308,657	-
Appropriation to School Board:				
School operating	112,147,288	-	-	-
School capital projects	26,927,019	-	-	-
Transportation	3,723,774	41,803	-	4,321,120
Interest	16,208,762	-	-	-
Total governmental activities	287,954,307	11,782,909	16,578,032	4,321,120
Business-type activities:				
Water and Sewer	35,208,525	35,852,460	-	19,319,750
Total primary government	$ 323,162,832	$ 47,635,369	$ 16,578,032	$ 23,640,870
Component unit:				
Stafford County School Board	$ 300,625,771	$ 18,372,613	$ 50,397,602	$ 22,241,152

General revenues:
Taxes:
General property taxes
Other local taxes:
Sales
Fuels
Consumer utility
Motor vehicle decals
Bank stock
Recordation
Occupancy
Meals
Short-term rental
Cable franchise
Road impact fees
Basic aid
Grants and contributions not restricted to specific programs
Investment earnings
Gain on disposal of capital assets
Miscellaneous
Contributions
Total general revenues and transfers
Change in net position
Net position (deficit), beginning
Net position (deficit), ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	School Board
$ (13,099,170)	$ -	$ (13,099,170)	$ -
(6,088,171)	-	(6,088,171)	-
(48,758,522)	-	(48,758,522)	-
(9,613,843)	-	(9,613,843)	-
(7,884,772)	-	(7,884,772)	-
(13,038,148)	-	(13,038,148)	-
(2,145,700)	-	(2,145,700)	-
(112,147,288)	-	(112,147,288)	-
(26,927,019)	-	(26,927,019)	-
639,149	-	639,149	-
(16,208,762)	-	(16,208,762)	-
(255,272,246)	-	(255,272,246)	-
-	19,963,685	19,963,685	-
(255,272,246)	19,963,685	(235,308,561)	-
			$ (217,758,768)
199,376,130	-	199,376,130	-
13,641,300	-	13,641,300	28,680,482
3,363,483	-	3,363,483	-
6,448,823	-	6,448,823	-
2,522,370	-	2,522,370	-
503,926	-	503,926	-
6,142,390	-	6,142,390	-
1,826,244	-	1,826,244	-
8,022,545	-	8,022,545	-
89,859	-	89,859	-
798,552	-	798,552	-
614,795	-	614,795	-
-	-	-	83,934,624
12,748,800	-	12,748,800	112,072,289
840,815	371,330	1,212,145	90,762
33,673	23,440	57,113	64,697
6,677,921	175,099	6,853,020	260,837
371,402	-	371,402	-
264,023,028	569,869	264,592,897	225,103,691
8,750,782	20,533,554	29,284,336	7,344,923
(149,714,363)	365,950,086	216,235,723	208,882,678
$ (140,963,581)	$ 386,483,640	$ 245,520,059	$ 216,227,601

COUNTY OF STAFFORD, VIRGINIA Exhibit III

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	Major Funds			Non Major	
	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in pooled cash and investments	$ 113,738,079	$ 3,080,592	$ -	$ 9,377,032	$ 126,195,703
Restricted assets:					
Cash	-	-	-	1,057,942	1,057,942
Cash with fiscal agents	2,346,276	12,450,133	11,673,637	673,313	27,143,359
Receivables, net of allowance for uncollectibles:					
Property taxes	13,183,442	-	-	29,638	13,213,080
Accounts	2,998,987	1,373,000	-	1,455,650	5,827,637
Intergovernmental	5,329,776	2,160,261	-	2,043,985	9,534,022
Due from other funds	1,305,678	-	-	-	1,305,678
Inventory	11,224	-	-	-	11,224
Prepaid expenditures	680,587	-	-	117	680,704
Total assets	$ 139,594,049	$ 19,063,986	$ 11,673,637	$ 14,637,677	$ 184,969,349
LIABILITIES					
Liabilities:					
Accounts payable	$ 7,697,092	$ 233,350	$ 482,584	$ 2,283,099	$ 10,696,125
Retainage payable	-	-	183,383	222,777	406,160
Deposits	13,387,118	-	-	-	13,387,118
Accrued salaries and benefits	2,061,044	2,530	9,593	5,113	2,078,280
Other accrued liabilities	1,556,107	-	-	-	1,556,107
Unearned revenue	1,491,429	-	-	880,013	2,371,442
Due to other funds	418,536	-	1,305,678	-	1,724,214
Due to component unit	34,961,354	-	-	-	34,961,354
Total liabilities	61,572,680	235,880	1,981,238	3,391,002	67,180,800
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue property taxes	4,631,264	-	-	16,575	4,647,839
Deferred revenue	2,577,630	-	-	-	2,577,630
Total deferred inflows of resources	7,208,894	-	-	16,575	7,225,469
FUND BALANCES					
Nonspendable	691,811	-	-	117	691,928
Restricted	3,276,037	18,828,106	9,692,399	10,646,385	42,442,927
Committed	19,234,206			583,598	19,817,804
Assigned	13,240,600	-	-	-	13,240,600
Unassigned	34,369,821	-	-	-	34,369,821
Total fund balances	70,812,475	18,828,106	9,692,399	11,230,100	110,563,080
Total liabilites, deferred inflows of resources and fund balances	$ 139,594,049	$ 19,063,986	$ 11,673,637	$ 14,637,677	$ 184,969,349

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

COUNTY OF STAFFORD, VIRGINIA Exhibit IV

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2017

Total fund balances- total governmental funds		**$ 110,563,080**
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.		
Governmental capital assets	$ 368,849,893	
Less accumulated depreciation	(106,467,273)	
Net capital assets		262,382,620
Unavailable revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.		4,647,839
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Investment in joint venture	5,778,637	
Note Receivable - component unit (non current)	705,000	
Note Receivable - component unit (current)	75,000	
		6,558,637
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Revenue bonds	(8,645,000)	
General obligation bonds	(337,758,148)	
VRA loan	(73,304,850)	
Literary loans	(1,330,739)	
Capital leases	(11,186,218)	
Compensated absences	(7,469,685)	
Bond premiums	(28,124,784)	
Loss on refunding	3,849,783	
Pension related deferred outflows of resources	10,807,146	
Pension related deferred inflows of resources	(4,602,106)	
Net pension liability	(25,809,901)	
Accrued insurance claims	(1,276,357)	
Interest payable	(7,112,162)	
Net other post-employment benefits obligation	(33,152,736)	
		(525,115,757)
Net Position (Deficit) of Governmental Activities		**$ (140,963,581)**

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

COUNTY OF STAFFORD, VIRGINIA Exhibit V

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Major Funds			Non Major	
	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	$ 199,498,865	$ -	$ -	$ 678,232	$ 200,177,097
Other local taxes	38,900,262	3,363,483	-	1,710,542	43,974,287
Permits, privilege fees and regulatory licenses	4,600,431	-	-	-	4,600,431
Fines and forfeitures	791,570	-	-	-	791,570
Use of money and property	724,688	18,591	29,674	67,860	840,813
Charges for services	6,390,908	-	-	-	6,390,908
Miscellaneous	5,134,271	34,295	-	1,576,701	6,745,267
Intergovernmental	29,333,815	2,805,680	308,657	1,199,800	33,647,952
Total revenues	285,374,810	6,222,049	338,331	5,233,135	297,168,325
EXPENDITURES					
Current operating:					
General government	13,178,287	-	-	-	13,178,287
Judicial administration	7,570,104	-	-	19,515	7,589,619
Public safety	55,105,892	-	2,588,823	172,225	57,866,940
Public works	4,787,748	-	3,130,714	-	7,918,462
Health and social services	15,778,608	-	-	-	15,778,608
Parks, recreation and cultural	13,016,356	-	416,645	427,111	13,860,112
Community development	3,826,800	-		1,038,408	4,865,208
Appropriation to School Board:					
School operating	112,072,288	-	-	-	112,072,288
School capital projects	6,547,000	-	20,380,019	-	26,927,019
Transportation	-	3,377,104	-	-	3,377,104
Capital outlay	3,230,222	5,254,875	375,773	4,660,449	13,521,319
Debt service:					
Principal	27,088,089	345,901	-	300,000	27,733,990
Interest and fiscal charges	17,577,690	385,167	122,899	242,687	18,328,443
Total expenditures	279,779,084	9,363,047	27,014,873	6,860,395	323,017,399
Excess (deficiency) of revenues under expenditures	5,595,726	(3,140,998)	(26,676,542)	(1,627,260)	(25,849,074)
OTHER FINANCING SOURCES (USES)					
Transfers in	26,000	3,155,000	1,006,866	436,833	4,624,699
Transfers out	(4,196,553)	(328,146)	-	(100,000)	(4,624,699)
Contributions from component unit - School Board	-	200,000	-	-	200,000
Contributions from joint venture	238,984	-	-	-	238,984
Contributions to joint venture	(1,175,535)	-	-	-	(1,175,535)
Contributions from agency fund		1,107,953			
Issuance of debt:					
Issuances of new bonds	45,487	9,406,800	26,576,733	-	36,029,020
Premiums on issuances	-	1,021,042	2,584,553	-	3,605,595
Total other financing sources (uses), net	(5,061,617)	14,562,649	30,168,152	336,833	38,898,064
Net change in fund balances	534,109	11,421,651	3,491,610	(1,290,427)	14,156,943
Fund balance, beginning	70,278,366	7,406,455	6,200,789	12,520,527	96,406,137
Fund balance, ending	$ 70,812,475	$ 18,828,106	$ 9,692,399	$ 11,230,100	$ 110,563,080

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds		**$ 14,156,943**
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Acquisition of capital assets	$ 21,696,360	
Loss on sale of capital assets	$ (33,673)	
Less depreciation expense	(13,182,861)	
Excess of capital outlay over depreciation		8,479,826
Unavailable revenues represent amounts that were not available to fund current funds.		(800,967)
Changes in investments and receivables for joint ventures and component unit. These changes are included in expenses based on their functional category.		
Change in joint venture investment (Landfill)	243,540	
Additional investment in the Landfill recorded as expense in the fund statements	936,551	
Change in note receivable - component unit (School operating)	(75,000)	
		1,105,091
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liablities in the Statement of Net Position. Repayment of bond principal and issuance costs are expenditures in the governmental funds, but the repayment reduces long-term liabilities. This is the amount by which proceeds were more than repayments.		
Debt issued or incurred:		
General obligation bonds	(30,910,000)	
Bond premium	(3,396,803)	
VRA loans	(5,430,000)	
Refunding revenue bonds	(460,000)	
Principal repayments:		
General obligation debt	20,247,122	
Revenue bonds	3,020,000	
VRA loans	1,997,409	
Literary loans	466,149	
Capital leases	2,488,310	
		(11,977,813)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued interest	586,929	
Compensated absences	(100,575)	
Accrued insurance claims	(144,277)	
Deferred loss on refunding	(201,128)	
Deferred gain on refunding, net	(17,961)	
Amortization of premium on refunding, net	1,829,035	
Change in net pension liability and deferred amounts	233,034	
Change in net other post-employment benefits obligation	(4,397,355)	
		(2,212,298)
Change in net position of governmental activities		**$ 8,750,782**

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

COUNTY OF STAFFORD, VIRGINIA Exhibit VII

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

	Business Type Activity - Enterprise Fund
	Water and Sewer Fund
ASSETS	
Current assets:	
Equity in pooled cash and investments	$ 56,302,545
Receivables, net of allowance for uncollectibles	5,098,947
Due from other funds	418,536
Prepaid expense	54,104
Inventory	825,107
Total current assets	62,699,239
Noncurrent assets:	
Restricted cash and cash equivalents	15,632,677
Capital assets:	
Land	19,053,161
Construction in progress	159,374,827
Other intangible assets	4,035,282
Land improvements	618,111
Buildings and building improvements	4,223,105
Distribution and collection systems	410,674,389
Furniture, fixtures and equipment	15,189,196
Vehicles	4,303,589
Software	240,638
Technology infrastructure	610,759
Less accumulated depreciation	(188,515,097)
Total capital assets (net of accumulated depreciation)	429,807,960
Total noncurrent assets	445,440,637
Total assets	508,139,876
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss	2,480,368
Pension deferrals	1,856,622
Total deferred outflows of resources	4,336,990
LIABILITIES	
Current liabilities:	
Accounts payable	2,616,946
Retainage payable	491,192
Accrued salaries and benefits	325,860
Accrued interest	967,842
Other liabilities	179,156
Deposits	3,848,182
Current portion of long-term debt	4,030,142
Total current liabilities	12,459,320
Noncurrent liabilities:	
Noncurrent portion of long-term debt	106,523,522
Other post-employment benefits	1,665,757
Net pension liability	4,554,005
Total noncurrent liabilities	112,743,284
Total liabilities	125,202,604
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	790,622
NET POSITION	
Net investment in capital assets	327,610,514
Restricted	6,252,110
Unrestricted	52,621,016
Total net position	$ 386,483,640

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2017

	Business-Type Activity - Enterprise Fund
	Water and Sewer Fund
Operating revenues:	
Charges for services	$ 35,852,460
Miscellaneous	175,099
Total operating revenues	36,027,559
Operating expenses:	
Personnel services	11,821,740
Contractual services	3,270,257
Materials and supplies	5,018,098
Heat, light and power	1,807,830
Telecommunication and internal services	2,147,379
Miscellaneous	(572,885)
Depreciation	11,674,370
Total operating expenses	35,166,789
Operating income	860,770
Nonoperating revenues (expenses):	
Interest and investment revenue	371,330
Amortization of bond discount	397,278
Amortization of loss on refunding	(103,349)
Issuance costs	(335,665)
Gain on disposal of capital assets	23,440
Total nonoperating revenues, net	353,034
Income before contributions	1,213,804
Capital contributions:	
Donated capital assets	5,753,280
Availability fees	11,751,831
Prorata fees	1,814,639
Total capital contributions	19,319,750
Change in net position	20,533,554
Total net position, beginning	365,950,086
Total net position, ending	$ 386,483,640

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

COUNTY OF STAFFORD Exhibit IX

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2017

	Business-Type Activity - Enterprise Fund
	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 35,682,241
Other revenues	175,099
Other expenses	572,886
Payments to suppliers	(12,604,778)
Payments to employees	(11,619,845)
Net cash provided by operating activities	12,205,603
CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(11,146,386)
Proceeds from the issuance of debt	38,657,626
Payments to trustee for defeasance	(38,355,000)
Principal paid on bonds	(3,314,650)
Interest capitalized	(3,663,117)
Issuance costs	(335,665)
Proceeds on disposal of capital assets	23,440
Availability fees and prorata fees	13,566,470
Net cash used in capital and related financing activities	(4,567,282)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	
Interest and dividends on investments	371,330
Net decrease in cash and cash equivalents	8,009,651
Cash and cash equivalents, beginning	63,925,571
Cash and cash equivalents, ending	$ 71,935,222
Equity in pooled cash and investments	$ 56,302,545
Restricted cash and cash equivalents	15,632,677
Total cash and cash equivalents	$ 71,935,222
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 860,770
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	11,674,370
Increase in OPEB liability	304,127
Change in assets and liabilities:	
Increase in accounts receivable	(406,453)
Increase in prepaids	(54,104)
Increase in accrued liabilities	10,821
Increase in other liabilities	65,103
Decrease in pension related liabilities and deferrals	(22,150)
Increase in inventory	18,526
Increase in accounts payable	(390,738)
Increase in deposits	236,234
Decrease in compensated absences	(90,903)
Total adjustments	11,344,833
Net cash provided by operating activities	$ 12,205,603

Supplemental disclosure of noncash capital and related financing activities:
The Water and Sewer Fund received donated assets in 2017 valued at $ 5,753,280.

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

COUNTY OF STAFFORD, VIRGINIA Exhibit X

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Agency Funds	Post Employment Trust Fund
ASSETS		
Current assets:		
Cash and short-term investments	$ 2,039,394	$ 6,158,033
Receivables:		
Property taxes	5,792,011	-
Accounts	79,957	-
Total assets	$ 7,911,362	6,158,033
LIABILITIES		
Accouts Payable	$ 550	-
Accrued salaries and benefits	32,750	
Other liabilities	49,717	-
Reserve for future expenses	213,535	-
Reserve for bondholders	7,614,810	-
Total liabilities	$ 7,911,362	-
NET POSITION		
Restricted for other post-employment benefits		$ 6,158,033

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
RETIRED EMPLOYEES HEALTH INSURANCE TRUST FUND
YEAR ENDED JUNE 30, 2017

		Post Employment Trust Fund
ADDITIONS		
Retiree Premiums - Retiree Portion Collected	$	427,386
Retiree Premiums - County Portion		377,872
Investments:		
Contributions		535,255
Investment Earnings		636,212
Net investment earnings		1,171,467
Total additions		1,976,725
DEDUCTIONS		
Retiree Premium Expense		805,258
Administration		500
Total Deductions		805,758
Change in Net Position		1,170,967
Net Position restricted for Post-Employment Benefits		
Beginning of year		4,987,066
End of year	$	6,158,033

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

The County of Stafford (County) is located in northeastern Virginia, approximately 40 miles south of Washington, DC, and 55 miles north of Richmond, Virginia. It was founded in 1664 and was named for Staffordshire, England. It encompasses 277 square miles and has a population of 144,612.

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

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

A. THE FINANCIAL REPORTING MODEL and the REPORTING ENTITY

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

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

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

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

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

Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

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

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

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

Discretely Presented Component Unit:

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The following is a brief description of the specific funds used by the County in fiscal year 2017.

(1) <u>Governmental Funds</u>

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

a. General Fund is the primary operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major governmental fund.

b. Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The County's Special Revenue Funds include the following:

1. **Transportation Fund** – accounts for the receipt and disbursement of the regional two percent motor fuels tax and developer contributions to be used for a variety of County transportation projects. Grants and revenue sharing arrangements are also used to fund project expenditures. The Transportation Fund is a major governmental fund.

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

6. **Asset Forfeiture Fund –** accounts for the receipts and disbursements associated with the County's drug enforcement activities.

7. **Tourism Fund** – accounts for the receipts of a local five percent transient lodging tax used to fund the promotion of tourist venues in the County.

8. **Wetlands Fund** – accounts for wetlands mitigation fees and associated disbursements.

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

10. **Armed Services Memorial Fund** – accounts for revenue and expenditures related to the construction of the Armed Services Memorial.

11. **Transportation Impact Fee** – accounts for impact fee receipts from new development in a designated service area in the County. Disbursements from this fund are for road improvement projects attributable to the new development.

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

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

(2) Proprietary Funds

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

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

(3) Fiduciary Funds

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

a. Lake Arrowhead Sanitary District Fund (Agency Fund) **-** accounts for a special assessment collection used to service a bond issue for road improvements in the District.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Celebrate Virginia North Fund (Agency Fund) – accounts for a special assessment collection used to service bonded debt for infrastructure improvements in the assessment district.

c. George Washington Regional Commission (Agency Fund) – accounts for the assets, liabilities, revenues and expenditures associated with a contractual arrangement to process the agency's payroll.

d. Widewater Community Development Fund (Agency Fund) – this fund was originally created by the Board of Supervisors in 1995 as a community development authority to finance the construction of a roadway and related improvements to serve the Widewater district. Circumstances surrounding the development of the Widewater area and related transportation requirements have changed since the CDA was established. In 2006 the Board of Supervisors repealed its ordinances that established the tax district and the developer traffic impact fees. During 2008 property owners within the district were issued refunds for taxes paid. The traffic impact fees have been reserved for future transportation related projects in the County. During fiscal year 2017 refunds were issued to developers for prior year's traffic impact fees and the remaining balance contributed to the County's Transportation fund.

e. Embrey Mill Fund (Agency Fund) – accounts for a special assessment collection used to service bonded debt for infrastructure improvements in the assessment district.

f. Retired Employees Health Insurance Trust (Trust Fund) – accounts for the activities of the County's other post-employment benefit trust, which provides a portion of health insurance coverage for the County's retirees.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

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

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

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

Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when levied, net of allowances for uncollectible amounts. Property taxes due before June 30, but not collected within 45 days after fiscal year end are reflected as unavailable revenue. Sales taxes collected and held by the State at year-end on behalf of the County are recognized in the period which the underlying transaction occurs. Certain other governmental revenues and sales and services, other than utility customer receivables, are recorded in the period which the underlying transaction occurs if available. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Licenses, permits, fines and rents are recorded as revenue when received. General purpose entitlement revenues are recognized in the period to which the entitlement applies. The County considers all other revenues reported in the governmental funds, other than property taxes and grants to be available if the revenues are collected within 60 days after year-end.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return.

Expenditures of governmental funds are recorded when the related fund liabilities are incurred. However, exceptions apply related to principal and interest on long-term debt, compensated absences, pensions, OPEB, and claims and judgments are recognized when due.

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

D. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, "Deferred outflows of resources", represents a consumption of net position that applies to a future period which will not be recognized as an outflow of resources (expense or expenditure) until then. The County has two items that meets this criterion – a loss resulting from the refunding of debt and pension related deferrals. The refunding loss is the difference in the reacquisition price and the net carrying value of the old debt. The amount is amortized as a component of interest expense on the straight-line basis over the remaining life of the old debt, or the new debt, whichever is shorter. The pension deferrals relate to contributions made to the pension plan in the 2017 fiscal year and changes in actuary calculations.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "Deferred inflows of resources", represents an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources (revenue) until then. The County has a few items that meet this criterion such as prepaid on property taxes, property taxes not collected within the period of availability, deferrals of pension expense that resulted from the implementation of GASB Statement No. 68, and others. These are explained in more detail in a separate note to the financial statements.

E. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

<u>Primary Government</u>

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

<u>Component Unit – School Board</u>

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

4. The budget for the proprietary fund serves as a guide to the County and not as legally binding limitations.

5. Although legal restrictions on expenditures are established at the departmental level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets.

6. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

7. The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare actual revenue and expenditures with budgeted amounts as originally adopted, and as amended by the Board of Supervisors through June 30, 2017. Individual amendments were not material in relation to the original appropriations.

8. By law, total expenditures by fund may not, and did not, exceed appropriations in fiscal year 2017.

9. At the close of the fiscal year, all appropriations lapse for budget items other than capital projects and grants. Appropriations designated for capital projects and grants remain in effect for the life of the project or grant, or until the Board changes or eliminates the appropriation by an ordinance or resolution.

F. DEPOSITS AND INVESTMENTS

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

All investments in external investment pools are reported at fair value or amortized cost. See note 2 for measurement details.

G. RESTRICTED ASSETS – CASH AND INVESTMENTS

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Restricted cash in the Hidden Lake Dam Fund is reserved for debt service requirements.

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

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

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

H. INVENTORIES AND PREPAID ITEMS

Primary Government:
The General Fund inventory is stated at cost (first-in, first-out). It consists of small dollar office supplies held for consumption.

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

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

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

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

I. CAPITAL ASSETS

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated property prior to June 15, 2015 is recorded at fair value at the date of donation, donated property received after June 15, 2015 is recorded at acquisition value. Interest on long term debt used to finance capital assets of business-type activities is capitalized as part of the construction acquisition costs for assets still under construction. Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is recorded in the results of operations.

J. REAL ESTATE AND PERSONAL PROPERTY DATA

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

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

K. COMPENSATED ABSENCES

County employees accumulate vacation time and sick leave depending upon their length of service. The County has established accumulated leave balance thresholds for vacation and compensatory leave. There is no threshold on accumulated sick leave. Vacation leave up to the established threshold and a portion of sick leave time is payable upon termination of employment. Compensatory time earned by County employees up to the established threshold is also payable upon termination of employment. In the governmental funds' accumulated vacation, sick leave, and compensatory time for the primary government are reported when they have matured and are due. Current and long-term compensated absences liabilities, expected to be paid are recorded in the government-wide and proprietary fund financial statements.

L. LONG-TERM OBLIGATIONS

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

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

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

M. NET POSITION DEFICIT

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

In the Statement of Net Position, this scenario presents a dilemma for the primary government. Debt issued on behalf of the School Board is reported with the County debt as a liability of the primary government, thereby reducing the net position of the primary government. The corresponding capital assets are reported as assets of the Component Unit – School Board (title holder), thereby increasing their net position.

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

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

Of the $140.9 million net position deficit in governmental activities in the government wide statement of net position, $309.7 million is attributed to debt for school property and equipment.

N. NET POSITION and FUND BALANCE CLASSIFICATION

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

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- Nonspendable – This component includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

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

- Committed – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision making authority (the Board of Supervisors) through adopted resolutions. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the specified use by taking the same type of action (adopted resolution) it employed previously to commit those amounts.

- Assigned – This component consists of amounts that are constrained by the County Management's intent to be used for specific purposes. The authority for assigning fund balance is assigned to the County Administrator and the Chief Financial Officer or their designee(s) as established by Board resolution adopting the County's Principles of High Performance Financial Management - Fund Balance Policy.

- Unassigned – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount.

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

During its review of financial policies in fiscal year 2012 the Board established a goal of a minimum unassigned fund balance of twelve percent of General Fund operating revenues. This threshold must be met before other reserves are funded. The goal was met for fiscal year 2017.

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2016 the Board reviewed the County's financial policies and made changes (R15-382) that are designed to improve debt ratios and to strengthen and clarify fund balance reserve policies. Amounts in excess of the required minimum unassigned fund balance are assigned to the reserves according to the following hierarchy all of which are in the committed fund balance:

- Revenue Stabilization Reserve – after the minimum unassigned fund balance threshold is met, a minimum of one half of one percent of general fund revenue, with a goal of two percent, is added to the reserve for use during times of economic downturn when reduced revenues create fiscal stress. The trigger for drawing on the reserve is a two percent revenue shortfall within a single fiscal year. Withdrawal amounts may not exceed one-half of the reserve balance. The reserve will be used in combination with spending cuts. The reserve will not be used to offset a tax rate change. Replenishment is required within five years.
- Capital Projects Reserve - $1.5 million for capital needs, to reduce reliance on debt, provide cash flow for capital projects and pay down high interest debt when advantageous.
- Stafford Opportunity Reserve – $500,000 to enhance and promote economic development opportunities.
- Healthcare Costs Reserve – an amount equal to the estimated claims incurred but not reported (IBNR) plus ten percent of annual claims. Any healthcare savings realized after all reserve needs have been met will be set aside for contribution to the County's OPEB Trust Fund.

