

STAFFORD COUNTY Public Schools

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



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

Fiscal Year 2014
(July 1, 2013 – June 30, 2014)

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2014



Members of the Stafford County Board of Supervisors

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Officials of Stafford County Public Schools

Dr. W. Bruce Benson, Superintendent
Mrs. Pamela Kahle, Associate Superintendent for Instruction
Mr. David White, Chief Secondary Instructional Officer
Mrs. Carrie Neely, Chief Elementary Instructional Officer
Dr. Christopher Quinn, Director of Instructional Services
Mr. Lance W. Wolff, CPA, Assistant Superintendent for Financial Services
Mr. G. Scott Horan, Assistant Superintendent for Facilities
Dr. David Mirra, Executive Director for Technology
Mr. Daryl Nelson, Executive Director of Administrative & Legal Services
Mr. Rick Fitzgerald, Executive Director for Human Resources
Mrs. Valerie Cottongim, Public Information Officer

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2014

2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2014
(July 1, 2013 – July 30, 2014)

Prepared By:

Department of Financial Services

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Assistant Superintendent for Financial Services

Chris R. Fulmer, CPA, CFE
Director of Finance and Accounting

Kimberly J. Washington
Accounting Specialist



"To be an innovative learning organization committed to EXCELLENCE"

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2014

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INTRODUCTORY SECTION



STAFFORD COUNTY PUBLIC SCHOOLS

Department of Financial Services

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Lance W. Wolff, CPA
Assistant Superintendent for
Financial Services

The mission of Stafford County Public Schools is to challenge each student to achieve excellence in a global society.

January 26, 2015

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

We hereby submit the Comprehensive Annual Financial Report (CAFR) of Stafford County Public Schools (SCPS, or the division) for the fiscal year ended June 30, 2014. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of SCPS. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities and funds of SCPS.

Overview of the Comprehensive Annual Financial Report

This CAFR is divided into four sections: (1) Introductory, (2) Financial, (3) Statistical, and (4) Compliance. The Introductory section includes this Letter of Transmittal, plus a list of the School Board members and principal officials and the organizational chart for SCPS. The Financial section, prepared in accordance with the Governmental Accounting Standards Board's Statement No. 34 (GASB 34), includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), the basic financial statements and accompanying notes to the financial statements, and Required Supplementary Information (RSI).

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

Independent Audit

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

Single Audit Act

SCPS is required to undergo an annual single audit in conformity with the provision of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including a Schedule of Expenditures of Federal Awards, the Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133, the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*, and a Schedule of Findings and Questioned Costs, if any, are included in the compliance section of the CAFR.

Profile of the County of Stafford and Stafford County Public Schools

The County of Stafford

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

Stafford County celebrates its 350th anniversary this year and its rich history is evident in places like Ferry Farm, George Washington's boyhood home; Chatham, an 18th century manor house; and Belmont, artist Gari Melcher's estate and gallery. Because of its close proximity to the richness of historical Virginia, the cultural attributes of Washington, D.C., and the recreational opportunities of the Atlantic Ocean, Chesapeake Bay, and the Blue Ridge Mountains, Stafford is one of the most attractive counties in the state. It is a family-oriented suburban community with plenty of rural countryside.

Stafford County is governed by an elected seven-member Board of Supervisors representing the following districts: Aquia, Falmouth, Garrisonville, George Washington, Griffis-Widewater, Hartwood, and Rockhill. From 2008 to 2013 the county averaged 2.4% annualized job growth, the eleventh highest growth rate among the 134 counties and independent cities in Virginia. From April 2010 through July 2013, Stafford County experienced a 6.1% increase in population. The resident population as of July 1, 2013 was 137,903.

Based on a survey conducted by Stafford County, approximately 92.1% of the county's residents were high school graduates, 22.7% have had some college, 8.1% hold an Associate's degree, 21.6% have a Bachelor's degree and 13.9% have a Graduate or Professional degree.

Stafford County Public Schools

The citizens of Stafford County expect and support a quality educational system. Our students score above the state and national averages on standardized tests and earn awards at the regional, state and national levels. In May, members of the Class of 2014 participated in a survey in which they indicated that approximately 84% planned to continue their education after graduation. The survey revealed that 49.18% planned to attend a 4-year college or university; 31.16% planned to attend a 2-year college; and 3.98% planned to attend a trade or technical school.

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

The School Board employs a superintendent of schools to administer the public school division. As of September 30, 2014, a full range of public educational services, including special education, vocational education and gifted education, is provided to 27,573 students from pre-kindergarten through 12th grades at 31 main school sites, including Head Start. The average age of our school buildings is 26.1 years. The school enrollment for the 2014-2015 school year was projected in the School Board's adopted budget to be 27,048 for grades K-12.

Economic Outlook

Median Household Income

Median household income for the county ranked in the top 10 among U.S. counties and was the 5th highest household income among Virginia's counties. Wages earned at businesses in Stafford County have experienced tremendous growth, expanding an annualized average 4.4% from 2003 to 2013, the 3rd fastest growth rate among the state's counties and independent cities.

Annual retail sales grew by 6.3% in Stafford County in 2013 while increasing in Virginia at a much slower 1.2% pace. From 2003 to 2013, retail sales averaged 4.9% annualized growth in Stafford County. The county ranks in the top 6th in annualized retail sales growth among the state's counties and independent cities. Retail sales advanced an average annual 2.7% in Virginia over the same period. Retail sales in Stafford County are expected to expand at a healthy pace in both 2014 and 2015. The six month moving average of single-family building permits in Stafford County was at an all-time low in April 2009 and has since expanded 279% as of December, 2013.

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

Composite Index

The Commonwealth of Virginia computes an index figure for each locality, known as the Composite Index of Local Ability-to-Pay (Composite Index). The calculation for the Composite Index is very complex but is summarized in *Management's Discussion & Analysis*. The Composite Index determines how much the required local match contribution to state funding for the standards of learning (SOQ) programs, incentive programs, and the lottery funded programs. In December 2013, the Composite Index increased from .3305 in the state biennium covering fiscal years 2013 and 2014 to .3412 in the state biennium covering fiscal years 2015 and 2016.

Impact of State Funding

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

Major Initiatives and Accomplishments

Skillful Teacher

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

New Teacher Institute

Beginning with the 2013-14 school year, Stafford expanded support for its new teachers with a five-year grant from the Apple Federal Credit Union. The five-year renewable sum of \$25,000 is used to host a four-day summer institute, a six-weeks check-up session with experienced teachers, and ongoing support via online collaboration tools to connect new and experienced teachers.

Stafford High Public Day School

For the past six years the Stafford High Public Day School has provided programming to students who need significant emotional and behavioral supports and services. Within two classrooms, instructional and therapeutic staff provide social and academic opportunities in a blended learning model. This is a combination of virtual courses and teacher lead instruction. The operation of the Day School has resulted in a cost savings to the county's Human Services Office of approximately \$400,000 annually.

Robotics and STEM Learning Activities

Science, Technology, Engineering, and Math (STEM) activities have been promoted throughout the school system to align with the 21st century skills strategic plan goals, including professional learning for teachers, as well as community and college events. In addition, the Instruction Department's Math and Science instructional team expanded the curricular use of Lego robotics kits and the SeaPerch ROV robotics kits in seven elementary schools.

Student Information System

SCPS implemented a new Student Information System (SIS) for the 2013-2014 school year. The new SIS provides web-based access for students, parents, and staff to access relevant student information. Functionality improvements now exist in many areas such as gradebook, attendance, special education management, mobile devices access, accessibility, and the overall user interface. Work continues in areas of data migration, integrating with other systems, state reporting, and advance reporting capabilities. Providing accurate, real-time, and relevant data to students, parents, teachers, and administrators is the ultimate goal of this initiative.

Security Cameras and Monitoring System

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

Cyclic Computer Replacement Program

The cyclic replacement of mobile laptop laboratory carts and desktop computers places current technology in the hands of students and teachers. A goal of the program is to replace these computers on a five year interval. This year we completed the migration to the Windows 7 operating system. Increasing demand for computers to be used for assessments and Standards of Learning (SOL) testing is well documented as over 60,000 tests are administered per year, which will continue into the foreseeable future. While the cyclic replacement program has been successful in replacing computers, the need for additional computers and mobile devices in our schools is evident as students and staff rely on computer technology as a necessity for both living and learning.

21st Century Classroom Program

All schools now have a wireless infrastructure in place for Wi-Fi connectivity in all classrooms. Mounted projectors are also now installed in all classrooms for teachers to utilize as a tool to integrate technology into instruction. Less than half of all classrooms have interactive white boards installed, which allow teachers and students to use technology interactively in the classroom. Document cameras, student response systems, and other instructional technology tools are also available in many classrooms.

Fiber-Optics Connectivity Project

SCPS continues to experience explosive growth in site-to-site as well as Internet bandwidth demand. Fiber-optic connectivity was increased to 18 schools in fiscal year 2013. Work is in progress to bring fiber-optic connectivity to the remaining 16 sites. Leased lines offer finite bandwidth for a fixed recurring price, while owning a fiber-optic network offers virtually limitless capacity with little or no recurring expenses. With the installation of our own fiber network, our recurring costs for low-bandwidth leased lines have decreased significantly over the last few years, bandwidth between schools has increased tremendously, and access to the Internet has been greatly improved. As a direct result of fiber installation, we have been able to establish a reliable high speed connection to the county offices and the sheriff's offices. Our work with the sheriff's department has resulted in a "real time" viewing capability from the sheriff's command center to all security cameras within our schools, which will greatly aid an emergency response effort if the need arises. In addition, we continue to implement and capitalize on Voice over Internet Protocol (VoIP) technology in our new telephone installations.

Instructional Technology

SCPS continues to promote and support the use of technology for instruction in our classrooms from kindergarten to 12th grade. Each school has a full time Instructional Technology Resource Teacher (ITRT) on staff to provide training and support for teachers as they integrate tools and strategies in their classrooms. ITRTs at the elementary level are focusing students and teachers on integrating technology to enhance students' keyboarding skills and on using technology as part of the writing process. Our secondary ITRTs help teachers with differentiating lessons and using the online resources available to them and their students. All ITRTs continue to assist teachers in the development of student 21st Century Skills as part of their lesson planning. Since ITRTs are on-site with the teachers, they are able to provide "just in time" support to teachers in the classroom setting.

Facilities Services

Facilities Services manages a host of capital improvement, maintenance and construction projects at any given time. Recent accomplishments include, but are not limited to, major renovation projects at Falmouth, Grafton Village and Stafford Elementary Schools; and installation of the AIPHONE system in all schools and central office, which increases security by allowing the main entrance doors to be locked during the day. The rebuild of Stafford High School is on schedule with an anticipated completion date of June, 2015. Upcoming projects include additions to Brooke Point, Colonial Forge and Mountain View high schools and the rebuild of Moncure Elementary School.

Food and Nutrition Services

SCPS' school cafeterias provide a nutritious breakfast and lunch daily to all Stafford County students. In fiscal year 2014, 891,348 breakfasts (daily average of 5,345) and 2,443,536 lunches (daily average of 14,632) lunches were served. In addition, 490,373 free and 104,817 reduced breakfasts plus 812,555 free and 192,910 reduced lunches were served to qualifying students under the National School Lunch and Breakfast Program in fiscal year 2014.

Menu Certification was completed confirming our menus meet the New Meal Pattern. Implementation of "on line meal applications" was completed and utilized by 35 % of families applying for free and reduced price meals.

Transportation Services

During the 2013-2014 school year Stafford County Public Schools' buses transported an average 17,741 students on a daily basis. A fleet of 139 mainstream buses and 71 special programs buses was used to accomplish this task. The mainstream buses traveled a total of 2,187,587 miles while the special programs buses traveled a total of 1,227,883 miles. Highlights from the year include having digital cameras installed on 195 buses, reducing the size of the entire fleet from 296 buses to 275 buses and building the pool of eligible drivers to 212. A new routing system was purchased and will be fully implemented by the end of January 2015. Moving forward Transportation Services is working to implement a time and attendance module through our AVL(GPS) system to provide more accurate time keeping for our drivers and staff.

Other Post-Employment Benefits (OPEB) Trust Fund

SCPS established an irrevocable trust to invest funds to cover the OPEB liability for current and future retiree health benefit costs. In fiscal year 2014, a \$4.0 million contribution was made to the OPEB Trust Fund. The cost value and market value of the trust fund investments at June 30, 2014 were \$14,979,876 and \$18,099,103, respectively. Additionally, the School Board approved a \$3.5 million contribution towards the OPEB liability in the fiscal year 2015 budget.

Accreditation

For the 2014-2015 school year, 97% of our schools have earned full state accreditation and one school is "Accredited with Warning" in mathematics. In Virginia, public school accreditation is based on Standards of Learning (SOL) test results from the previous academic year or may include a three year average of achievement in the academic areas of English, History, Mathematics, and Science. To earn full accreditation, a school must meet or exceed the minimum benchmarks for SOL passing rates in English, History, Mathematics and Science during the previous school year or cumulatively over the past three school years.

The "Accreditation with Warning" rating means that a school met or exceeded minimum benchmarks in every academic area except the area(s) cited. The "Accreditation Denied" rating means that the school failed to meet the requirements for full accreditation for four consecutive years. The "Conditionally Accredited" rating can apply to a new school, or a school that fails to meet full accreditation for four consecutive years. Historical accreditation data is also included in the statistical section of this document.

Annual Measurable Objectives (AMO's)

For the 2014-2015 school year, 57% of our schools met all federal AMO's. However, the school division overall did not meet all federal AMO's.

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

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

- Economically disadvantaged students
- English language learners
- Students with disabilities
- White students

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

No Child Left Behind (NCLB) Safe Harbor

NCLB's "safe harbor" provision recognizing a ten-percent reduction in a subgroup's failure rate as acceptable progress remains in effect. In addition, a new provision for 'maintaining progress' went into effect, which requires a subgroup's current year's pass rate must be the same as the previous year, or within five percent of the previous year's rate, or the current year's pass rate is 90 percent or higher.

Financial Information

SCPS continues its sound financial condition as demonstrated by the financial statements and schedules included in this report, operating within the resources available while achieving many of its program goals. Approximately 85% of the current operating costs are related to employee compensation and providing competitive compensation and benefits to attract and retain qualified staff. This remains a top priority for SCPS.

SCPS will experience limited growth in state funding in the near future. Funding from the Commonwealth of Virginia is expected to increase only in proportion to student growth and modest amounts for inflation, which will be mitigated by the increase in the Composite Index as the county grows in wealth compared to the rest of the Commonwealth. Appropriations from the county are expected to increase based on the anticipated rise in the Composite Index and are interdependent on the county's ability to maintain its unreserved general fund balance at 12% of total revenues in tight economic times.

