

# STAFFORD COUNTY Public Schools

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



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

**Fiscal Year 2016**  
(July 1, 2015 – June 30, 2016)



Stafford County Public Schools  
A Component Unit of Stafford County, Virginia  
June 30, 2016



**Members of the Stafford County Board of Supervisors**

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Ms. Laura Sellers, Garrisonville District – Vice-Chairman  
Mr. Paul Milde III, Aquia District  
Ms. Meg Bohmke, Falmouth District  
Mr. Jack Cavalier, Griffis-Widewater District  
Mr. Gary Snellings, Hartwood District  
Ms. Wendy Maurer, Rock Hill District

**Members of the School Board**

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Ms. Irene M. Egan, Aquia District – Vice-Chair  
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Ms. Melissa Ayres, Griffis-Widewater District  
Ms. Patricia Healy, Rock Hill District

**Officials of Stafford County Public Schools**

Dr. W. Bruce Benson, Superintendent  
Ms. Pamela Kahle, Associate Superintendent for Instruction  
Mr. Thomas Nichols, Chief Secondary Officer  
Ms. Carrie Neely, Chief Elementary Officer  
Dr. Jan Streich, Executive Director of Learning and Organizational Development  
Dr. Sue Clark, Executive Director for Student Services  
Mr. Chris Fulmer, CPA CFE, Interim Chief Financial Officer  
Mr. G. Scott Horan, Assistant Superintendent for Operations  
Dr. Dave Mirra, Executive Director for Technology  
Mr. Darryl Nelson, Executive Director of Administrative and Legal Services  
Ms. Lisa Boatwright, Director of Employee Relations & Workforce Compliance  
Ms. Sherrie Johnson, Director of Strategic Communication & Community Engagement

Stafford County Public Schools  
A Component Unit of Stafford County, Virginia  
June 30, 2016

2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2016  
(July 1, 2015 – July 30, 2016)

Prepared By:

Department of Financial Services

Chris R. Fulmer, CPA, CFE  
Interim Chief Financial Officer

Joy S. Eure, CPA  
Supervisor of Accounting and Financial Reporting

Kimberly J. Washington  
Accounting Specialist



**OUR VISION:**

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

Stafford County Public Schools  
A Component Unit of Stafford County, Virginia  
June 30, 2016

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# **INTRODUCTORY SECTION**



# STAFFORD COUNTY PUBLIC SCHOOLS

Department of Financial Services

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

December 19, 2016

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, 2016. 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 RSM US LLP and earned an unmodified opinion. RSM US LLP examined, on a test basis, documents supporting the amounts and disclosures in the financial statements, assessed the accounting principles used and significant estimates made by management, and evaluated the overall financial statement presentation. The Independent Auditor's Report is included as the first document in the Financial section of this report.

## **Single Audit Act**

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



## **Profile of the County of Stafford and Stafford County Public Schools**

### *The County of Stafford*

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

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

An elected seven-member Board of Supervisors, representing the following districts, governs Stafford County: Aquia, Falmouth, Garrisonville, George Washington, Griffis-Widewater, Hartwood, and Rockhill. The Board of Supervisors has established the following priorities for the community: public safety, education, economic development, infrastructure, and service excellence, all encompassed by fiscal responsibility and reducing the tax burden. From 2010 to 2015, the county averaged 3.0% annualized job growth, which was the tenth fastest growth rate among the 134 counties and independent cities in Virginia. From April 2010 through July 2015, Stafford County experienced a 10.1% increase in population. The 2015 population estimate was 142,003.

### *Stafford County Public Schools*

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

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

## **Economic Outlook**

### *Median Household Income*

Median household income in Stafford County in 2014 was estimated at \$92,647 (Census Small Area Income and Poverty Estimates data), the sixth highest household income among Virginia's counties and independent cities. This compares to an average \$64,923 household income in Virginia. Wages earned at businesses in Stafford County have experienced tremendous growth, up 13.35% from 3Q2010 to 3Q2015. Wages earned at businesses in Stafford County experienced the fourth fastest growth rate among Virginia's counties and independent cities over this period.

Stafford County's highly educated workforce comprises residents as well as commuters from outside the county. In 2015, an estimated 50% of Stafford County's at-place workers had a 2-year degree or higher, on par with Virginia where 50.9% of workers have this level of education.

Stafford County ranks in the top third in annualized retail sales growth among the state's counties and independent cities over the last five years. From 2010 to 2015, retail sales averaged 4.5% annualized growth in Stafford County, compared to 3.5% for Virginia and 3.7% for the Northern Virginia metro area over this period. Retail sales in Stafford County are expected to continue to expand at a healthy pace in both 2016 and 2017 along with retail sales in the Northern Virginia metro area. The housing downturn and slow building materials sales contributed to dampening retail sales in Stafford during the recession.