- Any remaining available fund balance after the reserves have been fully funded will go to the Capital Projects Reserve.

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification for Governmental Funds:

	General Fund	Transportation Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Nonspendable					
Prepaids	$ 680,588			$ 117	$ 680,705
Inventory	11,223				11,223
Restricted					
Grant Expenditures	592,272				592,272
Expenses utilizing appropriations	3,105				3,105
Debt service		608,736			608,736
Drug Enforcement				175,418	175,418
CFR	2,638,886				2,638,886
Court Fees	41,774				41,774
Tourism				948,310	948,310
Capital projects		18,219,370	9,692,399	9,522,657	37,434,426
Committed					
Armed Services, Wetlands & Hidden Lake				583,598	583,598
Stafford opportunity fund	500,000				500,000
Capital projects reserve	1,500,000				1,500,000
Available for projects	2,870,561				2,870,561
Tech Fees	231,479				231,479
Purchase of development rights	1,201,613				1,201,613
Health insurance	470,120				470,120
Sheriff's Study	165,000				165,000
Road improvements	10,726				10,726
Revenue stabilization reserve	5,728,303				5,728,303
School capital project reserve	1,500,000				1,500,000
Cash capital reserves	2,974,937				2,974,937
Courthouse recordation reserve	643,174				643,174
Museum reserve	938,293				938,293
Contingency reserve	500,000				500,000
Assigned					
Expenditures on prior appropriations	3,829,137				3,829,137
Corrections/Juvenile Detention Center	300,043				300,043
CSA reserve	300,000				300,000
Fuel reserve	500,000				500,000
Insurance parity	936,294				936,294
Risk management reserve	100,000				100,000
Future one-time school uses	2,386,622				2,386,622
Schools meal tax - new buildings	497,545				497,545
Schools debt service - new buildings	117,210				117,210
Courthouse debt service savings	23,310				23,310
Future operations	4,250,439				4,250,439
Unassigned	34,369,821				34,369,821
Total	$ 70,812,475	$ 18,828,106	$ 9,692,399	$ 11,230,100	$ 110,563,080

O. CASH FLOWS

In accordance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, the County has presented a statement of cash flows for the Water and Sewer Fund. The cash amounts used in this statement of cash flows is the equivalent of all demand deposits as well as short-term investments. For purposes of this statement, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 3 months or less.

P. USE OF ESTIMATES

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

Note 2. DEPOSITS AND INVESTMENTS

A. DEPOSITS

Deposits with banks are insured up to limits by the Federal Deposit Insurance Corporation (FDIC) and the excess is collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully insured or collateralized.

B. INVESTMENTS

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

The Treasurer has invested proceeds of all the 2013 General Obligation bonds, the 2014 VRA bonds, all the 2015 General Obligation bonds, all the 2017 General Obligation bonds, and all the School Board VPSA bonds in the SNAP Fund (the Fund) to ensure compliance with certain arbitrage requirements of the *Internal Revenue Code of 1986*, as amended. The Fund is a professionally managed money market fund, which provides Virginia issuers of tax-exempt borrowings investment management, accounting and arbitrage rebate calculation services. The Fund invests in qualifying obligations and securities as permitted by Virginia statutes. The reported value of the position in the SNAP external investment pool is measured at amortized cost and the same as the value of the pool's shares, $1 per share.

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

Note 2. DEPOSITS AND INVESTMENTS (Continued)

The County has the following recurring reported value measurements as of June 30, 2017:

Investment Type	Valuation Method	Reported Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. Agencies and Securities	Fair Value	$ 41,816,943	$ 41,816,943	$ -
Municipal Bonds	Fair Value	996,035	-	996,035
Corporate Notes and Bonds	Fair Value	17,231,535	-	17,231,535
Money Market Mutual Funds	Amortized Cost	6,152,904	-	-
LGIP	Amortized Cost	81,044,751	-	-
SNAP	Amortized Cost	28,972,733	-	-
Total		$ 176,214,901	$ 41,816,943	$ 18,227,570
Component Unit - Stafford County Public Schools				
LGIP	Amortized Cost	$ 4,819,102	$ -	$ -
SNAP	Amortized Cost	14,907,011	-	-
Total		$ 19,726,113	$ -	$ -
Held in County's Name as Fiduciary				
U.S. Agencies and Securities	Fair Value	$ 4,055,704	$ 4,055,704	$ -
Municipal Bonds	Fair Value	118,930	-	118,930
Corporate Notes and Bonds	Fair Value	2,281,437	-	2,281,437
Money Market Mutual Funds	Amortized Cost	617,595	-	-
Total		$ 7,073,666	$ 4,055,704	$ 2,400,367

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt and equity securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

The County's investments in money market mutual funds are measured at amortized cost. These investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and Agency obligations and do not fall in the categories listed above.

(1) Custodial Credit Risk

The County's investment securities at June 30, 2017 were held by the County or in the County's name by the County's custodial banks.

(2) Credit Risk of Debt Securities

Standard & Poor's and/or an equivalent organization on the Nationally Recognized Statistical Rating Organizations (NRSRO) list rated the County's debt investments as of June 30, 2017 and the ratings are presented below using the Standard & Poor's rating scale.

Note 2. DEPOSITS AND INVESTMENTS (Continued)

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

	Short Term		Long Term		
Primary Government	**AAAm**	**A-1**	**AAA**	**AA**	**A**
U.S. Agencies and Securities	$ -	$ -	$ 11,483,431	$ 30,333,513	$ -
Municipal Bonds	-	-	-	-	996,035
Corporate Notes and Bonds	-	9,008,884	639,981	6,679,275	903,396
Money Market Mutual Funds	748,063	5,404,841	-	-	-
LGIP	81,044,751	-	-	-	-
SNAP	28,972,733	-	-	-	-
Total	$ 110,765,547	$ 14,413,725	$ 12,123,412	$ 37,012,788	$ 1,899,431
Component Unit - Stafford County Public Schools					
LGIP	$ 4,819,102	$ -	$ -	$ -	$ -
SNAP	14,907,011	-	-	-	-
Total	$ 19,726,113	$ -	$ -	$ -	$ -
Held in County's Name as Fiduciary					
U.S. Agencies and Securities	$ -	$ -	$ 1,605,728	$ 2,449,976	$ -
Municipal Bonds	-	-	-	-	118,930
Corporate Notes and Bonds	-	1,200,632	-	955,743	125,062
Money Market Mutual Funds	169,040	448,555	-	-	-
Total	$ 169,040	$ 1,649,187	$ 1,605,728	$ 3,405,719	$ 243,992

As of June 30, 2017, all investments were in compliance with the State Statutes administering investments of Public Funds. All investments are rated by Moody's and/or Standard & Poor's. Ratings must comply with the investment policy prior to any purchase.

(3) Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with GASB 40, if certain investments in any single issuer represent 5% of total investments, except U.S. government guaranteed obligations, there must be a disclosure for the amount and the issuer.

At June 30, 2017, the County had the following investments exceeding 5% of the total investments:

Investment Type	Value	
	Dollars	**Percentage of Portfolio**
Freddie Mac	$ 12,455,128	6.14%

(4) Interest Rate Risk

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

Note 2. DEPOSITS AND INVESTMENTS (Continued)

Investment Type	Reported Value	Investment Maturities (In Years)			
Primary Government		Less Than 1 Year	1 - 5 Years	6 - 10 Years	Over 10 Years
U.S. Agencies and Securities	$ 41,816,943	$ 6,032,175	$ 35,690,667	$ 42,619	$ 51,482
Municipal Bonds	996,035	-	996,035	-	-
Corporate Notes and Bonds	17,231,535	8,070,202	9,145,595	-	15,738
Total	$ 60,044,513	$ 14,102,377	$ 45,832,297	$ 42,619	$ 67,220
Held in County's Name as Fiduciary					
U.S. Agencies and Securities	$ 4,055,704	$ 2,034,256	$ 2,021,448	$ -	$ -
Municipal Bonds	118,930	-	118,930	-	-
Corporate Notes and Bonds	2,281,437	1,450,194	831,243	-	-
Total	$ 6,456,071	$ 3,484,450	$ 2,971,621	$ -	$ -

C. COUNTY AND COMPONENT UNIT'S OPEB FUNDS

As of June 30, 2017, the carrying value of the County's OPEB Fund's deposits and investments held by the Virginia Pooled OPEB Trust (VACo/VML Pooled OPEB Trust) and their respective credit rating was as follows:

Investment Type	Reported Value	Credit Rating
Investment in pooled funds	$6,158,033	Not Rated

As of June 30, 2017, the carrying value of the Component Unit – Stafford County Public School's OPEB Fund's deposits and investments held by the Virginia Pooled OPEB Trust and their respective credit rating was as follows:

Investment Type	Reported Value	Credit Rating
Investment in pooled funds	$20,724,834	Not Rated

The County's OPEB trust fund and the Stafford County Public School's OPEB trust fund are participants in the Virginia Pooled OPEB Trust (VACo/VML Pooled OPEB Trust). The Trust is an irrevocable trust offered to local governments and authorities and is governed by a Board of Trustees consisting of local officials participating in the Trust. Funds of participating jurisdictions are pooled and are invested in the name of the Virginia Pooled OPEB Trust. The reported value of the pool is measured at amortized cost and can be redeemed on demand for use against qualified OPEB benefit costs. The Board of Trustees of the Virginia Pooled OPEB Trust has adopted an investment policy to achieve a compound annualized total rate of return over a market cycle, including current income and capital appreciation, in excess of 5.0 percent after inflation, in a manner consistent with prudent risk-taking. Investment decisions for the funds' assets are made by the Board of Trustees. The Board of Trustees establishes investment objectives, risk tolerance and asset allocation policies in light of the purpose of the Fund, market and economic conditions, and generally prevailing prudent investment practices. In addition, they will oversee adherence to the investment policy. The Board of Trustees review, monitor, and evaluate the performance of the investments and its investment advisors in light of available investment opportunities, market conditions, and publicly available indices for the generally accepted evaluation and measurement of such performance. Specific investment information for the Virginia Pooled OPEB Trust can be obtained by writing to VML/VACo Finance Program, 919 East Main Street Suite 1100, Richmond, Virginia 23219.

Note 3. RECEIVABLES

Receivables at June 30, 2017 consist of the following:

Primary Government

	General Fund	Transportation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Totals
Property Taxes	$ 17,697,246	$ -	$ -	$ 29,865	$ -	$ 17,727,111
Accounts	2,998,987	1,373,000		1,455,650	5,565,431	$ 11,393,068
Intergovernmental	5,329,776	2,160,261	-	2,043,985	-	9,534,022
Gross Receivables	26,026,009	3,533,261	-	3,529,500	5,565,431	38,654,201
Less:						
Allowance for uncollectible accounts	4,513,804	-	-	227	466,484	4,980,515
Net Receivables	$ 21,512,205	$ 3,533,261	$ -	$ 3,529,273	$ 5,098,947	$ 33,673,686

Component Unit - Stafford County Public Schools

	Operating Fund	Capital Projects Fund	Nutrition Services Fund	Grants Fund	Internal Service Fund	Totals
Accounts	$ 530,197	$ 1,999	$ 28,520	$ -	$ 1,559	$ 562,275
Intergovernmental	5,448,990	-	324,061	2,691,785	-	$ 8,464,836
Due from Primary Government	34,840,082	-	-	-	151,259	34,991,341
Total Receivables	$ 40,819,269	$ 1,999	$ 352,581	$ 2,691,785	$ 152,818	$ 44,018,452

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

Note 4. CAPITAL ASSETS

The following is a summary of changes in capital assets for the Primary Government's governmental activities for the fiscal year ended June 30, 2017:

PRIMARY GOVERNMENT

Governmental Activities

	Balance June 30, 2016	Increases	Decreases	Reclassifications	Transfers	Balance June 30, 2017
Capital assets not being depreciated						
Land	$ 49,242,060	$ 629,142	$ -	$ -	$ -	$ 49,871,202
Intangible Asset - Other	1,039,428	629,142	-	-	-	1,668,570
Construction in progress	76,923,658	18,152,246	(4,088)	(19,991,178)	483,032	75,563,670
Total capital assets not being depreciated	127,205,146	19,410,530	(4,088)	(19,991,178)	483,032	127,103,442
Capital assets being depreciated						
Land Improvements	38,974,414	54,334	-	7,021,878	-	46,050,626
Building and building improvements	103,811,488	10,069	-	12,760,550	-	116,582,107
Furniture, fixtures and equipment	43,016,000	597,010	(216,740)	208,750	-	43,605,020
Intangible Asset - Software	6,005,232	278,826	-	-	-	6,284,058
Technology Infrastructure	4,952,100	-	-	-	-	4,952,100
Vehicles	24,177,974	862,559	(767,993)	-	-	24,272,540
Total capital assets being depreciated	220,937,208	1,802,798	(984,733)	19,991,178	-	241,746,451
Less accumulated depreciation for:						
Land Improvements	(14,513,438)	(1,803,998)	-	-	-	(16,317,436)
Building and building improvements	(34,574,330)	(3,625,795)	-	-	-	(38,200,125)
Furniture, fixtures and equipment	(21,599,275)	(4,475,173)	205,271	-	-	(25,869,177)
Intangible Asset - Software	(5,464,237)	(385,728)	-	-	-	(5,849,965)
Technology Infrastructure	(3,503,578)	(606,239)	-	-	-	(4,109,817)
Vehicles	(14,584,702)	(2,285,928)	749,877	-	-	(16,120,753)
Total accumulated depreciation	(94,239,560)	(13,182,861)	955,148	-	-	(106,467,273)
Total capital assets being depreciated, net	126,697,648	(11,380,063)	(29,585)	19,991,178	-	135,279,178
Total capital assets, governmental activities	$ 253,902,794	$ 8,030,467	$ (33,673)	$ -	$ 483,032	$ 262,382,620

Depreciation expense was charged to governmental functions as follows:

General government	$ 700,271
Judicial administration	$ 92,114
Public safety	$ 6,764,600
Public works	$ 2,948,665
Parks, recreation and cultural	$ 2,232,724
Community development	$ 97,817
Transportation	$ 346,670
Total	$ 13,182,861

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for Primary Government's business-type activities for the fiscal year ended June 30, 2017:

PRIMARY GOVERNMENT
Business-type Activities
Water and Sewer Fund

	Balance June 30, 2016	Increases	Decreases	Reclassifications	Transfers	Balance June 30, 2017
Capital assets not being depreciated:						
Land	$ 19,053,161	$ -	$ -	$ -	$ -	$ 19,053,161
Intangible Asset - Other	4,035,282	-	-	-	-	4,035,282
Construction in progress	192,683,052	14,318,403	-	(47,143,591)	(483,037)	159,374,827
Total capital assets not being depreciated	215,771,495	14,318,403	-	(47,143,591)	(483,037)	182,463,270
Capital assets being depreciated:						
Land Improvements	618,111	-	-	-	-	618,111
Building and building improvements	4,223,105	-	-	-	-	4,223,105
Distribution and collection systems	357,740,468	5,790,330	-	47,143,591	-	410,674,389
Furniture, fixtures and equipment	14,453,471	735,724	-	-	-	15,189,195
Intangible Asset - Software	240,638	-	-	-	-	240,638
Technology Infrastructure	610,759	-	-	-	-	610,759
Vehicles	4,203,663	201,362	(101,436)	-	-	4,303,589
Total capital assets being depreciated	382,090,215	6,727,416	(101,436)	47,143,591	-	435,859,786
Less accumulated depreciation for:						
Land Improvements	(327,147)	(22,404)	-	-	-	(349,551)
Building and building improvements	(2,266,803)	(120,141)	-	-	-	(2,386,944)
Distribution and collection systems	(159,521,521)	(10,426,294)	-	-	-	(169,947,815)
Furniture, fixtures and equipment	(11,609,423)	(633,964)	-	-	-	(12,243,387)
Intangible Asset - Software	(195,574)	(9,013)	-	-	-	(204,587)
Technology Infrastructure	(390,101)	(2,520)	-	-	-	(392,621)
Vehicles	(2,631,594)	(460,033)	101,436	-	-	(2,990,191)
Total accumulated depreciation	(176,942,163)	(11,674,369)	101,436	-	-	(188,515,096)
Total capital assets being depreciated, net	205,148,052	(4,946,953)	-	47,143,591	-	247,344,690
Total capital assets, business-type activities	$ 420,919,547	$ 9,371,450	$ -	$ -	$ (483,037)	$ 429,807,960

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets, except for fleet services fund, for Stafford County Public Schools' governmental activities for the fiscal year ended June 30, 2017:

COMPONENT UNIT – Stafford County Public Schools Governmental Activities

	Balance July 1, 2016	Increases	Decreases	Re-classifications	Balance June 30, 2017
Governmental Activities:					
Capital assets not being depreciated:					
Land	$ 33,724,827	$ 174,495	$ -	$ 8,389	$ 33,907,711
Assets not placed in service	21,131	-	-	(21,131)	-
Construction in progress	21,073,020	11,193,283	-	(17,319,689)	14,946,614
Total capital assets not being depreciated	54,818,978	11,367,778	-	(17,332,431)	48,854,325
Capital assets being depreciated:					
Land improvements	55,390,724	4,608,156	(255,852)	982,264	60,725,292
Buildings & building improvements	491,470,281	5,759,011	(44,246)	15,455,996	512,641,042
Furniture, fixtures & equipment	9,619,298	1,673,321	(100,560)	161,532	11,353,591
Vehicles	22,776,598	2,579,685	(1,665,830)	(31,469)	23,658,984
Software	788,941	42,000	-	-	830,941
Technology infrastructure	2,631,414	644,677	-	677,768	3,953,859
Water treatment system	635,154	233,066	-	86,340	954,560
Total capital assets being depreciated	583,312,410	15,539,916	(2,066,488)	17,332,431	- 614,118,269
Less accumulated depreciation for:					
Land improvements	(18,970,941)	(3,075,378)	226,009	(1,497,703)	(23,318,013)
Buildings & building improvements	(158,296,504)	(14,680,831)	18,409	-	(172,958,926)
Furniture, fixtures & equipment	(7,499,989)	(809,562)	91,249	1,423,367	(6,794,935)
Vehicles	(11,429,023)	(1,423,950)	1,526,295	74,336	(11,252,342)
Software	(500,624)	(123,010)	-	-	(623,634)
Technology infrastructure	(516,117)	(150,478)	-	-	(666,595)
Water treatment system	(531,870)	(34,647)	-	-	(566,517)
Total accumulated depreciation or amortization	(197,745,068)	(20,297,856)	1,861,962	-	(216,180,962)
Total capital assets being depreciated or amortized, net	385,567,342	(4,757,940)	(204,526)	17,332,431	397,937,307
Total capital assets, net – governmental activities	$ 440,386,320	$ 6,609,838	$ (204,526)	$ -	$ 446,791,632

Depreciation expense was charged to governmental functions as follows:

Instruction	512,904
Administration, attendance and health	205,616
Pupil transportation	1,335,387
Operation and maintenance	440,715
Food and nutrition services	146,963
Facilities	17,019,426
Technology	636,845
Total	20,297,856

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for Stafford County Public Schools' proprietary fund for the fiscal year ended June 30, 2017:

COMPONENT UNIT – Stafford County Public Schools
Business-type Activities
Proprietary Fund – Fleet Services

	Balance July 1, 2016	Increases	Decreases	Re-classifications	Balance June 30, 2017
Internal – Service Activities:					
Capital assets not being depreciated:					
Land	$ 37,357	$ -	$ -	$ -	$ 37,357
Total capital assets not being depreciated	37,357	-	-	-	37,357
Capital assets being depreciated:					
Land improvements	1,268,429	-	-	-	1,268,429
Buildings & building improvements	1,833,904	25,000	(10,000)	-	1,848,904
Furniture, fixtures & equipment	207,200	34,623	-	-	241,823
Vehicles	107,270	-	-	-	107,270
Software	78,725	-	-	-	78,725
Total capital assets being depreciated	3,495,528	59,623	(10,000)	-	3,545,151
Less accumulated depreciation for:					
Land improvements	(500,108)	(62,325)	-	-	(562,433)
Buildings & building improvements	(1,005,833)	(63,710)	4,000	(6,637)	(1,072,180)
Furniture, fixtures & equipment	(72,240)	(13,804)	-	6,637	(79,407)
Vehicles	(68,017)	(7,030)	-	-	(75,047)
Software	(78,725)	-	-	-	(78,725)
Total accumulated depreciation	(1,724,923)	(146,869)	4,000	-	(1,867,792)
Total capital assets being depreciated, net	1,770,605	(87,246)	(6,000)	-	1,677,359
Total capital assets, net – internal –service activities	$ 1,807,962	$ (87,246)	$ (6,000)	$ -	$ 1,714,716

Note 5. LONG-TERM LIABILITIES

A. PRIMARY GOVERNMENT – GOVERNMENTAL ACTIVITIES

The following is a summary of long-term liability activity of the primary government for the year ended June 30, 2017:

	Amounts Payable at June 30, 2016	Increases	Decreases	Amounts Payable at June 30, 2017	Amounts Due within One Year
Bonds Payable:					
General obligation bonds	$ 327,095,270	$ 30,910,000	$ (20,247,122)	$ 337,758,148	$ 20,618,499
Lease revenue Bonds	9,875,000	460,000	(3,020,000)	7,315,000	2,535,000
Plus amounts for bond premiums	26,557,015	3,396,803	(1,829,035)	28,124,783	
Bonds payable including amounts for bond premiums	363,527,285	34,766,803	(25,096,157)	373,197,931	23,153,499
Literary loans	1,796,888	-	(466,149)	1,330,739	466,149
VRA loan	71,202,259	5,430,000	(1,997,409)	74,634,850	2,263,105
Capital leases	13,674,528		(2,488,310)	11,186,218	2,548,837
Pension Liability	20,979,902	15,868,321	(11,038,322)	25,809,901	
OPEB	28,755,381	5,582,490	(1,185,135)	33,152,736	
**Compensated absences	7,369,111	5,832,418	(5,731,843)	7,469,686	3,125,898
Governmental activities long-term liabilities	$ 507,305,354	$ 67,480,032	$ (48,003,325)	$ 526,782,061	$ 31,557,488

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

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

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds Principal	Revenue Bonds Interest
2018	20,618,499	$ 14,021,591	$ 2,535,000	$ 346,051
2019	21,625,996	13,129,825	2,540,000	238,051
2020	20,991,214	12,061,570	40,000	111,175
2021	20,235,408	11,066,094	40,000	109,350
2022	20,330,176	10,076,643	45,000	107,322
2023-2027	102,921,855	35,847,444	230,000	501,888
2028-2032	96,885,000	12,365,430	995,000	450,509
2033-2037	32,830,000	1,874,564	890,000	44,500
2038-2042	1,320,000	21,630	-	-
Total	337,758,148	$ 110,464,791	$ 7,315,000	$ 1,908,846

Year Ending June 30,	Literary Loans Principal	Literary Loans Interest
2018	$ 466,149	$ 39,922
2019	216,149	25,938
2020	216,149	19,453
2021	216,149	12,969
2022	216,143	6,484
Total	$ 1,330,739	$ 104,766

Note 5. LONG-TERM LIABILITIES (Continued)

Year Ending June 30,	Capital Leases Principal	Capital Leases Interest	VRA Loan Principal	VRA Loan Interest
2018	$ 2,548,837	$ 246,446	$ 2,263,105	$ 3,137,197
2019	2,242,667	188,606	2,339,050	3,054,188
2020	1,801,826	138,450	5,005,247	2,891,488
2021	1,847,255	93,021	5,111,703	2,662,485
2022	691,881	58,030	5,233,424	2,419,789
2023-2027	2,053,752	81,465	20,762,651	8,889,621
2028-2032			18,229,670	4,683,881
2033-2037			15,690,000	1,474,847
Total	$ 11,186,218	$ 806,018	$ 74,634,850	$ 29,213,496

Total Debt Service Payments by year

Year Ending June 30,	Principal	Interest
2018	$ 28,431,590	$ 17,791,207
2019	$ 28,963,862	$ 16,636,608
2020	$ 28,054,436	$ 15,222,136
2021	$ 27,450,515	$ 13,943,919
2022	$ 26,516,624	$ 12,668,268
2023-2027	$ 125,968,258	$ 45,320,418
2028-2032	$ 116,109,670	$ 17,499,820
2033-2037	$ 49,410,000	$ 3,393,911
2038-2042	$ 1,320,000	$ 21,630
Total	$ 432,224,955	$ 142,497,917

Note 5. LONG-TERM LIABILITIES (Continued)