Internal Controls

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

Budgetary Controls

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

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

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

Risk Management

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

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

Cash Management

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

Acknowledgements

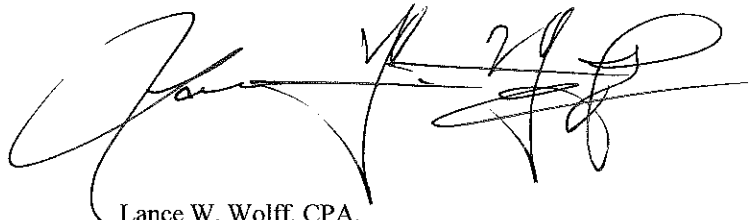
We would like to express our sincere gratitude to all the members of the Department of Financial Services who were involved in or assisted with the preparation of this report. Our dedicated finance and accounting staff has accomplished the major task of preparing this Comprehensive Annual Financial Report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

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

Respectfully,

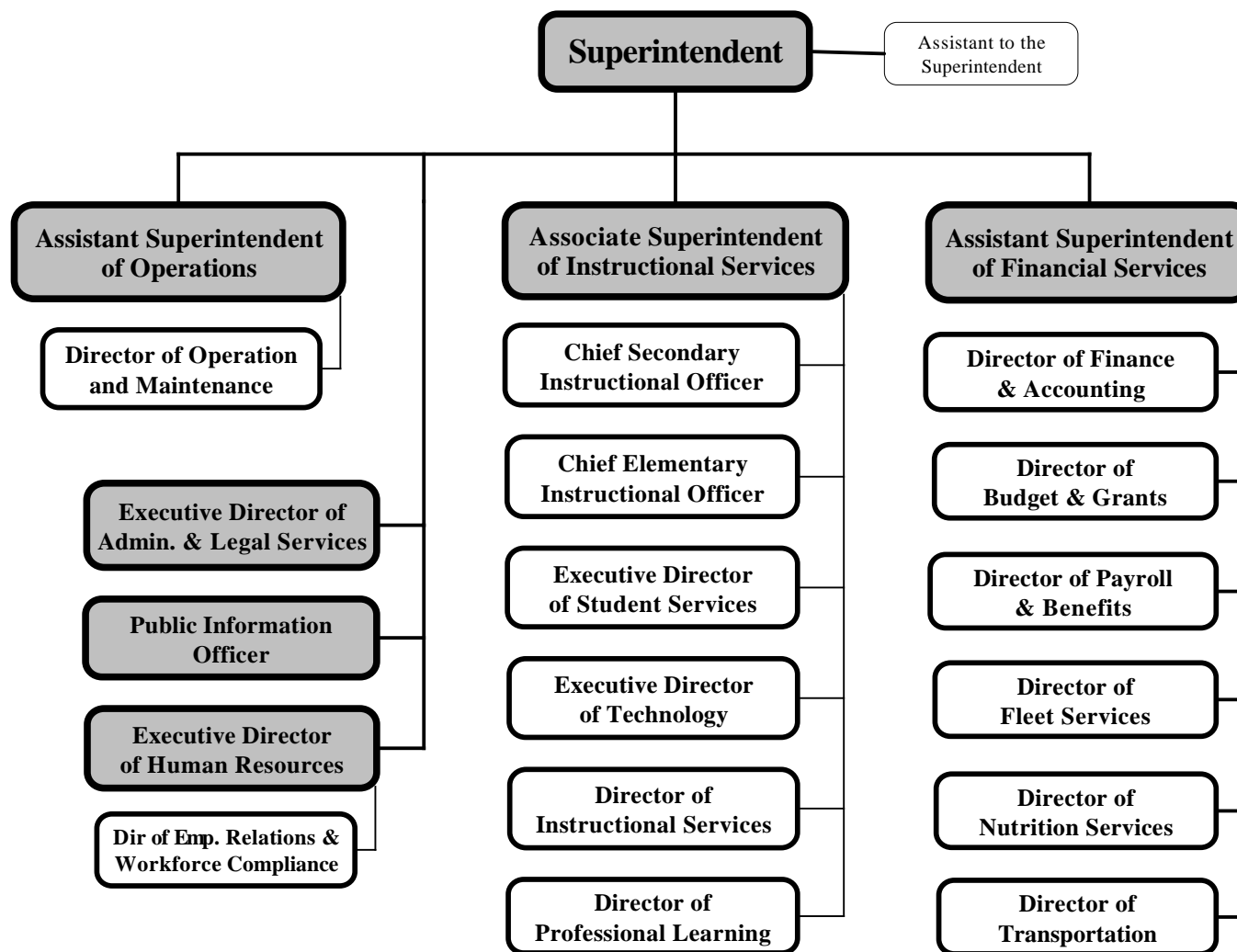


W. Bruce Benson, Ed.D.
Superintendent



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

Stafford County Public Schools



FINANCIAL SECTION

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2014

INDEPENDENT AUDITORS' REPORT



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stafford County School Board (the school board), a component unit of Stafford County, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the school board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Stafford County School Board, as of June 30, 2014, 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, and schedules of pension and other post-employment benefit (OPEB) funding progress on pages 4 - 12 and 62 - 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stafford County School Board's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other schedules, statistical section, and the schedule of expenditures of federal awards required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, other 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 and individual nonmajor fund financial statements, other 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 January 26, 2015 on our consideration of Stafford County School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stafford County School Board's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "McGladrey LLP".

New Bern, North Carolina
January 26, 2015

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF THE COUNTY OF STAFFORD, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2014

INTRODUCTION

As management of Stafford County Public Schools ("SCPS"), we offer readers an overview and analysis of financial activities for the fiscal year ended June 30, 2014. This section of the Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the overall financial performance of SCPS during the fiscal year ended June 30, 2014. Readers are encouraged to consider this information in conjunction with SCPS' transmittal letter, basic financial statements and notes to the basic financial statements to enhance their understanding and use of the basic financial statements.

FINANCIAL HIGHLIGHTS

SCPS' total net position (assets less liabilities and deferred inflows of resources) on a government-wide basis was \$429.7 million at June 30, 2014, representing an increase of \$18.4 million, or 4.5%, from the total net position of \$411.3 million at June 30, 2013. The increase was due to an increase in net capital assets of \$18.3 million. Current unrestricted assets decreased by \$.2 million due to a decrease in unrestricted cash and receivables of \$4.4 million and an increase in due from the primary government of \$4.1 million. Restricted cash increased by \$5.3 million due to an increase in Virginia Public School Authority (VPSA) bond money for construction projects. Current liabilities and deferred inflows of resources increased by \$4.8 million over fiscal year 2013 due primarily to the combined increase in accounts payable and accrued salaries and benefits of \$5.0 million. Noncurrent liabilities decreased by \$.6 million in fiscal year 2014 due primarily to principal payments on long term debt.

For fiscal year 2014, SCPS' governmental activities expenses of \$293.9 million exceeded program revenues (charges for services plus grants and contributions) of \$101.0 million by \$192.9 million. This excess is a \$1.5 million increase in the \$191.4 million excess for fiscal year 2013. Additionally, general revenues, unreserved funds available for all educational purposes, including contributions from the County and general contributions from the state and federal governments, decreased by \$1.9 million, or .01%, from \$213.2 million in fiscal year 2013 to \$211.3 million in fiscal year 2014.

SCPS' General Fund (otherwise referred to as the Operating Fund) reported a fund balance of \$6.1 million as of June 30, 2014. This represents an increase of \$.6 million, or 10.4%, as compared to the June 30, 2013 fund balance of \$5.5 million.

OVERVIEW OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

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

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

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

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

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OVERVIEW OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) (Continued)

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

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

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

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

THE BASIC FINANCIAL STATEMENTS

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

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
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THE BASIC FINANCIAL STATEMENTS (Continued)

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

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

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FINANCIAL ANALYSIS OF SCPS AS A WHOLE

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

Net Position

Total net position at June 30, 2014 increased by \$18.4 million, or 4.5%, over June 30, 2013. Current assets decreased by \$.2 million, or 0.3%, due primarily to a decrease in cash of \$4.8 million, an increase in accounts receivable of \$.4 million, and an increase in due from primary government of \$4.1 million from 2013 to 2014. Restricted assets increased by \$5.3 million, or 17.0%, from 2013 to 2014 due to an increase in VPSA bond proceeds received from the County. The net investment in capital assets increased by \$18.3 million, or 4.8%, due primarily to the renovation of Grafton Village Elementary School. Current liabilities and unearned revenue increased by \$4.8 million, or 10.6% due to \$4.2 million increase in accounts payable, \$.6 million decrease in unearned revenue, \$.9 million increase in accrued salaries and benefits, and \$.5 increase in accrued insurance claims. Noncurrent liabilities decreased by \$.6 million due to a decrease in the OPEB liability of \$.1 and decrease of long-term debt of \$.5 million from 2013 to 2014. The restricted net position increased by \$27.3 million, or 124.1%, while unrestricted net position decreased by \$27.6 million, or 488.2%. The changes in restricted net position and unrestricted net position were primarily due to the construction commitments for the Stafford High School rebuild project which were classified as restricted net position at June 30, 2014 in the Capital Projects Fund.

The following table provides a summary of SCPS' net position as of June 30, 2014 and 2013:

Summary of Net Position As of June 30, 2014 and 2013 (In thousands of dollars) Governmental Activities					
	2014	2013	Change	% Change	
Assets:					
Current assets	\$ 76,607	\$ 76,818	\$ (211)	(0.3)	%
Noncurrent assets					
Restricted assets	36,716	31,387	5,329	17.0	%
Capital assets	403,750	385,419	18,331	4.8	%
Total assets	517,073	493,624	23,449	4.8	%
Liabilities:					
Current liabilities	59,024	53,385	5,639	10.6	%
Noncurrent liabilities	28,278	28,899	(621)	(2.1)	%
Total liabilities	87,302	82,284	5,018	6.1	%
Deferred inflows of resources:					
Unearned revenue	45	890	(845)	(94.9)	%
Total deferred inflows of resources	45	890	(845)	(94.9)	%
Net position:					
Net investment in capital assets	402,419	383,729	18,690	4.9	%
Restricted	49,239	21,973	27,266	124.1	%
Unrestricted	(21,932)	5,638	(27,570)	488.2	%
Total net position	\$ 429,726	\$ 411,340	\$ 18,386	4.5	%

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FINANCIAL ANALYSIS OF SCPS AS A WHOLE (Continued)

Changes in Net Position

Revenue decreased by a net of .2 million, or .1%. The decrease in revenue primarily consists of an increase in program revenues of \$1.6 million and a decrease in general revenues of \$1.8 million. Program expenses increased by \$3.2 million, or 1.1%, which consists primarily of a \$2.4 million increase instruction, a \$.5 million increase in pupil transportation, a \$.5 million in facilities, and a \$.4 million in technology expenses. Administrative, operation and maintenance, and food and nutrition services expenses combined for a decrease of \$.9 million. The following table summarizes SCPS' changes in net position for the fiscal years ended June 30, 2014 and 2013:

Summary of Changes in Net Position
For the Fiscal Years Ended June 30, 2014 and 2013
(In thousands of dollars)

	Governmental Activities			
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Revenues:				
<i>Program revenues</i>				
Charges for services	\$ 18,233	\$ 17,987	\$ 246	1.4 %
Operating grants and contributions	49,633	47,321	2,312	4.9 %
Capital grants and contributions	33,108	34,050	(942)	(2.8) %
<i>General revenues</i>				
Sales Tax	25,785	25,513	272	1.1 %
Basic aid	76,700	77,332	(632)	(0.8) %
Unrestricted grants and contributions	108,415	108,626	(211)	(0.2) %
Investment earnings	51	53	(2)	(3.8) %
Gain on capital asset disposal	117	1,070	(953)	(89.1) %
Miscellaneous	245	568	(323)	(56.9) %
Total Revenues	<u>312,287</u>	<u>312,520</u>	<u>(233)</u>	<u>(0.1) %</u>
 <i>Program expenses:</i>				
Education:				
Instruction	176,042	173,648	2,394	(1.4) %
Administrative, attendance and health	41,803	41,919	(116)	(0.3) %
Pupil transportation	14,058	13,595	463	3.4 %
Operation and maintenance	20,290	20,641	(351)	(1.7) %
Food and nutrition services	10,923	11,367	(444)	(3.9) %
Facilities	13,700	13,194	506	3.8 %
Technology	15,004	14,589	415	2.8 %
Capital outlay	2004	1,695	309	18.2 %
Interest and fiscal charges	77	80	(3)	(3.8) %
Total program expenses	<u>293,901</u>	<u>290,728</u>	<u>3,173</u>	<u>1.1 %</u>
 Change in net position	<u>18,386</u>	<u>21,792</u>	<u>(3,406)</u>	<u>(15.6) %</u>
 Beginning net position	<u>411,340</u>	<u>389,548</u>	<u>21,792</u>	<u>5.6 %</u>
 Ending net position	<u>\$ 429,726</u>	<u>\$ 411,340</u>	<u>\$ 18,386</u>	<u>4.5 %</u>

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GENERAL FUND BUDGETARY HIGHLIGHTS

It is the duty of each division's superintendent to prepare and submit to the school board a recommended budget with the estimated funding needed during the next fiscal year to support the division. The school board, after a public hearing to receive the views of the public, shall submit to the board of supervisors an approved budget with its estimate of the funding needed during the next fiscal year to support the public schools of the division, by the 1st day of April. The estimate shall set up the amount needed by each major classification prescribed by the Board of Education and such other headings or items as may be necessary. The board of supervisors must approve the school board's budget and the school board must adopt the approved budget by May 1 of each year or within 30 days after the close of the General Assembly, whichever is later.

Below is a summary of SCPS' operating fund budget for the fiscal year ended June 30, 2014:

Operating Fund Budget Summary
For the fiscal year ended June 30, 2014
(In thousands of dollars)

Operating Activity Category	Budget		Actual	Variance from Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
Total revenues	\$ 250,967	\$ 252,355	\$ 248,271	\$ (4,084)
Total expenditures	(251,167)	(259,595)	(247,134)	12,461
Total other financing sources	200	(566)	(565)	1
Net change in fund balance	\$ -	\$ (7,806)	\$ 572	\$ 8,378

CAPITAL ASSETS

Below is a summary of SCPS' net capital assets as of June 30, 2014 and 2013. Additional information on SCPS's capital assets can be found in Note 8.