### Composite Index

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

### Impact of State Funding

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

## **Major Initiatives and Accomplishments**

### Skillful Teacher

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

### Attracting Talent

The School Board adopted a Staffing Standards Plan for the division in FY 16 that serves as a blueprint to ensure that class sizes are at an optimal level for learning. As a first step towards full implementation, the School Board adopted a FY 17 budget that added an impressive 39 new elementary teachers to reduce class sizes in accordance with the Staffing Standards Plan.

The Teacher Recruitment Ambassadors Program was initiated in late spring of 2016. The goals of the Program are to facilitate the process of exceptional teacher candidates accepting offers to teach in the division and to ensure that new teachers feel confident and excited to become a part of SCPS. The Program complements and dovetails well with the extensive teacher recruitment efforts coordinated by the Department of Human Resources. The Program goals will be evaluated in FY 17 using the following metrics:

- Increase in number of offers of early employment
- Increase in acceptance rate of offers of early employment
- Decrease in percentage of employment offers refused after initial acceptance

### Compensation

In the fall of 2015, Stafford County Public Schools (SCPS) formed a Service Pay Structure Committee to investigate the adoption of a new compensation structure to replace the existing 30-step pay scale for service staff. The two departments selected for the pilot program were Technology and Maintenance.

The committee was tasked with developing a compensation plan that is market competitive, provides incentives for professional growth, establishes high standards for performance, and allows for budget flexibility. The recommendations were approved by the School Board for FY17. The committee also conducted a compensation study for both departments to determine placement on the approved pay band.

### High Qualified Teacher Status

The division continued its three-year trend of achieving a status of having over 99% of teachers attain highly qualified status. To achieve highly qualified status, teachers must have met all requirements as set forth by the Virginia Department of Education (VDOE) to obtain a teaching license. This ensures that students have highly qualified teachers leading and facilitating the learning process.



#### C5W: All Centuries, All Learners

During the 2015-2016 school year, our C5W Development Team continued to meet to fine tune the Learner Profile that would define the essential elements of All Century Skills for SCPS students and staff. The team identified Communication, Collaboration, Critical Thinking, Creativity, Citizenship, and Wellness (C5W) as the key areas for student achievement above and beyond Virginia's SOLs. While our students will continue to participate in instruction that is based on Virginia's Standards, they will have the opportunity to access these standards in authentic learning experiences anchored in C5W. We created definitions to articulate each of these key areas and developed "look fors" for C5W Learning Walks. This tool is still in draft format, but we will be working with John Antonetti to refine the C5W Learning Walk tool and process as we move forward with this important professional learning experience.

#### Responsive Classroom

In June 2016, a cohort of 90 elementary teachers were trained in Responsive Classroom. Responsive Classroom is not a program, but a set of strategies and structures that support the social and academic curriculum. The four Key Domains of Responsive Classroom are: Engaging Academics, Positive Community, Effective Management, and Developmental Awareness. Winding Creek, Anthony Burns, Conway, Widewater, Moncure, Rockhill, Rocky Run, and Stafford Elementary participated in training at some level during the 2015-2016 academic year. Hartwood Elementary also has several trained staff members, as this has been a priority for their learning community for several years. As we move forward, we hope to continue to provide professional learning opportunities for teachers and administrators in this area.

#### Public Day School Programs

For the past 8 years we have operated two public day schools; one for high school students at Stafford High, and a K-12 program, Heather Empfield Public Day, on the campus of Drew Middle. These programs have provided programming to students with significant emotional and behavioral needs, and students with severe autism.

#### Cyclic 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 computers on a five-year interval. 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 near 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 relies on computer technology as a necessity. In addition to cyclically replacing devices, network infrastructure should be cyclically replaced as well. Infrastructure with longer cycles and high costs, such as the copper and fiber cabling plants, will require Capital Improvement Planning (CIP) funding.

#### All Century Classrooms

All schools now have a wireless infrastructure in place to support wireless devices in all classrooms. Mounted projectors are also installed in all classrooms for teachers to utilize as a tool to integrate technology into instruction. In addition, Google Apps for Education (GAPE) was chosen as a division-platform for collaboration and communication for students and staff. GAPE supports an instructional initiative, C5W, that was developed in FY16, which emphasizes that student learning is centered around Communication, Collaboration, Critical Thinking, Creativity, Citizenship, and Wellness.

#### 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 31 sites in fiscal year 2016. Work is in progress to bring fiber-optic connectivity to the remaining three 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 increased to meet demand.

#### Google Applications for Education (G Suite for Education)

SCPS has recently selected Google as our primary collaboration tool to be utilized by both students and staff. Rollout of the tools will begin with staff migration to Gmail followed by student accounts. Implementation began in the fall of 2016 and will continue throughout the remainder of the school year.