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
Governmental Activities					
General Obligation Bonds					
County:					
Public Improvements (Refunding)	6/13/2012	10/1/2021	3.43 – 5.13%	$ 4,810,000	$ 2,410,000
Public Improvements	6/27/2013	7/1/2033	3.13%	24,075,000	20,480,000
Parks and Transportation	8/11/2015	6/30/2036	3.00-5.00%	28,885,000	9,795,000
Parks and Transportation	5/24/2017	6/30/2037	3.00-5.00%	12,060,000	12,060,000
Total General Obligation – County					$44,745,000
Schools:					
VPSA Series 1996A	5/2/1996	7/15/2016	5.30 – 6.10%	6,370,000	-
VPSA Series 1996B	11/14/1996	7/15/2016	5.10 – 6.10%	6,585,000	-
VPSA Series 1997A	5/30/1997	7/15/2017	5.35 – 6.10%	5,280,000	230,000
VPSA Series 1997B	11/20/1997	1/15/2018	4.60 – 5.35%	8,450,000	420,000
VPSA Series 1998A	4/30/1998	7/15/2018	4.35 – 5.30%	11,560,000	1,150,000
VPSA Series 1998B-1	11/19/1998	7/15/2018	4.35 – 5.10%	4,345,729	489,888
VPSA Series 1998B-2	11/19/1998	7/15/2018	4.35 – 5.10%	9,845,000	980,000
VPSA Series 1999A	5/13/1999	7/15/2019	4.10 – 5.23%	18,000,000	2,700,000
VPSA Series 1999B	11/18/1999	7/15/2019	5.10 – 6.10%	9,805,170	1,635,885
VPSA Series 2000A	5/18/2000	7/15/2020	5.10 – 5.60%	9,240,000	1,840,000
VPSA Series 2000B	11/16/2000	7/15/2020	4.98 – 5.85%	4,260,000	840,000
VPSA Series 2001A	5/17/2001	7/15/2021	4.85 – 5.60%	10,135,000	2,525,000
VPSA Series 2001B	11/15/2001	7/15/2021	3.10 – 5.35%	9,257,513	2,483,061
VPSA Series 2002A	5/16/2002	7/15/2022	5.10 – 5.60%	2,685,000	795,000
VPSA Series 2002B	11/7/2002	7/15/2022	4.10 – 5.10%	1,815,000	540,000
VPSA Series 2003A	5/15/2003	7/15/2023	3.10 – 5.35%	6,905,000	2,415,000
VPSA Series 2003B	11/1/2003	7/15/2028	3.10 – 5.35%	54,070,000	34,335,000
VPSA Series 2003C	11/1/2003	7/15/2023	3.10 – 5.35%	5,494,768	2,129,314
VPSA Series 2004A	5/13/2004	7/15/2029	4.85 – 5.10%	8,470,000	5,695,000
VPSA Series 2004B	11/10/2004	7/15/2029	4.10 – 5.6%	9,700,000	6,480,000
VPSA Series 2005A	5/12/2005	7/15/2030	4.10 – 5.1%	17,895,000	12,575,000
VPSA Series 2005B	11/10/2005	7/15/2030	4.35 – 5.1%	9,810,000	6,905,000
VPSA Series 2006A	5/12/2006	7/15/2031	4.10 – 5.1%	41,035,000	30,255,000
VPSA Series 2006B	11/9/2006	7/15/2032	4.225 – 5.1%	6,310,000	4,610,000
VPSA Series 2007A	5/10/2007	7/15/2032	4.10 – 5.1%	13,620,000	10,480,000
VPSA Series 2007B	11/8/2007	1/15/2033	4.40 – 5.1%	10,600,000	8,190,000
VPSA Series 2008A	5/19/2008	7/15/2033	4.10 – 5.1%	11,500,000	9,230,000
VPSA Series 2008B	12/11/2008	7/15/2033	4.10 – 5.4%	1,700,000	1,365,000
VPSA Series 2010A	5/13/2010	7/15/2025	3.05 – 5.05%	5,740,000	3,855,000
Qualified School Construction Bonds	7/8/2010	7/15/2031	5.31%	1,305,000	780,000
VPSA Series 2010C	11/10/2010	7/15/2030	2.05 – 3.55%	2,305,000	1,775,000
VPSA Series 2011A	5/5/2011	7/15/2031	2.05 – 4.30%	5,625,000	4,665,000
VPSA Series 2011B	11/9/2011	7/15/2031	2.05 – 5.05%	9,845,000	8,105,000
VPSA Series 2012A	5/10/2012	7/15/2032	2.55 – 5.05%	11,860,000	9,880,000
VPSA Series 2012B	11/15/2012	7/15/2032	2.15 – 5.05%	16,220,000	13,870,000
VPSA Series 2013A	5/9/2013	7/15/2033	3.05 – 5.05%	13,820,000	12,365,000
VPSA Series 2013B	11/15/2013	7/15/2033	2.30 – 5.05%	12,575,000	11,390,000
VPSA Series 2014A	5/15/2014	7/15/2034	2.67 – 5.05%	16,380,000	15,110,000
VPSA Series 2014B	11/15/2014	7/15/2034	2.05 – 5.05%	15,250,000	14,255,000
VPSA Series 2015A	5/15/2015	7/15/2035	2.05 – 5.05%	6,870,000	6,655,000
VPSA Series 2015B	11/3/2015	7/15/2035	2.05 – 5.05%	18,910,000	18,445,000
VPSA Series 2016A	5/17/2016	7/15/2036	3.00 – 5.05%	1,720,000	1,720,000
VPSA Series 2016B	10/25/2016	7/15/2036	2.8 – 5.05%	8,480,000	8,480,000
VPSA Series 2016A	5/17/2016	7/15/2037	3.05 – 5.05%	10,370,000	10,370,000
Total General Obligation – Schools					$293,013,148

NOTE 5. LONG TERM LIABILITIES (Continued)

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
State Literary Fund Loans					
Winding Creek Elementary School	11/1/1997	11/1/2017	3.0%	$ 5,000,000	$ 250,000
Rocky Run Elementary School	8/15/2001	8/15/2021	3.0%	4,322,974	1,080,739
Total State Literary Fund Loans					$1,330,739
VRA Loans					
Crows Nest 2008	04/18/2008	04/01/2028	3.0%	9,500,000	5,849,850
Refunding LRBs 06/08	08/15/2014	10/01/2036	3.1%	64,335,000	61,695,000
Solid Waste 2015	11/04/2015	10/01/2023	3.12 – 5.13%	1,855,000	1,660,000
Animal Shelter	05/24/2017	10/01/2036	2.99 – 5.43%	5,430,000	5,430,000
Total VRA Loans					74,634,850
Lease Revenue Bonds:					
Public Improvements	3/20/2008	4/1/2033	4.00 – 5.00%	45,165,000	6,780,000
Hidden Lake Dam	6/19/2008	10/1/2028	3.00 – 4.93%	800,000	75,000
Hidden Lake Dam Refunding	11/02/2016	10/1/2028	4.38 – 5.13%	460,000	460,000
Total Lease Revenue Bonds					7,315,000
Total Bonds Payable					$ 421,038,737

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Land	$ 59,386
Equipment	16,725,723
Vehicles	3,128,339
Less: Accumulated depreciation	(8,934,845)
Total	$ 10,978,603

In March 2008, the Economic Development Authority of Stafford, Virginia issued $45,165,000 in Lease Revenue bonds to finance various public facility projects, including the acquisition and construction of new courthouse facilities, the construction of the Falls Run library, and the acquisition and installation of an emergency radio communications system. The bonds sold at a premium, yielding an additional $381,934 for project purposes.

In June, 2008, the County obtained $800,000 Lease Revenue financing on behalf of the homeowners of the Hidden Lake Subdivision for dam renovations through the Virginia Resources Authority. Homeowners are

NOTE 5. LONG TERM LIABILITIES (Continued)

assessed an ad valorem tax of $0.22 per $100 of assessed valuation, with collections designated for debt service on the financing. These bonds sold at a premium, yielding an additional $35,348 for project purposes.

The 2006 and a portion of the County's 2008 Lease Revenue Bonds were defeased and the liability for those bonds have been removed from the government-wide statement of net position. As of June 30th, 2017 the remaining value of outstanding defeased bonds is $ 17,105,000.

In November of 2015, the County and the City of Fredericksburg obtained a loan through the Virginia Resources Authority to fund the Rappahannock Regional Solid Waste Management Board's (R-Board) construction of a new landfill cell, cell F2. These loans are secured by the proportion financed and letters of credit and are payable principally from payments received from the R-Board. As of June 30, 2017, the principle balance of the County's share of the loan is $1,660,000.

On November 2, 2016, the County issued $460,000 in bonds through the Virginia Resources Authority Virginia Pooled Financing Program with an interest rate ranging between 4.375% to 5.125% to advance refund $485,000 of outstanding 2008 lease revenue bonds for the Hidden Lake Dam with an interest rate ranging between 3.00% to 4.93%. The net proceeds of $523,800 (after premium of $102,188 and payment of $38,388 of bond issuance costs) were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 lease revenue bonds. As a result, the 2008 lease revenue bonds are considered to be defeased and the liability for those bonds have been removed from the government-wide statement of net position. As of June 30, 2017, the remaining value of the outstanding defeased bonds is $485,000. The result of this transaction reduced interest expense of $ 31,041 of the County's fund activities.

The County has moral obligation pledges as follows:

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

NOTE 5. LONG TERM LIABILITIES (Continued)

B. PRIMARY GOVERNMENT – BUSINESS-TYPE ACTIVITIES

	Amounts Payable at June 30, 2016	Increases	Decreases	Amounts Payable at June 30, 2017	Amounts Due within One Year
Bonds Payable:					
Revenue bonds	$ 74,920,000	$ 41,140,000	$ (40,100,000)	$ 75,960,000	$ 1,592,042
VRA loan	26,099,504		(1,569,651)	$ 24,529,853	1,920,000
Plus amounts for bond premiums	9,104,434	5,528,297	(5,806,193)	8,826,538	
Total Bonds payable including amounts for bond premiums/(discounts)	110,123,938	46,668,297	(47,475,844)	109,316,391	3,512,042
Pension Liability	3,711,150	2,748,532	(1,905,677)	4,554,005	
OBEB	1,361,630	863,000	(558,873)	1,665,757	
Compensated absences	1,328,176	1,033,971	(1,124,874)	1,237,273	518,100
Business-type activities long-term liabilities	$ 116,524,894	$ 51,313,800	$ (51,065,268)	$ 116,773,426	$ 4,030,142

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

Year Ending June 30,	Revenue Bonds Principal	Revenue Bonds Interest	VRA Loans Principal	VRA Loans Interest
2018	$ 1,920,000	$ 3,217,244	$ 1,592,042	$ 354,615
2019	2,010,000	3,124,588	1,614,852	331,805
2020	2,105,000	3,032,591	1,638,087	308,569
2021	2,200,000	2,935,725	1,661,760	284,897
2022	2,300,000	2,837,113	1,685,877	260,778
2023-2027	13,290,000	12,381,950	8,807,533	925,749
2028-2032	16,715,000	8,964,941	7,529,702	256,925
2033-2037	17,580,000	5,159,909		
2038-2042	14,560,000	2,171,475		
2043-2047	3,280,000	67,650		
Total	$ 75,960,000	$ 43,893,186	$ 24,529,853	$ 2,723,338

Year Ending June 30,	Principal	Interest
2018	$ 3,512,042	$ 3,571,859
2019	3,624,852	3,456,393
2020	3,743,087	3,341,160
2021	3,861,760	3,220,622
2022	3,985,877	3,097,891
2023-2027	22,097,533	13,307,699
2028-2032	24,244,702	9,221,866
2033-2037	17,580,000	5,159,909
2038-2042	14,560,000	2,171,475
2043-2047	3,280,000	67,650
Total	$ 100,489,853	$ 46,616,524

NOTE 5. LONG TERM LIABILITIES (Continued)

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
Business-Type Activities					
Revenue Bonds:					
Public Improvements	6/3/2012	10/1/2042	3.43-5.13%	$ 53,355,000	$ 11,530,000
Public Improvements	6/27/2014	10/1/2035	3.12-4.83%	$ 16,010,000	14,940,000
Public Improvements	11/4/2015	10/1/2035	3.22%	$ 8,620,000	8,350,000
Refunding	11/2/2016	10/1/2042	2.125-5.125%	$ 41,140,000	41,140,000
Total Revenue Bonds					$ 75,960,000
Virginia Resources Authority Loans:					
Public Improvements	7/8/2009	3/1/2031	3.35%	$ 23,681,363	$ 16,341,697
Public Improvements	7/27/2009	3/1/2031	2.34-4.20%	$ 9,606,478	7,188,156
Total Virginia Resources Authority					$ 23,529,853

The County has pledged future water and sewer customer revenues, net of specified operating expenses, to repay $75.9 million in water system revenue bonds issued at various times. Proceeds from the bonds provided financing for the construction and rehabilitation of the water-sewer system. The bonds are payable solely from water customer net revenues and are payable through 2042. Annual principal and interest payments on the bonds are expected to require less than 23 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $119,853,186. Principal and interest paid on revenue bonds for the current year and total customer net revenues were $5,050,841 and $35,826,615, respectively. In addition to pledged revenues, the County must meet certain debt service ratio requirements in accordance with the bond indentures. At June 30, 2017 the County was in compliance with all ratio requirements.

On November 2, 2016, the County issued $41,140,000 in bonds through the Virginia Resources Authority Virginia Pooled Financing Program with interest rate ranging between 2.125% to 5.125% to advance refund $38,355,000 of outstanding 2012 lease revenue bonds interest rates ranging between 3.43% to 5.13%. The net proceeds of $46,347,632 (after premium of $5,528,297 and payment of $320,665 of bond issuance costs) were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2012 lease revenue bonds. As a result, the 2012 lease revenue bonds are considered to be defeased and the liability for those bonds have been removed from the government-wide statement of net position. As of June 30, 2017, the remaining value of the outstanding defeased bonds is $38,355,000. The result of the refunding saved the County $2,027,634 in future debt service and resulted in $1,393,401 economic gain.

C. Net Investment in Capital Assets

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

	Governmental Activities	Business-Type Activities
Capital Assets, Net	$ 262,382,620	$ 429,807,960
Less: Long term debt related to capital assets	(432,224,955)	(100,489,853)
Less: Unamortized Premiums	(28,124,783)	(8,826,538)
Add: Unamortized loss	3,849,783	-
Add: Long term debt and premiums relation to SCPS assets	309,734,400	-
Add: Unspent bond proceeds from non-SCPS debt	21,527,466	7,118,945
Net Investment in Capital Assets	$ 137,144,531	$ 327,610,514

D. COMPONENT UNIT – Stafford County Public Schools

	Amounts Payable at 7/1/16	Increases	Decreases	Amounts Payable at 6/30/17	Amounts Due within One Year
Governmental Activities:					
General Long-Term Debt:					
Capital Leases	2,216,193	-	668,292	1,547,901	297,323
Compensated Absences*	6,538,181	3,343,236	3,256,397	6,625,020	522,920
Note Payable-Stafford County	855,000	-	75,000	780,000	75,000
Total	9,609,374	3,343,236	3,999,689	8,952,921	895,243

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

NOTE 5. LONG TERM LIABILITIES (Continued)

	Amounts Payable at 7/1/16	Increases	Decreases	Amounts Payable at 6/30/17	Amounts Due within One Year
Internal Service Funds:					
Capital Lease	190,233	-	29,540	160,693	30,374
Compensated Absences	137,623	96,476	77,147	156,952	12,705
Total	327,856	96,476	106,687	317,645	43,079

Note 6. DEFINED BENEFIT PENSION PLAN

A. PLAN DESCRIPTION

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit. Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

- Non-hazardous members hired or rehired on or after January 1, 2014 are covered under the Hybrid Plan. Non-hazardous members in Plan 1 and 2 were able to convert to the Hybrid Plan January 1, 2014 through April 30th 2014 at their option. The Hybrid Plan has disability insurance in addition to the retirement plan. The hybrid plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefits are based on a member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

NOTE 6. BENEFIT PENSION PLAN (Continued)

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. Under the Hybrid Plan average final compensation is the same as Plan 2 for the defined benefit component. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. The retirement multiplier under the hybrid plan is 1%. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. Under Hybrid COLA is the same as Plan 2 for the defined benefit component and is not applicable for the defined contribution piece.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/pdf/publications/2015-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 6. BENEFIT PENSION PLAN (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	387
Inactive members:	
Vested	133
Non-vested	192
Active elsewhere in VRS	185
Total inactive members	510
Active members	860
Total covered employees	1,757

B. Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required contribution rate for the year ended June 30, 2017 was 9.55% 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 by the County were $4,788,733 for the year ended June 30, 2017.

Stafford County Public Schools contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

NOTE 6. BENEFIT PENSION PLAN (Continued)

The School Board non-professional's contractually required contribution rate for the year ended June 30, 2015 was8.15% 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 $560,715 for the year ended June 30, 2017.

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The School Board's professional contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015, adjusted for the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Section 51.1-145 of the Code of Virginia, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board for the professional plan were $22,443,877 for the year ended June 30, 2017.

C. Net Pension Liability

The County's net pension liabilities were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

At June 30, 2017, the County and the County's Rappahannock Regional Solid Waste Management Board (Board) reported a collective pension liability of $31,090,884 for its proportionate share of the net pension liability (collectively the County). This amount is comprised of $30,363,906 for the County and $726,978 for the Board. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016 the County's proportion was 0.91% as compared to 0.95% at June 30, 2015.

In prior years the governmental general fund and the enterprise water-sewer fund have been used to liquidate pension liabilities allocated based on contributions made.

NOTE 6. BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions – General Employees

The total pension liability for the VRS retirement plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods including in the measurement and rolled forward to the measurement date as of June 30, 2016.

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

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the County's retirement plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2016.

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for 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:	60% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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.

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

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

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

Discount Rate

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

Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County'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, 2018 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 liabilities.

NOTE 6. BENEFIT PENSION PLAN (Continued)

Change in the net pension liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	$ 173,069,287	$147,794,406	$25,274,881
Changes for the Year:			
Service Cost	5,473,158		5,473,158
Interest	11,888,063		11,888,063
Difference between expected & actual experience	(1,563,825)		(1,563,825)
Contributions-employer		5,062,191	(5,062,191)
Contributions-employee		2,360,151	(2,360,151)
Net investment income		2,650,884	(2,650,884)
Benefit payments, including refunds of employee contributions	(6,479,621)	(6,479,621)	-
Administrative charges	-	(90,725)	90,725
Other charges	-	(1,108)	1,108
Net changes	9,317,775	3,501,772	5,816,003
Balances at June 30, 2017	$182,387,062	$ 151,296,178	$31,090,884

As fiduciary for Rappahannock Regional Solid Waste Management Board (R-Board), the County reports the R-Board's employees to the VRS as if they were employees of the County. Since the R-Board is legally responsible for their employee's contributions, they are responsible for their proportionate share of the net pension liability, deferred inflows of resources and deferred outflows of resources.

The Net Pension Liability

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

	Net Pension Liability
Governmental Activities	$ 25,809,901
Business-Type Activities	4,554,005
Rappahannock Regional Solid Waste Management Board	726,978
	$ 31,090,884

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

The following presents the net pension liabilities of the County's plan, using the discount rate of 7.00%, as well as what the County's net pension liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County net pension liability	56,806,631	31,090,884	9,876,412

Detailed information about the pension plans' fiduciary net position are available in the separately issued VRS financial report. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

The School Board's non-professional plan net pension liabilities were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.
At June 30, 2017, the School Board reported a liability for the professional plan of $264,117,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the School Board's proportion was 1.88465% as compared to 1.87703% at June 30, 2015.

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, 2015, 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, 2016.

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

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2016.

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

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

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

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

Discount Rate

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

Through the fiscal year ending June 30, 2018, 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, 2018 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.

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	$ 27,193,708	$ 24,667,290	$ 2,526,418
Changes for the Year:			
Service cost	853,719	-	853,719
Interest	1,856,844	-	1,856,844
Difference between expected and actual experience	(868,215)	-	(868,215)
Contributions – employer	-	687,268	(687,268)
Contributions – employee	-	406,077	(406,077)
Net investment income	-	436,457	(436,457)
Benefit payments, including refunds of employee contributions	(1,334,723)	(1,334,723)	-
Administrative expense	-	(15,244)	15,244
Other changes	-	(182)	182
Net changes	507,625	179,653	327,972
Balances at June 30, 2017	$ 27,701,333	$ 24,846,943	$ 2,854,390

The following presents the net pension liabilities of the School Board non-professional plan and the School Board professional plan, using the discount rate of 7.00%, as well as what the School Board's non-professional plan and the School Board's professional plan net pension liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease -6.00%	Current Discount Rate -7.00%	1% Increase -8.00%
School Board's non-professional net pension liability (asset)	$ 6,339,984	$ 2,854,390	$ (56,044)
School Board's professional net pension liability	376,500,000	264,117,000	171,541,000

NOTE 6. BENEFIT PENSION PLAN (Continued)

Detailed information about the pension plans' Fiduciary Net Position are available in the separately issued VRS financial report. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules and the VRS Teacher Retirement Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the County recognized pension expense of $4,531,287. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 8,188,000	$ 4,224,000
Net difference between expected and actual experience	-	1,302,000
County contributions subsequent to the measurement date	4,788,733	-
Total	$ 12,976,733	$ 5,526,000

$4,788,733 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ (253,000)
2019	(253,000)
2020	1,865,000
2021	1,303,000
2022	-
Thereafter	-
	$ 2,662,000

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

	Deferred Outflows	Deferred Infows
Governmental Activities	$10,807,146	$ 4,602,106
Business Type Activities	1,856,622	790,622
Rappahannock Regional Solid Waste Management Board	312,965	133,272
Total	$ 12,976,733	$ 5,526,000

School Board Non-Professional

For the year ended June 30, 2017, the School Board recognized pension expense related to its non-professional plan of $323,369. 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	$ -	$ 702,872
Net difference between projected and actual earnings on pension plan investments	647,647	-
Employer contributions subsequent to the measurement date	560,715	-
Total	$ 1,208,362	$ 702,872

The $560,715 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, 2018.

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
2018	$ (278,821)
2019	(257,623)
2020	224,966
2021	256,253
	$ (55,225)

For the year ended June 30, 2017, the School Board recognized pension expense related to the professional plan of $20,976,000. 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.

NOTE 6. BENEFIT PENSION PLAN (Continued)

At June 30, 2017, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions for the professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 15,087,000	$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,757,000
Difference between expected and actual experience	-	8,558,000
Employer contributions subsequent to the measurement date	22,443,877	-
Total	$ 37,530,877	$ 14,315,000

$22,443,877 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	$ (3,502,000)
2019	(3,502,000)
2020	4,810,000
2021	3,457,000
2022	(491,000)
	$ 772,000

Note 7. OTHER POST-EMPLOYMENT BENEFITS

Primary Government:

A. Plan Description

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

The County provides post-employment healthcare insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, employee/retiree contributions and employer contributions are determined by the County through its personnel compensation plan. They may be amended by action of the governing body – the Board of Supervisors. The plan does not issue a separate financial report. Required supplementary information and trend information are included in the Exhibit XV.

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

B. Benefits Provided

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

C. Membership

At June 30, 2017 membership consisted of:

Retirees and beneficiaries currently receiving benefits	166
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	839
Total	1,005

D. Funding Policy

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

VRS eligible retirees receive a monthly health insurance credit (HIC) of $1.50 for each year of service up to a maximum of $45.00 per month. The HIC is applied to and reduces the retiree contribution. For retirees with fifteen (15) years or more of service to the County, the HIC covers the retiree's share of the premium. The County contributes the remainder of the retiree only premium. Retirees with less than 15 years of service pay the full premium less any VRS HIC. Dependent coverage is covered by the retiree at stated plan rates.

Medicare eligible retirees with 15 years of service to the County must be enrolled in Medicare Parts A and B to be eligible to participate in the County's health insurance plan. Payment for Medicare Parts A and B is the responsibility of the retiree.

E. Investment Policy

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

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

VACo/VML Pooled OPEB Trust FY2017 Portfolio I	Target Allocatio	Expected LT Return	Expected LT	Expected LT
Total Equity	59%	12.25%	3.60%	8.65%
Large Cap Equity (Domestic)	26%	11.39%	3.60%	7.79%
Small Cap Equity (Domestic)	10%	12.68%	3.60%	9.08%
International Equity (Develeoped)	13%	12.39%	3.60%	8.79%
Emerging Markets	5%	13.74%	3.60%	10.14%
Private Equity	5%	14.03%	3.60%	10.43%
Fixed Income	21%	6.58%	3.60%	2.98%
Core Bonds	7%	6.40%	3.60%	2.80%
Core Plus	14%	6.67%	3.60%	3.07%
Diversified Hedge Funds	10%	9.92%	3.60%	6.32%
Real Assets	10%	8.86%	3.60%	5.26%
Real Estate	7%	9.44%	3.60%	5.84%
Private Core RE	5%	9.11%	3.60%	5.51%
Private Value Add RE	2%	10.28%	3.60%	6.68%
Commodities	3%	7.50%	3.60%	3.90%
Cash & Equivs	0%	4.53%	3.60%	0.93%
Total	100%	10.49%	3.60%	6.89%

The County's investment rate of return for the year was 11.36%

F. Net OPEB Liability of the County

The components of the net OPEB liability of the County at June 30th 2017 were as follows:

Total OPEB Liability	$ 106,393,000
Plan Fiduciary Net Position	(6,158,033)
Net OPEB Liability	$ 100,234,967

Plan fiduciary net position as % of the net OPEB liability is 6.14%.

G. Actuarial Methods and Assumptions

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

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Inflation	2.30%
Salary increases	*General employees:* 5.35% initially, decreasing to 3.50% over 20 year period, including inflation; depends on service *Sheriff/Fire:* 4.75% initially, decreasing to 3.50% over 20 year period, including inflation; depends on service
Investment rate of return	7.00%, including inflation
Discount rate	3.58% as of 6/30/2017, 2.85% as of 6/30/2016
Bond rate	3.58% as of 6/30/2017, 2.85% as of 6/30/2016
Healthcare cost trend rate	Pre medicare 4.05%-6.48% - Post medicare 3.96% -5.90%
Mortality	RP 2000 sex distinct – see tables for details

In the January 1, 2017 actuarial valuation, the Entry Age Normal Funding method was used. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the unfunded level of the plan at the valuation date, and an annual pre-Medicare trend rate of 5.9 percent and an annual post-Medicare trend rate of 5.9 percent. The trend takes into account the Cadillac tax that will be imposed on insurers beginning 2020 The ultimate post-Medicare rate is 3.94 percent which is achieved in 2090. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017 was 22 years. Amortization periods used are closed. The valuation assumes a 2.5 % inflation rate and is the same rate used in the previous valuation.

H. <u>Sensitivity of the Net OPEB Liability to Changes in the Discount Rate</u>

The following table presents Stafford County Total and Net OPEB liability. We also present the Total and Net OPEB liability if it is calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher.