Net Capital Assets Summary
As of June 30,
(Net of depreciation and amortization, in thousands of dollars)

Capital Asset Category	<u>Governmental Funds</u>		<u>Internal Service Funds</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land & land improvements	\$ 63,557	\$ 62,516	\$ 930	\$ 659
Assets not yet placed in service	54	635	-	-
Construction in progress	30,907	17,389	30	218
Building & building improvements	293,115	291,234	940	771
Furniture & equipment	1,890	1,456	166	59
Vehicles	9,552	8,986	25	32
Software	553	135	7	24
Technology infrastructure	1,862	1,115	-	-
Distribution and collection system	162	191	-	-
Total net capital assets	\$ 401,652	\$ 383,657	\$ 2,098	\$ 1,763

STAFFORD COUNTY PUBLIC SCHOOLS
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CAPITAL ASSETS (Continued)

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

Governmental Funds:

Building improvements increased primarily due to: (a) the renovation of Stafford Elementary School (\$10.1 million); (b) tennis court renovation at Brooke Point High School (\$0.5 million); (c) mechanical equipment replacements at North Stafford High School (\$1.6 million); and (d) electrical systems upgrades at A.G. Wright Middle School and Garrisonville Elementary School (\$.5 million). Building and building improvements' net increase in value (\$1.9 million) was limited due to current year depreciation of \$11.5 million.

Vehicles increased primarily due to the purchase of 20 new buses (\$2.0 million); however, due to retirements (net decrease of \$.4 million) and current year depreciation (\$1.1 million) vehicles had a net increase of \$.5 million.

Construction in progress increased primarily due to: (a) the costs associated with the rebuilding of Stafford High School (\$15.2 million); and (b) the renovation of Grafton Village Elementary School (\$10.4 million). Completed projects were reclassified from construction in progress to various other categories (\$15.6 million)

Land and land improvements increased primarily due to costs associated with the renovations of Stafford Elementary School (\$1.1 million).

Software increased primarily due to costs associated with the implementation of the student information system (\$.5 million).

Technology infrastructure increased with the installation and operation of the fiber optic network (\$0.7 million).

Depreciation and amortization expense for 2014 was \$16.2 million.

Internal Service Funds:

Land & land improvements increased primarily due to the completion of the prior year fuel island project (\$.3 million). Building improvements increased primarily due to the completion of Phase II of the vehicle lift project (\$.15 million) and furniture and equipment increased due to the bulk fluid dispensing system installed (.11 million). Construction in progress decreased due to the completion of fuel islands which were reclassified to land & land improvements.

ENERGY PERFORMANCE CAPITAL LEASE

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

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

In fiscal year 2013, SCPS retro-commissioned Hartwood Elementary and is continuing the holiday break, spring break and summer reduction settings as well as fine-tuning of the automatic temperature control settings. These efforts, among others, have resulted in SCPS consuming approximately 30,194,006 less MBTU's for calendar year 2013, as reported in fiscal year 2014, for a savings of \$1,231,255.

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ENERGY PERFORMANCE CAPITAL LEASE (Continued)

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

COMPOSITE INDEX

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

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

The sum of the first component and the second component is multiplied by the third component, which is set at .45 each year.

The Composite Index, as developed by the Commonwealth, is designed to bring equity across the Commonwealth. Commonwealth funds are disbursed based on this index. As a locality acquires greater wealth, the Commonwealth adjusts the index upward, which reduces Commonwealth funding and increases the locality's funding responsibility. Such is the case in Stafford County. The current Composite Index increased from .3305 in the state biennium covering fiscal years 2013 and 2014 to .3412 in the state biennium covering fiscal years 2015 and 2016.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Since adopting the fiscal year 2015 budget, some factors have surfaced that may impact SCPS' financial operations:

- The economy is slowly recovering from the recession and the Commonwealth is anticipating a slightly improved revenue picture in fiscal year 2015.
- On April 28, 2014, the board of supervisors unanimously adopted and approved fiscal year 2015 County budgets, in resolution R14-53.
- The County's fiscal year 2015 budget adopted by the board of supervisors included a local operating transfer to the school division of \$109.5 million, but only \$104.0 million was appropriated. The balance of \$5.5 million was held back and these funds won't be available to the division until appropriated by the board of supervisors pending a mid-year review.
- In fiscal year 2014, the real estate market continued to improve slowly after several years of depressed sales activities, continued foreclosures, and a major decline in the assessed valuation of real property within the County. For both the Commonwealth of Virginia and the County, much of their revenue is dependent on the housing/real estate sector of the economy, which in turn impacts their appropriations to SCPS.
- Funding SCPS' Other Post-Employment Benefits (OPEB) liability is a major concern. SCPS's annual required contribution (ARC) for OPEB was approximately \$5.38 million in fiscal year 2014 and a \$4.0 million contribution was made to the OPEB Trust Fund. Additionally, the school board approved a \$3.5 million contribution towards the OPEB liability in the fiscal year 2015 budget. Continuing to under-fund the OPEB liability may adversely impact the County's bond rating. The GASB may adopt tougher reporting and accounting standards for the OPEB liability with more disclosures and shorter amortization periods, which would increase the annual required contribution (ARC).

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

- The potential for increased energy costs, specifically oil, has a major financial impact on SCPS operations. SCPS consumes approximately 515,000 gallons of fuel annually transporting students, operates 36 facilities that heat and cool approximately 3,984,000 square feet of space, and maintains approximately 1,320 acres of school division property. The magnitude of SCPS's operations subjects its financial health to continuous volatility in the local, regional, national, and global energy marketplaces.
- In spite of the recent recession, growth in the student population for SCPS returned for fiscal years 2010 through 2014, which increases the Commonwealth revenues received by SCPS, as the majority of Commonwealth revenues are driven by the average daily student membership. The extent of this growth in revenue is mitigated by required increases in expenditures to accommodate the additional students.
- Providing competitive salaries continues to put pressure on SCPS resources as contiguous neighboring counties have exceeded SCPS teacher salaries. This factor inhibits the division's ability to attract and sustain quality teachers, especially in critical expertise areas, such as mathematics and science.
- SCPS continues to experience growing student populations in English as a Second Language (ESL), autism, and children who qualify for free and reduced lunch. These special populations add additional expenses beyond the general educational requirements.
- The implementation of Base Realignment & Closure (BRAC) and its resulting impact on Quantico Marine Base and installations just to the north still remains uncertain as to how many new students' families may relocate to Stafford County. SCPS and the County continue to closely monitor and assess this situation.
- Effective for fiscal year 2014, the General Assembly passed a provision requiring employees of each governmental employer to make a 5% annual contribution to the Virginia Retirement System. Governmental employers must either incrementally increase employee salary scales by 5% over 5 years or increase it over a shorter period to offset the pay deduction for employees hired before fiscal year 2013. SCPS chose to incrementally increase the employee salary scales. In fiscal year 2014, employees, hired prior to fiscal year 2013, were contributing 3% of their annual salaries to the Virginia Retirement System.

CONTACTING SCPS MANAGEMENT

This financial report is designed to provide citizens, taxpayers, parents and guardians, and creditors with a general overview of SCPS' finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need any additional financial information, please contact Lance W. Wolff, CPA, Assistant Superintendent for Financial Services, Stafford County Public Schools, 31 Stafford Avenue, Stafford, VA 22554, by email at wolfflw@staffordschools.net or by telephone at 540-658-6584.

BASIC FINANCIAL STATEMENTS

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2014

Exhibit A

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 22,526,942
Accounts receivable, net of allowance for uncollectibles	7,047,240
Due from primary government	45,747,699
Prepaid expenses	659,455
Inventory	625,260
Restricted cash and cash equivalents	36,715,908
Capital assets:	
Land	33,068,614
Land improvements	46,220,991
Construction in progress	30,991,300
Buildings and building improvements	442,760,054
Water treatment system	635,154
Furniture, fixtures and equipment	9,100,096
Technology infrastructure	2,129,561
Software	1,120,395
Vehicles	21,564,162
Less: Accumulated depreciation	(183,840,068)
Total capital assets	403,750,259
Total assets	<u>\$ 517,072,763</u>
LIABILITIES	
Accounts payable	\$ 8,301,115
Contract retainage	1,366,039
Accrued salaries and benefits	42,878,204
Accrued insurance claims	5,520,176
Current portion of long-term debt	958,947
Noncurrent portion of accrued insurance claims	98,362
Noncurrent portion of long-term debt	7,945,912
Noncurrent portion of OPEB liability	20,233,456
Total liabilities	<u>87,302,211</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	44,633
Total deferred inflows of resources	<u>44,633</u>
NET POSITION	
Net investment in capital assets	402,418,884
Restricted for:	
Capital Projects	46,626,075
School Nutrition	2,508,113
Grants	104,987
Unrestricted	(21,932,140)
Total net position	429,725,919
Total liabilities and net position	<u>\$ 517,072,763</u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Education:					
Instruction	\$176,042,164	\$ 1,262,778	\$ 44,169,738	\$ -	\$ (130,609,648)
Administration, attendance and health	41,802,961	7,887,928	-	-	(33,915,033)
Pupil transportation	14,058,072	1,435,129	-	-	(12,622,943)
Operation and maintenance	20,290,292	-	-	-	(20,290,292)
Food and nutrition services	10,923,587	6,596,019	5,463,667	-	1,136,099
Facilities	13,700,131	285,332	-	-	(13,414,799)
Technology	15,003,800	81,982	-	-	(14,921,818)
Capital outlay	2,004,325	683,339	-	33,108,208	31,787,222
Interest and fiscal charges	76,510	-	-	-	(76,510)
Total governmental activities	<u>\$293,901,842</u>	<u>\$ 18,232,507</u>	<u>\$ 49,633,405</u>	<u>\$ 33,108,208</u>	<u>(192,927,722)</u>
General revenues:					
Sales tax					25,785,019
Basic aid					76,700,489
Unrestricted grants and contributions					108,414,728
Investment earnings					51,177
Gain on capital asset disposal					117,222
Miscellaneous					244,561
Total general revenues					<u>211,313,196</u>
Change in net position					<u>18,385,474</u>
Net position, beginning - July 1, 2013					<u>411,340,445</u>
Net postion, ending - June 30, 2014					\$ 429,725,919

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

Exhibit C

	Operating Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Pooled cash and investments	\$ 26,253	\$ 3,510,713	\$ 3,427,927	\$ 6,964,893
Restricted cash and investments	-	36,543,974	-	36,543,974
Accounts receivable	167,275	-	22,350	189,625
Intergovernmental receivables:				
Federal Government	477,131	-	1,786,993	2,264,124
Commonwealth of Virginia	4,576,432	-	17,059	4,593,491
Due from primary government	43,571,734	2,097,000	-	45,668,734
Due from other funds	1,394,784	-	-	1,394,784
Prepaid expenses	659,455	-	-	659,455
Inventory	-	-	297,730	297,730
Total assets	<u>\$ 50,873,064</u>	<u>\$ 42,151,687</u>	<u>\$ 5,552,059</u>	<u>\$ 98,576,810</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 2,926,338	\$ 5,113,087	\$ 113,440	\$ 8,152,865
Contract retainage	-	1,366,039	-	1,366,039
Accrued salaries and benefits	41,604,117	12,902	1,110,474	42,727,493
Unearned revenue	24,253	-	20,380	44,633
Due to other funds	231,703	117	1,396,935	1,628,755
Total liabilities	<u>44,786,411</u>	<u>6,492,145</u>	<u>2,641,229</u>	<u>53,919,785</u>
Fund balance:				
Nonspendable:				
Prepaid expenses	659,455	-	-	659,455
Inventory	-	-	297,730	297,730
Total nonspendable	<u>659,455</u>	<u>-</u>	<u>297,730</u>	<u>957,185</u>
Restricted:				
Capital projects	-	46,626,075	-	46,626,075
Food and nutrition services	-	-	2,508,113	2,508,113
Grants	-	-	104,987	104,987
Total restricted	<u>-</u>	<u>46,626,075</u>	<u>2,613,100</u>	<u>49,239,175</u>
Committed:				
Operating	2,465,667	-	-	2,465,667
Capital projects	-	(10,966,533)	-	(10,966,533)
Total committed	<u>2,465,667</u>	<u>(10,966,533)</u>	<u>-</u>	<u>(8,500,866)</u>
Unassigned:				
Operating	2,961,531	-	-	2,961,531
Total unassigned	<u>2,961,531</u>	<u>-</u>	<u>-</u>	<u>2,961,531</u>
Total fund balance	<u>6,086,653</u>	<u>35,659,542</u>	<u>2,910,830</u>	<u>44,657,025</u>
Total liabilities and fund balance	<u>\$ 50,873,064</u>	<u>\$ 42,151,687</u>	<u>\$ 5,552,059</u>	<u>\$ 98,576,810</u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014

Exhibit C-1

Fund balance - total governmental funds	\$	44,657,025
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Amounts reported for governmental activities in the Statement of Net Position are different due to:

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

Governmental capital assets	\$ 584,079,188	
Less accumulated depreciation and amortization	<u>(182,426,997)</u>	
Net capital assets		401,652,191

Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

Assets	18,473,062	
Liabilities	<u>(26,566,063)</u>	
Net position		(8,093,001)

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

Noresco energy performance capital lease	(1,084,474)	
Compensated absences	(6,400,822)	
Stafford County loan	<u>(1,005,000)</u>	
Total		(8,490,296)

Net position of governmental activities	\$	<u><u>429,725,919</u></u>
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The accompanying notes are an integral part of these financial statements.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

Exhibit D

	Operating Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental:				
Stafford County	\$ 108,414,728	\$ 33,108,208	\$ -	\$ 141,522,936
Commonwealth of Virginia	135,281,331	-	307,497	135,588,828
Federal Government	2,377,362	-	14,152,723	16,530,085
Total intergovernmental revenues	246,073,421	33,108,208	14,460,220	293,641,849
Charges for services:				
Tuition and fees	759,633	-	-	759,633
Food sales	-	-	6,640,211	6,640,211
Recovered costs	1,376,514	683,339	-	2,059,853
Miscellaneous	61,864	-	224,372	286,236
Interest	-	46,322	-	46,322
Total revenues	248,271,432	33,837,869	21,324,803	303,434,104
EXPENDITURES				
Current operating:				
Education:				
Instruction	181,946,654	-	8,958,330	190,904,984
Administration, attendance and health	10,587,435	-	-	10,587,435
Pupil transportation	13,591,390	-	-	13,591,390
Operation and maintenance	20,731,939	-	-	20,731,939
Food and nutrition services	205,547	-	11,311,599	11,517,146
Facilities	111,512	-	-	111,512
Technology	14,984,910	-	335,736	15,320,646
Capital outlay	4,499,924	31,585,882	86,315	36,172,121
Debt service:				
Principal	407,020	-	-	407,020
Interest and fiscal charges	68,147	-	-	68,147
Total expenditures	247,134,478	31,585,882	20,691,980	299,412,340
Excess of revenues over expenditures	1,136,954	2,251,987	632,823	4,021,764
OTHER FINANCING USES				
Net transfers to other funds	(564,865)	-	(214,120)	(778,985)
Change in fund balance	572,089	2,251,987	418,703	3,242,779
Fund balance, beginning - July 1, 2013	5,514,564	33,407,555	2,492,127	41,414,246
Fund balance, ending - June 30, 2014	\$ 6,086,653	\$ 35,659,542	\$ 2,910,830	\$ 44,657,025

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Exhibit D-1

Net change in fund balance - total governmental funds	\$	3,242,779
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Amounts reported for governmental activities in the Statement of Activities are different due to:

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

Expenditures for acquisition of capital assets	\$ 34,571,139	
Less: Depreciation and amortization expense	<u>(16,172,334)</u>	
Excess of capital outlay over depreciation and amortization		18,398,805

The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals and donations) is to decrease net position.	(403,342)
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Repayment of principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Position.