#### New ERP System

The Department of Financial Services worked throughout fiscal year 2016 implementing a fully automated and fully integrated Financial and Human Resources/Payroll & Benefits Management Information ERP System called Munis. Phase I of the implementation went live on July 1, 2016 and focused on core financials, which includes accounting, accounts payable, accounts receivable, financial reporting, general ledger maintenance, grants, and purchasing. Critical components of Phase I were the development of a new chart of accounts and the establishment of workflow capabilities. More than 130 staff members received end user training.

Phase II of the implementation has begun and will include applicant tracking, benefits, leave tracking, license tracking, payroll, position control, recruitment, and time and attendance. The project remains on schedule and on budget.

#### 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 2016, a contribution was not authorized to be made to the OPEB Trust Fund. The market value of the trust fund investments at June 30, 2016 and 2015 were \$18,380,629 and \$18,482,077, respectively. The cost value of the trust fund investments at June 30, 2016 and 2015 were \$14,943,316 and \$14,961,982, respectively.

#### Accreditation

According to the Virginia Department of Education State Accreditation Report released September 14, 2016, all 30 schools in Stafford County Public Schools earned the highest accreditation rating of "Fully Accredited" for the 2016-2017 school year. Public schools in Virginia are annually given accreditation ratings by the state, which are also based on SOL test scores from the previous school year. Stafford County Public Schools was one of 53 school divisions in the Commonwealth to have all of its schools fully accredited. It was also the largest school division in Virginia to have all schools fully accredited.

#### Annual Measurable Objectives (AMO's)

The new Every Student Succeeds Act (ESSA) of 2015 eliminates many No Child Left Behind Act requirements. ESSA designates 2016-2017 as a transition year. As the state of Virginia transitions from the Elementary and Secondary Education Act of 1965 (ESEA) to the newly authorized Every Student Succeeds Act of 2015 (ESSA), Federal Annual Measurable Objectives (AMO) targets will not be reported for federal accountability for the 2016-2017 school year.

#### **Financial Information**

SCPS continues its sound financial condition as demonstrated by the financial statements and schedules included in this report, operating within the resources available while achieving many of its program goals. Approximately 84% of the current operating costs are related to employee compensation and providing competitive salaries and benefits to attract and retain qualified staff. This remains a top priority for SCPS in the FY 2018 budget development process.