	1% Decrease 2.85%	*Discount Rate 3.58%*	*1% Increase 4.85%*
Net OPEB Liability (Asset)	$124,143,000	$100,235,000	$81,780,000

I. <u>Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trends Rate</u>

The following table presents Stafford County Total and Net OPEB liability. We also present the Total and Net OPEB liability if it is calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher

	1% Decrease 4.90 % increasing to 2.90%	Trend Rate 5.90% decreasing to 3.90%	1% Increase 6.90 % decreasing to 4.90%
Net OPEB Liability	$ 79,310,000	$ 100,235,000	$ 128,293,000

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

J. Annual OPEB Costs and Net OPEB Obligation

The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

The following table shows the components of the County's annual OPEB cost for the year, the amount contributed to the plan and changes in the County's net OPEB obligation (NOO) to SCREHIP:

Annual required contribution (ARC)	$ 6,722,000
Amortization of NOO	(1,386,000)
Interest on NOO	1,173,000
Annual OPEB Cost (AOC)	$ 6,509,000
NOO, beginning of year	$ 30,563,630
Current year AOC	6,509,000
Contribution made	(1,311,190)
Gain on plan assets	(565,784)
NOO, end of year	$ 35,195,656

The NOO for the County as shown above includes a NOO of $ 377,163 for the George Washington Regional Commission Agency Fund.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 6,509,000	20.14%	$ 35,195,656
June 30, 2016	6,148,137	17.68%	30,563,630
June 30, 2015	5,931,866	9.16%	25,502,728

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

K. Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 7.29% funded. The actuarial value of the plan assets was determined using current market value as these assets were invested in an irrevocable trust offered to local governments. The actuarial accrued liability for benefits was $68,382,000, and the actuarial value of plan assets was $4,985,000 (funded by an initial contribution of $2,700,000 by the Water and Sewer fund plus accumulated interest earned on invested contributions), resulting in an unfunded actuarial accrued liability (UAAL) of $63,397,000. The covered payroll (annual payroll of active employees covered by the plan was $51,368,053, and the ratio of the UAAL to covered payroll was 123.41%.

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

The Schedule of Funding Progress for the County's postemployment defined benefit plan is included in the Required Supplementary section immediately following the Notes to the Financial Statements. It presents trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Component Unit – Stafford County Public Schools:

A. PLAN DESCRIPTION

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

B. PROVIDED BENEFITS

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

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

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

DISABILITY BENEFITS

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

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

SURVIVOR BENEFITS
Surviving spouses of participants with dependent coverage can stay on the plan, but receive no subsidy from SCPS.

B. PROVIDED BENEFITS (Continued)

MEDICARE COVERAGE OPTIONS
Pre-Medicare retirees may continue to remain in one of the three options for medical and prescription drug coverage offered to active participants. Once the participant is Medicare eligible they can continue with the Medicare carve-out plan, which is offered secondarily to Medicare.

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

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

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

Interest Assumptions
The actuarial assumptions of the plan as of June 30, 2017 are as follows:

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

C. MEMBERSHIP

At June 30, 2017 membership consisted of:

Retirees and beneficiaries currently receiving benefits	559
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	2,166
Total	2,725

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

D. FUNDING POLICY

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

E. INVESTMENT POLICY

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

VACo/VML Pooled OPEB Trust FY2017 Portfolio I	Target Allocation	Expected LT Return	Expected LT	Expected LT
Total Equity	59%	12.25%	3.60%	8.65%
Large Cap Equity (Domestic)	26%	11.39%	3.60%	7.79%
Small Cap Equity (Domestic)	10%	12.68%	3.60%	9.08%
International Equity (Developed)	13%	12.39%	3.60%	8.79%
Emerging Markets	5%	13.74%	3.60%	10.14%
Private Equity	5%	14.03%	3.60%	10.43%
Fixed Income	21%	6.58%	3.60%	2.98%
Core Bonds	7%	6.40%	3.60%	2.80%
Core Plus	14%	6.67%	3.60%	3.07%
Diversified Hedge Funds	10%	9.92%	3.60%	6.32%
Real Assets	10%	8.86%	3.60%	5.26%
Real Estate	7%	9.44%	3.60%	5.84%
Private Core RE	5%	9.11%	3.60%	5.51%
Private Value Add RE	2%	10.28%	3.60%	6.68%
Commodities	3%	7.50%	3.60%	3.90%
Cash & Equivs	0%	4.53%	3.60%	0.93%
Total	100%	10.49%	3.60%	6.89%

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

F. ANNUAL OPEB COST AND NET OPEB OBLIGATION

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

The School Board's annual OPEB cost (expense) for the year ended June 30, 2017 was $11,988,920 (comprised of the ARC of $11,710,000 plus interest of $2,086,564 on the beginning net OPEB obligation less an ARC adjustment of $1,807,644) and the annual contributions were $1,397,988, yielding an increase in the net OPEB obligation of $10,590,932.

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for fiscal years 2017, 2016, and 2015 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 11,988,920	$ 1,397,988	11.66%	$ 40,398,989
June 30, 2016	6,965,214	1,866,934	26.80%	29,808,057
June 30, 2015	6,672,328	2,196,007	32.91%	24,709,777

Change in Net OPEB Liability

The components of the net OPEB liability for the School Board at June 30th 2017 were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2017 for FYE 2018	$158,903,791	$20,724,834	$138,178,957

The fiduciary net position as a percentage of the total OPEB liability is 13.0%.

G. FUNDED STATUS AND PROGRESS

As of June 30, 2016, the most recent valuation date, the plan was 14.68% funded. The actuarial accrued liability for benefits was $125,161,000, and the actuarial value of the assets was $18,369,240, resulting in an UAAL of $106,791,760. The covered payroll (annual payroll of active employees) was $151,834,911, and the ratio of the UAAL to the covered payroll was 70.33%.

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

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

H. SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following table presents the Schools's Total and Net OPEB liability. We also present the Total and Net OPEB liability if it is calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher.

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

I. SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TRENDS RATE

The following table presents the 's Total and Net OPEB liability. We also present the Total and Net OPEB liability if it is calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher.

	1% Decrease	Trend Rate	1% Increase
Ultimate Trend	2.94%	3.94%	4.94%
Total OPEB Liability	$126,865,689	$158,903,791	$202,172,819
Net OPEB Liability/(Asset)	$106,140,855	$138,178,957	$181,447,985

HEALTH INSURANCE CREDIT OPEB PLAN

A. PLAN DESCRIPTION

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

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

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

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

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

ACTUARIAL METHODS AND ASSUMPTIONS

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

Cost Method

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2016 was 20-29 years.

B. FUNDING POLICY

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

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

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

For 2017, SCPS' contribution of $18,657 was equal to the ARC and OPEB cost. SCPS' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for 2017, 2016, and 2015 are as follows:

Fiscal Year Ended	OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2017	$ 18,657	100.00%	$ -
June 30, 2016	19,627	100.00%	-
June 30, 2015	19,547	100.00%	-

Note 7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

D. FUNDING STATUS AND FUNDING PROGRESS

The funded status of the plan as of June 30, 2015, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	$	378,648
Actuarial value of plan assets	$	229,004
Unfunded actuarial accrued liabilities (UAAL)	$	149,644
Funded ratio (actuarial value of plan assets/AAL)		60.48%
Covered payroll (active plan members)	$	8,163,550
UAAL as a percentage of covered payroll		1.83%

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

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

E. PROFESSIONAL EMPLOYEES

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2017, 2016, and 2015 were $1,669,879, $1,523,160, and $1,490,028, respectively and equaled the required contributions for each year.

Note 8. INTERFUND AND COMPONENT UNIT RECEIVABLE / PAYABLE

Individual fund receivable and payable balances at June 30, 2017 are summarized as follows:

	Receivable Fund				
Payable Fund	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Component Unit Stafford County Public Schools	Total Payable
Primary Government					
General Fund	$ -	$ -	$ 418,536	$ 34,961,354	$ 35,379,890
Capital Projects Fund	1,305,678				1,305,678
Water and Sewer Fund	-			29,987	29,987
Total Receivable	$ 1,305,678	$ -	$ 418,536	$ 34,991,341	$ 36,715,555

The interfund payable from the General Fund to the Water and Sewer Fund represents a loan to fund a start-up stormwater utility.

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

The interfund payable from the Water and Sewer Fund to the Component Unit – School Board, Fleet Services Fund is for vehicle service charges.

The interfund payable from the capital projects fund is a reclassification of cash balance to fund FY17 capital projects.

Note 9. Deferred Inflows

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

	Unavailable Revenue	Unearned Revenue
Prepaid taxes not yet earned (General Fund)	$ -	$ 2,577,630
Property tax receivable (net) (General Fund)	4,631,264	-
Property tax receivable (net) (Nonmajor Governmental Funds)	16,575	-
	$ 4,647,839	$ 2,577,630

Note 10. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the County totaled $ 200,809,374 for fiscal year 2017. Sources of these revenues were as follows:

	Commonwealth	Federal
Primary Government		
Governmental Funds:		
General Fund	$ 25,525,011	$ 3,808,800
Transportation Fund	2,700,937	104,743
Garrisonville Fund	974,942	
Capital Projects Fund	308,657	
Asset Forfeiture Fund	7,863	216,995
Total Governmental Funds	$ 29,517,410	$ 4,130,538
Proprietary Fund:		
Water and Sewer Fund	2,160	-
Total Primary Government	29,519,570	4,130,538
Component Unit - Stafford County Public Schools		
Government Funds:		
School Operating Fund	148,341,522	2,111,184
School Nutrition Fund	227,095	6,367,740
School Grants Fund	327,755	9,783,970
Total Component Unit	148896372	18262894
Total	$ 178,415,942	$ 22,393,432

Note 11. INTERFUND TRANSFERS

A summary of interfund transfer activity for the year ended June 30, 2017 is presented as follows:

	Transfer from Fund			
Transfer to Fund:	General Fund	Transportation Fund	Other Govt'l Funds	Total Transferred In
General Fund	$ -	$ 26,000	$ -	$ 26,000
Transportation Fund	3,055,000		100,000	3,155,000
General Capital Projects Fund	1,006,866			1,006,866
Other Funds	134,687	302,146		436,833
Total Transferred	$ 4,196,553	$ 328,146	$ 100,000	$ 4,624,699

The transfer from the General Fund to the Transportation Fund was to provide funding for road projects.

The transfer from the General Fund to the General Capital Projects Fund includes proffers for Parks improvements and interim funding for projects from the capital reserve fund.

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

Note 12. COMMITMENTS, CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

At June 30, 2017 the County had contractual commitments of $7.2 million for the construction of additions to the water and sewer system.

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

The County is named as defendant in several cases for which the outcome of such claims is currently not predictable. It is the opinion of County management, based on the advice of the County Attorney, that any losses incurred related to claims existing at June 30, 2017 will not be material to the County's financial position.

In November 2017 the County participated in the Fall 2017 Virginia Public School Authority issuance and sale of General Obligation School Bonds, in a principal amount of $7,615,000. Proceeds of these issues will be used to finance construction rebuild of a high school and building additions and renovations for several schools.

At June 30, 2017, the Component Unit – Stafford County Public Schools had contractual commitments of $2.6 million for the Capital Projects Fund for construction of various projects.

Note 13. JOINT VENTURES

A. RAPPAHANNOCK REGIONAL SOLID WASTE MANAGEMENT BOARD

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

County and three members from the City made up as follows:

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

- The City Manager of Fredericksburg
- Two members of the City Council of Fredericksburg, to be appointed by the City Council

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

The County's equity interest as of June 30, 2016 was $5,778,637. During fiscal year 2017, the R-Board paid $ 252,929 in management fees to the County.

State and federal laws and regulations require the Board to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting the waste, the Board reports a portion of these closure and post closure costs as an operating expense in each period based on landfill capacity used as of each financial statement date. The $4.2 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2017 represents the cumulative

amount reported to date based on the percentage of use method for the estimated capacity of the landfill. One-hundred percent of the liability has been recorded for the cells that are currently closed. These amounts are based on the estimated cost to perform all closure and post-closure care in 2017. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Both Stafford County and the City of Fredericksburg have demonstrated financial assurance for these costs.

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

B. RAPPAHANNOCK REGIONAL JAIL AUTHORITY

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

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

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

In accordance with the Authority Agreement, member jurisdictions pay operating (per diem) and debt service costs based on percentage of inmate population. The County retains an ongoing financial responsibility for this joint

venture due to this requirement of the agreement. The County's payments for the year ended June 30, 2017 totaled $7,338,974.

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

C. CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

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

Note 13. JOINT VENTURES (Continued)

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

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

The Regional Library Board is empowered to budget and expend funds and to execute contracts. Eighty percent

of the Library's operating revenues are derived from annual appropriations by the participating jurisdictions. The remaining twenty percent is derived from fines, fees, donations and State grants. For the year ended June 30, 2017, Stafford County's appropriation to the Regional Library was $5,179,040.

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

Note 14. RISK MANAGEMENT

PRIMARY GOVERNMENT

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

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

The County has chosen to partially retain the risk associated with the employees' health and dental insurance plan. Risk is retained up to the limits based on monthly claims paid per employee and a 115% aggregate stop loss for total claims paid during the year. The risk financing is accounted for in the General Fund. Premiums are paid for all full-time employees of the County to a claims administrator, which processes all claims. Any excess funds at the end of the year are deposited in a reserve account with the claims administrator. This reserve account is used to fund losses in future years. At June 30, 2017, the account had a balance of $ 2,346,276.

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

	2017	2016
Unpaid claims, beginning	$ 1,326,702	$ 1,077,488
Incurred claims (including IBNR)	10,875,105	12,114,710
Claim payments	(10,803,230)	(11,865,496)
Unpaid claims, ending	$ 1,398,577	$ 1,326,702

Note 14. RISK MANAGEMENT (Continued)

COMPONENT UNIT – Stafford County Public Schools

Stafford County Public Schools carries commercial insurance for all risks of loss, except for workers' compensation. Like the County, it participates in the VML public entity risk pool. Settled claims have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year.

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

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

	2017	**2016**
Unpaid claims, beginning of fiscal year	$ 4,258,304	$ 4,443,510
Incurred claims (including IBNR)	24,383,185	23,543,117
Claims payments	(23,666,589)	(23,728,323)
Unpaid claims, end of fiscal year	$ 4,974,900	$ 4,258,304

Note 15. OPERATING LEASES

Stafford County leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases were $1,095,885 for the year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

Year Ending June 30	General Government	Water and Sewer Fund
2018	$ 641,061	$ 145,765
2019	531,794	146,952
2020	340,696	148,149
2021	270,682	149,358
2022	162,759	37,415
	$ 1,946,992	$ 627,639

Note 16. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures.* Statement No. 77 establishes standards for disclosing information about tax abatements including specific taxes abated, authority under which abatement is authorized, criteria that make the recipient abatement eligible, calculation of tax abatement, method under which any of the abatement will be recaptured, and any commitments made as part of the tax abatement. Statement No. 77 will take effect for employers in fiscal years beginning after June 15, 2016.

In December 2015, GASB issued Statement No. 78, "Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans." This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined

Note 16. RECENTLY ADOPTED ACCOUNTING PRONOUNSEMENTS (Continued)

benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant stateor local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

In December 2015, GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants." This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

In January 2016, GASB issued Statement No. 80, "Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14." The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the decision usefulness of information reported in financial statements and enhances its value for assessing government accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Note 17. PENDING GASB STATEMENTS

In June 2015, GASB issued Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other Than Pensions.* This Statement replaces GASB Statement No. 45 and establishes new accounting and financial reporting guidelines for governments whose employees are provided with OPEB as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. It will take effect for fiscal years after June 15, 2017. Statement No. 75 will be implemented in FY 2018 and will have a material effect on the financial statements.

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

In March 2016, GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements" This Statement will enhance accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016.

In March 2016, GASB issued Statement No. 82, "Pension Issues—an amendment of GASB
Statements No. 67, No. 68, and No. 73." This Statement will address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Note 17. PENDING GASB STATEMENTS (Continued)

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

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

In March 2017, GASB issued Statement No. 85, “Omnibus 2017”. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The County will implement Statement No. 85 in FY2018.

In May 2017, GASB issued Statement No. 86, “Certain Debt Issues”. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Statement No. 86 is effective for reporting periods beginning after June 17, 2017. The County will implement Statement No. 86 in FY2018.

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

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COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues				
General property taxes	$ 194,761,522	$ 194,761,522	$ 199,498,865	$ 4,737,343
Other local taxes	36,739,132	36,739,132	38,900,262	2,161,130
Permits, privilege fees and regulatory licenses	3,664,811	3,664,811	4,600,431	935,620
Fines and forfeitures	905,500	905,500	791,570	(113,930)
Use of money and property	618,276	618,276	724,688	106,412
Charges for services	6,318,461	6,318,461	6,390,908	72,447
Miscellaneous	3,909,162	5,284,031	5,134,271	(149,760)
Intergovernmental	28,074,295	31,619,309	29,333,815	(2,285,494)
Total revenues	274,991,159	279,911,042	285,374,810	5,463,768
Expenditures				
Current operating:				
General government:				
Board of Supervisors	636,967	660,010	646,421	13,589
Clerk of the Board	169,268	173,166	173,161	5
County Administrator	641,699	931,412	928,843	2,569
Public Information	336,862	170,405	170,073	332
County Attorney	1,097,885	1,487,651	881,835	605,816
Human Resources	782,276	894,168	682,710	211,458
Commissioner of the Revenue	2,717,285	2,660,275	2,513,752	146,523
Treasurer	2,028,646	2,084,984	1,919,170	165,814
Finance	2,144,681	2,297,854	1,944,799	353,055
Budget	422,647	463,470	462,390	1,080
Computer Services	1,722,265	1,677,534	1,669,834	7,700
Geographic Information Systems	595,348	603,059	578,622	24,437
Electoral Board and Registrar	496,678	609,826	606,677	3,149
	13,792,507	14,713,814	13,178,287	1,535,527
Judicial administration:				
Circuit Court	282,806	264,066	259,876	4,190
General District Court	117,250	122,876	88,291	34,585
Juvenile and Domestic Relations District Court	114,700	115,271	98,057	17,214
Clerk of the Circuit Court	1,518,935	1,875,911	1,507,418	368,493
Magistrate	8,830	8,830	8,103	727
Commonwealth Attorney	3,148,774	3,150,579	3,088,202	62,377
Court Deputies	2,301,930	2,522,377	2,520,157	2,220
	7,493,225	8,059,910	7,570,104	489,806
Public safety:				
Policing and investigating	23,185,573	23,981,473	23,026,978	954,495
Emergency management	17,209,075	20,195,124	17,172,292	3,022,832
Volunteer rescue squads	124,242	135,967	126,530	9,437
Volunteer fire departments	521,178	621,501	538,009	83,492
Care and confinement of prisoners	7,338,722	7,338,974	7,338,974	-
15th District Court Unit	366,126	366,910	340,716	26,194
Rappahannock Juvenile Detention	1,248,618	1,437,913	1,437,912	1
Code compliance	4,067,793	4,628,669	4,165,996	462,673
Animal control	883,946	958,485	958,485	-
	54,945,273	59,665,016	55,105,892	4,559,124
Public works:				
Engineering	440,838	462,872	462,803	69
Maintenance of general buildings and grounds and general properties	4,333,919	4,367,759	4,324,945	42,814
	4,774,757	4,830,631	4,787,748	42,883

COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Health and social services:				
Local health department	$ 535,937	$ 535,938	$ 535,937	$ 1
Public assistance	12,628,372	13,533,343	13,108,898	424,445
Other	2,322,247	3,268,751	2,133,773	1,134,978
	15,486,556	17,338,032	15,778,608	1,559,424
Parks, recreation and cultural:				
Administration	4,734,629	4,986,301	4,753,689	232,612
Community programs	560,077	627,823	627,818	5
Sports programs	491,071	619,845	569,435	50,410
Gymnastics program	822,940	871,425	871,425	-
Pool program	971,457	807,319	788,550	18,769
Senior citizens	-	329	329	-
Cultural programs	364,300	226,070	226,070	-
Regional library	5,179,040	5,179,040	5,179,040	-
	13,123,514	13,318,152	13,016,356	301,796
Community development:				
Planning and community development	2,411,045	2,443,405	2,326,860	116,545
Planning commission	96,200	96,200	86,627	9,573
Zoning board	-	8,873	193	8,680
Economic development	848,402	766,477	638,939	127,538
Other	470,882	609,112	604,112	5,000
Cooperative extension program	181,855	181,197	170,069	11,128
	4,008,384	4,105,264	3,826,800	278,464
Appropriation to School Board:				
School operating	112,567,497	114,070,578	112,072,288	1,998,290
School capital projects	-	6,547,000	6,547,000	-
	112,567,497	120,617,578	118,619,288	1,998,290
Capital outlay	3,992,185	8,122,093	3,230,222	4,891,871
Debt service:				
Principal	27,292,875	27,163,089	27,088,089	75,000
Interest and fiscal charges	17,719,079	17,683,210	17,577,690	105,520
	45,011,954	44,846,299	44,665,779	180,520
Total expenditures	275,195,852	295,616,789	279,779,084	15,837,705
Excess (deficiency) of revenues over (under) expenditures	(204,693)	(15,705,747)	5,595,726	21,301,473
Other Financing Sources (Uses)				
Proceeds of indebtedness	-	45,487	45,487	-
Transfers in	40,000	40,000	26,000	(14,000)
Transfers out	(115,307)	(4,551,760)	(4,196,553)	355,207
Payments received from Joint Venture	280,000	280,000	238,984	(41,016)
Contributions to Joint Venture	-	(1,175,535)	(1,175,535)	-
Total other financing sources (uses), net	204,693	(5,361,808)	(5,061,617)	300,191
Net change in fund balance	-	(21,067,555)	534,109	21,601,664
Fund balance, beginning	-	21,067,555	70,278,366	49,210,811
Fund balance, ending	$ -	$ -	$ 70,812,475	$ 70,812,475

COUNTY OF STAFFORD, VIRGINIA Exhibit XIII

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL TRANSPORTATION FUND YEAR ENDED JUNE 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive(Negative)
Revenues				
Other local taxes - fuel sales tax	$ 2,954,838	$ 2,954,838	$ 3,363,483	$ 408,645
Use of money	5,000	5,000	18,591	13,591
Miscellaneous	-	-	34,295	34,295
Intergovernmental	693,000	4,503,007	2,805,680	(1,697,327)
Total revenues	3,652,838	7,462,845	6,222,049	(1,240,796)
Expenditures				
Current operating:				
Transportation	3,324,708	3,446,997	3,377,104	69,893
Capital outlay	100,000	25,043,649	5,254,875	19,788,774
Debt service:				
Principle	345,901	345,901	345,901	-
Interest and fiscal charges	275,725	385,167	385,167	-
Total expenditures	4,046,334	29,221,714	9,363,047	19,858,667
Excess (deficiency) of revenues over (under) expenditures	(393,496)	(21,758,869)	(3,140,998)	18,617,871
Other Financing Sources (Uses)				
Transfers in	100,000	4,462,953	3,155,000	(1,307,953)
Transfer from Agency Fund	-	-	1,107,953	1,107,953
Transfers out	(40,000)	(342,146)	(328,146)	14,000
Transfers from component unit - School Board	-	-	200,000	200,000
Issuance of debt:				
Bonds	-	9,406,800	9,406,800	-
Bonds premium	-	1,021,042	1,021,042	-
Total other financing sources (uses)	60,000	14,548,649	14,562,649	14,000
Net change in fund balance	(333,496)	(7,210,220)	11,421,651	18,631,871
Fund balance, beginning	333,496	7,210,220	7,406,455	196,235
Fund balance, ending	$ -	$ -	$ 18,828,106	$ 18,828,106

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

	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Total Pension Liability			
Service cost	$ 5,473,158	$ 5,483,794	$ 5,461,428
Interest	11,888,063	11,160,637	10,443,292
Differences between expected and actual experience	(1,563,825)	(118,543)	-
Benefit payments, including refunds of employee contributions	(6,479,621)	(5,788,531)	(5,525,348)
Net change in total pension liability	9,317,775	10,737,357	10,379,372
Total pension liability - beginning	173,069,287	162,331,930	151,952,558
Total pension liability - ending (a)	$ 182,387,062	$ 173,069,287	$ 162,331,930
Plan Fiduciary Net Position			
Contributions - employer	$ 5,062,191	$ 5,063,741	$ 5,291,891
Contributions - employee	2,360,151	2,363,363	2,344,409
Net investment income	2,650,884	6,489,652	18,945,438
Benefit payments, including refunds of employee contributions	(6,479,621)	(5,788,531)	(5,525,348)
Administrative expense	(90,725)	(85,858)	(99,431)
Other	(1,108)	(1,378)	999
Net change in plan fiduciary net position	3,501,772	8,040,989	20,957,958
Plan fiduciary net position - beginning	147,794,406	139,753,417	118,795,459
Plan fiduciary net position - ending (b)	$ 151,296,178	$ 147,794,406	$ 139,753,417
Net pension liability - ending (a) - (b)	$ 31,090,884	$ 25,274,881	$ 22,578,513
Plan fiduciary net position as a percentage of the total pension liability	82.95%	85.40%	86.09%
Employer's covered-employee payroll	$ 51,368,053	$ 49,442,402	$ 48,461,394
Net pension liability as a percentage of covered-employee payroll	60.53%	51.12%	46.59%

Notes to Schedule:

(1) **Changes of benefit terms:** There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2014. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2014 and the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

(2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2015 based on the most recent experience study of the System for the four-year period ended June 30, 2012:

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

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

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

	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Total Pension Liability			
Service cost	$ 853,719	$ 917,801	$ 931,365
Interest	1,856,844	1,773,289	1,679,630
Changes of benefit terms	(868,215)	-	-
Differences between expected and actual experience	-	(171,518)	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(1,334,723)	(1,317,128)	(1,228,897)
Net change in total pension liability	507,625	1,202,444	1,382,098
Total pension liability - beginning	27,193,708	25,991,264	24,609,166
Total pension liability - ending (a)	$ 27,701,333	$ 27,193,708	$ 25,991,264
Plan Fiduciary Net Position			
Contributions - employer	$ 687,268	$ 700,475	$ 828,505
Contributions - employee	406,077	412,685	433,951
Net investment income	436,457	1,081,570	3,247,485
Benefit payments, including refunds of employee contributions	(1,334,723)	(1,317,128)	(1,228,897)
Administrative expense	(15,244)	(14,788)	(17,281)
Other	(182)	(227)	171
Net change in plan fiduciary net position	179,653	862,587	3,263,934
Plan fiduciary net position - beginning	24,667,290	23,804,703	20,540,769
Plan fiduciary net position - ending (b)	$ 24,846,943	$ 24,667,290	$ 23,804,703
School Board non-professional net pension liability - ending (a) - (b)	$ 2,854,390	$ 2,526,418	$ 2,186,561
Plan fiduciary net position as a percentage of the total pension liability	89.70%	90.71%	91.59%
Employer's covered-employee payroll	$ 8,163,550	$ 8,451,460	$ 8,577,515
School Board's non-professional net pension liability as a percentage of covered-employee payroll	34.97%	29.89%	25.49%

SCHEDULE OF CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30, 2017	Fiscal Year June 30, 2016	Fiscal Year June 30, 2015
Contractually required contribution (CRC)	$ 5,062,191	$ 5,063,741	$ 5,291,891
Contributions in relation to the CRC	5,062,191	5,063,741	5,291,891
Contribution deficiency (excess)	$ -	$ -	$ -
Employer's covered-employee payroll	$ 51,368,053	$ 49,442,402	$ 48,461,394
Contributions as a percentage of covered-employee payroll	9.85%	10.24%	10.92%

Notes to Schedule:

(1) Valuation date: June 30, 2015

(2) Measurement date: June 30, 2016

(3) 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.