Principal repayments:

Noresco energy performance capital lease	332,020	
Stafford County loan	<u>75,000</u>	
		407,020

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

Compensated absences	16,601
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Internal service funds are used by management to charge the costs of vehicle maintenance and employee benefits to individual funds. The net expense is reported with governmental funds.

Total revenues and transfers from other funds	32,337,815	
Total expenses	<u>(35,614,204)</u>	
		<u>(3,276,389)</u>

Change in net position of governmental activities	\$	<u><u>18,385,474</u></u>
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The accompanying notes are an integral part of these financial statements.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

Exhibit E

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 15,562,048
Accounts receivable - due from primary government	78,965
Due from other funds	234,516
Inventory	327,530
Restricted cash and equivalents	171,934
Capital assets:	
Land	37,357
Land improvements	1,268,429
Buildings and building improvements	1,796,826
Construction in progress	29,610
Furniture, fixtures and equipment	241,150
Vehicles	59,042
Software	78,725
Less: accumulated depreciation and amortization	(1,413,071)
Total noncurrent assets	2,098,068
Total assets	<u>\$ 18,473,062</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 148,249
Accrued salaries and benefits	150,711
Due to other funds	546
Current portion of capital lease	27,940
Current portion of accrued insurance claims	5,520,176
Current portion of compensated absences	6,093
Noncurrent portion of accrued insurance claims	98,362
Noncurrent portion of capital lease	218,961
Noncurrent portion of compensated absences	161,569
Noncurrent portion of OPEB Liability	20,233,456
Total liabilities	<u>26,566,063</u>
NET POSITION	
Net investment in capital assets	1,851,167
Unrestricted (deficit)	(9,944,168)
Total net position (deficit)	(8,093,001)
Total liabilities and net position	<u>\$ 18,473,062</u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

Exhibit F

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services	\$ 31,436,752
Operating expenses:	
Personnel services	2,101,683
Contractual services	31,645,486
Materials and supplies	1,651,897
Utilities	19,178
Telecommunication	30,534
Depreciation and amortization	157,930
Total operating expenses	35,606,708
Operating loss	(4,169,956)
Nonoperating revenues (expenses):	
Interest and investment revenue	4,856
Interest expense	(7,496)
Vehicle sales	117,222
Total nonoperating revenues, net	114,582
Loss before transfers	(4,055,374)
Transfers from other funds, net	778,985
Change in net position	(3,276,389)
Net position, beginning - July 1, 2013	(4,816,612)
Net position, ending - June 30, 2014	\$ (8,093,001)

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

Exhibit G

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Receipts from customers	\$ 31,419,930
Payments to suppliers	(32,999,459)
Payments to employees	(2,088,962)
Net cash used in operating activities	<u>(3,668,491)</u>
Cash flows from noncapital and related financing activities:	
Transfers from other funds, net	778,985
Net cash provided by noncapital and related financing activities	<u>778,985</u>
Cash flows from capital and related financing activities:	
Proceeds from vehicle and supply sales	117,222
Principal paid on capital lease	(27,173)
Interest paid on capital lease	(7,496)
Acquisition and construction of capital assets	(493,499)
Net cash used in capital and related financing activities	<u>(410,946)</u>
Cash flows from investing activities:	
Interest earned on investments	4,856
Net cash provided by investing activities	<u>4,856</u>
Net decrease in cash and cash equivalents	(3,295,596)
Cash and cash equivalents, beginning - July 1, 2013	19,029,579
Cash and cash equivalents, ending - June 30, 2014	<u>\$ 15,733,983</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (4,169,956)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization expense	157,930
Changes in assets and liabilities:	
Increase in accounts receivable	(14,748)
Decrease in inventory	47,116
Increase in accounts payable and accrued expenses	422,027
Increase in compensated absences	22,783
Decrease in OPEB liability	(133,643)
Total adjustments	501,465
Net cash used in operating activities	<u>\$ (3,668,491)</u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS - TRUST AND AGENCY FUNDS
June 30, 2014

Exhibit H

	Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 2,585,985
Restricted investments	18,132,173	-
Total assets	<u>\$ 18,132,173</u>	<u>\$ 2,585,985</u>
LIABILITIES		
Reserved for future expenditures	\$ -	\$ 2,585,985
Total liabilities	<u>-</u>	<u>2,585,985</u>
NET POSITION		
Restricted for OPEB	18,099,103	-
Restricted for scholarships	3,560	-
Restricted for endowment	29,510	-
Total net position	<u>\$ 18,132,173</u>	<u>\$ -</u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF NET POSTION
FIDUCIARY FUNDS - TRUST FUNDS
June 30, 2014

Exhibit I

	<u>OPEB Trust Fund</u>	<u>Scholarship Trust Fund</u>	<u>Endowment Trust Fund</u>	<u>Total Trust Fund</u>
ASSETS				
Restricted investments	\$ 18,099,103	\$ 3,560	\$ 29,510	\$ 18,132,173
NET POSITION				
Restricted for OPEB	\$ 18,099,103	\$ -	\$ -	\$ 18,099,103
Restricted for scholarships	-	3,560	-	3,560
Restricted for endowment	-	-	29,510	29,510
Total net position	\$ 18,099,103	\$ 3,560	\$ 29,510	\$ 18,132,173

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND - OPEB TRUST FUND
For the Fiscal Year Ended June 30, 2014

Exhibit J

	Trust Fund			
	OPEB Trust Fund			
	Fiduciary Net Position - July 1, 2013	Additions	Deductions	Fiduciary Net Position - June 30, 2014
ASSETS				
Restricted investments:				
Beginning balance	\$ 12,325,983	\$ -	\$ -	\$ 12,325,983
Contributions from employer	-	4,000,000	-	4,000,000
Investment gains, net	-	1,790,716	-	1,790,716
Investment expenses	-	-	(17,596)	(17,596)
Ending balance	<u>\$ 12,325,983</u>	<u>\$ 5,790,716</u>	<u>\$ (17,596)</u>	<u>\$ 18,099,103</u>
NET POSITION				
Restricted for OPEB	<u>\$ 12,325,983</u>	<u>\$ 5,790,716</u>	<u>\$ (17,596)</u>	<u>\$ 18,099,103</u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND - SCHOLARSHIP TRUST FUND
For the Fiscal Year Ended June 30, 2014

Exhibit K

Trust Fund				
Scholarship Trust Fund				
Fiduciary Net Position - July 1, 2013	Additions	Deductions	Fiduciary Net Position - June 30, 2014	
ASSETS				
Restricted investments:				
Beginning balance	\$ 59	\$ -	\$ -	\$ 59
Contributions from donors	-	3,500	-	3,500
Investment interest income	-	1	-	1
Ending balance	<u>\$ 59</u>	<u>\$ 3,501</u>	<u>\$ -</u>	<u>\$ 3,560</u>
NET POSITION				
Restricted for scholarships	<u>\$ 59</u>	<u>\$ 3,501</u>	<u>\$ -</u>	<u>\$ 3,560</u>

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND - ENDOWMENT TRUST FUND
For the Fiscal Year Ended June 30, 2014

Exhibit L

	Trust Fund			
	Endowment Trust Fund			Fiduciary Net Position - June 30, 2014
	Fiduciary Net Position - July 1, 2013	Additions	Deductions	
ASSETS				
Restricted investments:				
Beginning balance	\$ 32,326	\$ -	\$ -	\$ 32,326
Contributions from donors	-	1,000	-	1,000
Investment interest income	-	33	-	33
Scholarships paid	-	-	(3,849)	(3,849)
Ending balance	<u>\$ 32,326</u>	<u>\$ 1,033</u>	<u>\$ (3,849)</u>	<u>\$ 29,510</u>
LIABILITIES				
Scholarships payable	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ (1,000)</u>	<u>\$ -</u>
NET POSITION				
Restricted for endowment	<u>\$ 31,326</u>	<u>\$ 1,033</u>	<u>\$ (2,849)</u>	<u>\$ 29,510</u>

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

**NOTES to the
BASIC FINANCIAL STATEMENTS**

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. THE FINANCIAL REPORTING ENTITY

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

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

B. FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

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

Major Governmental Funds

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FUND ACCOUNTING (continued)

Non-major Governmental Funds

- **Special Revenue Funds:** The special revenue funds are used to account for and report proceeds of specific revenue sources, other than major capital projects, in which expenditures are restricted or committed for a specific purpose. SCPS has two special revenue funds:
 - ***Food and Nutrition Services Fund*** - accounts for the assets, liabilities, fund balance, revenues and expenditures associated with the provision of food and nutrition services within SCPS' school cafeterias.
 - ***Grants Fund*** - accounts for the assets, liabilities, fund balance, revenues and expenditures associated with grants received and used by SCPS to supplement operations.

PROPRIETARY FUNDS

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

Enterprise Funds

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

Internal Service Funds

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

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

FIDUCIARY FUNDS

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

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FUND ACCOUNTING (continued)

- ***OPEB Trust Fund*** - accounts for the assets, liabilities, net position and changes in net position (additions and deletions) associated with the investment of funds contributed into an irrevocable trust and used to cover current and future retiree health benefit costs.
- ***Scholarship Trust Fund*** - accounts for the assets, liabilities, net position and changes in net position (additions and deletions) associated with scholarship programs administered by SCPS.
- ***Endowment Trust Fund*** - accounts for the assets, liabilities, net position and changes in net position (additions and deletions) associated with endowment programs administered by SCPS.
- ***School Activity Funds*** - account for the cash, cash receipts and cash disbursements associated with the various activities conducted at the individual school sites in connection with student athletics, classes, clubs, and various fundraising activities and private donations. In addition, each school also has a faculty activity fund. SCPS is liable if any school is unable to meet its obligations with respect to these funds.
- ***Employee Flexible Spending Fund*** – accounts for the cash, cash receipts and cash disbursements associated with the employee flexible spending program, which includes unreimbursed medical expense reimbursements and dependent care reimbursements.
- ***Fiduciary Services Fund*** - accounts for the cash, cash receipts and cash disbursements associated with the certain activities conducted on a division-wide level, in connection with private donations and sales tax collections. SCPS is liable for any obligation this fund is unable to meet.

C. BASIS OF FINANCIAL STATEMENT PRESENTATION

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF FINANCIAL STATEMENT PRESENTATION (continued)

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

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

FUND FINANCIAL STATEMENTS

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

D. MEASUREMENT FOCUS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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June 30, 2014**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS (continued)

FUND FINANCIAL STATEMENTS

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

E. BASIS OF ACCOUNTING

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

REVENUES

In the government-wide financial statements and in the proprietary and fiduciary funds financial statements, revenue is recorded on the accrual basis, i.e., when earned. In the governmental funds, revenue is recorded on the modified accrual basis, that is, revenue is recorded in the fiscal year in which resources are measurable and available, i.e., expected to be collected by fiscal year end or soon enough thereafter to be used to pay current liabilities. SCPS uses the period 45 days after fiscal year end for its funds availability criteria. Non-exchange transactions, in which SCPS either gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. These revenues are recognized in the fiscal year in which all eligibility requirements have been satisfied. The effect of inter-fund revenue has been eliminated from these statements.

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

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June 30, 2014

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BASIS OF ACCOUNTING (continued)

EXPENDITURES/EXPENSES

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

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

F. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. In order to maximize investment returns, cash and cash equivalents are maintained in a fully insured or collateralized investment pool administered by the Treasurer's Office of the County of Stafford. At June 30, 2014, all of the County's deposits were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act established a single body of law applicable to the pledge of security as collateral for public funds on deposit in banking institutions so that the procedure for securing public deposits is uniform throughout the Commonwealth. Under the Act, banks holding public deposits must pledge certain levels of collateral and make monthly filings with the State Treasury Board.

RESTRICTED CASH

The Capital Projects Fund restricted cash and investments represent proceeds from school bonds held by the Virginia State Non-Arbitrage Program and funds held in escrow related to a capital lease obligation (see Note 7).

G. DEPOSITS AND INVESTMENTS

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

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June 30, 2014

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. INVENTORIES

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

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

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

I. CAPITAL ASSETS

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

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

All reported capital assets except land, construction in progress and assets not yet placed in service are depreciated or amortized. Accumulated depreciation and amortization is recorded as a reduction to capital assets. The straight-line depreciation or amortization method is used over the following estimated useful lives:

Land improvements	20 years
Buildings and building improvements	4 – 50 years
Furniture, fixtures and equipment	5 – 15 years
Vehicles and school buses	8 – 14 years

J. COMPENSATED ABSENCES

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

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June 30, 2014

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. COMPENSATED ABSENCES (continued)

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

K. ACCRUED LIABILITIES AND LONG-TERM DEBT

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

L. NET POSITION

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

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

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

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

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

**STAFFORD COUNTY PUBLIC SCHOOLS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. ENCUMBRANCES

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

N. USE OF ESTIMATES

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

O. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING

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

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

Stafford County Public Schools' Budgets

Governmental Funds:

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

Proprietary Funds – Internal Service Funds:

Fleet Services Fund
Health Benefits Fund
Workers' Compensation Fund

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING (continued)

Budgets are adopted on a basis consistent with GAAP. The budget for the proprietary funds serves as a guide and not as legally binding limitations. Although legal restrictions on expenditures are established at the departmental level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets. For the year ended June 30, 2014, there were no expenditures in excess of budgetary appropriations.

The budget is integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, comparing actual revenue and expenditures with budgeted amounts as originally adopted, and as amended by the Board of Supervisors through June 30, 2014. Individual amendments were not material in relation to the original appropriations.

P. FUND BALANCES

Beginning with fiscal year 2011, the SCPS implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
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June 30, 2014

Note 2. DEPOSITS AND INVESTMENTS

DEPOSITS

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

INVESTMENTS

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

CUSTODIAL CREDIT RISK

The School Board’s investments at June 30, 2014 were held by the School Board or in the School Board’s name by the School Board’s custodial banks.