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

#### Internal Controls

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



### Budgetary Controls

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

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

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

### Risk Management

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

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

### Cash Management

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

### **Acknowledgements**

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

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

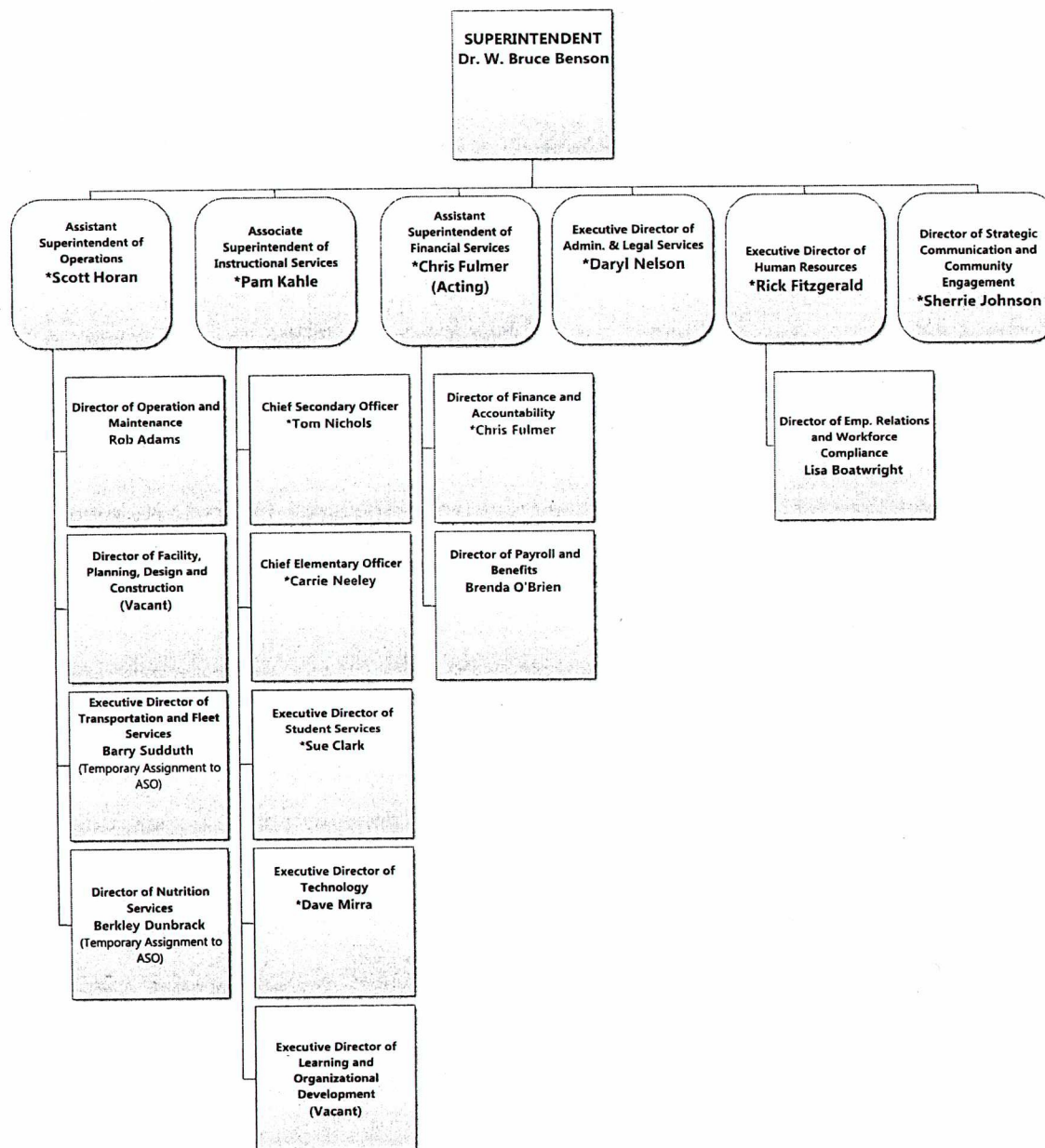
Respectfully,



W. Bruce Benson, Ed.D.  
Superintendent



Chris R. Fulmer, CPA, CFE  
Interim Chief Financial Officer



\*Superintendent's Cabinet

## **FINANCIAL SECTION**

Stafford County Public Schools  
A Component Unit of Stafford County, Virginia  
June 30, 2016

# **INDEPENDENT AUDITORS' REPORT**





RSM US LLP

## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stafford County School Board (the School Board), a component unit of Stafford County, Virginia, as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information for the General (Operating) Fund, schedules of net pension liability and related ratios and other post-employment benefit (OPEB) funding progress, and the schedules of the School Board's proportionate share of the net pension liability and School Board contributions related to the Virginia Retirement System on pages 4 - 12 and 68 - 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stafford County School Board's basic financial statements. The introductory section, other supplementary information in the financial section, statistical section, and the schedule of expenditures of federal awards in the compliance section as required by Title 2 *U. S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information in the financial section and the schedule of expenditures of federal awards in the compliance section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other supplementary information in the financial section and the schedule of expenditures of federal awards in the compliance section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016 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.

*RSM US LLP*

New Bern, North Carolina  
December 19 2016

Stafford County Public Schools  
A Component Unit of Stafford County, Virginia  
June 30, 2016

# **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, 2016**

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**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, 2016. 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, 2016. Readers are encouraged to consider this information in conjunction with SCPS' transmittal letter, basic financial statements and notes to the basic financial statements to enhance their understanding and use of the basic financial statements.

**FINANCIAL HIGHLIGHTS**

SCPS' total net position (assets plus deferred outflows of resources less liabilities plus deferred inflows of resources) on a government-wide basis was \$208.9 million at June 30, 2016, representing an increase of \$11.9 million, or 6.0%, from the total net position of \$197.0 million at June 30, 2015. The increase was primarily due to an increase in net investment in capital assets of \$5.3 million and a decrease in restricted net position of \$8.6 million. Restricted cash decreased by \$3.8 million due to a decrease in Virginia Public School Authority (VPSA) bond fund proceeds available at year end for construction projects. Current liabilities decreased by \$2.0 million in fiscal year 2016 over fiscal year 2015 due to a decrease in accounts payable and retainage of \$2.8 million. Noncurrent liabilities (other than for pensions) increased by \$4.4 million in fiscal year 2016 over fiscal year 2015 due primarily to a \$5.1 million increase in the OPEB liability. Lastly, the net pension position (comprised of the net pension liability plus deferred inflows of resources for pension deferrals less deferred outflows of resources for contributions to the pension plan) decreased by \$7.7 million in fiscal year 2016 due to a decrease in pension deferrals.

For fiscal year 2016, SCPS' governmental activities expenses of \$300.6 million exceeded program revenues (charges for services plus grants and contributions) of \$91.0 million by \$209.6 million. This excess is a \$19.7 million decrease in the \$189.9 million excess for fiscal year 2015. Additionally, general revenues, unreserved funds available for all educational purposes, including contributions from the County and general contributions from the state and federal governments, increased by \$9.4 million, or 4.4%, from \$212.1 million in fiscal year 2015 to \$221.5 million in fiscal year 2016.

SCPS' General Fund (otherwise referred to as the Operating Fund) reported a fund balance of \$13.4 million as of June 30, 2016. This represents an increase of \$4.7 million, or 54.0%, as compared to the June 30, 2015 fund balance of \$8.7 million.