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

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 & 20 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50%-5.35%
Investment rate of return	7.0%, including inflation at 2.50%

A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA

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

SCHEDULE OF FUNDING PROGRESS

Other Post-Employment Benefit Plan

For the Primary Government:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	2,698,000	42,334,000	39,636,000	6.37%	42,338,337	93.62%
July 1, 2013	3,821,000	57,286,000	53,465,000	6.67%	41,970,466	127.39%
July 1, 2014	4,354,510	62,057,000	57,702,490	7.02%	47,255,432	122.11%
July 1, 2015	4,659,000	63,494,000	58,835,000	7.34%	48,231,268	121.99%
July 1, 2016	4,985,000	68,382,000	63,397,000	7.29%	51,368,053	123.42%

The County implemented GASB Statement No. 45 for the fiscal year ended June 30, 2008. Information for prior years is not available.

For Component Unit School Board:

July 1, 2010	2,236,000	89,408,000	87,172,000	2.50%	102,349,123	85.17%
July 1, 2011	2,700,962	96,984,000	94,283,038	2.78%	104,195,744	90.49%
July 1, 2012	4,697,715	50,489,000	45,791,285	9.30%	104,507,089	43.82%
July 1, 2013	11,874,000	55,269,000	43,395,000	21.48%	103,582,553	41.89%
July 1, 2014	18,099,103	70,272,000	52,172,897	25.76%	103,582,553	50.37%
July 1, 2015	23,743,000	76,133,000	52,390,000	31.19%	104,673,291	50.05%
July 1, 2016	18,369,240	125,161,000	106,791,760	14.68%	104,673,291	102.02%

The School Board implemented GASB Statement No. 45 for the fiscal year ended June 30, 2008. Information for prior years is not available.

COUNTY OF STAFFORD, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Supervisors annually adopts budgets for the General Fund, and Special Revenue Funds of the primary government. All appropriations are legally controlled at the department level for the General Fund and Special Revenue Funds. On April 19, 2016, the Board of Supervisors approved the original budget reflected in the financial statements.

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

Note 2. MATERIAL VIOLATIONS

There were no material violations of the annual appropriated budget for the General Fund or Transportation Fund for the fiscal year ended June 30, 2017.

COMBINING SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Road Impact Fee – West Fund

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

Road Impact Fee – South East Fund

Accounts for impact fee receipts from new development in a designated service area in the southeastern portion of the County. Disbursements from this fund are for road improvements attributable to the new development.

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

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

Asset Forfeiture Fund

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

Tourism Fund

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

Wetlands Fund
Accounts for wetlands mitigation fees and associated disbursements.

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

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

Transportation Impact Fee

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

COUNTY OF STAFFORD, VIRGINIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue				
	Road Impact Fee - West Fund	Road Impact Fee - SE Fund	Garrisonville Rd Service District Fund	Warrenton Rd Service District Fund	Asset Forfeiture Fund
ASSETS					
Equity in pooled cash and investments	$ 295	$ 1,377,598	$ 2,139,989	$ 3,544,502	$ -
Restricted assets:					
Cash	-	-	-	-	1,057,942
Cash with fiscal agents	-	-	673,313	-	-
Receivables, net of allowance for uncollectibles:					
Property taxes	-	-	22,485	-	-
Accounts receivable	-	-	1,201,389	-	-
Intergovernmental receivables			2,043,985		
Prepaids	-	-	-	-	-
Total assets	$ 295	$ 1,377,598	$ 6,081,161	$ 3,544,502	$ 1,057,942
LIABILITIES					
Liabilities:					
Accounts payable	$ -	$ -	$ 2,198,300	$ 17,291	$ 21,043
Accrued salaries and benefits	-	-	1,343	-	-
Retainage payable	-	-	204,503	-	-
Unearned revenue	-	-	12,548	-	861,481
Total liabilities	-	-	2,416,694	17,291	882,524
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	-	16,575	-	-
Total deferred inflows of resources	-	-	16,575	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	
Restricted	295	1,377,598	3,647,892	3,527,211	175,418
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total fund balances	295	1,377,598	3,647,892	3,527,211	175,418
Total liabilities deferred inflows of resources and fund balances	$ 295	$ 1,377,598	$ 6,081,161	$ 3,544,502	$ 1,057,942

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue					
	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	Armed Services Memorial Fund	Transportation Impact Fee Fund	Total Nonmajor Governmental Funds
ASSETS						
Equity in pooled cash and investments	$ 744,075	$ 101,889	$ 93,382	$ 405,641	$ 969,661	9,377,032
Restricted assets:						
Cash	-	-	-			1,057,942
Cash with fiscal agents	-	-	-	-	-	673,313
Receivables, net of allowance for uncollectibles:						
Property taxes	-	-	7,153	-	-	29,638
Accounts receivable	254,261	-	-	-	-	1,455,650
Intergovernmental receivables						2,043,985
Prepaids	117	-	-	-	-	117
Total assets	$ 998,453	$ 101,889	$ 100,535	$ 405,641	$ 969,661	$ 14,637,677
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 46,418	$ -	$ -	$ 47	$ -	2,283,099
Accrued salaries and benefits	3,608	-	162	-	-	5,113
Retainage payable	-	-	-	18,274	-	222,777
Unearned revenue	-	-	5,984	-	-	880,013
Total liabilities	50,026	-	6,146	18,321	-	3,391,002
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	-	-	-	-	-	16,575
Total deferred inflows of resources	-	-	-	-	-	16,575
FUND BALANCES						
Nonspendable	117	-	-	-	-	117
Restricted	948,310	-	-	-	969,661	10,646,385
Committed	-	101,889	94,389	387,320	-	583,598
Assigned	-	-	-	-	-	-
Total fund balances	948,427	101,889	94,389	387,320	969,661	11,230,100
Total liabilities deferred inflows of resources and fund balances	$ 998,453	$ 101,889	$ 100,535	$ 405,641	$ 969,661	$ 14,637,677

COUNTY OF STAFFORD, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

	Special Revenue				
	Road Impact Fee - West Fund	Road Impact Fee - SE Fund	Garrisonville Rd Service District Fund	Warrenton Rd Service District Fund	Asset Forfeiture Fund
REVENUES					
Property taxes	$ -	$ -	$ 562,865	$ -	$ -
Other local taxes	-	-	-	-	-
Use of money and property	465	10,384	21,229	26,582	8,654
Charges for services	-	-	-	-	-
Miscellaneous	-	-	1,201,389	-	1,553
Intergovernmental	-	-	974,942	-	224,858
Total revenues	465	10,384	2,760,425	26,582	235,065
EXPENDITURES					
Current operating:					
Judicial administration	-	-	-	-	19,515
Public safety	-	-	-	-	172,225
Parks, recreation and cultural	-	-	-	-	-
Community development	-	-	-	-	-
Debt service	-	-	480,975	-	-
Capital outlay	204,806	-	4,107,611	229,886	118,146
Total expenditures	204,806	-	4,588,586	229,886	309,886
Excess (deficiency) of revenues over (under) expenditures	(204,341)	10,384	(1,828,161)	(203,304)	(74,821)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	302,146	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	302,146	-
Net change in fund balances	(204,341)	10,384	(1,828,161)	98,842	(74,821)
Fund balance, beginning	204,636	1,367,214	5,476,053	3,428,369	250,239
Fund balance, ending	$ 295	$ 1,377,598	$ 3,647,892	$ 3,527,211	$ 175,418

COUNTY OF STAFFORD, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

	Special Revenue					
	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	Armed Services Memorial Fund	Transportation Impact Fee Fund	Total Nonmajor Governmental Funds
REVENUES						
Property taxes	$ -	$ -	$ 115,367	$ -	$ -	$ 678,232
Other local taxes	1,095,747	-	-	-	614,795	1,710,542
Use of money and property	-	-	546	-	-	67,860
Charges for services	-	-	-	-	-	-
Miscellaneous	16,150	-	-	357,609	-	1,576,701
Intergovernmental	-	-	-	-	-	1,199,800
Total revenues	1,111,897	-	115,913	357,609	614,795	5,233,135
EXPENDITURES						
Current operating:						
Judicial administration	-	-	-	-	-	19,515
Public safety	-	-	-	-	-	172,225
Parks, recreation and cultural	-	-	-	427,111	-	427,111
Community development	971,915	-	66,493	-	-	1,038,408
Debt service	-	-	61,712	-	-	542,687
Capital outlay	-	-	-	-	-	4,660,449
Total expenditures	971,915	-	128,205	427,111	-	6,860,395
Excess (deficiency) of revenues over (under) expenditures	139,982	-	(12,292)	(69,502)	614,795	(1,627,260)
OTHER FINANCING SOURCES (USES)						
Transfers in		-	-	134,687	-	436,833
Transfers out	-	-	-	-	(100,000)	(100,000)
Total other financing sources (uses)	-	-	-	134,687	(100,000)	336,833
Net change in fund balances	139,982	-	(12,292)	65,185	514,795	(1,290,427)
Fund balance, beginning	808,445	101,889	106,681	322,135	454,866	12,520,527
Fund balance, ending	$ 948,427	$ 101,889	$ 94,389	$ 387,320	$ 969,661	$ 11,230,100

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget
PRIMARY GOVERNMENT	Original	Final	Actual Amounts	Positive(Negative)
Special Revenue Funds:				
Road Impact Fee - West				
Revenues:				
Other local taxes	$ -	$ -	$ -	$ -
Use of money	-	-	465	465
Total revenues	-	-	465	465
Expenditures				
Current operating:				
Capital outlay	-	204,812	204,806	6
Excess (deficiency) of revenues over (under) expenditures	-	(204,812)	(204,341)	471
Net change in fund balance	-	(204,812)	(204,341)	471
Fund balance, beginning	-	204,812	204,636	(176)
Fund balance, ending	$ -	$ -	$ 295	$ 295
Road Impact Fee - South East				
Revenues:				
Use of money	$ -	$ -	$ 10,384	$ 10,384
Transfers in	-	-	-	-
Total revenues	-	-	10,384	10,384
Expenditures				
Current operating:				
Capital outlay	-	549,856	-	549,856
Excess (deficiency) of revenues over (under) expenditures	-	(549,856)	10,384	(539,472)
Net change in fund balances	-	(549,856)	10,384	(539,472)
Fund balance, beginning	-	549,856	1,367,214	1,917,070
Fund balance, ending	$ -	$ -	$ 1,377,598	$ 1,377,598

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2017

PRIMARY GOVERNMENT	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive(Negative)
Special Revenue Funds:				
Garrisonville Road Service District Fund:				
Revenues:				
Property taxes	$ 530,000	$ 530,000	$ 562,865	$ 32,865
Use of money	-	-	21,229	21,229
Miscellaneous	-	2,154,233	1,201,389	(952,844)
Intergovernmental	-	103,191	974,942	871,751
Total revenues	530,000	2,787,424	2,760,425	(26,999)
Expenditures				
Current operating:				
Debt Service	480,975	480,975	480,975	-
Capital outlay	-	11,336,322	4,107,611	7,228,711
	480,975	11,817,297	4,588,586	7,228,711
Excess (deficiency) of revenues over (under) expenditures	49,025	(9,029,873)	(1,828,161)	7,201,712
Net change in fund balance	49,025	(9,029,873)	(1,828,161)	7,201,712
Fund balance, beginning	-	9,078,898	5,476,053	(3,602,845)
Fund balance, ending	$ 49,025	$ 49,025	$ 3,647,892	$ 3,598,867
Warrenton Road Service District Fund:				
Revenues:				
Property taxes	$ -	$ -	$ -	$ -
Use of money	-	-	26,582	26,582
Intergovernmental	-	389,777	-	(389,777)
Total revenues	-	389,777	26,582	(363,195)
Expenditures				
Current operating:				
Capital outlay	-	2,438,026	229,886	2,208,140
Excess (deficiency) of revenues over (under) expenditures	-	(2,048,249)	(203,304)	1,844,945
Other Financing Sources				
Transfers-In	-	302,146	302,146	-
Total other funding sources	-	302,146	302,146	-
Net change in fund balances	-	(1,746,103)	98,842	1,844,945
Fund balance, beginning	-	1,746,103	3,428,369	1,682,266
Fund balance, ending	$ -	$ -	$ 3,527,211	$ 3,527,211

COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2017

PRIMARY GOVERNMENT	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive(Negative)
Special Revenue Funds:				
Tourism Fund:				
Revenues				
Other local taxes	$ 927,000	$ 927,000	$ 1,095,747	$ 168,747
Miscellaneous	-	16,150	16,150	-
Total revenues	927,000	943,150	1,111,897	168,747
Expenditures				
Current operating:				
Community development	927,000	1,343,047	971,915	371,132
	927,000	1,343,047	971,915	371,132
Excess (deficiency) of revenues over (under) expenditures	-	(399,897)	139,982	539,879
Other financing sources (uses)				
Transfers out	-	-	-	-
Net change in fund balance	-	(399,897)	139,982	539,879
Fund balance, beginning	-	399,897	808,445	408,548
Fund balance, ending	$ -	$ -	$ 948,427	$ 948,427
Hidden Lake Dam Fund:				
Revenues:				
Property taxes	$ 106,000	$ 106,000	$ 115,367	$ 9,367
Use of money	80	80	546	466
Total revenues	106,080	106,080	115,913	9,833
Expenditures				
Current operating:				
Community development	43,171	86,371	66,493	19,878
Debt service				
Principal	35,000	35,000	35,000	-
Interest and fiscal charges	27,909	27,909	26,712	1,197
Total expenditures	106,080	149,280	128,205	21,075
Excess (deficiency) of revenues over (under) expenditures	-	(43,200)	(12,292)	30,908
Net change in fund balance	-	(43,200)	(12,292)	30,908
Fund balance, beginning	-	43,200	106,681	63,481
Fund balance, ending	$ -	$ -	$ 94,389	$ 94,389

COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget
PRIMARY GOVERNMENT	Original	Final	Actual Amounts	Positive(Negative)
Special Revenue Funds:				
Armed Services Memorial Fund:				
Revenues:				
Miscellaneous	$ -	$ -	$ 357,609	$ 357,609
Intergovernmental	-	-	-	-
Total revenues	-	-	357,609	357,609
Expenditures				
Current operating:				
Parks, recreation and cultural	-	838,087	427,111	(410,976)
Excess (deficiency) of revenues over (under) expenditures	-	(838,087)	(69,502)	768,585
Other Financing Sources				
Transfers-In	-	374,587	134,687	(239,900)
Net change in fund balance	-	(463,500)	65,185	528,685
Fund balance, beginning	-	463,500	322,135	(141,365)
Fund balance, ending	$ -	$ -	$ 387,320	$ 387,320
Asset Forfeiture Fund:				
Revenues				
Use of money and property	$ -	$ -	$ 8,654	$ 8,654
Miscellaneous	-	-	1,553	1,553
Intergovernmental	-	325,854	224,858	(100,996)
Total revenues	-	325,854	235,065	(90,789)
Current operating:				
Judicial administration	24,598	67,648	19,515	48,133
Public safety	60,221	436,467	172,225	264,242
Capital outlay	-	-	118,146	(118,146)
Total expenditures	84,819	504,115	309,886	194,229
Excess (deficiency) of revenues over (under) expenditures	(84,819)	(178,261)	(74,821)	(103,440)
Net change in fund balance	(84,819)	(178,261)	(74,821)	103,440
Fund balance, beginning	84,819	178,261	250,239	71,978
Fund balance, ending	$ -	$ -	$ 175,418	$ 175,418

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2017

Transportation Impact Fee:				
Revenues:				
Other local taxes	$ 100,000	$ 100,000	$ 614,795	$ 514,795
Total revenues	100,000	100,000	614,795	514,795
Expenditures				
Current operating:				
Capital outlay	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	100,000	-	614,795	514,795
Other Financing Sources				
Transfers-Out	(100,000)	(100,000)	(100,000)	-
Total other financing sources	(100,000)	(100,000)	(100,000)	-
Net change in fund balance		-	514,795	514,795
Fund balance, beginning	-	-	454,866	454,866
Fund balance, ending	$ -	$ -	$ 969,661	$ 969,661

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL CAPITAL PROJECTS FUND YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive(Negative)
PRIMARY GOVERNMENT				
Capital Projects Funds:				
General Capital Projects Fund:				
Revenues				
Use of money	$ 20,000	$ 20,000	$ 29,674	$ 9,674
Miscellaneous	-	400,000	-	(400,000)
Intergovernmental	-	741,657	308,657	(433,000)
Total revenues	20,000	1,161,657	338,331	(823,326)
Expenditures				
Current operating:				
Public safety	-	808,926	2,588,823	(1,779,897)
Public works	248,028	248,028	3,130,714	(2,882,686)
Parks, recreation and cultural	277,768	6,774,341	416,645	6,357,696
Capital Outlay	148,696	10,507,161	375,773	10,131,388
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	71,732	122,899	(51,167)
Appropriation to School Board:				
School capital projects	-	30,445,214	20,380,019	10,065,195
Total expenditures	674,492	48,855,402	27,014,873	21,840,529
Deficiency of revenues under expenditures	(654,492)	(47,693,745)	(26,676,542)	21,017,203
Other financing sources (uses)				
Transfers in	-	1,006,866	1,006,866	-
Transfers out to component unit		-	-	-
Issuance of debt:				
Bonds	-	36,170,274	26,576,733	(9,593,541)
Premiums		2,584,553	2,584,553	-
Capital leases	-	2,390,000	-	(2,390,000)
Total other financing sources (uses)	-	42,151,693	30,168,152	(11,983,541)
Net change in fund balance	(654,492)	(5,542,052)	3,491,610	9,033,662
Fund balance, beginning	654,492	5,542,052	6,200,789	658,737
Fund balance, ending	$ -	$ -	$ 9,692,399	$ 9,692,399

FIDUCIARY FUNDS:

Agency Funds:

Widewater Fund

This fund was originally created by the Board of Supervisors in 1995 as a community development authority to finance the construction of a roadway and related improvements to serve the Widewater district. Circumstances surrounding the development of the Widewater area and related transportation requirements have changed since the CDA was established. In 2006 the Board of Supervisors repealed its ordinances that established the tax district and the developer traffic impact fees. During 2008 property owners within the district were issued refunds for taxes paid. The traffic impact fees have been reserved for future transportation related projects in the County.

Celebrate Virginia North Fund

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

Lake Arrowhead Sanitary District Fund

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

George Washington Regional Commission Fund

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

Embrey Mill

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

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Agency Funds					
	Widewater CDA	Celebrate Virginia North	Lake Arrowhead Sanitary District	George Washington Regional Commission	Embrey Mill	Totals
ASSETS						
Current assets:						
Cash and short-term investments	$ -	$ 622,200	$ 154,351	$ -	$ 1,262,843	$ 2,039,394
Receivables:						
Property taxes	-	5,732,277	59,734	-	-	5,792,011
Accounts	-	-	-	79,957	-	79,957
Total assets	$ -	$ 6,354,477	$ 214,085	$ 79,957	$ 1,262,843	$ 7,911,362
LIABILITIES						
Accounts Payable	$ -	$ -	$ 550	$ -	$ -	$ 550
Accrued salaries and benefits	-	-	-	32,750	-	32,750
Other liabilities	-	2,510	-	47,207	-	49,717
Reserve for future expenditures	-	-	213,535	-	-	213,535
Reserve for bondholders	-	6,351,967	-	-	1,262,843	7,614,810
Total liabilities	$ -	$ 6,354,477	$ 214,085	$ 79,957	$ 1,262,843	$ 7,911,362

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Widewater CDA Fund				
ASSETS				
Cash and short-term investments	$ 1,260,267	$ -	$(1,260,267)	$ -
LIABILITIES				
Reserve for future expenditures	$ 1,260,267	$ -	$(1,260,267)	$ -
Celebrate Virginia North Fund				
ASSETS				
Cash and short-term investments	$ 675,566	$ -	$ (53,366)	$ 622,200
Property taxes receivable	4,910,900	821,377	-	5,732,277
Total assets	$ 5,586,466	$ 821,377	$ (53,366)	$ 6,354,477
LIABILITIES				
Other liabilities	$ 2,510	$ -	$ -	$ 2,510
Reserve for bondholders	5,583,956	768,011	-	6,351,967
Total liabilities	$ 5,586,466	$ 768,011	$ -	$ 6,354,477
Lake Arrowhead Sanitary District Fund				
ASSETS				
Cash and short-term investments	$ 458,349	$ -	$ (303,998)	$ 154,351
Property taxes receivable	81,191	-	(21,457)	59,734
Total assets	$ 539,540	$ -	$ (325,455)	$ 214,085
Accounts Payable	$ -	$ 550	$ -	$ 550
Reserve for future expenditures	539,540	-	(326,005)	213,535
Total liabilities	$ 539,540	$ 550	$ (326,005)	$ 214,085
George Washington Regional Commission				
ASSETS				
Accounts receivable	$ 82,466	$ -	$ (2,509)	$ 79,957
LIABILITIES				
Accrued salaries and benefits	$ 25,709	$ 7,041	$ -	$ 32,750
Other liabilities	56,757	-	(9,550)	47,207
	$ 82,466	$ 7,041	$ (9,550)	$ 79,957
Embrey Mill Agency Fund				
ASSETS				
Cash and short-term investments	$ 487,984	$ 774,859	$ -	$ 1,262,843
Property taxes receivable	-	-	-	-
	$ 487,984	$ 774,859	$ -	$ 1,262,843
LIABILITIES				
Reserve for bondholders	$ 487,984	$ 774,859	$ -	$ 1,262,843
Totals - All Fiduciary Agency Funds				
ASSETS				
Cash and short-term investments	$ 2,882,166	$ 774,859	$(1,617,631)	$ 2,039,394
Property taxes receivable	4,992,091	821,377	(21,457)	5,792,011
Accounts receivable	82,466	-	(2,509)	79,957
Total assets	$ 7,956,723	$1,596,236	$(1,641,597)	$ 7,911,362
LIABILITIES				
Accrued salaries and benefits	25,709	7,041	-	32,750
Accounts Payable	-	550	-	550
Other liabilities	59,267	-	(9,550)	49,717
Reserve for future expenditures	1,799,807	-	(1,586,272)	213,535
Reserve for bondholders	6,071,940	1,542,870	-	7,614,810
Total liabilities	$ 7,956,723	$1,550,461	$(1,595,822)	$ 7,911,362

STATISTICAL SECTION
(unaudited)

This section of Stafford County's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the County's overall financial health.

Contents

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. The County implemented GASB Statement 34 in fiscal year 2002; tables presenting government-wide information include information beginning in that year.