CREDIT RISK OF DEBT SECURITIES

Stafford County Public Schools’ debt investments as of June 30, 2014 were rated by Standard & Poor’s and/or an equivalent national rating organization. The ratings using Standard & Poor’s rating scale are presented below:

		<u>AAAm</u>
VACo/VML Pooled OPEB Trust	\$	18,099,103
LGIP		4,765,740
SNAP		36,543,974
Total	\$	<u><u>59,408,817</u></u>

EXTERNAL INVESTMENT POOLS

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

Note 3. DUE FROM STAFFORD COUNTY (PRIMARY GOVERNMENT)

The receivable due from Stafford County at June 30, 2014 represents primarily, SCPS’ ending cash balance, excluding the balance reported as “Pooled cash and investments”, which was reclassified and reported at year-end as “Due from primary government” in the Operating Fund.

STAFFORD COUNTY PUBLIC SCHOOLS
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June 30, 2014

Note 4. DUE FROM COMMONWEALTH OF VIRGINIA AND FEDERAL GOVERNMENT

Significant amounts of intergovernmental receivables due from other governments at June 30, 2014 were as follows:

		Nonmajor Governmental Funds – Food and Nutrition Services Fund	Nonmajor Governmental Funds – Grants Fund	Governmental Funds Total
<i>Intergovernmental Receivables:</i>	Governmental Funds – Operating Fund			
Commonwealth of Virginia	\$ 4,576,432	\$ -	\$ 17,059	\$ 4,593,491
Federal Government	477,131	222,687	1,564,306	2,264,124
Total	<u>\$ 5,053,563</u>	<u>\$ 222,687</u>	<u>\$ 1,581,365</u>	<u>\$ 6,857,615</u>

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

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

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

Note 5. INTERFUND TRANSFERS

In the fiscal year ended June 30, 2014, the majority of the inter-fund transfers made were from the Operating Fund to the Workers' Compensation Fund. The inter-fund transfers made during the year ended June 30, 2014 were, as follows:

	Operating Fund	Food and Nutrition Services	Grants Fund	Total
<i>Transfer from:</i>				
<i>Transfer to:</i>				
Operating Fund	\$ -	\$ 200,000	\$ -	\$ 200,000
Workers' Compensation Fund	574,484	-	14,120	588,604
Health Benefits Fund	190,381	-	-	190,381
Total	<u>\$ 764,865</u>	<u>\$ 200,000</u>	<u>\$ 14,120</u>	<u>\$ 978,985</u>

The transfer from the Operating Fund and Grants Fund to the Workers' Compensation Fund was to cover the costs incurred in the Workers' Compensation Fund. The transfer from the Food and Nutrition Services Fund to the Operating Fund was to cover the administrative costs incurred by the Operating Fund in support for the Food and Nutrition Services Fund. The transfer from the Operating Fund to the Health Benefits Fund was made to cover the costs incurred in the Health Benefits Fund.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Note 6. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term liability activity of SCPS for the year ended June 30, 2014:

	Amounts Payable at 7/1/13	Increases	Decreases	Amounts Payable at 6/30/14	Amounts Due within One Year
<i>Governmental Activities:</i>					
General Long-Term Debt:					
Capital Lease	\$ 1,416,494	\$ -	\$ 332,020	\$ 1,084,474	\$ 346,339
Compensated Absences*	6,417,423	426,518	443,119	6,400,822	503,575
Note Payable – Stafford County	1,080,000	-	75,000	1,005,000	75,000
<i>Internal Service Funds:</i>					
Capital Lease	274,074	-	27,173	246,901	27,940
Compensated Absences	144,879	35,358	12,575	167,662	6,093
Total	<u>\$ 9,332,870</u>	<u>\$ 461,876</u>	<u>\$ 889,887</u>	<u>\$ 8,904,859</u>	<u>\$ 958,947</u>

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

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

Fiscal year ending June 30:	Amount
2015	\$ 75,000
2016	75,000
2017	75,000
2018	75,000
2019	75,000
2020-2024	385,000
2025-2026	245,000
Total future payments	<u>\$ 1,005,000</u>

Note 7. CAPITAL LEASE OBLIGATIONS

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

The financing for this project was structured as a Tax-exempt Municipal Lease and qualifies as a capital lease for accounting purposes. The total amount financed was \$3,204,186, including capitalized interest of \$60,289, of which \$1,084,474 is outstanding as of June 30, 2014.

For the year ended June 30, 2014, interest expense from the capital lease obligation totaled \$68,616.

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Note 7. CAPITAL LEASE OBLIGATIONS (Continued)

The maturities of future minimum lease payments and the net present value of capitalized lease obligations as of June 30, 2014 are as follows:

Fiscal year ending June 30:	Amount
2015	\$ 386,909
2016	386,909
2017	386,908
Total future minimum lease payments	1,160,726
Less: interest included in total future minimum lease payments	76,252
Net present value of capitalized lease obligations	<u>\$ 1,084,474</u>

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

The financing for this project was structured as a Tax-exempt Lease/Purchase Agreement and qualifies as a capital lease for accounting purposes. The total amount financed was \$300,500, including capitalized interest of \$500, of which \$246,901 is outstanding as of June 30, 2014.

For the year ended June 30, 2014, interest expense from the capital lease obligation totaled \$7,496.

The maturities of future minimum lease payments and the net present value of the capitalized lease obligation as of June 30, 2014 are as follows:

Fiscal year ending June 30:	Amount
2015	\$ 34,668
2016	34,668
2017	34,668
2018	34,668
2019	34,668
2020-2022	104,008
Total future minimum lease payments	277,348
Less: interest included in total future minimum lease payments	30,447
Net present value of capitalized lease obligations	<u>\$ 246,901</u>

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Note 8. CAPITAL ASSETS

The following is a summary of the changes in *Total capital assets, net - governmental activities*, excluding internal service funds, for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Increases	Decreases	Re- classifications	Balance June 30, 2014
<i>Governmental Activities:</i>					
<u>Capital assets not being depreciated or amortized:</u>					
Land	\$ 33,007,141	\$ -	\$ -	\$ 24,116	\$ 33,031,257
Assets not yet placed in service	634,633	54,548	-	(634,633)	54,548
Construction in progress	17,388,794	29,111,411	(14,584)	(15,578,479)	30,907,142
Total capital assets not being depreciated or amortized	51,030,568	29,165,959	(14,584)	(16,188,996)	63,992,947
<u>Capital assets being depreciated or amortized</u>					
Land improvements	41,756,634	1,311,065	(23,752)	1,908,615	44,952,562
Buildings & building improvements	427,080,425	1,124,493	-	12,758,310	440,963,228
Furniture, fixtures & equipment	8,621,791	845,655	(939,373)	330,873	8,858,946
Vehicles	21,842,695	1,992,180	(2,299,535)	(30,220)	21,505,120
Software	520,646	116,760	-	404,264	1,041,670
Technology infrastructure	1,297,380	15,027	-	817,154	2,129,561
Water treatment system	635,154	-	-	-	635,154
Total capital assets being depreciated or amortized	501,754,725	5,405,180	(3,262,660)	16,188,996	520,086,241
<u>Less accumulated depreciation or amortization for:</u>					
Land improvements	(12,247,458)	(2,203,581)	23,752	890	(14,426,397)
Buildings & building improvements	(135,846,873)	(12,002,911)	-	1,450	(147,848,334)
Furniture, fixtures & equipment	(7,166,294)	(671,022)	899,738	(31,060)	(6,968,638)
Vehicles	(12,856,309)	(1,075,992)	1,950,412	28,720	(11,953,169)
Software	(385,492)	(103,600)	-	-	(489,092)
Technology infrastructure	(182,388)	(85,855)	-	-	(268,243)
Water treatment system	(443,751)	(29,373)	-	-	(473,124)
Total accumulated depreciation or amortization	(169,128,565)	(16,172,334)	2,873,902	-	(182,426,997)
Total capital assets being depreciated or amortized, net	332,626,160	(10,767,154)	(388,758)	16,188,996	337,659,244
Total capital assets, net – governmental activities	\$ 383,656,728	\$ 18,398,805	\$ (403,342)	\$ -	\$ 401,652,191

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Note 8. CAPITAL ASSETS (Continued)

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

Function	Depreciation and amortization expense
Instruction	\$ 380,416
Administration, attendance and health	109,702
Pupil transportation	975,950
Operation and maintenance	510,968
Food and nutrition services	99,443
Facilities	13,591,198
Technology	504,657
Total depreciation and amortization expense - governmental activities	\$ 16,172,334

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Note 8. CAPITAL ASSETS (Continued)

The following is a summary of the changes in *Total capital assets, propriety funds* (i.e., for SCPS' Fleet Services Fund, an internal service fund) for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Increases	Decreases	Re- classifications	Balance June 30, 2014
<i>Internal – Service Activities:</i>					
<u>Capital assets not being depreciated or amortized</u>					
Land	\$ 37,357	\$ -	\$ -	\$ -	\$ 37,357
Construction in progress	218,186	129,166	-	(317,742)	29,610
Total capital assets not being depreciated or amortized	255,543	129,166	-	(317,742)	66,967
<u>Capital assets being depreciated or amortized</u>					
Land improvements	942,970	7,717	-	317,742	1,268,429
Buildings & building improvements	1,565,050	238,415	(6,639)	-	1,796,826
Furniture, fixtures & equipment	135,872	121,682	(16,404)	-	241,150
Vehicles	59,042	-	-	-	59,042
Software	78,725	-	-	-	78,725
Total capital assets being depreciated or amortized	2,781,659	367,814	(23,043)	317,742	3,444,172
<u>Less accumulated depreciation or amortization for:</u>					
Land improvements	(321,270)	(54,188)	-	-	(375,458)
Buildings & building improvements	(794,390)	(69,365)	6,638	-	(857,117)
Furniture, fixtures & equipment	(76,958)	(11,252)	12,923	-	(75,287)
Vehicles	(26,977)	(7,380)	-	-	(34,357)
Software	(55,107)	(15,745)	-	-	(70,852)
Total accumulated depreciation and amortization	(1,274,702)	(157,930)	19,561	-	(1,413,071)
Total capital assets being depreciated or amortized, net	1,506,957	209,884	(3,482)	317,742	2,031,101
Total capital assets, net – internal –service activities	\$ 1,762,500	\$ 339,050	\$ (3,482)	\$ -	\$ 2,098,068

Note 9. CONSTRUCTION COMMITMENTS

At June 30, 2014, SCPS had contractual commitments of \$46.6 million in the Capital Projects Fund for construction of various projects.

Note 10. RELATED PARTIES

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

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Note 11. DEBT SERVICE

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

Note 12. RISK MANAGEMENT

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

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

SCPS carries commercial insurance for all risks of loss, except for workers' compensation. Like the County, SCPS participates in the VML public entity risk pool. Settled claims have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year. The total estimated workers' compensation insurance claims payable as of June 30, 2014 were \$686,556, of which \$588,194 was estimated to be current claims payable.

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

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

Fiscal Year Ended June 30	2014	2013
Unpaid claims, beginning of fiscal year	\$ 4,508,198	\$ 4,439,458
Incurred claims (including IBNR)	24,377,150	24,943,096
Claims payments	(23,953,366)	(24,874,356)
Unpaid claims, end of fiscal year	<u>\$ 4,931,982</u>	<u>\$ 4,508,198</u>

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Note 13. LITIGATION AND CONTINGENT LIABILITIES

SCPS is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. It is the opinion of SCPS' management, based on advice from legal counsel, that any losses incurred as a result of claims existing as of June 30, 2014 will not be material to the financial statements.

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

Note 14. PENSION PLAN

A. PLAN DESCRIPTION

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. 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 credit in their plan. Due to the County's funding and reporting responsibilities, professional employees of the school system are included in the separate financial statements of Stafford County.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid: Each plan has different eligibility and benefit structures as set out in the table below:

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>About VRS Plan 1 VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About VRS Plan 2 VRS Plan 2 is a defined plan. The retirement benefit is based on a member's age, creditable service, an average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010 or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p>

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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

**About the Hybrid
Retirement Plan (Continued)**

- The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>Eligible Members Employees are in the VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>Eligible Members Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • State employees* • School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1, 2014 • Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an ORP must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or Plan 2 (as applicable) or ORP.</p>

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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as VRS Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as VRS Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>
		<p><u>Defined Contributions Component</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

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

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

A. PLAN DESCRIPTION (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
		Vesting (Continued)
		<u>Defined Contributions Component (Continued)</u>
		<ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.
		Distribution is not required by law until age 70 1/2.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under VRS Plan 1.	Calculating the Benefit <u>Defined Benefit Component</u> See definition under VRS Plan 1.
An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.		<u>Defined Contribution Component</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

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

A. PLAN DESCRIPTION (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier The retirement multiplier is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p>Normal Retirement Age Age 65.</p>	<p>Normal Retirement Age Normal Social Security retirement age.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as VRS Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as VRS Plan 1 and VRS Plan 2.</p>

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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Cost-of-Living Adjustment (COLA) in Retirement (Continued) <u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	Cost-of-Living Adjustment (COLA) in Retirement (Continued) <u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1	Cost-of-Living Adjustment (COLA) in Retirement (Continued) <u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1 and VRS Plan 2.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as VRS Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as VRS Plan 1.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

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 web site at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. FUNDING POLICY

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period 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. In addition, the Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Board's contribution rate for the fiscal year ended 2014 was 6.83%, exclusive of the employees' share, of annual covered payroll for Plan 1 and Plan 2 employees.

C. ANNUAL PENSION COST

For fiscal year 2014, SCPS' annual pension cost of \$1,188,693 was equal to SCPS' required and actual contributions.

Three-year Pension Trend Information for SCPS			
Fiscal year Ending	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 1,188,693	100.00%	\$ -
June 30, 2013	1,223,981	100.00%	-
June 30, 2012	6,569,000	100.00%	-

The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.50% to 5.35% per year for general government employees and, (c) a cost of living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of SCPS' assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. SCPS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

The School Board's required contribution, including the 5% member contributions for fiscal years 2014, 2013 and 2012, to the VRS statewide teacher cost-sharing pool was \$23.9 million, \$23.3 million and \$15.9 million, respectively, which as a percentage of covered payroll was 16.66% for fiscal year 2014, 16.66% for fiscal year 2013 and 11.3% for fiscal year 2012.

**STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

Note 14. PENSION PLAN (Continued)

D. FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2013, the most recent actuarial valuation date, the plan was 79.36% funded. The actuarial accrued liability for benefits was \$24,609,166, and the actuarial value of assets was \$19,529,779, resulting in a UAAL liability of \$5,079,387. The covered payroll (annual payroll of active employees covered by the plan) was \$8,531,613, and ratio of the UAAL to the covered payroll was 59.54%.

The schedule of pension 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.