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

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

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

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

**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 and economic status of the governmental entity. This section presents tables with 10-year historical information on financial trends, revenue capacity, debt capacity, demographic and economic information and operating data. This section is unaudited.

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

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

**THE BASIC FINANCIAL STATEMENTS**

There are two types of financial statement presentations, the government-wide financial statements (for SCPS as a whole), and the fund financial statements (for each SCPS fund). The government-wide financial statements provide both long-term and short-term information about 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 management's discussion and analysis explains the structure and contents of each of the statements.

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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:

	<b>Government-wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire school division	Activities of school system not fiduciary or proprietary, such as Operating Fund, Capital Projects Fund, Food and Nutrition Services Fund and Grants Fund	Activities of school system operating similar to private businesses, such as Fleet Services Fund, Health Benefits Fund and Workers' Compensation Funds	Activities of school system with an agent or trustee overseeing resources, such as OPEB Trust Fund, Scholarship and Endowment Trust Funds, School Activity Agency Funds, Employee Flexible Spending Agency Fund, Fiduciary Services Fund and Stafford Education Foundation Fund
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statements of changes in net position</li> </ul>
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, 2016 increased by \$11.9 million, or 6.0%, over June 30, 2015. Current assets increased by \$5.9 million, or 7.0%, due primarily to an increase in cash of \$1.2 million and an increase in accounts receivable of \$3.8 million from 2015 to 2016. Restricted assets decreased by \$3.8 million, or 20.8%, from 2015 to 2016 due to a decrease in VPSA bond proceeds available for construction projects. The net investment in capital assets increased by \$5.3 million, or 1.2%, due primarily to the Stafford High School rebuild. Noncurrent (non-pension) liabilities increased by \$4.4 million due to an increase in the OPEB liability of \$5.1 with offsetting decreases for debt service payments on long term debt and capital leases. The restricted net position decreased by \$8.6 million, or 40.1%, primarily due to decrease in construction commitments for the Stafford High School rebuild project classified as restricted net position at June 30, 2016 in the Capital Projects Fund. The unrestricted net position increased by \$15.2 million, primarily due to the decrease in the restricted net position.

The following table provides a summary of SCPS' net position as of June 30, 2016 and 2015.

<b>Summary of Net Position</b> As of June 30, 2016 and 2015 (In thousands of dollars) <b>Governmental Activities</b>				
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>	<b>Net % Change</b>
<b>Assets:</b>				
Current assets	\$ 91,301	\$ 85,354	\$ 5,947	7.0 %
Noncurrent assets:			-	
Restricted assets	14,483	18,285	(3,802)	(20.8) %
Capital assets	442,194	437,644	4,550	1.0 %
Total assets	547,978	541,283	6,695	1.2 %
<b>Deferred outflows of resources:</b>				
Contributions to pension plan in current fiscal year	23,376	24,255	(879)	(3.6) %
	23,376	24,255	(879)	(3.6) %
<b>Liabilities:</b>				
Current liabilities	56,840	58,748	(1,908)	(3.2) %
Noncurrent (non-pension) liabilities	38,483	34,133	4,350	12.7 %
Net pension liability	238,776	239,080	(304)	(0.1) %
Total liabilities	334,099	331,961	2,138	0.6 %
<b>Deferred inflows of resources:</b>				
Pension deferrals	28,372	36,604	(8,232)	(22.5) %
Total deferred inflows of resources	28,372	36,604	(8,232)	(22.5) %
<b>Net position:</b>				
Net investment in capital assets	438,933	433,632	5,301	1.2 %
Restricted	12,861	21,465	(8,604)	(40.1) %
Unrestricted (deficit)	(242,911)	(258,124)	15,213	(5.9) %
<b>Total net position</b>	<b>\$ 208,883</b>	<b>\$ 196,973</b>	<b>\$ 11,910</b>	<b>6.0 %</b>

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**FINANCIAL ANALYSIS OF SCPS AS A WHOLE (Continued)**

**Changes in Net Position**

Revenue increased by a net of 5.1 million, or 1.7%. The increase in revenue primarily consists of an increase in unrestricted grants and contributions of \$7.9 million due to an increase in the local transfer from the County. Program expenses increased by \$15.4 million, or 5.4%, which consists primarily of: a \$10.5 million increase in capital outlays, a \$1.7 million increase in technology, and \$1.6 million increase in instruction.

The following table summarizes SCPS' changes in net position for the fiscal years ended June 30, 2016 and 2015.