COUNTY OF STAFFORD, VIRGINIA **Table S-1**

NET POSITION BY COMPONENT
Fiscal Years 2008 - 2017
(accrual basis of accounting)
(unaudited) (1)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Primary government:										
Governmental activities:										
Net investment in capital assets	$ 10,604,891	$ 29,631,901	$ 63,339,727	$ 73,303,969	$ 81,905,153	$ 83,012,683	$ 94,214,362	$ 98,292,334	$ 125,608,019	$ 495,349,645
Restricted (2)	1,484,829	256,965	777,238	2,540,231	2,585,376	2,563,552	3,127,912	2,682,185	861,102	4,061,954
Unrestricted (deficit) (2)	(216,822,496)	(211,061,627)	(210,589,191)	(192,423,702)	(192,972,219)	(217,209,926)	(236,728,731)	(261,870,499)	(276,183,484)	(640,375,180)
Total governmental activities net position	$ (204,732,776)	$ (181,172,761)	$ (146,472,226)	$ (116,579,502)	$ (108,481,690)	$ (131,633,691)	$ (139,386,457)	$ (160,895,980)	$(149,714,363)	$ (140,963,581)
Business-type activities:										
Net investment in capital assets	$ 208,473,170	$ 224,899,611	$ 214,291,000	$ 243,840,540	$ 215,975,340	$ 263,389,309	$ 314,276,234	$ 308,716,780	$ 322,691,679	$ 327,610,514
Restricted	11,912,732	12,002,547	12,165,547	14,293,655	51,224,071	14,008,268	-	9,617,314	10,673,889	6,252,110
Unrestricted (2)	52,270,192	39,658,707	54,892,613	32,052,353	34,373,851	41,136,662	24,506,342	29,366,937	32,584,518	52,621,016
Total business-type activities net position	$ 272,656,094	$ 276,560,865	$ 281,349,160	$ 290,186,548	$ 301,573,262	$ 318,534,239	$ 338,782,576	$ 347,701,031	$ 365,950,086	$ 386,483,640
Total Primary government										
Net investment in capital assets	$ 219,078,061	$ 254,531,512	$ 277,630,727	$ 317,144,509	$ 297,880,493	$ 346,401,992	$ 408,490,596	$ 407,009,114	$ 448,299,698	$ 822,960,159
Restricted	13,397,561	12,259,512	12,942,785	16,833,886	53,809,447	16,571,820	3,127,912	12,299,499	11,534,991	10,314,064
Unrestricted (deficit)	(164,552,304)	(171,402,920)	(155,696,578)	(160,371,349)	(158,598,368)	(176,073,264)	(212,222,389)	(232,503,562)	(243,598,966)	(587,754,164)
Total primary government net position	$ 67,923,318	$ 95,388,104	$ 134,876,934	$ 173,607,046	$ 193,091,572	$ 186,900,548	$ 199,396,119	$ 186,805,051	$ 216,235,723	$ 245,520,059

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) In FY17 the FY16 amounts were revised to coincide with Exhibit I

CHANGES IN NET POSITION
Fiscal Years 2007-2016
(accrual basis of accounting)
(unaudited) (1)

Primary government:	**2008**	**2009**	**20010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016 (8)**	**2017**
Expenses										
Governmental activities:										
General government	$ 14,985,255	$ 13,641,852	$ 12,261,364	$ 12,719,415	$ 12,623,568	$ 12,734,773	$ 13,533,596	$ 14,757,363	$ 14,362,591	$ 14,559,295
Judicial administration	7,134,996	7,087,591	6,703,566	6,735,964	6,839,212	6,105,930	7,606,669	6,370,324	6,918,104	8,482,351
Public safety	47,572,866	44,273,261	45,897,812	45,474,144	49,986,737	55,435,338	57,699,254	52,314,985	57,976,361	61,276,611
Public works	4,925,416	7,437,815	7,326,583	7,674,038	7,851,234	9,554,439	8,694,821	8,243,611	8,232,226	9,657,053
Health and social services	14,279,036	13,527,646	13,664,321	13,783,282	14,070,334	13,856,403	13,479,255	12,448,947	13,905,298	15,961,005
Parks, recreation and cultural	11,386,966	10,750,553	10,096,206	9,659,082	12,034,049	12,784,641	14,321,722	25,408,604	16,142,774	14,761,609
Community development	5,537,404	5,241,060	4,603,445	5,472,934	4,837,754	4,921,864	5,159,874	4,377,659	4,993,035	4,249,540
Appropriation to School Board	124,008,330	101,194,329	109,379,789	107,730,081	123,139,836	142,751,306	141,597,936	131,273,166	133,974,547	139,074,307
Transportation	3,438,628	4,405,170	3,770,803	3,124,991	3,988,075	4,829,573	3,322,814	3,019,659	3,227,877	3,723,774
Interest	16,383,754	19,486,762	16,617,439	13,427,364	16,147,660	16,736,309	13,807,460	17,050,475	17,260,538	16,208,762
Change in equity - joint venture	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	249,652,651	227,046,039	230,321,328	225,801,295	251,518,459	279,710,576	279,223,401	275,264,793	276,993,351	287,954,307
Total business-type activities expenses	28,186,943	30,617,305	31,035,605	30,216,044	31,324,423	30,473,842	31,904,381	34,817,632	34,526,713	35,208,525
Total primary government expenses	$ 277,839,594	$ 257,663,344	$ 261,356,933	$ 256,017,339	$ 282,842,882	$ 310,184,418	$ 311,127,782	$ 310,082,425	$ 311,520,064	$ 323,162,832
Program revenues										
Governmental activities:										
Charges for services:										
General government	$ 3,619	$ 965	$ 1,108	$ 25,964	$ 225,028	$ 242,505	$ 266,157	$ 281,000	$ 641,721	$ 844,646
Judicial administration	482,221	388,935	277,479	335,598	304,592	371,234	258,636	249,493	269,789	276,435
Public safety	5,772,896	6,143,041	6,691,261	6,549,245	6,693,587	7,926,496	7,672,339	7,267,651	7,562,952	6,913,255
Public works	-	67,927	70,097	71,817	68,888	72,680	54,814	66,868	38,912	43,210
Health and social services	34,375	310,308	292,027	175,902	140,145	195,762	247,335	75,819	135,963	144,916
Parks, recreation and cultural	1,370,845	1,642,351	1,754,006	1,806,643	1,840,751	1,900,427	1,888,993	2,441,178	2,213,931	1,723,461
Community development	2,207,172	1,550,465	1,077,860	1,343,065	1,237,301	1,796,945	1,835,090	2,321,592	1,689,645	1,795,183
Transportation	-	500	28,890	37,455	36,450	44,650	51,785	67,320	49,708	41,803
Operating grants and contributions										
General government	681,802	659,751	591,090	563,978	571,979	593,732	591,531	716,671	643,329	615,479
Judicial administration	1,737,551	1,959,943	1,697,023	1,890,125	1,619,250	1,775,749	1,765,593	1,713,319	1,909,899	2,117,745
Public safety	5,231,094	5,109,088	5,795,343	6,940,239	6,341,182	6,247,021	5,549,949	5,163,714	5,367,744	5,604,834
Public works	-	-	-	-	-	-	-	-	-	-
Health and social services	7,960,391	7,742,158	7,752,214	7,472,568	7,246,818	6,126,643	6,300,225	6,383,766	7,019,454	7,931,317
Parks, recreation and cultural	-	2,220	-	-	39,496	-	-	-	-	-
Community development	84,908	448,890	579,847	1,111,018	75,348	101,161	250,254	-	50	308,657
Transportation	452,413	41,940	10,729	139,175	1,031,384	82,849	918,886	836,333	-	-
Capital grants and contributions										
Public Safety	-	-	-	-	-	-	-	6,945	-	-
Public works	-	-	601,983	49,327	-	-	-	-	-	-
Parks, recreation and cultural	-	-	16,453,700	-	-	-	-	-	-	-
Transportation	-	-	-	-	685,812	898,290	1,602,859	1,165,321	5,376,640	4,321,120
Total governmental program revenues	$ 26,019,287	$ 26,068,482	$ 43,674,657	$ 28,512,119	$ 28,158,011	$ 28,376,144	$ 29,254,446	$ 28,756,990	$ 32,919,737	$ 32,682,061

CHANGES IN NET POSITION
Fiscal Years 2007-2016
(accrual basis of accounting)
(unaudited) (1)

	2008	2009	2010	2011	2012	2013	2014	2015	2016 (8)	2017
Business-type activities:										
Charges for services	$ 21,204,730	$ 21,816,692	$ 22,675,662	$ 23,348,476	$ 24,085,502	$ 26,115,323	$ 27,444,874	$ 30,660,729	$ 32,449,975	$ 35,852,460
Operating grants and contributions	1,857,407	-	3,496,906	2,914,691	1,037,356	276,145	-	-	-	-
Capital grants and contributions	14,462,419	10,434,253	8,644,800	11,958,913	17,037,061	21,404,272	24,410,978	16,888,941	19,716,714	19,319,750
Total business-type activities program revenues	37,524,556	32,250,945	34,817,368	38,222,080	42,159,919	47,795,740	51,855,852	47,549,670	52,166,689	55,172,210
revenues	$ 63,593,038	$ 75,925,602	$ 63,329,487	$ 66,380,091	$ 70,536,063	$ 76,171,884	$ 80,612,842	$ 80,469,407	$ 85,086,426	$ 87,854,271
Net (expense)/revenue (2)										
Governmental activities	$ (200,977,557)	$ (186,646,671)	$ (197,289,176)	$ (223,360,448)	$ (251,334,432)	$ (251,334,432)	$ (246,507,803)	$ (244,622,808)	$ (244,073,614)	$ (255,272,246)
Business activities	6,907,251	1,215,340	4,601,324	6,897,657	11,686,077	17,321,898	17,038,220	47,549,670	17,639,976	19,963,685
Total primary government net expense	$ (194,070,306)	$ (185,431,331)	$ (192,687,852)	$ (216,462,791)	$ (239,648,355)	$ (234,012,534)	$ (229,469,583)	$ (197,073,138)	$ (226,433,638)	$ (235,308,561)
General revenues and other changes in net assets										
Governmental activities:										
Taxes										
General property taxes	$ 154,022,352	$ 165,287,706	$ 168,106,174	$ 172,389,860	$ 175,603,509	$ 176,261,594	$ 183,480,382	$ 185,302,231	$ 192,132,277	$ 199,376,130
Other local taxes	37,621,091	35,845,372	36,866,175	38,933,477	40,345,254	41,711,420	39,281,476	40,503,669	42,531,750	43,974,287
Unrestricted grants and contributions	12,918,794	14,707,388	15,599,795	15,019,020	14,911,207	14,941,367	14,591,241	15,584,842	15,978,707	12,748,800
Investment earnings	2,960,670	1,449,560	205,052	116,813	46,162	38,656	206,821	106,796	448,174	840,815
Miscellaneous	3,507,598	709,672	570,010	722,730	552,128	884,870	4,656,269	6,616,292	4,088,986	6,677,921
Gain (loss) on sale of property	-	-	-	-	-	-	-	-	75,337	33,673
Transfers	(13,713)	282,448	-	-	-	121,100	-	10,000	-	371,402
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Total governmental activities	$ 211,016,792	$ 218,282,146	$ 221,347,206	$ 227,181,900	$ 231,458,260	$ 233,959,007	$ 242,216,189	$ 248,123,830	$ 255,255,231	$ 264,023,028
Business-type activities										
Investment earnings	$ 3,266,902	$ 2,473,329	$ 964,691	$ 514,145	$ 377,663	$ 282,527	$ 235,995	$ 203,909	$ 449,208	$ 371,330
Gain on disposal of capital assets	-	-	-	-	5,122	13,000	12,882	43,365	23,560	23,440
Miscellaneous	79,940	80,250	41,841	317,207	168,433	159,109	47,989	35,920	136,311	175,099
Transfers	13,713	(282,448)	-	-	-	(121,100)	-	(10,000)	-	-
Total business-type activities	3,360,555	2,271,131	1,006,532	831,352	551,218	333,536	296,866	273,194	609,079	569,869
Total primary government	$ 214,377,347	$ 220,553,277	$ 222,353,738	$ 228,013,252	$ 232,009,478	$ 234,292,543	$ 242,513,055	$ 248,397,024	$ 255,864,310	$ 264,592,897
Change in net position										
Primary government:										
Governmental activities	$ (12,616,573)	$ 17,304,588	$ 34,700,535	$ 29,892,724	$ 8,097,812	$ (17,375,425)	$ (7,752,766)	$ 1,616,027	$ 11,181,617	$ 8,750,782
Business-type activities	12,698,168	3,904,771	4,788,295	8,837,388	11,386,714	17,655,434	20,248,337	13,005,232	18,249,055	20,533,554
Total primary government	$ 81,595	$ 21,209,359	$ 39,488,830	$ 38,730,113	$ 19,484,526	$ 280,009	$ 12,495,571	$ 14,621,259	$ 29,430,672	$ 29,284,336
Total primary government										
Net position, beginning (3), (4), (5), (6) (7	$ 67,841,723	$ 74,178,745	$ 95,388,104	$ 134,876,934	$ 173,507,046	$ 186,620,539	$ 186,900,548	$ 172,183,792	$ 186,805,051	$ 216,235,723
Net position, ending	$ 67,923,318	$ 95,388,104	$ 134,876,934	$ 173,607,047	$ 192,991,572	$ 186,900,548	$ 199,396,119	$ 186,805,051	$ 216,235,723	$ 245,520,059

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) Net (expense) revenue is the difference between the expenses and program revenues. A positive number indicates that the program can be supported by program revenues. A negative number indicates that general revenues are needed to support or supplement the program.
(3) In fiscal year 2006, the beginning net position balance was restated to exclude road construction projects from the County's fixed asset balance.These road projects will eventually be turned over to the State to maintain.
(4) In fiscal year 2009, the beginning net position balanc
(5) In fiscal year 2012, the beginning net position balance for the governme
(6) In fiscal year 2013, the beginning net position balance for the governmental activities was restated to reflect a change in accounting principle and a restatement of an error.
(7) In fiscal year 2015, the beginning net position balance for the governmental activities was restated to reflect a change in accounting for pensions per GASB 68.
(8) In fiscal year 2017, FY2016 amounts were revised to coincide with Exhibit II

COUNTY OF STAFFORD, VIRGINIA **Table S-3**

FUNDS BALANCES, GOVERNMENTAL FUNDS
Fiscal Years 2008-2017
(modified accrual basis of accounting)
(unaudited) (1)

Pre-GASB 54 (2)
Fiscal Year

General Fund	2008	2009	2010
Reserved			
Unreserved	$ 2,843,111	$ 926,214	$ 1,237,328
Designated			
Undesignated (4)	416,833	3,813,606	9,514,224
Total General Fund	24,644,447	30,538,661	26,268,217
	27,904,391	35,278,481	37,019,769
All Other Governmental Funds			
Reserved			
Unreserved	295,985	315,533	810,531
Designated			
Special revenue funds			
Capital projects funds	9,075,142	5,419,558	12,813,595
Undesignated	44,354,683	21,744,145	10,852,158
Special revenue funds			
Capital projects funds	3,881,091	7,173,911	1,919,703
Total all other government funds	-	1,670,369	-
Total fund balances	57,606,901	36,323,516	26,395,987
	$ 85,511,292	$ 71,601,997	$ 63,415,756

Post-GASB 54 (3)
Fiscal Year

	2010	2011	2012	2013	2014	2015	2016	2017
General Fund								
Nonspendable	$ 937,328	$ 38,977	$ 39,554	$ 27,813	$ 326,168	$ 220,609	$ 181,993	$ 691,811
Restricted	-	569,745	652,293	879,437	3,373,807	3,306,455	3,189,177	3,276,037
Committed	4,806,242	9,588,558	11,846,432	13,937,000	8,413,076	5,164,702	10,672,838	6,949,499
Assigned	5,007,982	10,219,883	13,496,185	11,883,767	18,539,638	24,541,606	23,332,365	25,525,307
Unassigned	26,268,217	29,129,794	29,590,639	30,376,952	30,969,982	32,909,983	32,901,993	34,369,821
Total General Fund	37,019,769	49,546,957	55,625,103	57,104,969	61,622,671	66,143,355	70,278,366	70,812,475
All Other Governmental Funds								
Nonspendable	-	-	-	-	-	-	-	117
Restricted								-
Special Revenue	831,793	740,486	-	-	-	-	610,499	610,499
Capital Projects	-	1,230,000	1,155,000	1,080,000	-	-	-	-
Other Governmental Funds	-	-	778,082	604,115	689,251	622,351	250,238	175,418
Committed								
Special Revenue	4,842,360	7,648,876	6,220,896	10,765,215	11,642,718	8,422,525	6,795,956	18,217,607
Capital Projects	10,852,158	8,946,013	9,874,269	16,903,871	11,476,554	9,996,099	6,200,789	9,692,399
Other Governmental Funds	-	-	1,152,847	7,123,925	8,844,875	9,596,848	5,757,073	7,138,126
Assigned								
Special Revenue	9,869,676	10,027,309	4,330,167	3,798,204	721,863		-	-
Other Governmental Funds	-	-	8,618,960	8,726,946	7,677,381	5,423,842	6,513,216	3,916,439
Total all other government funds	26,395,987	28,592,684	32,130,221	49,002,276	41,052,642	34,061,665	26,127,771	39,750,605
Total fund balances	$ 63,415,756	$ 78,139,641	$ 87,755,324	$ 106,107,245	$ 102,675,313	$ 100,205,020	$ 96,406,137	$ 110,563,080

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) Fiscal year 2003 through fiscal year 2010 were in compliance with GASB 34.
(3) GASB 54 was adopted in fiscal year 2011 and fiscal year 2010 data was restated for GASB 54 comparable presentation.
(4) The General Fund Undesignated fund balance was re-stated in fiscal year 2009 for fiscal year 2007 and fiscal year 2008.

COUNTY OF STAFFORD, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
FISCAL YEARS 2008-2017
(modified accrual basis of accounting)
(unaudited) (1)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
General property taxes	$ 152,946,964	$ 164,927,068	$ 168,767,569	$ 172,389,860	$ 175,603,509	$ 178,881,369	$ 183,606,999	$ 186,177,201	$ 191,531,969	$ 200,177,097
Other local taxes	35,761,003	33,933,856	34,883,967	38,218,971	39,638,192	41,017,797	38,426,342	40,503,669	41,686,287	43,974,287
Permits, privilege fees and regulatory licenses	5,011,135	4,646,243	4,058,796	3,368,355	3,165,460	4,342,575	4,312,561	3,723,699	4,203,746	4,600,431
Fines and forfeitures	729,448	691,102	729,490	904,319	730,433	784,514	1,057,819	1,071,872	1,034,714	791,570
Use of money and property	3,159,009	1,668,970	465,207	429,386	334,240	347,769	432,444	462,759	872,914	840,813
Charges for services	5,226,955	5,362,710	4,993,840	5,218,433	5,817,807	6,193,509	6,326,343	6,920,303	6,657,657	6,390,908
Miscellaneous	3,270,803	2,992,369	4,777,219	3,456,531	3,139,690	3,883,714	7,402,475	6,616,291	5,229,929	6,745,267
Intergovernmental	29,830,631	29,485,490	30,386,436	31,783,161	31,186,940	29,382,578	30,032,267	32,269,995	36,357,443	33,647,952
Total revenues	235,935,948	243,707,808	249,062,524	255,769,016	259,616,271	264,833,825	271,597,250	277,745,789	287,574,659	297,168,325
Expenditures										
Current operating:										
General government	17,603,620	17,131,984	15,796,367	15,118,921	16,048,880	12,083,734	12,585,414	13,324,624	13,311,548	13,178,287
Judicial administration	6,961,844	6,873,685	6,485,676	6,489,706	6,459,754	6,949,212	6,996,272	7,069,087	7,168,625	7,589,619
Public safety	44,007,441	41,799,586	44,816,171	45,841,713	48,822,682	53,421,921	51,822,442	52,124,684	58,166,109	57,866,940
Public works	4,019,189	3,988,036	4,382,841	5,221,699	7,167,438	7,124,172	9,728,759	5,387,823	7,993,681	7,918,462
Health and social services	13,968,888	13,302,169	13,564,781	13,597,282	13,684,536	13,435,827	13,141,477	12,331,075	13,647,667	15,778,608
Parks, recreation and cultural	15,340,188	11,865,961	10,079,702	10,875,709	11,314,097	14,444,997	22,263,174	28,875,822	25,508,295	13,860,112
Community development	5,211,654	5,861,420	4,521,530	5,272,457	4,723,822	4,795,928	4,708,570	4,580,033	4,937,518	4,865,208
Appropriation to school board:										
School operation	100,817,432	99,474,959	103,189,962	99,323,620	98,599,339	108,625,975	108,414,728	103,735,323	111,449,395	112,072,288
School capital projects	23,190,898	1,719,370	6,189,827	8,406,461	24,540,497	34,050,331	33,108,208	27,462,843	22,450,152	26,927,019
Transportation	-	-	-	-	-	2,781,761	3,347,968	3,662,264	3,651,700	3,377,104
Capital outlay	31,769,630	16,706,600	14,460,024	12,305,815	4,854,714	6,950,065	10,611,313	12,471,531	20,308,877	13,521,319
Debt service										
Principal	18,820,682	22,360,830	22,461,779	22,295,756	25,714,726	25,436,816	21,021,636	23,835,993	25,222,800	27,733,990
Interest and fiscal charges	16,334,633	19,168,869	17,839,981	17,604,636	16,932,891	16,780,980	14,233,335	19,014,887	18,523,042	18,328,443
Total expenditures	298,046,099	260,253,469	263,788,641	262,353,775	278,863,376	306,881,719	311,983,296	313,875,989	332,339,409	323,017,399
Excess of revenues over (under) expenditures	(62,110,151)	(16,545,661)	(14,726,117)	(6,584,759)	(19,247,105)	(42,047,894)	(40,386,046)	(36,130,200)	(44,764,750)	(25,849,074)
Other Financing Sources (Uses)										
Issuance of debt	78,744,286	1,704,853	6,189,827	9,585,984	26,515,000	54,115,000	30,973,208	97,984,907	32,800,001	36,029,020
Issuance of capital leases	2,655,519	649,060	350,054	8,707,998	-	-	5,980,906	-	5,128,339	-
Bond premium	-	-	-	-	3,577,788	6,163,715	-	-	3,037,527	3,605,595
Transfers in	11,133,536	4,854,932	2,060,019	1,710,869	4,011,416	4,603,625	12,031,878	6,586,311	5,547,969	5,932,652
Transfers out	(11,147,249)	(4,572,484)	(2,060,019)	(1,710,869)	(4,011,416)	(4,482,525)	(12,031,878)	(6,576,311)	(5,547,969)	(4,624,699)
Payment from Joint Venture										238,984
Payment to Joint Venture										(1,175,535)
Refunding of debt (4)	-	-	-	-	-	-	-	(64,335,000)		
Other miscellaneous non-operating revenue	-	-	-	3,089,662	-	-	-	-	-	
Loan to Component Unit	-	-	-	(1,305,000)	-	-	-	-	-	
Total other financing sources (uses)	81,386,092	2,636,361	6,539,881	20,078,644	30,092,788	60,399,815	36,954,114	33,659,907	40,965,867	40,006,017
Net change in fund balances	**19,275,941**	**(13,909,300)**	**(8,186,236)**	**13,493,885**	**10,845,683**	**18,351,921**	**(3,431,932)**	**(2,470,293)**	**(3,798,883)**	**14,156,943**
Fund balance, beginning (3)	66,235,351	85,511,292	71,601,992	63,415,756	76,909,641	87,755,324	106,107,245	102,675,313	100,205,020	96,406,137
Fund balance, ending (3)	$ 85,511,292	$ 71,601,992	$ 63,415,756	$ 76,909,641	$ 87,755,324	$ 106,107,245	$ 102,675,313	$ 100,205,020	$ 96,406,137	$ 110,563,080

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
FISCAL YEARS 2008-2017
(modified accrual basis of accounting)
(unaudited) (1)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total debt service	$ 35,155,315	$ 36,576,441	$ 41,529,699	$ 39,900,392	$ 42,647,617	$ 42,217,796	$ 35,254,971	$ 42,850,880	$ 43,745,842	$ 46,062,433
Total expenditures	$ 298,046,099	$ 260,253,469	$ 263,788,641	$ 262,353,775	$ 278,863,376	$ 306,881,719	$ 311,983,296	$ 313,875,989	$ 332,339,409	$ 323,017,399
Less: Capital outlay	38,200,394	20,488,695	17,834,948	19,148,190	13,202,826	16,817,195	27,686,981	28,386,661	41,765,283	21,696,360
Non-capital expenditures	$ 259,845,705	$ 239,764,774	$ 245,953,693	$ 243,205,585	$ 265,660,550	$ 290,064,524	$ 284,296,315	$ 285,489,328	$ 290,574,126	$ 301,321,039
Debt service as a percentage of noncapital expenditures	**13.53%**	**15.26%**	**16.89%**	**16.41%**	**16.05%**	**14.55%**	**12.40%**	**15.01%**	**15.05%**	**15.29%**

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) The amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.
(3) In fiscal Year 2006, the beginning fund balance was restated. See Footnote 15 of the Financial Statements for fiscal year 2006.In Fiscal Year 2009, the beginning fund balance was restated for fiscal year 2007-2008
In Fiscal year 2009, the beginning fund balance was restated for fiscal 2007-2008. See Footnote 14 of the Financial Statements for fiscal year 2009.
(4) In Fiscal year 2015, the Fiscal year 2006 and part of Fiscal year 2008 lease revenue bonds were refunded.

Principal Tax Revenue by Source
Fiscal Year 2008-2017
(unaudited) (1)

Table S-5

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Restaurant Food Taxes	Taxes on Recordation and Wills	Vehicle License Taxes	Fuels Sales Tax	Garrisonville Rd Service District Property Taxes	Other Local Taxes(1)	Total
2008	152,946,964	9,639,629	7,829,187	5,088,892	3,074,981	2,257,174	4,600,260	502,533	2,768,347	188,707,967
2009	164,927,068	10,288,383	6,564,254	5,203,051	2,388,858	2,239,127	3,587,601	507,849	3,154,733	198,860,924
2010	168,767,569	9,798,938	6,683,324	5,600,607	2,234,400	2,312,394	3,943,817	512,637	3,797,850	203,651,536
2011	172,389,860	10,318,717	10,086,911	5,949,285	2,242,017	2,450,070	5,181,825	534,239	1,455,907	210,608,831
2012	175,603,509	11,014,935	10,391,870	6,251,632	2,447,621	2,245,004	5,345,841	530,537	1,410,752	215,241,701
2013	176,261,594	11,800,992	10,018,017	6,400,869	3,600,473	2,344,309	5,616,151	533,358	703,628	217,279,391
2014	183,480,382	11,790,128	10,190,648	6,577,615	3,515,617	411,185	4,946,890	530,862	463,397	221,906,724
2015	185,302,231	12,376,768	11,094,684	7,102,018	2,967,321	2,019,185	3,828,615	541,721	573,357	225,805,900
2016	192,132,277	12,872,793	9,929,556	7,779,537	3,939,630	2,371,392	2,961,265	556,373	2,121,204	234,664,027
2017	199,376,130	13,641,300	6,448,823	8,022,545	6,142,390	2,522,370	3,363,483	562,865	2,944,965	243,024,871

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Calendar Years 2008 - 2017
(unaudited) (1)

	Real Property				Personal Property								
Calendar Year	Residential Real Property	Commercial and Industrial Real Property	Agricultural Real Property	Total Real Property (3)	Personal Property	Merchants Capital	Machinery & Tools	Mobile Homes	Aircraft (4)	Recreational Vehicles/ Trailers; Watercraft & Business Property	Total Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate (5)
2008 (2)	12,992,885,100	2,785,332,869	1,183,223,200	16,226,491,762	588,508,390	172,169,510	39,404,460	21,580,810	2,829,910	151,149,900	975,642,980	17,202,134,742	0.92
2009	13,207,302,880	2,806,328,239	1,101,805,900	16,313,534,929	525,381,390	175,881,250	42,843,200	22,562,060	-	148,909,350	915,577,250	17,229,112,179	0.94
2010 (2)	9,850,345,400	2,514,103,100	634,355,800	12,555,580,113	585,711,380	174,917,430	35,020,440	21,025,020	-	156,031,145	972,705,415	13,528,285,528	1.21
2011	10,021,541,300	2,540,176,800	611,053,100	12,719,091,716	580,866,160	180,885,340	30,960,430	20,411,060	-	158,134,400	971,257,390	13,690,349,106	1.19
2012 (2)	10,236,576,300	2,623,917,176	517,222,800	13,002,326,118	608,786,840	196,387,420	30,495,880	19,280,860	-	177,549,360	1,032,500,360	14,034,826,478	1.19
2013	10,453,773,090	2,673,373,426	497,992,200	13,262,150,638	632,393,059	186,440,770	-	16,697,240	-	137,968,580	973,499,649	14,235,650,287	1.19
2014 (2)	11,453,237,050	2,765,187,000	510,902,000	14,389,795,201	646,424,160	198,206,730	-	15,648,640	-	132,954,700	993,234,230	15,383,029,431	1.12
2015	11,771,269,050	2,775,865,500	495,224,200	14,699,463,435	658,036,590	199,069,300	-	16,162,950	-	139,524,240	1,012,793,080	15,712,256,515	1.12
2016 (2)	12,745,166,500	2,946,159,700	473,016,900	15,857,245,779	694,942,180	195,895,430	-	16,622,020	-	147,308,220	1,054,767,850	16,912,013,629	1.09
2017	13,046,815,950	2,993,924,200	455,058,000	16,495,801,650	716,779,720	249,816,840	-	16,880,360	-	157,450,170	1,140,927,090	17,636,728,740	1.06

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) The county reassesses real property every two years. Real property is assessed at 100% of the fair market value.
(3) The assessed value of real property does not include exempt values.
(4) The tax for aircraft was eliminated in Calendar Year 2009.
(5) Total Direct Tax Rates are calculated per $100 of assessed value, calculated on a weighted average basis. Refer to Table 7.