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

A. PLAN DESCRIPTION

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

RETIREMENT BENEFITS

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

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

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

DISABILITY BENEFITS

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

SURVIVOR BENEFITS

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

MEDICARE COVERAGE OPTIONS

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

**STAFFORD COUNTY PUBLIC SCHOOLS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

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

A. PLAN DESCRIPTION (continued)

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, 2014 are as follows:

- | | |
|-------------------------------|------|
| • Discount rate | 8.0% |
| • VRS retiree credit increase | 4.0% |
| • Payroll growth | 4.0% |

B. FUNDING POLICY

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

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

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

The School Board's annual OPEB cost (expense) for the year ended June 30, 2014 was \$5,704,000 (comprised of the ARC of \$5,377,709 plus interest of \$1,629,368 on the beginning net OPEB obligation less an ARC adjustment of \$1,303,077) and the annual contributions were \$5,837,643, yielding a decrease in the net OPEB obligation of \$133,643.

STAFFORD COUNTY PUBLIC SCHOOLS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

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

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

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for fiscal years 2014, 2013, and 2012 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 5,704,000	\$ 5,837,643	102.34%	\$ 20,233,456
June 30, 2013	5,762,000	8,777,102	152.33%	20,367,099
June 30, 2012	6,569,000	3,589,375	54.64%	23,382,201

D. FUNDED STATUS AND PROGRESS

As of June 30, 2014, the most recent valuation date, the plan was 21.48% funded. The actuarial accrued liability for benefits was \$55,269,000, and the actuarial value of the assets was \$11,874,000, resulting in an UAAL of \$43,395,000. The covered payroll (annual payroll of active employees) was \$103,582,553, and the ratio of the UAAL to the covered payroll was 41.89%.

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

Note 16. VRS 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.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Note 16. VRS HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

A. PLAN DESCRIPTION (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, 2013 was 30 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 2014, SCPS' contribution of \$24,205 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 2014, 2013, and 2012 are as follows:

Fiscal Year Ended	OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2014	\$ 24,205	100.00%	\$ -
June 30, 2013	23,273	100.00%	-
June 30, 2012	22,495	100.00%	-

D. FUNDING STATUS AND FUNDING PROGRESS

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	347,795
Actuarial value of plan assets	\$	194,630
Unfunded actuarial accrued liabilities (UAAL)	\$	153,165
Funded ratio (actuarial value of plan assets/AAL)		55.96%
Covered payroll (active plan members)	\$	8,531,613
UAAL as a percentage of covered payroll		1.80%

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Note 16. VRS HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

D. FUNDING STATUS AND FUNDING PROGRESS (Continued)

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2014, 2013, and 2012 were \$1,583,495, and \$1,555,242, and \$844,063, respectively and equaled the required contributions for each year.

Note 17. DEFICIT IN NET POSITION

The Health Benefits Fund had a deficit net position balance of \$11,815,808 as of June 30, 2014.

Note 18. NEW AND PENDING ACCOUNTING STANDARDS OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD

At June 30, 2014, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Board as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Note 18. NEW AND PENDING ACCOUNTING STANDARDS OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD (Continued)

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB Statement No. 68*, requires a state or local government employer (or nonemployer contributing entity in a special funding situation), to recognize a net pension liability measured as of a date (the measurement date), no earlier than the end of its prior fiscal year. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Operating Fund
For the Fiscal Year Ended June 30, 2014

Exhibit M

	Budget			Variance from Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Intergovernmental:				
Stafford County	\$ 109,294,921	\$ 110,683,213	\$ 108,414,728	\$ (2,268,485)
Commonwealth of Virginia	136,494,964	137,095,610	135,281,331	(1,814,279)
Federal Government	2,435,000	2,100,000	2,377,362	277,362
Total intergovernmental revenues	248,224,885	249,878,823	246,073,421	(3,805,402)
Charges for services:				
Tuition and fees	918,250	929,250	759,633	(169,617)
Recovered costs	841,779	982,640	1,376,514	393,874
Miscellaneous	982,000	564,493	61,864	(502,629)
Total revenues	250,966,914	252,355,206	248,271,432	(4,083,774)
EXPENDITURES				
Current operating:				
Instruction	187,150,506	189,070,110	181,946,654	(7,123,456)
Administration, attendance and health	11,021,502	11,170,690	10,587,435	(583,255)
Pupil transportation	14,355,248	13,687,430	13,591,390	(96,040)
Operation and maintenance	22,051,272	22,472,851	20,731,939	(1,740,912)
Food and nutrition services	236,000	236,000	205,547	(30,453)
Facilities	99,000	186,316	111,512	(74,804)
Technology	15,027,739	16,252,973	14,984,910	(1,268,063)
Capital outlay	763,738	6,057,016	4,499,924	(1,557,092)
Debt service:				
Principal	461,909	406,153	407,020	867
Interest and fiscal charges	-	55,756	68,147	12,391
Total expenditures	251,166,914	259,595,295	247,134,478	(12,460,817)
Excess (deficiency) of revenues over (under) expenditures	(200,000)	(7,240,089)	1,136,954	8,377,043
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds, net	200,000	(565,511)	(564,865)	646
Net change in fund balance	\$ -	\$ (7,805,600)	572,089	\$ 8,377,689
Fund balance, beginning - July 1, 2013			5,514,564	
Fund balance, ending - June 30, 2014			\$ 6,086,653	

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF FUNDING PROGRESS FOR VARIOUS BENEFIT PLANS
Last Six Fiscal Years

Exhibit N

A. Virginia Retirement System

For Non-professional Employees:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll {(b) - (a)} / (c)
June 30, 2013	\$ 19,529,779	\$ 24,609,166	\$ 5,079,387	79.36%	\$ 8,531,613	59.54%
June 30, 2012	18,653,192	25,105,138	6,451,946	74.30%	8,451,315	76.34%
June 30, 2011	18,125,118	23,521,671	5,396,553	77.06%	8,652,954	62.37%
June 30, 2010	17,171,281	22,318,924	5,147,643	76.94%	9,204,760	55.92%
June 30, 2009	16,407,925	19,741,420	3,333,495	83.11%	9,355,749	35.63%
June 30, 2008	15,105,330	18,143,961	3,038,631	83.25%	9,423,081	32.25%

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

For Professional and Non-professional Employees:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll {(b) - (a)} / (c)
July 1, 2013	\$ 11,874,000	\$ 55,269,000	\$ 43,395,000	21.48%	\$ 103,582,553	41.89%
July 1, 2012	4,697,715	50,489,000	45,791,285	9.30%	104,507,089	43.82%
July 1, 2011	2,700,962	96,984,000	94,283,038	2.79%	104,195,744	90.49%
July 1, 2010	2,236,000	89,408,000	87,172,000	2.50%	102,349,123	85.17%
July 1, 2008	1,058,479	50,636,479	49,578,000	2.09%	106,020,819	46.76%
Before Plan Design Change:						
July 1, 2007	-	7,967,000	7,967,000	0.00%	103,300,000	7.71%

C. VRS Health Insurance Credit OPEB Plan

For Non-professional Employees:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll {(b) - (a)} / (c)
June 30, 2013	\$ 194,630	\$ 347,795	\$ 153,165	55.96%	\$ 8,531,613	1.80%
June 30, 2012	173,361	346,381	173,020	50.05%	8,451,315	2.05%
June 30, 2011	170,484	324,869	154,384	52.48%	8,652,954	1.78%
June 30, 2010	138,036	300,205	162,169	45.98%	9,204,760	1.76%
June 30, 2009	102,886	260,568	157,682	39.49%	9,355,749	1.69%
June 30, 2008	101,971	303,765	201,794	33.57%	9,423,081	2.14%

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014

A. BUDGETS AND BUDGETARY ACCOUNTING

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

1. The Superintendent prepares an annual budget that is presented to the School Board, usually in January of each year. Budget schedules and deadlines are developed annually.
2. Following public hearing on the Superintendent's Proposed Budget and School Board discussions, the School Board adopts its annual budget and forwards it to the governing body, the County of Stafford's Board of Supervisors, for consideration. This usually takes place in March of each year.
3. Prior to April 1, the County Administrator submits a proposed budget including SCPS as a component of the primary government of the Board of Supervisors for the fiscal year commencing the following July 1. This budget includes proposed obligations and means of financing them, which embodies estimates of specific revenue sources. Public hearings are conducted by the Board of Supervisors to obtain taxpayer and citizen comments on the budget.
4. Prior to June 30, the County's annual budget is legally enacted through passage of a resolution by the Board of Supervisors. The School Board adopts the budgets approved by the County, thereby legally adopting these budgets:

Stafford County Public Schools

Governmental Funds:

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

Proprietary Funds – Internal Service Funds:

Fleet Services Fund
Health Benefits Fund
Worker's Compensation Fund

5. The budget for the proprietary funds serves as a guide and not as legally binding limitations. Budgets are adopted on a basis consistent with accounting principles accepted in the United States of America.
6. Although legal restrictions on expenditures are established at the departmental level, effective administrative control over expenditures is maintained through the establishment of more detail line-item budgets.
7. An encumbrance system is used to monitor purchases and contractual commitment during the fiscal year. Any outstanding (open) encumbrances at year-end are reported as a reservation of fund balance. Encumbrances do not constitute expenditures of the current fiscal year. Appropriations with outstanding commitments or encumbrances are carried forward to the following fiscal year.
8. Unexpended, encumbered appropriations lapse (except for the Capital Projects Fund) and are closed to the proper fund balances at the end of each fiscal year (June 30). However, the Operating Fund's net assets balance (i.e., total assets less total liabilities) not reserved or designated at June 30 for outstanding encumbrances, inventory, prepaid expenses, and future expenditures, revert to the County before closing the fiscal year. Appropriations for the subsequent fiscal year are increased to cover the outstanding encumbrances are liquidated through expenditures in the subsequent fiscal year.

OTHER SUPPLEMENTARY INFORMATION

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

Exhibit O

	Special Revenue Funds		
	Food and Nutrition Services Fund	Grants Fund	Total Nonmajor Governmental Funds
ASSETS			
Pooled cash and investments	\$ 3,407,547	\$ 20,380	\$ 3,427,927
Accounts receivable	2,888	19,462	22,350
Intergovernmental receivables:			
Federal Government	222,687	1,564,306	1,786,993
Commonwealth of Virginia	-	17,059	17,059
Inventory	297,730	-	297,730
Total assets	<u>\$ 3,930,852</u>	<u>\$ 1,621,207</u>	<u>\$ 5,552,059</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 12,384	\$ 101,056	\$ 113,440
Accrued salaries and benefits	1,110,474	-	1,110,474
Unearned revenue	-	20,380	20,380
Due to other funds	2,151	1,394,784	1,396,935
Total liabilities	<u>1,125,009</u>	<u>1,516,220</u>	<u>2,641,229</u>
Fund balance:			
Nonspendable:			
Inventory	297,730	-	297,730
Total nonspendable	<u>297,730</u>	<u>-</u>	<u>297,730</u>
Restricted:			
Food and nutrition services	2,508,113	-	2,508,113
Grants	-	104,987	104,987
Total restricted	<u>2,508,113</u>	<u>104,987</u>	<u>2,613,100</u>
Total fund balance	<u>2,805,843</u>	<u>104,987</u>	<u>2,910,830</u>
Total liabilities and fund balance	<u>\$ 3,930,852</u>	<u>\$ 1,621,207</u>	<u>\$ 5,552,059</u>

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

Exhibit P

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food and Nutrition Services Fund	Grants Fund	
REVENUES			
Intergovernmental:			
Commonwealth of Virginia	\$ 215,625	\$ 91,872	\$ 307,497
Federal Government	5,248,042	8,904,681	14,152,723
Total intergovernmental revenues	5,463,667	8,996,553	14,460,220
Charges for services:			
Food sales	6,640,211	-	6,640,211
Miscellaneous	-	224,372	224,372
Total revenues	12,103,878	9,220,925	21,324,803
EXPENDITURES			
Current operating:			
Education:			
Instruction	-	8,958,330	8,958,330
Food and nutrition services	11,311,599	-	11,311,599
Technology	177,072	158,664	335,736
Capital outlay	60,298	26,017	86,315
Total expenditures	11,548,969	9,143,011	20,691,980
Excess of revenues over expenditures	554,909	77,914	632,823
OTHER FINANCING USES			
Transfers to other funds	(200,000)	(14,120)	(214,120)
Change in fund balance	354,909	63,794	418,703
Fund balance, beginning - July 1, 2013	2,450,934	41,193	2,492,127
Fund balance, ending - June 30, 2014	\$ 2,805,843	\$ 104,987	\$ 2,910,830

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

Exhibit Q

	Internal Service Funds			Total
	Fleet Services Fund	Health Benefits Fund	Workers' Compensation Fund	Proprietary Funds
ASSETS				
Cash and cash equivalents	\$ 922,575	\$ 13,125,502	\$ 1,513,972	\$ 15,562,048
Accounts receivable	78,965	-	-	78,965
Due from other funds	78,965	155,551	-	234,516
Inventory	327,530	-	-	327,530
Restricted cash and equivalents	-	171,934	-	171,934
Capital assets:				
Land	37,357	-	-	37,357
Land improvements	1,268,429	-	-	1,268,429
Buildings and building improvements	1,796,826	-	-	1,796,826
Constructions in progress	29,610	-	-	29,610
Furniture, fixtures and equipment	241,150	-	-	241,150
Vehicles	59,042	-	-	59,042
Software	78,725	-	-	78,725
Less accumulated depreciation and amortization	(1,413,071)	-	-	(1,413,071)
Total capital assets	2,098,068	-	-	2,098,068
Total assets	\$ 3,506,103	\$ 13,452,987	\$ 1,513,972	\$ 18,473,062
LIABILITIES				
Accounts payable	\$ 27,550	\$ 94,578	\$ 26,121	\$ 148,249
Accrued salaries and benefits	135,766	8,779	6,166	150,711
Due to other funds	490	-	56	546
Current portion capital lease	27,940	-	-	27,940
Current portion of accrued insurance claims	-	4,931,982	588,194	5,520,176
Current portion of compensated absences	6,093	-	-	6,093
Noncurrent portion of accrued insurance claims	-	-	98,362	98,362
Noncurrent portion of capital lease	218,961	-	-	218,961
Noncurrent portion of compensated absences	161,569	-	-	161,569
Noncurrent portion of OPEB liability	-	20,233,456	-	20,233,456
Total liabilities	578,369	25,268,795	718,899	26,566,063
NET POSITION				
Net investment in capital assets	1,851,167	-	-	1,851,167
Unrestricted (deficit)	1,076,567	(11,815,808)	795,073	(9,944,168)
Total net position (deficit)	2,927,734	(11,815,808)	795,073	(8,093,001)
Total liabilities and net position	\$ 3,506,103	\$ 13,452,987	\$ 1,513,972	\$ 18,473,062