**Summary of Changes in Net Position**  
For the Fiscal Years Ended June 30, 2016 and 2015  
(In thousands of dollars)

	<b>Governmental Activities</b>			
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>Change</u></b>	<b><u>% Change</u></b>
<b>Revenues:</b>				
<i>Program revenues</i>				
Charges for services	\$ 18,373	\$ 18,902	\$ (529)	(2.8) %
Operating grants and contributions	50,398	48,953	1,445	3.0 %
Capital grants and contributions	22,241	27,463	(5,222)	(19.0) %
<i>General revenues</i>				
Sales Tax	27,831	26,914	917	3.4 %
Basic aid	81,590	81,036	554	0.7 %
Unrestricted grants and contributions	111,658	103,735	7,923	7.6 %
Investment earnings	72	42	30	71.4 %
Gain on capital asset disposal	115	134	(19)	(14.2) %
Miscellaneous	258	276	(18)	(6.5) %
<b>Total revenues</b>	<b>312,536</b>	<b>307,455</b>	<b>5,081</b>	<b>1.7 %</b>
<b>Program expenses:</b>				
Educational:				
Instruction	172,121	170,475	1,646	1.0 %
Administration, attendance and health	41,724	41,711	13	0.0 %
Pupil transportation	12,219	12,914	(695)	(5.4) %
Operation and maintenance	19,922	19,245	677	3.5 %
Food and nutrition services	11,218	10,877	341	3.1 %
Facilities	15,488	14,318	1,170	8.2 %
Technology	16,099	14,421	1,678	11.6 %
Capital outlays	11,761	1,221	10,540	863.2 %
Interest and fiscal charges	74	57	17	29.8 %
<b>Total program expenses</b>	<b>300,626</b>	<b>285,239</b>	<b>15,387</b>	<b>5.4 %</b>
<b>Change in net position</b>	<b>11,910</b>	<b>22,216</b>	<b>(10,306)</b>	<b>(46.4) %</b>
<b>Net position, July 1</b>	<b>196,973</b>	<b>429,726</b>	<b>(232,753)</b>	<b>(54.2) %</b>
<b>Restatement for accounting change</b>	<b>-</b>	<b>(254,969)</b>	<b>254,969</b>	<b>(100.0) %</b>
<b>Net position, as restated, July 1</b>	<b>196,973</b>	<b>174,757</b>	<b>22,216</b>	<b>12.7 %</b>
<b>Net position, ending</b>	<b>\$ 208,883</b>	<b>\$ 196,973</b>	<b>\$ 11,910</b>	<b>6.0 %</b>

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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 the estimated funding needed during the next fiscal year to support the public schools of the division, by April 1st.

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

Below is a summary of the SCPS operating fund budget for the fiscal year ended June 30, 2016:

**Operating Fund Budget Summary**

For the fiscal year ended June 30, 2016

(In thousands of dollars)

<b>Operating Activity Category</b>	<b>Operating Budget</b>		<b>Actual</b>	<b>Variance from Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
Total revenues	\$ 259,684	\$ 261,089	\$ 258,442	\$ (2,647)
Total expenditures	(259,884)	(269,068)	(253,362)	(15,706)
Total other financing sources	200	(325)	(457)	132
Net change in fund balance	\$ -	\$ (8,304)	\$ 4,623	\$ (12,927)

**CAPITAL ASSETS**

Below is a summary of SCPS' net capital assets as of June 30, 2016 and 2015, respectively. Additional information on SCPS's capital assets can be found in Note 8 to the financial statements.

**Net Capital Assets Summary**

As of June 30, 2016 and 2015

(In thousands of dollars)

<b>Capital Asset Category</b>	<b>Governmental Funds</b>		<b>Internal Service Funds</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Land & land improvements	\$ 89,116	\$ 80,470	\$ 1,306	\$ 1,306
Assets not yet placed in service	21	21	-	-
Construction in progress	21,073	64,278	-	-
Building & building improvements	491,470	451,969	1,834	1,826
Furniture & equipment	9,619	8,675	207	207
Vehicles	22,777	22,092	107	107
Software	789	799	79	79
Technology infrastructure	2,631	2,570	-	-
Water treatment system	635	635	-	-
Less: accumulated depreciation and amortization	(197,745)	(195,821)	(1,725)	(1,569)
Total net capital assets	\$ 440,386	\$ 435,688	\$ 1,808	\$ 1,956

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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 rebuild of Stafford High School (\$53.4 million); and (b) renovations at Hampton Oaks Elementary School (\$1.2 million).

Vehicles increased primarily due to the purchase of 25 new buses (\$2.3 million) and five cars equipped for driver's education course (\$.01 million); however, due to current year bus retirements vehicles had a net increase of \$.7 million.

Construction in progress decreased primarily due to the following completed projects: (a) rebuilding of Stafford High School; (b) the roof replacement at North Stafford High School; and renovations at Hampton Oaks Elementary School. Completed projects were reclassified from construction in progress to various other categories (\$69.2 million)

Land and land improvements increased primarily due to rebuild costs for Stafford High School (\$5.5 million) and the installation of turf fields at Mountain View High School (\$.8 million).

Depreciation and amortization expense for 2016 was \$18.1 million.