Source: Office of the Commissioner of Revenue.

DIRECT AND OVERLAPPING TAX RATES (1)
Calendar Years 2008 - 2017
(unaudited) (2)

Calendar Year		Real Estate		Personal Property (4)		Merchants Capital		Machinery and Tools		Mobile Homes (5)		Aircraft (6)		Recreational Vehicles/ Trailers; Watercraft & Business Property (7)		Total Direct Tax Rate For each Fiscal Year (8)
		Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied (8)	Tax Rate	Direct Rate Applied	Tax Rate	Direct Rate Applied	Tax Rate	Direct Rate Applied	
2008	(3)	0.84	0.79	5.49	0.08	0.50	-	0.75	-	0.84	-	3.00	-	5.49	0.05	0.92
2009		0.84	0.80	6.89	0.08	0.50	0.01	0.75	-	0.84	-	-	-	5.49	0.05	0.94
2010	(3)	1.10	1.02	6.89	0.12	0.50	0.01	0.75	-	1.10	-	-	-	5.49	0.06	1.21
2011		1.08	1.00	6.89	0.12	0.50	0.01	0.75	-	1.08	-	-	-	5.49	0.06	1.19
2012	(3)	1.07	0.99	6.89	0.12	0.50	0.01	0.75	-	1.07	-	-	-	5.49	0.07	1.19
2013		1.07	0.99	6.89	0.12	0.50	0.01	-	-	1.07	-	-	-	5.49	0.05	1.19
2014	(3)	1.02	0.95	6.61	0.11	0.50	0.01	-	-	1.02	-	-	-	5.49	0.05	1.12
2015		1.02	0.95	6.61	0.11	0.50	0.01	-	-	1.02	-	-	-	5.49	0.05	1.12
2016	(3)	0.99	0.93	6.50	0.10	0.50	0.01	-	-	0.99	-	-	-	5.49	0.05	1.09
2017		0.99	0.93	6.46	0.11	0.50	0.01	-	-	0.99	-	-	-	5.49	0.01	1.06

(1) All the rates listed on this page are direct rates, meaning the primary government has the authority to set, modify or approve.
Although the County does support some regional activities, there are no rates set or charged by any overlapping governmental bodies.
(2) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(3) Years of General Reassessments. Real estate is assessed at 100% of fair market value. Rates are charged per $100 of assessed value.
(4) Personal property is assessed at 40% of fair market value. Hence, the effective tax rate is approximately $2.58 per $100 of fair market value.
(5) Mobile homes are assessed at 100% of fair market value.
(6) The tax for aircraft was eliminated in calendar year 2009.
(7) Beginning in calendar year 2009, recreational vehicles / trailers, watercraft and business property have a separate rate set.
In years prior to 2009, they were taxed at the personal property rate.
(8) The Direct Tax Rates are calculated per $100 of assessed value, calculated on a weighted average basis based on assessed value. Refer to Table 6 for Assessed Values.

Source: Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA **Table S-8**

PRINCIPAL PROPERTY TAX PAYERS
Calendar Years 2017 vs 2008
(unaudited) (1)

		Calendar Year 2017			Calendar Year 2008		
Tax Payer	Type of Business	Assessed Valuation	Rank	% Total Assessed Valuation	Assessed Valuation	Rank	% Total Assessed Valuation
Virginia Electric & Power Co	Utility	$ 265,665,296	1	1.6%			
Park Ridge Townhomes	Commercial	92,205,300	2	0.6%			
Verizon	Utility	77,168,762	3	0.5%			
Government Employees Insurance Co	Commercial	76,806,780	4	0.5%	83,368,840	5	0.5%
Stafford Marketplace	Commercial	75,571,700	5	0.5%	77,710,700	6	0.5%
McClane Mid Atlantic	Commercial	73,564,780	6	0.5%			
Wal-Mart	Commercial	67,904,713	7	0.4%			
Aventine at Courthouse Square Apt.	Commercial	64,814,500	8	0.4%			
Kensington Crossing LLC	Commercial	61,445,000	9	0.4%			
Garrett Companies	Commercial	57,058,300	10	0.4%	119,206,702	2	0.7%
Silver Companies	Commercial				245,410,800	1	1.4%
Dominion Virginia Power	Utility				100,819,532	3	0.6%
Northern Stafford Associates	Commercial				95,723,600	4	0.6%
ACPRE ACS Reality LLC	Commercial				68,574,600	7	0.4%
Pulte Home Corporation	Commercial				66,182,500	8	0.4%
Vine Place II Associates LP	Commercial				50,796,700	9	0.3%
MTH Stafford Corp	Commercial				42,218,600	10	0.2%
Totals		$ 912,205,131		5.8%	$ 950,012,574		5.6%
Total taxable assessed real property		16,177,435,179			$ 16,961,441,169		

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

Source: Office of the Commissioner of Revenue.

REAL PROPERTY TAX LEVIES AND COLLECTIONS
Fiscal Years 2008- 2017
(unaudited) (1)

Fiscal Year	Taxes Levied for the Fiscal Year (3) (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Original Levy	Subsequent Collections by Levy Years (4)	Total Collections to Date: Amount	Total Collections to Date: Percentage of Adjusted Levy
2008	127,394,700	(2,466,572)	124,928,128	121,206,262	95.14%	3,384,835	124,591,097	99.73%
2009	136,676,772	(1,077,503)	135,599,269	131,464,801	96.19%	4,307,269	135,772,070	100.13%
2010 (2)	138,276,717	(439,122)	137,837,595	133,418,693	96.49%	3,885,908	137,304,601	99.61%
2011	139,098,207	(477,378)	138,620,829	134,537,353	96.72%	3,154,556	137,691,909	99.33%
2012	138,195,291	(566,768)	137,628,524	134,446,756	97.29%	2,978,675	137,425,431	99.85%
2013	141,088,714	(628,046)	140,460,667	136,430,178	96.70%	2,797,124	139,227,302	99.12%
2014	144,738,631	(390,547)	144,348,083	140,322,929	96.95%	2,391,653	142,714,582	98.87%
2015	147,557,767	(395,963)	147,161,804	144,103,736	97.66%	2,149,989	146,253,725	99.38%
2016	152,915,361	(788,345)	152,127,016	148,989,753	97.43%	1,625,914	150,615,667	99.01%
2017	157,468,327	(848,373)	156,619,954	154,159,375	97.90%	0	154,159,375	98.43%

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) Beginning in fiscal year 2010, Garrisonville Rd, Warrenton Rd, and Hidden Lake Dam Service Districts are included.
(3) Taxes Levied for the Fiscal Year = Tax setups minus Tax Relief and Disable Vet Relief.
(4) The Collections in Subsequent Years column was restated to accurately report delinquent taxes by levy year rather than by collection year.

Source: Data provided by the Stafford County Treasurer's Office.

RATIOS OF OUTSTANDING DEBT BY TYPE
Direct Debt Ratios
Fiscal Years 2008 - 2017
(unaudited) (1)

	Governmental Activities						Business-Type Activities	Total Direct Debt				
Fiscal Year	General Obligation Bonds (2)	Lease Revenue Bonds (2)	Literary Loans	Certificates of Participation	Capital Leases	VRA Loan	Revenue Bonds (3)	Total Primary Government	Total Primary Government Including Premiums (4)	Percentage of Assessed Real Property Value (5)	Percentage of Personal Income (6)	Outstanding Debt Per Capita (7)
2008	280,101,263	92,995,000	6,241,080	2,260,000	12,687,152	9,500,000	15,590,000	419,374,495	427,393,277	2.47%	8.56%	3,445
2009	266,648,806	91,890,000	5,484,931	-	10,601,729	9,147,259	12,240,000	396,012,725	403,669,493	2.31%	8.06%	3,225
2010	257,206,940	88,205,000	4,828,782	-	7,978,053	8,783,857	42,092,841	409,095,473	416,831,171	3.26%	7.77%	3,172
2011	251,459,634	84,470,000	4,172,633	-	14,138,137	8,409,471	38,017,841	400,667,716	400,888,364	3.15%	7.46%	3,107
2012	257,810,098	80,685,000	3,661,484	-	7,949,797	8,023,769	87,277,322	445,407,470	456,190,188	3.43%	7.97%	3,371
2013	297,085,268	77,195,000	3,195,335	-	7,026,320	7,626,409	85,002,056	477,130,388	493,385,817	3.60%	8.09%	3,526
2014	310,375,533	73,665,000	2,729,186	-	12,053,731	7,205,949	98,204,379	504,233,778	521,578,294	3.28%	8.38%	3,686
2015	314,821,489	12,415,000	2,263,037	-	10,339,667	71,099,213	95,339,840	506,278,246	531,520,420	3.22%	8.04%	3,558
2016	327,095,270	9,875,000	1,796,888	-	13,674,528	71,202,259	101,019,503	524,663,448	551,220,463	3.10%	8.17%	3,685
2017	337,758,148	7,315,000	1,330,739	-	11,186,218	74,634,850	100,489,853	532,714,808	560,552,924	3.23%	8.00%	3,684

(1) The scope of the independent audit does not include the tables displayed in the Statistical section of the CAFR.
(2) Bond numbers shown do not include the impact of deferred amounts for premiums or discounts.
(3) In fiscal year 2010, Revenue Bonds for Business-Type Activities were included to show the total primary government's outstanding debt. Prior years were restated.
(4) In FY2016, Total Primary Government Including Premiums were added. However, percentage of assessed real property valued, percentage of personal income and outstanding debt per capita are calculated without the use of premiums.
(5) Percentage of Assessed Taxable Real Property = Total Direct Debt/Total Assessed Taxable Real Property Value (See Table S-14).
(6) Percentage of Personal Income = Outstanding Debt Per Capita/Total Per Capita Personal Income (See Table S-14).
(7) Percentage of Assessed Real Property = Total Direct Debt/Population (See Table S-14).

COUNTY OF STAFFORD, VIRGINIA **Table S-11**

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Fiscal Years 2008 - 2017
(unaudited) (1)

Fiscal Year	General Obligation Bonds (2)	Premiums on General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property (3)	Outstanding Debt Per Capita (4)
2008	280,101,263	8,018,782	2.05%	2,301
2009	266,648,806	7,656,768	1.95%	2,171
2010	257,206,940	7,735,698	1.86%	1,994
2011	251,459,634	220,648	1.83%	1,950
2012	257,810,098	10,782,718	1.85%	1,951
2013	297,085,268	16,255,429	2.09%	2,196
2014	310,375,533	17,344,516	2.11%	2,242
2015	314,821,489	25,242,174	2.10%	2,212
2016	327,095,270	26,557,015	2.08%	2,297
2017	337,758,148	28,124,783	2.07%	2,336

(1) The scope of the independent audit does not include the tables displayed in the Statistical section of the CAFR.
(2) There are currently no resources that have been externally restricted for the repayment of the principal of general bonded debt. Therefore net bonded debt is equal to total bonded debt.
(3) See Assessed Value and Actual Value of Taxable Real Property, Table S-5.
Percentage = Outstanding General Bonded Debt / Taxable Assessed Real Property Value X Tax rate.
(4) Population data can be found Taxable Real Property Value (See Table S-15) on Demographic and Economic Statistics (Table S-15).

COUNTY OF STAFFORD, VIRGINIA **Table S-12**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2017
(unaudited) (1)

	Debt Outstanding	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
Direct debt:			
General Government			
General obligation bonds (3)	$ 337,758,148	100.0%	$ 337,758,148
Lease revenue bonds (3)	7,315,000	100.0%	7,315,000
Literary loans	1,330,739	100.0%	1,330,739
Capital leases	11,186,218	100.0%	11,186,218
VRA	74,634,850	100.0%	74,634,850
Total general government direct debt	432,224,955		432,224,955
Bond premiums	28,124,783		
Total general government obligations including premiums	$ 460,349,738		
Overlapping Debt:			
Regional Joint Activities			
Rappahannock Regional Jail	55,940,019	47.6%	26,627,449
Juvenile Detention Center	1,207,000	33.6%	405,552
Total regional joint ventures	57,147,019		27,033,001
Total overlapping debt	57,147,019		27,033,001
Total direct and overlapping debt	$ 489,371,974		$ 459,257,956

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) The estimated percentage applicable of overlapping debt was calculated based on the population.
(3) Bond numbers shown do not include the impact of any deferred amounts for premiums or losses on refunding.

COUNTY OF STAFFORD, VIRGINIA

DEBT MARGIN INFORMATION
Fiscal Years 2008 - 2017
(unaudited) (1)

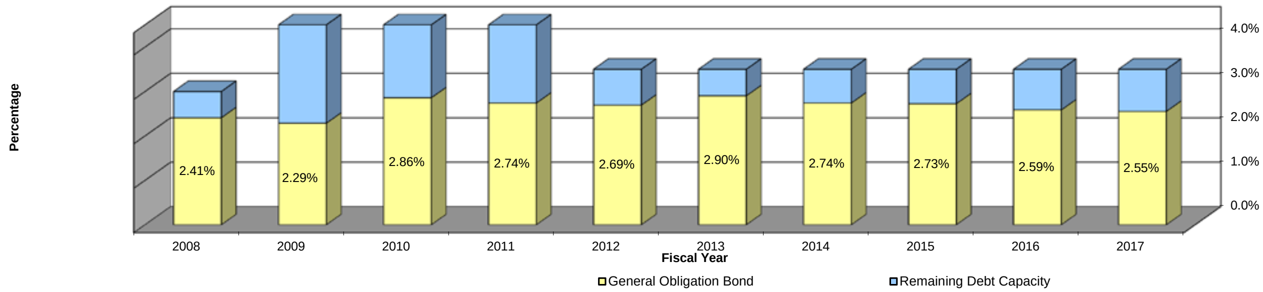
On June 21, 2005, the Board of Supervisors adopted new "Principles of High Performance Financial Management" as a means to strategically plan and account for the County's financial resources, ensure a balanced tax burden from residential and commercial resources and to maintain or upgrade the County's bond rating. The principles include three significant debt limitations as follows:

Debt Limitation 1:

The (tax-supported) general obligation debt shall not exceed 3.5% of the asssessed valuation of taxable real property prior to FY2014 and 3% thereafter. (2)

	Fiscal Year 2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed value of taxable real property	$ 16,226,491,762	$ 16,313,534,929	$ 12,555,580,113	$ 12,719,091,716	$ 13,002,326,118	$ 13,262,150,638	$ 14,372,802,061	$ 14,699,463,435	$ 15,857,245,779	$ 16,495,801,650
Debt limit, 3.5% of assessed value (2)	$730,192,129	$734,109,072	$565,001,105	$445,168,210	$455,081,414	$464,175,272	$503,048,072	$514,481,220	$555,003,602	$577,353,058
Tax-supported general obligation debt (3)	$391,097,343	$373,095,996	$359,024,579	$348,511,738	$350,180,351	$385,102,012	$393,975,668	$400,598,739	$409,969,416	$421,038,737
% of assessed real property	**2.41%**	**2.29%**	**2.86%**	**2.74%**	**2.69%**	**2.90%**	**2.74%**	**2.73%**	**2.59%**	**2.55%**
Debt margin (4)	$ 339,094,786	$ 361,013,076	$ 205,976,526	$ 96,656,472	$ 104,901,063	$ 79,073,260	$ 109,072,404	$ 113,882,481	$ 145,034,186	$ 156,314,321

Total Debt to Assessed Value of Property not to exceed 3.5%



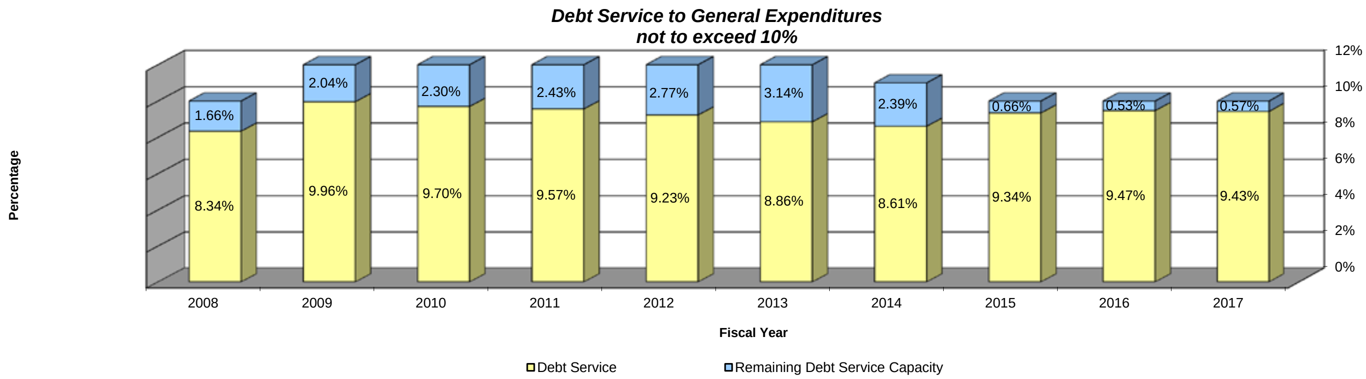
(1) The scope of the independent audit does not
(2) Debt limit was 3% of assessed value prior to June 21, 2005; it changed to 4.5% of assessed value until July 6, 2010; at that time it was set at 3.5% of assessed value with a goal to reach 3% by July 1, 2015.
(3) The tax-supported general obligation debt includes general obligation bonds (including VPSA), lease-revenue bonds (issued for the construction of public safety projects), literary loans, certificates of participation and VRS taxable refunding bonds.
Any impact of premiums and/or losses on refunding are excluded from these numbers.
(4) Counties in Virginia are not subject to state imposed debt margins. The debt margin above represents a self-imposed debt limitation established by the Board of Supervisors.

DEBT MARGIN INFORMATION
Fiscal Years 2008 - 2017
(unaudited) (1)

Debt Limitation 2:

General fund debt service expenditures not including master leases (County and Schools) shall not exceed 11% of the general government budget or 10 % after FY15. (2)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government budget (3)	$ 392,970,905	$ 384,090,478	$ 381,759,337	$ 383,015,888	$ 387,213,980	$ 399,027,672	$ 409,450,896	$ 419,269,371	$ 426,175,667	$ 444,242,723
Debt limit, 11% of general government budget, 10 % after 2014 (7)	$47,156,509	$46,090,857	$45,811,120	$45,961,907	$42,593,538	$43,893,044	$45,039,599	$41,926,937	$42,617,567	$44,424,272
Debt service expenditure (4) (5)	32,770,319	38,265,401	37,039,949	36,636,001	35,742,589	$35,348,244	$35,254,971	$39,169,081	$40,370,084	$41,870,495
Percentage of the general government budget	**8.34%**	**9.96%**	**9.70%**	**9.57%**	**9.23%**	**8.86%**	**8.61%**	**9.34%**	**9.47%**	**9.43%**
Debt service margin (6)	$ 14,386,190	$ 7,825,456	$ 8,771,171	$ 9,325,906	$ 6,850,949	$ 8,544,800	$ 9,784,628	$ 2,757,856	$ 2,247,483	$ 2,553,777



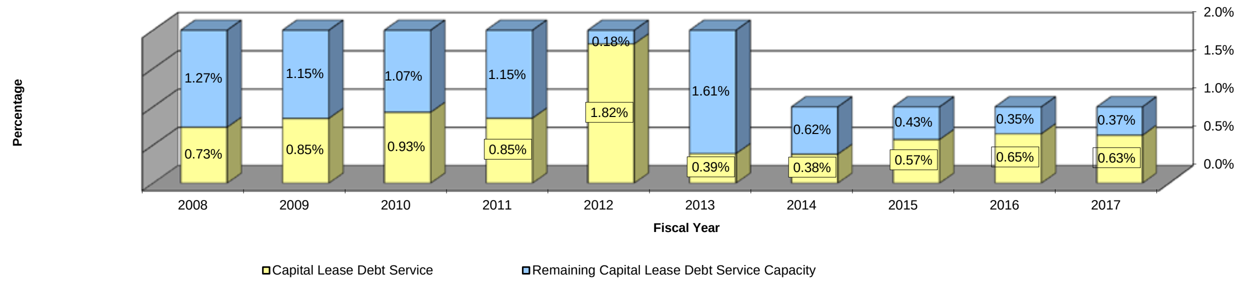
(1) The scope of the independent audit does not include the tables/charts displayed in the Statistical section of the CAFR.
(2) Debt service limit was 10% of general expenditures prior to June 21, 2005; it changed to 12% of general expenditures until July 6, 2010; at that time it was set at 11% of general expenditures with a goal to reach 10% by July 1, 2015.
(3) General government is defined in the adopted Principles of High Performance Financial Management as General Fund plus the School Operating Fund (including School Grant Funds) less the School transfer.
(4) Debt service expenditures = principal payments plus interest.
(5) The above schedule excludes debt service on master leases, the fiscal year 2007 through 2013 expenditures were revised in the 2014 CAFR.
(6) Counties in Virginia are not subject to state imposed debt margins. The debt margin above represents a self-imposed debt limitation established by the Board of Supervisors.
(7) The debit limits for 2015 and 2017 were restated to 10%

DEBT MARGIN INFORMATION
Fiscal Years 2008 - 2017
(unaudited) (1)

Debt Limitation 3:
Capital lease debt service shall not exceed 2% of the general government budget prior to FY13 and 1% thereafter. (2)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government budget	$ 392,970,905	$ 384,090,478	$ 381,759,337	$ 383,015,888	$ 387,213,980	$ 399,027,672	$ 409,450,896	$ 419,269,371	$ 426,175,667	$ 444,242,723
Capital lease debt service limit, 2% of general government budget (2)										
Total debt service limitation	7,859,418	7,681,810	7,635,187	7,660,318	7,744,280	3,990,276	4,094,509	4,192,694	4,261,757	4,442,427
Amount of total debt service applicable to limit (3)	2,881,029	3,264,298	3,545,952	3,264,391	7,054,952	1,549,552	1,559,682	2,405,210	2,766,685	2,795,283
Capital lease debt service as a percentage of general government budget	**0.73%**	**0.85%**	**0.93%**	**0.85%**	**1.82%**	**0.39%**	**0.38%**	**0.57%**	**0.65%**	**0.63%**
Debt service margin (4)	$ 4,978,389	$ 4,417,512	$ 4,089,235	$ 4,395,927	$ 689,327	$ 2,440,724	$ 2,534,827	$ 1,787,483	$ 1,495,073	$ 1,647,145

Capital Lease Debt Service to General Government Budget not to exceed 2% prior to FY13 and 1% thereafter



(1) The scope of the independent audit does not include the tables/charts displayed in the Statistical section of the CAFR.
(2) Debt service limit was 2% of general expenditures prior to fiscal year 2012; the Board changed this policy to 1% of general general government budget in June 2012 after all debt service transactions had been recorded.
(3) At the end of fiscal year 2012 capital leases were paid down by $ 5.3 million.
(4) Counties in Virginia are not subject to state imposed debt margins. The debt margin above represents a self-imposed debt limitation established by the Board of Supervisors.

PLEDGED REVENUE COVERAGE: WATER AND SEWER FUND
Fiscal Years 2008 - 2017
(unaudited) (1)

	Water and Sewer Fund						
			Net				
Fiscal	Gross	Less:	Available	Debt Service			Coverage
Year	Revenue (2)	Expenses (3)	Revenue	Principal	Interest	Total	(Times) (4)
2008	30,567,806	19,904,541	10,663,265	3,285,000	747,220	4,032,220	2.64
2009	28,929,847	20,302,405	8,627,442	3,350,000	622,713	3,972,713	2.17
2010	30,500,257	20,306,248	10,194,009	3,435,000	510,034	3,945,034	2.58
2011 (5)	28,805,551	19,454,526	9,351,025	6,270,000	759,468	7,029,468	1.33
2012	31,620,457	20,670,017	10,950,440	3,815,613	1,567,969	5,383,582	2.03
2013	37,586,122	20,577,533	17,008,589	1,975,883	3,174,914	5,150,797	3.30
2014	40,151,093	21,637,360	18,513,733	2,807,676	3,294,940	6,102,616	3.03
2015	39,480,956	24,423,982	15,056,974	2,864,536	3,777,812	6,642,348	2.27
2016	44,781,008	23,836,325	20,944,683	2,924,720	3,814,897	6,739,617	3.11
2017	49,965,359	27,155,536	22,809,823	3,314,650	5,475,333	8,789,983	2.59

(1) The scope of the independent audit does not include the tables displayed in the Statistical section of the CAFR.
(2) Includes availability fees and any other revenue sources pledged for the retirement of debt which is consistent with Stafford County's Master Bond Covenants.
(3) Total expenses are exclusive of depreciation, amortization and bond interest.
(4) Net revenue coverage required by the covenants is 1.2 times the debt service.
(5) Fiscal year 2011 Principal payments for Debt Service includes a payout of refunding bonds of $3,350,000.