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

Exhibit R

	Internal Service Funds			Total
	Fleet Services Fund	Health Benefits Fund	Workers' Compensation Fund	Proprietary Funds
Operating revenues:				
Charges for services	\$ 3,839,140	\$ 27,597,612	\$ -	\$ 31,436,752
Operating expenses:				
Personnel services	1,873,649	145,599	82,435	2,101,683
Contractual services	20,356	31,043,267	581,863	31,645,486
Materials and supplies	1,647,897	4,000	-	1,651,897
Utilities	19,178	-	-	19,178
Telecommunications	30,534	-	-	30,534
Depreciation and amortization	157,930	-	-	157,930
Total operating expenses	3,749,544	31,192,866	664,298	35,606,708
Operating income (loss)	89,596	(3,595,254)	(664,298)	(4,169,956)
Nonoperating revenues (expenses):				
Interest and investment revenue	-	4,856	-	4,856
Interest expense	(7,496)	-	-	(7,496)
Vehicle sales	117,222	-	-	117,222
Total nonoperating revenues, net	109,726	4,856	-	114,582
Income (loss) before transfers	199,322	(3,590,398)	(664,298)	(4,055,374)
Transfers from other funds	-	190,381	588,604	778,985
Change in net position	199,322	(3,400,017)	(75,694)	(3,276,389)
Net position, beginning - July 1, 2013	2,728,412	(8,415,791)	870,767	(4,816,612)
Net position, ending - June 30, 2014	\$ 2,927,734	\$ (11,815,808)	\$ 795,073	\$ (8,093,001)

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

Exhibit S

	Internal Service Funds			
	Fleet Services Fund	Health Benefits Fund	Workers' Compensation Fund	Total Proprietary Funds
Cash flows from operating activities:				
Receipts from customers	\$ 3,812,020	\$ 27,607,910	\$ -	\$ 31,419,930
Payments to suppliers	(1,677,040.07)	(30,739,550)	(582,869)	(32,999,459)
Payments to employees	(1,861,562)	(145,184)	(82,216)	(2,088,962)
Net cash provided by (used in) by operating activities	273,418	(3,276,824)	(665,085)	(3,668,491)
Cash flows from noncapital financing activities:				
Transfers from other funds	-	190,381	588,604	778,985
Net cash provided by noncapital financing activities	-	190,381	588,604	778,985
Cash flows from capital and related financing activities:				
Proceeds from vehicle and supply sales	117,222	-	-	117,222
Principal paid on capital lease	(27,173)	-	-	(27,173)
Interest paid on capital lease	(7,496)	-	-	(7,496)
Acquisition and construction of capital assets	(493,499)	-	-	(493,499)
Net cash used in capital and related financing activities	(410,946)	-	-	(410,946)
Cash flows from investing activities:				
Interest earned on investments	-	4,856	-	4,856
Net cash provided by investing activities	-	4,856	-	4,856
Net decrease in cash and cash equivalents	(137,528)	(3,081,587)	(76,481)	(3,295,596)
Cash and cash equivalents, beginning July 1, 2013	1,060,103	16,379,023	1,590,453	19,029,579
Cash and cash equivalents, ending June 30, 2014	\$ 922,575	\$ 13,297,436	\$ 1,513,972	\$ 15,733,983
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 89,596	\$ (3,595,254)	\$ (664,298)	\$ (4,169,956)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	157,930	-	-	157,930
Changes in assets and liabilities:				
(Increase) decrease in accounts receivables	(25,046)	10,298	-	(14,748)
Decrease in inventory	47,116	-	-	47,116
Increase (decrease) in accounts payable and accrued expenses	(18,960)	441,775	(787)	422,027
Increase in compensated absences	22,783	-	-	22,783
Decrease in OPEB liability	-	(133,643)	-	(133,643)
Total adjustments	183,823	318,430	(787)	501,466
Net cash provided by (used in) operating activities	\$ 273,418	\$ (3,276,824)	\$ (665,085)	\$ (3,668,491)

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS - AGENCY FUNDS
June 30, 2014

Exhibit T

	School Activity Funds	Employee Flexible Spending	Fiduciary Services Fund	Total Agency Funds
ASSETS				
Cash and cash equivalents	\$ 2,419,676	\$ 129,080	\$ 37,229	\$ 2,585,985
LIABILITIES				
Reserved for future expenditures	\$ 2,419,676	\$ 129,080	\$ 37,229	\$ 2,585,985

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND - SCHOOL ACTIVITY FUND
For the Fiscal Year Ended June 30, 2014

Exhibit U

	Agency Fund			
	School Activity Funds			
	Beginning Balance - July 1, 2013	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance - June 30, 2014
ASSETS				
Cash and cash equivalents	\$ 2,530,142	\$ 5,889,848	\$ (6,000,314)	\$ 2,419,676
LIABILITIES				
Reserved for future expenditures	\$ 2,530,142	\$ 5,889,848	\$ (6,000,314)	\$ 2,419,676

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND - EMPLOYEE FLEXIBLE SPENDING FUND
For the Fiscal Year Ended June 30, 2014

Exhibit V

	Agency Fund			
	Employee Flexible Spending Fund			
	Beginning Balance - July 1, 2013	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance - June 30, 2014
ASSETS				
Cash and cash equivalents	\$ 115,396	\$ 754,967	\$ (741,283)	\$ 129,080
LIABILITIES				
Reserved for future expenditures	\$ 115,396	\$ 754,967	\$ (741,283)	\$ 129,080

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND - FIDUCIARY SERVICES FUND
For the Fiscal Year Ended June 30, 2014

Exhibit W

	Agency Fund			
	Fiduciary Services Fund			Ending Balance June 30, 2014
	Beginning Balance July 1, 2013	Additions - Cash Receipts	Deductions - Cash Disbursements	
ASSETS				
Cash and cash equivalents	\$ 19,594	\$ 44,426	\$ (26,791)	\$ 37,229
LIABILITIES				
Reserved for future expenditures	\$ 19,594	\$ 44,426	\$ (26,791)	\$ 37,229

STATISTICAL SECTION

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATISTICAL SECTION
June 30, 2014

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

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

The following information included in this statistical section is unaudited.

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STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NET POSITION BY COMPONENT
Fiscal Years 2006 - 2014
(Accrual Basis of Accounting)

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

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data is unavailable, but will be accumulated going forward.

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

Table S-1

June 30,				
2011	2012	2013	2014	
\$ 371,880,043	\$ 377,833,302	\$ -	\$ -	NET POSITION
-	-	383,728,660	402,418,884	Investment in capital assets, net of related debt
11,479,446	17,548,128	21,973,458	49,239,175	Net investment in capital assets
4,772,785	(5,832,921)	5,638,327	(21,932,140)	Restricted
				Unrestricted
<u>\$ 388,132,274</u>	<u>\$ 389,548,509</u>	-	-	Total net assets
		<u>\$ 411,340,445</u>	<u>\$ 429,725,919</u>	Total net position

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
CHANGES IN NET POSITION BY COMPONENT
Fiscal Years 2006 - 2014
(Accrual Basis of Accounting)

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

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

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data is unavailable, but will be accumulated going forward.

Table S-2

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS
Fiscal Years 2006 - 2014
(Modified Accrual Basis of Accounting)

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

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data is unavailable, but will be accumulated going forward.

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

Table S-3

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Fiscal Years 2006 - 2014
(Modified Accrual Basis of Accounting)

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

NOTE: In fiscal year 2007, SCPS issued its first stand-alone CAFR. Ten years of data is unavailable, but will be accumulated going forward.

Table S-4

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
GENERAL INFORMATION
June 30, 2014

Table S-5

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

Stafford County Public Schools			
Number of Schools:		Fall Membership: (1)	
Early childhood centers	1	Elementary schools	11,846
Elementary schools	17	Middle schools	6,432
Middle schools	8	High schools	9,079
High schools	5	Total	<u>27,357</u>
Alternative schools	<u>2</u>		
	<u>33</u>		

Contracted Employees:	
Licensed Instructional	2,139
Other Employees	<u>1,486</u>
	<u>3,625</u>

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

(1) Fall membership is defined as the number of students in public school on September 30 of each year. This information is as of September 30, 2013.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION
Fiscal Years 2005 - 2014

	Fiscal Year				
	2005	2006	2007	2008	2009
Contracted Employees:					
Licensed Instructional	1,993	2,013	2,015	2,079	2,125
Other Employees	1,455	1,464	1,419	2,537	2,424
Total	<u>3,448</u>	<u>3,477</u>	<u>3,434</u>	<u>4,616</u>	<u>4,549</u>

Table S-6

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NUMBER OF SCHOOLS IN THE DIVISION
Fiscal Years 2005 - 2014

	Fiscal Year				
	2005	2006	2007	2008	2009
Number of Schools:					
Elementary Schools	15	16	17	17	17
Secondary/ Middle Schools	6	6	7	7	8
High Schools	4	5	5	5	5
Total	25	27	29	29	30

Table S-7

Fiscal Year					Number of Schools: Elementary Schools Secondary/ Middle Schools High Schools Total
2010	2011	2012	2013	2014	
17	17	17	17	17	
8	8	8	8	8	
5	5	5	5	5	
<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
DIVISION-WIDE ENROLLMENT
Fiscal Years 2005 - 2014

	Fiscal Year				
	2005	2006	2007	2008	2009
Student Membership:					
September 30 membership	25,399	25,927	26,171	26,387	26,638
Average daily membership as of March 31	25,419	25,871	26,181	26,109	26,350
End-of-year membership	25,423	25,733	25,934	26,142	26,384
Students enrolled in special education programs	2,655	2,543	2,415	2,346	2,410
English Language Learners	697	791	1,040	1,036	1,036
Students enrolled in grades K-3	7,303	7,181	7,273	7,186	7,320

Table S-8

Fiscal Year					
2010	2011	2012	2013	2014	
26,758	27,257	26,815	26,972	27,357	Student Membership:
26,648	26,737	26,774	26,928	26,904	September 30 membership
26,522	26,603	26,681	27,357	27,357	Average daily membership as of March 31
2,391	2,412	2,425	2,559	2,392	End-of-year membership
					Students enrolled in special education programs
996	1,135	1,160	1,192	1,108	English Language Learners
7,416	5,471	5,505	7,526	7,532	Students enrolled in grades K-3

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
VARIOUS OPERATING INDICATORS
Fiscal Years 2005 - 2014

	Fiscal Year				
	2005	2006	2007	2008	2009
Operating Statistics:					
Average per pupil expenditures	\$ 7,562	\$ 8,496	\$ 8,639	\$ 9,335	\$ 9,531
Average classroom teacher salary	\$46,212	\$49,068	\$51,383	\$52,251	\$50,820
Composite index (1)	0.3274	0.3274	0.3503	0.3503	0.3698

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

Table S-9

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
TRANSPORTATION OPERATING INDICATORS
Fiscal Years 2005 - 2014

	Fiscal Year				
	2005	2006	2007	2008	2009
Transportation Statistics:					
Average Ridership (Regular)	17,749	18,844	18,619	19,404	17,997
Average Ridership (Special Needs)	429	412	607	497	532
Average Ridership (Head Start)	185	222	224	225	250
Buses Operated Daily (Regular)	171	157	165	168	166
Buses Operated Daily (Special Needs)	35	39	53	43	41
Buses Operated Daily (Head Start)	10	10	11	11	11
Special Trip Assignments	2,703	2,365	3,100	2,587	2,600
Miles Traveled (Regular)	2,133,408	2,494,260	2,336,706	2,889,000	1,479,400
Miles Traveled (Special Needs)	573,440	1,141,920	1,272,132	1,324,920	685,040

Table S-10

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FOOD AND NUTRITION SERVICES OPERATING INDICATORS
Fiscal Years 2005 - 2014

	Fiscal Year				
	2005	2006	2007	2008	2009
School Nutrition Program (SNP)					
Statistics:					
Student Membership	25,399	25,927	26,171	26,387	26,638
Eligible for Free Lunch	2,651	2,982	3,091	3,263	3,727
<i>Percentage</i>	10.44%	11.50%	11.81%	12.37%	13.99%
Eligible for Reduced Price Lunch	849	928	1,042	1,112	1,237
<i>Percentage</i>	3.34%	3.58%	3.98%	4.21%	4.64%
Eligible for Free and Reduced Price Lunch - Total	3,500	3,910	4,133	4,375	4,964
<i>Percentage</i>	13.78%	15.08%	15.79%	16.58%	18.64%
Middle and High School Lunch Prices	\$ 1.75	\$ 1.85	\$ 1.85	\$ 1.85	\$ 2.10
Elementary School Lunch Prices	\$ 1.65	\$ 1.75	\$ 1.75	\$ 1.75	\$ 2.10

Table S-11

Fiscal Year					School Nutrition Program (SNP) Statistics:
2010	2011	2012	2013	2014	
26,758	26,737	26,774	26,928	27,357	Student Membership
4,632	5,277	5,933	5,993	6,135	Eligible for Free Lunch
17.31%	19.74%	22.16%	22.26%	22.43%	Percentage
1,281	1,106	1,520	1,520	1,552	Eligible for Reduced Price Lunch
4.79%	4.14%	5.68%	5.64%	5.67%	Percentage
5,913	6,383	7,453	7,513	7,687	Eligible for Free and Reduced Price Lunch - Total
22.10%	23.87%	27.84%	27.90%	28.10%	Percentage
\$ 2.25	\$ 2.25	\$ 2.40	\$ 2.40	\$ 2.55 / 2.65	Middle and High School Lunch Prices
\$ 2.15	\$ 2.15	\$ 2.30	\$ 2.30	\$ 2.45	Elementary School Lunch Prices

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FLEET SERVICES OPERATING INDICATORS
Fiscal Years 2006 - 2014

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

Source: Fleet Services internal records.

(1) To be sold at auction

N/A - Not available.