Internal Service Funds:

There were no significant additions or retirements of internal service fund capital assets; however, current year depreciation was \$.16 million.

**ENERGY PERFORMANCE CAPITAL LEASE**

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

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

These efforts, among others, have resulted in SCPS consuming approximately 7,098,116 less MBTU's for calendar year 2015, as reported in fiscal year 2016, for a savings of \$205,954.

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

**COMPOSITE INDEX**

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

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

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**COMPOSITE INDEX (Continued)**

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

The current Composite Index increased from .3305 in the state biennium covering fiscal years 2013 and 2014 to .3412 in the state biennium covering fiscal years 2015 and 2016.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Since adopting the fiscal year 2017 budget, some factors have surfaced that may impact SCPS' financial operations:

- The economy is continuing to slowly recover from the recent great recession and the Commonwealth is anticipating a slightly improved revenue picture in fiscal year 2016.
- State revenues for the school division are expected to fluctuate from adopted budget. The State has alerted school divisions that the compensation supplement (\$1.2 million) is unlikely to be provided. However, SCPS has seen an increase in its fall student membership. If the trend continues, an increase in average daily membership (ADM) could result in additional State revenues that will help offset the loss of the compensation supplement.
- On April 19, 2016, the board of supervisors unanimously adopted and approved fiscal year 2017 County budgets, in resolution R16 - 94.
- The County's fiscal year 2017 budget adopted by the board of supervisors included a local operating transfer to the school division of \$112.7 million, but only \$106.9 million was appropriated. The balance of \$5.8 million was held back and these funds won't be available to the division until appropriated by the board of supervisors pending a mid-year review, subject to the results of the fiscal year 2016 annual audit.
- In fiscal year 2016, the real estate market continued to steadily improve at a slow to moderate pace after several years of depressed sales activities, continued foreclosures, and a major decline in the assessed valuation of real property within the County. For both the Commonwealth of Virginia and the County, much of their revenue is dependent on the housing/real estate sector of the economy, which in turn impacts their appropriations to SCPS.
- Funding SCPS' Other Post-Employment Benefits (OPEB) liability is a major concern. SCPS's annual required contribution (ARC) for OPEB was approximately \$6.7 million in fiscal year 2016 with no contribution being made to the OPEB Trust Fund. Continuing to under-fund the OPEB liability may adversely impact the County's bond rating. The GASB may adopt tougher reporting and accounting standards for the OPEB liability with more disclosures and shorter amortization periods, which would increase the annual required contribution (ARC).
- The potential for increased energy costs, specifically oil, has a major financial impact on SCPS operations. SCPS consumes approximately 541,000 gallons of fuel annually transporting students, operates 36 facilities that heat and cool approximately 4.0 million square feet of space, and maintains approximately 1,320 acres of school division property. The magnitude of SCPS's operations subjects its financial health to continuous volatility in the local, regional, national, and global energy marketplaces.
- In spite of the recent great recession, growth in the student population for SCPS returned for fiscal years 2010 through 2016, 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.



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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)**

- Providing competitive salaries continues to put pressure on SCPS' resources as contiguous neighboring counties have historically exceeded SCPS teacher salaries. SCPS has adopted a new pay scale enhancement model comparing its teacher pay scales to comparative school divisions. The introductory levels of service have been the target for improvement in FY '15 and FY '16. SCPS has seen significant improvements in the pay scale; however, scarce resources continue to inhibit the division's ability to attract and sustain quality teachers, especially in critical expertise areas such as mathematics and science.
- SCPS continues to experience growing student populations in English as a Second Language (ESL), autism, and children who qualify for free and reduced lunch. These special populations add additional expenses beyond the general educational requirements.

**CONTACTING SCPS MANAGEMENT**

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

# **BASIC FINANCIAL STATEMENTS**

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

Exhibit A

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 31,920,124
Accounts receivable, net of allowance for uncollectibles	12,630,725
Due from primary government	45,145,306
Prepaid expenses	1,054,243
Inventory	550,848
Restricted cash and cash equivalents	14,483,200
Capital assets:	
Land	33,762,184
Land improvements	56,659,153
Construction in progress	21,094,151
Buildings and building improvements	493,304,185
Water treatment system	635,154
Furniture, fixtures and equipment	9,795,029
Technology infrastructure	2,631,414
Software	867,666
Vehicles	22,915,337
Less: Accumulated depreciation	(199,469,991)
Total capital assets	442,194,282
Total assets	547,978,728
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Contributions to pension plan	23,375,726
Total deferred outflows of resources	23,375,726
<b>LIABILITIES</b>	
Accounts payable	4,504,310
Contract retainage	3,561,933
Accrued salaries and benefits	42,930,047
Accrued insurance claims	4,424,646
Current portion of long-term debt	1,312,843
Unearned revenue	107,198
Noncurrent portion of accrued insurance claims	50,165
Noncurrent portion of long-term debt	8,624,387
Noncurrent portion of OPEB liability	29,808,057
Net pension liability	238,776,418
Total liabilities	334,100,004
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	28,371,772
Total deferred inflows of resources	28,371,772
<b>NET POSITION</b>	
Net investment in capital assets	438,932,856
Restricted for:	
Capital Projects	8,997,231
School Nutrition	3,797,665
Grants	66,166
Unrestricted (deficit)	(242,911,240)
Total net position	\$ 208,882,678