COUNTY OF STAFFORD, VIRGINIA **Table S-15**

DEMOGRAPHIC AND ECONOMIC STATISTICS
Fiscal Years 2008- 2017
(unaudited) (1)

Fiscal Year	Population (2)	Civilian Labor Force (3)	At Place Employment(4)	Unemployment Rate (5)	Personal Income (in thousands) (6)	Per Capita Personal Income (7)	Total Taxable Assessed Real Property (8)
2008	121,736	66,222	35,037	3.4%	4,897,196	40,228	16,226,491,762
2009	122,800	66,487	34,878	5.4%	4,915,316	40,027	16,313,534,929
2010	128,961	67,677	35,064	5.7%	5,265,160	40,828	12,555,580,113
2011	129,772	68,039	35,484	5.2%	5,439,653	41,917	12,719,091,716
2012	132,719	72,993	37,508	4.9%	5,674,401	42,755	13,002,326,118
2013	135,311	71,569	38,039	5.1%	5,900,913	43,610	13,262,150,638
2014	138,423	71,229	39,672	5.2%	6,091,996	44,010	14,389,795,201
2015	142,299	70,828	40,341	5.2%	6,296,162	44,246	14,699,463,435
2016	142,380	67,413	41,939	4.0%	6,425,740	45,131	15,857,245,779
2017	144,612	69,913	42,399	3.6%	6,657,002	46,034	16,495,801,650

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.

(2) Population figures (fiscal year 2007 - fiscal year 2010) provided by the U.S. Census Count. Fiscal Year 2011 figure is from American Community Survey Estimate. Fiscal year 2012 figure is from Weldon Cooper Center. Fiscal year 2013 -2016 figures are from Stafford County Planning and Zoning.

(3) The Civilian Labor Force represents the number of people that live in Stafford County. Source: fiscal year 2007- 2014 (US Census DP-3), fiscal year 2015-2016 figures are from Viginia Employment Commission (VEC) .

(4) The At Place Employment numbers represent the number of jobs in Stafford County. It includes people that commute into Stafford County to work and excludes those that travel out of the County to work. Figures are based on a calendar year. Source: Virginia Employment Commission (VEC)

(5) Unemployment Rate Source: Virginia Employment Commission (VEC)

(6) Personal Income figures are based on a calculation of per capita and population numbers.

(7) Per capita Personal Income figures (fiscal year 2007-2009) provided by the U.S. Bureau of Economic Analysis.
Per capita personal income figures (fiscal year 2010-2011): Estimate provided by Stafford County Finance Department assuming a growth of 2%.
Per capita personal income figures (fiscal year 2012-2013): Provided by Stafford Economic Development. Fiscal year 2011 figure revised, fiscal year 2012 , 2013 & 2016 based on 2% increase. Fiscal Year 2014-2015 figures are from Stafford County Economic Development.

(8) Total taxable assessed real property figures are based on a calendar year. Source: Stafford County Office of the Commissioner of Revenue.

COMPARATIVE DEMOGRAPHIC AND ECONOMIC STATISTICS
Census Years 2000 & 2010
(unaudited) (1)

	2000 Census	2010 Census					
	Stafford County	Stafford County		Virginia		United States	
Population:							
Median age	33.0	34.2	(2)	37.5	(2)	37.2	(2)
Persons under 18 years old	28.6%	29.2%		23.4%		24.3%	
Persons 19 to 64 years old	65.8%	64.3%		64.4%		62.8%	
Persons 65 years old and over	5.6%	6.5%		12.2%		12.9%	
Persons per square mile	341.9	477.0	(2)	202.1	(2)	87.3	(2)
Education:							
High school or higher	88.6%	91.3%		85.8%		84.6%	
Bachelor's degree or higher	29.6%	35.5%		33.4%		27.5%	
Income:							
Median household income	$75,456	$88,179		$59,372		$50,221	
Housing:							
Number persons/household	3.0	3.0		2.5		2.6	
Percent owner occupied	80.6%	79.5%		69.2%		66.9%	
Owner occupied median value	$156,400	$364,900		$247,100		$185,400	

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) Census numbers for Median Age and Persons per Square Mile are for year 2010 all other numbers reflect data for year 2009.
(Source: http://quickfacts.census.gov)

Source: US Census, 2000 & 2010.

PRINCIPAL EMPLOYERS
Fiscal Years 2017 vs 2008
(unaudited) (1)

Employer	Industry	Fiscal Year 2017 Employees	Fiscal Year 2017 Rank	Fiscal Year 2017 Percentage of Total County Employment (2)	Fiscal Year 2008 Employees	Fiscal Year 2008 Rank	Fiscal Year 2008 Percentage of Total County Employment (2)
GEICO, Government Employees Insurance	Insurance	1000+	1	2.4%	1000+	2	2.9%
Stafford County School System	Education	4,450	2	10.5%	4,437	1	12.7%
U.S. Federal Bureau of Investigation	Government Services	1000+	3	2.4%	1000+	3	2.9%
U.S. Department of Defense	Government Services	1000+	4	2.4%			
Stafford County Government	County Government	892	5	2.0%	845	4	2.4%
Wal Mart	Retail Distribution	500-999	6	1.8%			
McLane Mid Atlantic	Retail Distribution	500-999	7	1.8%	500-999	5	2.1%
Stafford Hospital Center	Medical	500-999	8	1.8%			
Intuit	Computer Services	250-499	9	0.9%	250-499	7	1.1%
Hilldrup Transfer and Storage, Inc	Van Line Services	250-499	10	0.9%	100-249	8	0.5%
Fredericksburg Auto Auction	Wholesale Electronic Markets & Agents				500-999	6	2.1%
MTC Services Corp	Engineering Consultants				100-249	9	0.5%
Marconi Technology	Telecommunications Equipment				100-249	10	0.5%
Total 10 Largest Employers		10,288-12,283+		26.9%	8,832-10,526+		27.7%
Total County Employment		42,400			34,896		

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) Percentage of Total County Employment is based on the midpoints in the ranges given.
(The data above does not include the 6,700 Marines or 6,900 civilians stationed/employed at the Quantico Marine Corps Base or any retail.)

Source: Virginia Employment Commission.

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
Fiscal Years 2008- 2017
(unaudited) (1)

	Full-time Equivalent Employees as of June 30									
Function/Program Employees:	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Primary Government:										
Governmental activities:										
General government	122	116	105	98	99	99	97	103	102	107
Judicial administration	48	48	47	44	46	48	46	44	48	52
Public safety (2)	302	302	314	319	332	338	358	355	379	378
Public services (3)	23	24	-	-	-	-	-	-	-	-
Health and welfare	53	53	51	49	54	51	51	54	52	51
Parks, recreation and community facilities (4)	34	34	56	53	53	51	53	54	58	56
Community development	71	68	67	63	62	67	69	66	62	63
Transportation (5)	5	5	-	-	-	-	-	-	-	-
Total governmental activities employees	658	650	640	626	646	654	674	676	701	707
Business-type activities:										
Utilities	126	141	135	134	136	132	134	137	137	133
Total business-type activities employees										
Total primary government employees	784	791	775	760	782	786	808	813	838	840
Volunteers:										
Public safety (6)	546	634	461	600	550	400	200	200	200	327

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) Includes E-911 Fund employees.
(3) Beginning in fiscal year 2010, Public services was reclassed to Parks, Recreation and Community Facilities.
(4) Does not include seasonal employees.
(5) Beginning in fiscal year 2010, Transportation was reclassed to Community development.
(6) The number of Public Safety Volunteers is provided by the Stafford County Fire and Rescue Department.

Source: Stafford Human Resources Department.

OPERATING INDICATORS BY FUNCTION
Fiscal Years 2008 - 2017
(unaudited) (1)

Function/Program	Fiscal Year 2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
General government										
Commissioner of Revenue										
Taxpayers assisted at real estate and personal property counters	12,022	14,890	12,765	12,645	11,262	9,748	8,841	11,546	12,744	13,230
Building permits reviewed	2,177	1,465	1,604	1,609	1,798	1,961	1,976	1,858	1,973	2,310
State income tax returns processed	10,125	12,984	11,160	5,096	2,504	5,570	6,838	7,027	5,741	5,739
Personal property records processed	58,658	61,539	71,453	83,746	87,541	86,054	77,632	80,419	92,063	79,169
Finance										
Landfill bills processed	351	348	293	310	351	352	369	407	421	479
Accounts payable transactions processed (2)	42,215	34,794	42,105	43,980	44,497	45,156	47,429	43,731	44,379	49,327
Department of Human Resources										
Number of new hires	342	187	206	225	214	249	242	272	310	367
Number of positions recruited	291	192	93	86	94	80	78	90	104	111
Public Services										
Total facilities maintained (sq ft) (3)	421,134	427,381	433,427	495,567	495,567	563,271	565,128	555,218	638,151	594,232
Registrar										
Voters served at polling places	25,000	58,493	50,000	35,162	32,965	63,431	36,479	45,043	53,212	81,911
Registered Voters Served (4)				77,053	80,572	81,765	82,630	81,394	86,603	90,645
Treasurer										
Real estate and personal property bills processed	249,203	255,801	265,003	267,955	267,546	271,311	277,174	283,455	291,455	293,468
Water and sewer bills processed	366,941	372,158	377,978	385,619	390,614	395,147	401,193	415,050	415,050	431,776
Judicial administration										
Victims' services (5)	1,332	1,182	1,345	785	856	957	914	929	973	1,335
Public safety										
Requests for law enforcement service (responded)	72,096	71,464	70,941	68,817	75,457	73,371	75,716	75,458	82,317	85,332
Number of arrests	7,486	7,530	7,216	6,764	6,851	6,194	6,084	5,341	5,029	5,297
Number of fire and EMS calls (6)	23,707	21,734	20,648	22,674	25,660	25,957	25,432	24,845	17,983	25,039

OPERATING INDICATORS BY FUNCTION
Fiscal Years 2008 - 2017
(unaudited) (1)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Social Services										
Benefit applications received (12)	5,857	7,329	7,907	7,910	7,853	8,552	8,810	7,989	7,552	N/A
CPS complaints investigated (7)	501	515	521	542	603	546	542	695	704	755
Food stamp households served	1,797	2,203	2,942	3,363	3,701	4,024	4,032	3,718	3,379	3,201
Foster care children served	143	116	88	79	73	71	82	59	56	52
Parks, Recreational and Cultural										
Programs offered: gymnastics	1,550	1,630	2,000	2,042	2,230	2,056	1,610	2,532	2,689	3,312
Programs offered: senior citizens	165	308	376	412	377	260	495	564	801	834
Programs offered: sports/recreation	390	505	1,051	811	915	618	1,244	1,131	1,268	752
Programs offered: aquatics	625	598	550	549	550	630	507	635	903	704
Acres maintained	1,162	1,162	1,432	1,432	1,432	1,476	1,476	1,476	3,090	2,072
Community Development										
Public Works										
Permits issued (8)	11,931	3,405	3,157	3,381	3,567	4,306	4,424	4,062	5,228	5,735
Chesapeake Bay building permits reviewed (9)	1,765	1,308	1,558	1,422	1,487	1,744	1,893	1,942	1,877	2,141
Building inspections performed	35,024	24,499	25,740	25,188	26,254	30,708	33,897	24,889	35,244	37,836
E&S control inspections performed (10)	13,004	9,926	7,256	6,276	5,765	6,584	6,576	7,504	6,973	7,055
Economic Development/Legislative Affairs										
At-place employment	35,037	34,878	35,064	35,484	37,508	38,039	39,443	40,341	41,939	42,399
Unemployment rate	3.4%	5.4%	5.7%	5.2%	4.9%	5.1%	5.1%	5.2%	4.0%	3.6%
Businesses in the County	2,248	2,231	2,217	2,234	2,257	2,272	2,329	2,377	2,639	2,618
Legislative bills reviewed for action/response	3,323	2,577	2,964	2,693	2,876	2,575	2,942	2,925	3,009	2,959
Planning and Zoning										
Addresses issued (11)	1,013	1,369	486	308	760	1,666	633	716	417	1,626
Subdivision applications processed	582	415	205	343	316	442	652	482	460	365
Site plans processed	373	235	145	140	143	160	180	167	150	176
Zoning site development inspections	281	835	152	169	272	265	700	678	457	446
Zoning enforcement inspections performed	1,037	887	1,130	987	807	604	525	304	671	518

OPERATING INDICATORS BY FUNCTION
Fiscal Years 2008 - 2017
(unaudited) (1)

Function/Program	Fiscal Year 2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-Type Activities:										
Water & Sewer Utilities										
Billions of gallons of water treated per year	4.081	3.825	3.504	3.418	3.400	3.944	3.305	3.328	3.160	3.185
Water storage (mg)	16.645	16.645	16.645	16.645	16.645	16.645	17.645	17.645	17.645	18.145
Billions of gallons of wastewater treated per year	3.106	3.079	3.418	2.951	2.994	2.844	3.066	2.486	2.948	3.047
Number of customer accounts served	31,849	32,296	32,803	32,289	32,650	33,240	33,768	34,518	35,427	36,268

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) Beginning with fiscal year 2008 the number of accounts payable transactions includes checks and purchasing cards.
(3) Beginning with fiscal year 2008 the total of sq ft maintained includes owned and rental property.
(4) The number of registered voters served was added to the schedule beginning with fiscal year 2011.
(5) The number of victims' services decreased in fiscal year 2011 due to an increase in Domestic Violence cases which require more time per case than other services.
(6) EMS = Emergency Medical Services
(7) CPS = Child Protection Services
(8) Beginning with fiscal year 2009 Public Works modified the methodology for counting building permits from counting all fee categories as permits to just counting actual permits. This change in methodology contributed to the unusually steep decline in the number of permits issued in fiscal year 2009.
(9) The number of permits reveiwed in fiscal year 2006 increased significantly due to applications for home additions now being reviewed, in addition to new construction.
(10)E&S = Erosion & Sediment
(11)The number of new addresses decreased in fiscal year 2010, which reflected an overall slow down in new home starts. Fiscal year 2013 increased due to volume of residential applications. Beginning with FY17, all newly recorded lots were assigned addresses. At the time of final plat review in coordination with GIS to enhance and expedite the address assignment process. Some addresses were assigned during building permit reviews not associated with final plats. Included in these numbers were two major apartment complexes totaling 544 new address assignments.
(12)Due to the conversion of a new computer system, VDSS was unable to merge the data between two different systems and therefore, could not provide reliable reports to local departments for several months during FY17.

Source: Various Stafford County Departments

COUNTY OF STAFFORD, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION
Fiscal Years 2008 - 2017
(unaudited) (1)

	Fiscal Year									
Function/Program	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Public services										
Total facilities maintained (sq ft) (2)	421,134	427,381	433,427	495,567	495,567	563,271	565,128	555,218	638,151	594,232
Public safety (3)										
Number of Fire & Rescue Stations	6	7	7	7	7	8	8	8	10	10
Number of Fire Stations	4	4	4	4	4	4	4	4	3	3
Number of Rescue Squads	5	5	5	5	5	4	4	4	2	2
Utilities										
Water Plant Capacity (mgd)	19	19	19	19	19	19	19	19	19	19
Water Lines (miles)	571	579	579	584	600	613	619	634	643	657
Wastewater Plant Capacity (mgd)	10.5	10.5	10.5	14.5	14.5	14.5	18	18	18	18
Sewer Lines (miles)	462	470	480	481	497	506	511	516	522	534
Pumping Stations	87	88	88	89	89	89	91	90	88	88
Parks, recreation and cultural										
Number of County parks	10	10	13	13	13	18	18	18	19	19
Acreage of County parks	1025	1025	1432	1432	1432	1476	1476	1476	3090	2072
Number of Regional parks (4)	3	3	0	0	0	0	0	0	0	0
Acreage of Regional parks (4)	157	157	0	0	0	0	0	0	0	0
State and National parks (1,184 acres)	1	1	2	2	2	2	2	2	2	2
Playgrounds (County & Schools)	24	25	25	25	25	25	25	25	27	27
Athletic fields (County & Schools)	82	82	82	82	82	93	93	92	99	99
Tennis courts (County & Schools)	19	19	19	19	19	19	19	19	19	19
Campgrounds (48 acres)	1	1	1	1	1	1	1	1	1	1
Private golf courses (9 holes)	1	1	1	1	1	1	1	1	1	1
Public golf courses (18 holes)	3	3	3	3	3	3	3	3	3	3
National historic attractions	10	10	10	10	10	10	10	10	10	10
Public beaches/waterfront parks (48 acres)	2	2	2	2	2	2	2	2	2	2
Public swimming pools	2	2	2	2	2	2	2	2	5	5
Public fishing lakes	2	2	2	2	2	2	2	2	2	3
Public boat ramps	3	3	3	3	3	3	3	3	4	4

CAPITAL ASSET STATISTICS BY FUNCTION
Fiscal Years 2008 - 2017
(unaudited) (1)

	Fiscal Year									
Function/Program	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Parks, recreation and cultural (cont.)										
Public marinas	2	2	2	2	2	2	2	2	4	4
Skateboard parks	2	2	2	2	2	2	2	2	2	2
Senior citizens centers	1	1	1	1	1	1	1	1	1	1
Gymnastics training centers	1	1	1	1	1	1	1	1	1	1
Community centers	3	3	3	2	2	2	2	2	4	4
Community development										
Libraries (5)	1	1	1	2	2	2	2	2	2	2

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) County owned facilities only. FY2016 amount restated for FY2017 CAFR and thereafter.
(3) Although the County supports the Fire and Rescue stations, not all stations are owned by the County.
(4) Regional parks & regional acreage was added to County parks & County acreage in fiscal year 2010.
(5) The Central Rappahannock Regional Library (CRRL) is a shared facility serving the Central Rappahannock area.

Source: Various Stafford County Departments

RSM US LLP

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

Board of Supervisors
County of Stafford, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Stafford, Virginia (the "County") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 18, 2017.

The County's basic financial statements include the operations of the County of Stafford School Board, a discretely presented component unit of the County of Stafford. Our audit, described below, did not include the operations of the County of Stafford School Board because the County of Stafford School Board separately engaged us to perform an audit in accordance with *Government Auditing Standards.*

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

RSM US LLP

New Bern, North Carolina
December 18, 2017

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; And Report On Schedule Of Expenditures Of Federal Awards Required By The Uniform Guidance

Board of Supervisors
County of Stafford, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Stafford, Virginia's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

The County's basic financial statements include the operations of the County of Stafford School Board, a discretely presented component unit of the County of Stafford, which received $ 18,262,895 in federal awards which is not included in the County's schedule of expenditures of federal awards for the year end June 30, 2017. Our audit, described below, did not include the operations of the County of Stafford School Board because the County of Stafford School Board separately engaged us to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County of Stafford, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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.

RSM US LLP

New Bern, North Carolina
December 18, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures	
U.S. DEPARTMENT OF AGRICULTURE				
Pass Through Payments:				
Department of Social Services				
State Administrative Matching Grants for Food Stamp Program	10.561	0010113-90103	$ 617,319	
		0010113-90223		
		0040113-90104		
		0040113-90224		
TOTAL U.S. DEPARMENT OF AGRICULTURE				$ 617,319
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass Through Payments:				
Department of Social Services				
Social Services Block Grant	93.667	1000113-90648	314,967	
		1000113-90335		
		1000113-90340		
		1000113-90123		
		1000113-90124		
		1000113-90240		
		1000113-90242		
		1000113-90243		
		1000113-90244		
		1000113-90245		
		1000113-90246		
		1000113-90262		
		1000113-90351		
		1000113-90379		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760113-90116	60,826	
		0760113-90117		
		0760113-90118		
		0760113-90236		
		0760113-90237		
		0760113-90238		
		0760113-90529		
Administration for Children and Families				
Chafee Education and Training Vouchers Program	93.599	9160112-90353	4,000	
Child Welfare Services - State Grants	93.645	0900113-90251	15,142	

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)			
Pass Through Payments:			
Department of Social Services			
Temporary Assistance for Needy Families	93.558	0400113-90109	$ 419,283
		0400113-90110	
		0400113-90111	
		0400113-90112	
		0400113-90127	
		0400113-90229	
		0400113-90230	
		0400113-90231	
		0400113-90232	
		0400113-90247	
		0400113-90249	
		0400113-90365	
		0400113-90377	
Promoting health and stable families	93.556	950113-91129	1,626
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113-90623	397
		0500113-90113	
		0500113-90233	
Low-Income Home Energy Assistance	93.568	0600413-90114	72,211
		0600413-90115	
		0600413-90234	
		0600413-90235	
Foster Care Title IV-E	93.658	1100113-90639	291,613
		1100113-90658	
		1100113-90105	
		1100113-90106	
		1100113-90147	
		1100113-90225	
		1100113-90226	
		1100113-90227	
		1100113-90253	
		1100113-90258	
		1100113-90267	
		1100113-90268	
Adoption Assistance	93.659	1120113-90606	457,640
		1120113-90607	
		1120113-90228	
Chafee Foster Care Independence Program	93.674	9150113-90254	3,429
		9150113-90356	
State Children's Insurance Program	93.767	0540113-90102	26,333
		0540113-90222	
Medical Assistance Program (Medicaid; Title XIX)	93.778	1200113-90101	781,885
		1200113-90146	
		1200113-90221	
		1200112-90266	
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			$ 2,449,352

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number	Expenditures	
U.S. DEPARTMENT OF JUSTICE				
Direct Payments:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	not applicable	168,776	
Pass Through Payments:				
Office for Victims of Crime				
Equitable Sharing Program	16.922		216,994	
TOTAL U.S. DEPARTMENT OF JUSTICE				385,770
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Payments:				
Federal Highway Administration				
Highway Planning and Construction	20.205	not applicable	104,743	
Pass Through Payments:				
Department of Motor Vehicles				
State and Community Highway Safety (Section 402)	20.600	SC2014-54108-5356	7,597	
Selective Enforcement - Alcohol	20.601	K8-2013-53164-4879	35,546	
Selective Enforcement - Occupant Protection	20.602	K2-2013-53165-4880	1,654	
Selective Enforcement - Alcohol	20.607	154AL-2014-54033-5281	-	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				149,541
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Payments:				
Department of Emergency Management				
Staffing for adequate Fire & Emergency Response	97.083	not applicable	414,933	
Pass Through Payments:				
Department of Emergency Management				
Emergency Management Performance Grant	97.042	2010-EP-EO-0039	58,453	
Disaster Grants - Public Assistance	97.036	179-99179-00	49,164	
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				522,550
U.S. DEPARTMENT OF TREASURY				
Direct Payments:				
QSCB Interest	Unknown	not applicable		64,512
GRAND TOTAL FEDERAL FINANCIAL ASSISTANCE				**$ 4,189,044**

See notes to the schedule of expenditures of federal awards

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Note 1. Significant Accounting Policies

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Stafford County under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Stafford County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Stafford County.

Federal Financial Assistance – The Singe Audit Act Amendments of 1996 (Public Law 104-156) and the Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the “Schedule of Expenditures of Federal Awards.” Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the “Schedule of Expenditures of Federal Awards.”

Pass Through Payments – Assistance received in a pass through relationship from entities other than the Federal government is classified as pass through payments on the “Schedule of Expenditures of Federal Awards.”

Major Programs – The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the County of Stafford, Virginia were determined using a risk-based approach in accordance with OMB Circular A-133.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs.

Component Unit, Stafford County Public Schools has a separate Single Audit. They issue a separate set of financial statements which includes an audit of Federal awards.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Stafford County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

County of Stafford, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(as) identified?		Yes	✓	No
Significant deficiency(ies) identified?		Yes	✓	None Reported
Noncompliance material to financial statements noted?		Yes	✓	No

Federal Awards

Internal control over major federal programs:				
Material weakness(es) identified?		Yes	✓	No
Significant deficiency(ies) identified?		Yes	✓	None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes	✓	No

Identification of major federal programs:

CFDA Number	Program Name or Cluster
10.561	State Adminstrative Matching Grants for the Supplemental Nutrition Assistance Program
93.778	Medical Assistance
93.667	Social Services Block Grant

Dollar threshold used to distinguish between type A and type B programs	$ 750,000			
Auditee qualified as low-risk auditee?		Yes	✓	No

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017

Section II - Financial Statement Findings

None

Section III - Single Audit Findings

None

County of Stafford, VA

Corrective Action Plan
For the Year Ended June 30,2017

Section II – Financial Statement Findings

Finding 2016-001 – Material Weakness in Internal Control - Accounts Payable Cutoff

Status Corrective Action Implemented

Finding 2016-002 – Material Weakness in Internal Control - Review of Capital Asset Journal Entries

Status Corrective Action Implemented

Finding 2016-003 – Material Weakness in Internal Control -Identification of Grant Reimbursable Expenditures

Status Corrective Action Implemented

Finding 2016-004 – Material Weakness in Internal Control-Segregation of Duties related to Inventory

Status Corrective Action Implemented

Finding 2016-005 – Material Weakness in Internal Control Preparation of the Schedule of Expenditures of Federal Awards

Status Corrective Action Implemented

Finding 2016-006 – Significant Deficiency in Internal Control-Physical Controls over Inventory

Status Corrective Action Implemented

Section III – Findings and Questioned Costs for Federal Awards

Finding 2016-007 – Compliance Finding and Material Weakness in Internal Control over Compliance-Highway Planning and Construction Reporting – 20.205

Status Corrective Action Implemented

Finding 2016-008 – Compliance Finding and Material Weakness in Internal Control over Compliance-Medical Assistance Eligibility – 93.778

Status Corrective Action Implemented

1300 Courthouse Road, P. O. Box 339, Stafford, VA 22555-0339 Phone: (540) 658.8600 Fax: (540) 658.7643 www.staffordcountyva.gov