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

Table S-12A

Fiscal Year								
2012		2013			2014			
Average Age	Average Mileage	Active	Average Age	Average Mileage	Active	Average Age	Average Mileage	
8.91	12,373	236	9.33	12,287	223	8.61	10,675	Fleet Vehicles Serviced by Fleet Services:
6.31	16,689	64	6.32	15,366	68	6.35	14,627	Stafford County Public Schools Fleet Vehicles:
2.51	20,596	5	1.51	13,195	5	2.40	21,062	Buses:
		(18)			(27)			Mainstream
		287			269			Special Needs
								Activity Buses
								Less: Salvaged (1)
								Subtotal Buses
								Other School Vehicles:
4.26	13,895	2	3.74	7,428	2	4.50	9,851	Administration
5.13	8,266	13	6.46	7,232	11	7.30	6,253	Driver's Education
9.75	3,559	7	8.61	3,564	6	9.33	3,577	Fleet Services
7.34	2,532	6	8.67	2,756	6	9.66	2,440	Head Start
8.40	7,546	53	9.26	7,150	43	10.12	7,786	Maintenance
6.82	2,509	1	8.15	1,151	1	9.00	1,693	Food and Nutritional Services
6.05	5,170	4	7.38	4,013	4	7.75	4,342	Planning & Construction
1.89	1,904	1	3.20	1,864	1	4.00	2,050	Technology
5.98	2,059	7	7.30	1,831	7	7.28	1,631	Security
6.02	2,321	8	7.35	2,101	8	7.50	2,153	Transportation
		102			89			Subtotal Other Vehicles
		389			358			Total Stafford County Public Schools Fleet Vehicles
9.75	N/A	166	9.94	N/A	169	11.36	N/A	County of Stafford Fleet Vehicles:
5.38	N/A	222	5.97	N/A	241	5.94	N/A	Fire & Rescue
8.66	N/A	108	9.27	N/A	117	8.69	N/A	Sheriff
7.64	N/A	145	8.47	N/A	139	9.28	N/A	Utilities
		641			666			Other
								Total County of Stafford Fleet Vehicles
		1,030			1,024			Total Fleet Vehicles
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Other Vehicles Serviced by Fleet Services:
17.00	N/A	1	18.00	N/A	1	19.00	N/A	Airport Authority Fleet Vehicles
		1			1			Vocational Foundation Fleet Vehicles
								Total Other Vehicles

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FLEET SERVICES OPERATING INDICATORS
Fiscal Years 2007 - 2014

	Fiscal Year				
	2007	2008	2009	2010	
FLEET OPERATIONS					
Work orders completed	6,038	6,124	6,394	6,314	
Invoices processed	5,299	5,156	5,303	5,292	
Parts transactions	23,970	25,007	22,140	27,222	
	Fiscal Year				
	2010	2011		2012	
FLEET FUEL	<u>Schools</u>	<u>County</u>	<u>Schools</u>	<u>County</u>	<u>Schools</u>
Gallons Purchased	541,583	487,191	562,728	443,724	573,778
Cost	\$ 1,236,772	\$1,038,981	\$ 1,602,158	\$1,184,052	\$ 1,838,125
	Fiscal Year				
	2010	2011		2012	
FLEET ACQUISITIONS	<u>Replacement</u>	<u>Additional</u>	<u>Replacement</u>	<u>Additional</u>	<u>Replacement</u>
School Buses - Mainstream	16	-	6	-	5
- Special Needs	5	-	-	-	8
Other School Vehicles	2	1	2	3	5
	Fiscal Year				
	2010	2011		2012	
FLEET SHOPS	<u>Heavy Duty Shop</u>	<u>Light Duty Shop</u>	<u>Heavy Duty Shop</u>	<u>Light Duty Shop</u>	<u>Heavy Duty Shop</u>
Vehicles per Technician by Shop	35.6	160	32.9	173	50

Source: Fleet Services internal records.

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

Table S-12B

Fiscal Year				
2011	2012	2013	2014	
6,390	6,101	5,593	5,638	FLEET OPERATIONS
5,780	4,814	4,374	4,670	Work orders completed
20,147	93,302	95,663	90,926	Invoices processed
				Parts transactions
Fiscal Year				
2013			2014	
County	Schools	County	Schools	County
425,719	557,143	485,554	514,496	397,319
\$ 1,305,111	\$ 1,791,347	\$ 1,484,928	\$ 1,606,938	\$ 1,190,109
				FLEET FUEL
				Gallons Purchased
				Cost
Fiscal Year				
2013			2014	
Additional	Replacement	Additional	Replacement	Additional
-	12	-	11	-
-	3	-	6	-
-	3	-	2	-
				FLEET ACQUISITIONS
				School Buses - Mainstream
				- Special Needs
				Other School Vehicles
Fiscal Year				
2013			2014	
Light Duty Shop	Heavy Duty Shop	Light Duty Shop	Heavy Duty Shop	Light Duty Shop
112	47	114	41	113
				FLEET SHOPS
				Vehicles per Technician by Shop

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Technology and Information Services
Fiscal Years 2009 - 2014

Table S-13

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Property Data
June 30, 2014

Table S-14

	<u>Year of Construction</u>	<u>Year of Last Renovation</u>	<u>Building - Square Feet</u>	<u>Site - Acreage</u>
High School Data				
Brooke Point HS	1993	-	266,656	52.82
Colonial Forge HS	1999	-	246,082	62.90
Mountain View HS	2005	-	254,854	95.35
North Stafford HS	1981	2003	304,096	88.50
Stafford Senior HS	1975	-	287,836	124.56
Middle School Data				
Edward Drew MS	1951	1998	98,913	15.31
Dixon-Smith MS	2006	-	145,700	48.04
H. H. Poole MS	1995	1998	145,140	36.62
Rodney Thompson MS	2000	-	138,199	44.55
Stafford MS	1991	2007	136,677	37.45
Shirley Heim MS	2008	-	146,770	22.00
T.B. Gayle MS	2002	-	148,221	39.98
A.G. Wright MS and Garrisonville ES (combined campus)	1981	2007	195,099	50.20
Elementary School Data				
Anthony Burns ES	2006	-	88,300	38.57
K. W. Barrett ES	2002	-	87,800	20.51
Conway ES	2005	-	88,300	19.92
Falmouth ES	1967	2012	73,725	41.49
Ferry Farm ES	1957	1992	70,550	18.12
Grafton Village ES	1967	1996	75,718	12.16
Hartwood ES	1963	1993	61,068	29.60
Hampton Oaks ES	1992	1996	80,968	18.76
Margaret Brent ES	2004	-	87,800	22.80
Moncure ES	1966	1997	76,098	18.54
Park Ridge ES	1990	1994	76,431	20.00
Rockhill ES	1989	1994	76,438	23.38
Rocky Run ES	2000	-	87,700	20.00
Stafford ES	1968	2013	74,317	15.87
Widewater ES	1988	1995	77,108	22.44
Winding Creek ES	1997	-	82,016	20.89
Other Property				
Alvin York Bandy Administration Building and and Professional Development Center	1998	2000	74,124	9.55
Gari Melchers Complex	1931	1990	79,887	29.87
Pupil Transportation (Included in Fleet Acreage)	2009	-	7,362	-
Fleet Services	1980	-	16,000	21.54
Maintenance (all buildings condemned)	-	-	-	-
Support Services Building (included in Fleet Acreage)	1998	-	25,650	-
Aimee Building (JROTC Office on Stafford Senior HS campus)	1981	-	2,304	-
Land				
High School #6, Clift Farm Road	-	-	-	172.00
Riverbend Subdivision Land	-	-	-	6.00

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Energy Management - Utilities Savings
Calendar Years 2006 - 2013

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

Utilities Summary by School Level (in MBTU):

		2013		
		<u>Actual</u>	<u>Historical</u>	<u>Savings</u>
Elementary Schools:				
Electric		53,014,894	65,450,291	12,435,397
Gas		20,406,000	23,880,849	3,474,849
Oil		-	4,086,355	4,086,355
Propane		152,306	304,119	151,813
Subtotal		73,573,200	93,721,614	20,148,414
Middle Schools:				
Electric		33,298,016	35,342,902	2,044,886
Gas		9,571,800	9,610,089	38,289
Oil		4,313,764	2,947,147	(1,366,617)
Propane		46,202	84,854	38,652
Subtotal		47,229,782	47,984,992	755,210
High Schools:				
Electric		50,166,076	56,571,833	6,405,757
Gas		15,383,100	11,567,394	(3,815,706)
Oil		4,728,122	11,385,285	6,657,163
Propane		-	43,168	43,168
Subtotal		70,277,298	79,567,680	9,290,382
Total		191,080,280	221,274,286	30,194,006

Percentage of Savings 13.65%
Dollar Savings (net of capital lease payment of \$386,908) \$ 1,231,255

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

Table S-15

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
AVERAGE SAT SCORES
Fiscal Years 2004 - 2014

	2004	2005	2006	2007	2008	2009
Average SAT Scores:						
Math	513	531	511	502	509	504
Verbal	521	521	(1)	(1)	(1)	(1)
Writing	N/A	N/A	494	482	488	484
Critical Reading	N/A	N/A	514	508	513	506

Source: College Board SAT 2014, College-Bound Seniors District Highlights Report.

(1) - Beginning with Fiscal Year 2006, the SAT now includes scores for Math, Writing and Critical Reading.

N/A - Not applicable.

Table S-16

2010	2011	2012	2013	2014	Average SAT Scores:
509	504	505	509	511	Math
(1)	(1)	(1)	(1)	(1)	Verbal
493	486	489	490	493	Writing
516	510	514	514	519	Critical Reading

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2007 - 2014

Table S-17A

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2007 - 2014

Table S-17B

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2007 - 2014

Table S-17C

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2007 - 2014

Table S-17D

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHOOL ACCREDITATION AND ADEQUATE YEARLY PROGRESS (AYP)
OR FEDERAL ANNUAL MEASURABLE OBJECTIVES (FAMOs)
Fiscal Years 2005 - 2014

	2005	2006	2007	2008	2009
Division-wide Status:					
Schools Fully Accredited	100%	100%	100%	97%	100%
Schools that Made AYP/AMO	71%	92%	63%	48%	47%
Division AYP/AMO	Did not make AYP	Did not make AYP	Made AYP	Did not make AYP	Made AYP
Schools that Made FAMOs	-	-	-	-	-
Division AYP/AMO	-	-	-	-	-

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

Table S-18

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

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Boards*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stafford County School Board (the school board), a component unit of Stafford County, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the school board's basic financial statements and have issued our report thereon dated January 26, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

New Bern, North Carolina
January 26, 2015



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

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

Report on Compliance for Each Major Federal Program

We have audited the Stafford County School Board's (the school board, a component unit of Stafford County, Virginia) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the school board's major federal programs for the year ended June 30, 2014. The school board's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the school board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Stafford County School Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the school board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the school board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school board's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001.

The school board's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The school board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



New Bern, North Carolina
January 26, 2015

Stafford County Public Schools
Component Unit of the County of Stafford
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal REVENUE
Department of Agriculture:			
Child Nutrition Cluster:			
Food Distribution	10.555	10.555/2012	738,057
Department of Education:			
National school lunch program	10.555	2014IN109941	3,424,915
Total 10.555			4,162,972
National school breakfast program	10.553	2014IN109941	1,085,070
Total Child Nutrition Cluster			5,248,042
Total Department of Agriculture			5,248,042
Department of Defense:			
Direct Payments:			
JROTC	12.000	-	292,019
Basic and Applied Scientific Research	12.300	-	2,000
Department of Defense Impact Aid	12.558	-	707,036
Total Department of Defense			1,001,055
Department of Education:			
Direct Payments:			
Impact Aid	84.041	-	944,905
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A130046	1,540,721
Title IV Part B-21 Twenty-First Century Community Learning Center	84.287	S287C130047	102,347
Special Education - Grants to States	84.027	H027A130107	4,132,661
Advance Placement Incentive Program	84.330	S330B130008	14,203
Special Education - Preschool Grants	84.173	H173A130112	57,414
Career and Technical Education - Basic Grants to States	84.048	V048A130046	233,314
Education for Homeless Children and Youth	84.196	S196A100048	30,593
Improving Teacher Quality State Grants	84.367	S367A130044	406,473
English Language Acquisition Grant	84.365	S365A130046	111,146
Total Department of Education			7,573,777
Department Health and Human Services:			
Direct Payments:			
Head Start Program	93.600	-	2,290,067
Pass Through Payments:			
Department of Social Services:			
Medical Assistance Program	93.778	93.778/2012	417,143
Total Department Health and Human Services			2,707,210
Total Expenditures of Federal Awards			16,530,084

See accompanying notes to the schedule of expenditures of federal awards

Stafford County Public Schools
Component Unit of the County of Stafford
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Stafford County Public Schools under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Stafford County Public Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Stafford County Public Schools.

Note 2 - Summary of Significant Accounting Policies

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

School Operating Fund	\$ 2,377,362
School Grants Fund	8,904,681
School Special Revenue Fund	<u>5,248,042</u>
Total federal expenditures per basic financial statements	\$ <u><u>16,530,085</u></u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>16,530,084</u></u>
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** Includes non-cash expenditures - value of donated commodities of \$738,057

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

Schedule Of Findings And Questioned Costs
Year Ended June 30, 2014

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- ◆ Material weakness(es) identified? yes ✓ no
- ◆ Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major federal programs:

- ◆ Material weakness(es) identified? yes ✓ no
- ◆ Significant deficiency(ies) identified? ✓ yes none reported

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553 and 10.555	School Breakfast Program; National School Lunch Program
12.558	Department of Defense Impact Aid
84.027 and 84.173	Special Education – Grants to States; Special Education - Preschool Grants
93.600	Head Start Program

Dollar threshold used to distinguish between Type A and Type B programs \$495,907

Auditee qualified as low-risk auditee? yes ✓ no

(Continued)

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

**Schedule Of Findings And Questioned Costs (Continued)
Year Ended June 30, 2014**

Section II. Financial Statement Findings and Questioned Costs

None reported.

Section III. Findings and Questioned Costs for Federal Awards

Finding 2014-001

Passed through the Department of Education

Program Name: Special Education – Grants to States

CFDA #84.027

Criteria: In accordance with OMB Circular A-87, whenever an employee is expected to work on a single Federal award, or cost objective, charges for his/her salaries and wages should be supported by periodic certifications that the employee worked solely on the specified program. Certifications should be completed on at least a semi-annual basis and signed by the employee or supervisory official having direct knowledge of the work performed by the employee.

Condition: Although time certifications are required to be completed on at least a semi-annual basis, they were only completed once during the fiscal year ending June 30, 2014. Additionally, a time certification was not prepared at all for one employee at all during this time period.

Cause and Context: Time certifications were not completed on at least a semi-annual basis as the school board was unaware of this program requirement.

Effect: Noncompliance with OMB Circular A-87.

Questioned Cost: None

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

Management Response: Once the school board was made aware of this requirement, time certifications were completed for all, but one individual who was no longer employed by the school division. Procedures have been established to ensure employees complete and sign certifications of time charged to federal programs on at least a semi-annual basis as required by OMB Circular A-87.

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

**Corrective Action Plan
Year Ended June 30, 2014**

Identifying Number: 2014-001

Finding: During testing of the Special Education – Grants to States program, it was noted that certifications of employee's time were not being completed on at least a semi-annual basis.

Corrective Actions Taken: Time certifications were completed for all active employees.

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

**Schedule Of Prior Year Findings
Year Ended June 30, 2014**

Finding 2013 – 1

Material Weakness in
Internal Control -
Restatement in Prior
Year Financials

Status	The school board has designated and implemented appropriate control for remediation of the material weakness.
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Finding 2013 – 2

Significant Deficiency in
Internal Control -
Amortization of service
contracts

Status	The school board has designated and implemented appropriate control for remediation of the significant deficiency.
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The mission of Stafford County Public Schools is "teaching our students today to be the leaders of tomorrow."