*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, 2016

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	
<b>Governmental activities:</b>					
Education:					
Instruction	\$172,120,517	\$ 1,398,765	\$ 44,274,894	\$ -	\$(126,446,858)
Administration, attendance and health	41,724,094	8,003,438	-	-	(33,720,656)
Pupil transportation	12,218,944	1,203,788	-	-	(11,015,156)
Operation and maintenance	19,921,843	-	-	-	(19,921,843)
Food and nutrition services	11,218,148	6,754,639	6,122,708	-	1,659,199
Facilities	15,488,043	232,047	-	-	(15,255,996)
Technology	16,099,263	469,342	-	-	(15,629,921)
Capital outlay	11,760,864	310,594	-	22,241,152	10,790,882
Interest and fiscal charges	74,055	-	-	-	(74,055)
Total governmental activities	<u>\$300,625,771</u>	<u>\$ 18,372,613</u>	<u>\$ 50,397,602</u>	<u>\$ 22,241,152</u>	<u>(209,614,404)</u>
<b>General revenues:</b>					
Sales tax					27,830,873
Basic aid					81,590,202
Unrestricted grants and contributions					111,658,395
Investment earnings					71,599
Gain on capital asset disposals and other sales					115,058
Miscellaneous					257,518
Total general revenues					<u>221,523,645</u>
Change in net position					<u>11,909,241</u>
Net position, beginning - July 1, 2015					<u>196,973,437</u>
Net postion, ending - June 30, 2016					\$ 208,882,678

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, 2016**

Exhibit C

	Operating Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Pooled cash and investments	\$ 39,877	\$ 3,503,480	\$ 3,930,802	\$ 7,474,159
Restricted cash and investments	-	14,483,200	-	14,483,200
Accounts receivable	248,065	825	-	248,890
Intergovernmental receivables:				
Federal Government	601,129	-	6,339,272	6,940,401
Commonwealth of Virginia	5,065,176	221,436	154,822	5,441,434
Due from primary government	45,067,481	-	-	45,067,481
Due from other funds	5,503,377	-	100,000	5,603,377
Prepaid expenses	577,597	-	-	577,597
Inventory	-	-	260,626	260,626
Total assets	<u>\$ 57,102,702</u>	<u>\$ 18,208,941</u>	<u>\$ 10,785,522</u>	<u>\$ 86,097,165</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ 1,666,317	\$ 2,646,402	\$ 34,196	\$ 4,346,915
Contract retainage	12,047	3,549,886	-	3,561,933
Accrued salaries and benefits	41,690,289	29,285	1,052,045	42,771,619
Unearned revenue	37,877	-	69,321	107,198
Due to other funds	323,985	255	5,505,503	5,829,743
Total liabilities	<u>43,730,515</u>	<u>6,225,828</u>	<u>6,661,065</u>	<u>56,617,408</u>
Fund balance:				
Nonspendable:				
Prepaid expenses	577,597	-	-	577,597
Inventory	-	-	260,626	260,626
Total nonspendable	<u>577,597</u>	<u>-</u>	<u>260,626</u>	<u>838,223</u>
Restricted:				
Capital projects	-	8,997,231	-	8,997,231
Food and nutrition services	-	-	3,797,665	3,797,665
Grants	-	-	66,166	66,166
Total restricted	<u>-</u>	<u>8,997,231</u>	<u>3,863,831</u>	<u>12,861,062</u>
Committed:				
Capital projects	-	2,985,882	-	2,985,882
Total committed	<u>-</u>	<u>2,985,882</u>	<u>-</u>	<u>2,985,882</u>
Unassigned:				
Operating	12,794,590	-	-	12,794,590
Total unassigned	<u>12,794,590</u>	<u>-</u>	<u>-</u>	<u>12,794,590</u>
Total fund balance	<u>13,372,187</u>	<u>11,983,113</u>	<u>4,124,457</u>	<u>29,479,757</u>
Total liabilities and fund balance	<u>\$ 57,102,702</u>	<u>\$ 18,208,941</u>	<u>\$ 10,785,522</u>	<u>\$ 86,097,165</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, 2016**

Exhibit C-1

Fund balance - total governmental funds	\$	29,479,757
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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	\$ 638,131,388	
Less accumulated depreciation and amortization	<u>(197,745,068)</u>	
Net capital assets		440,386,320

Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds.	23,375,726
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Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

Assets	27,325,402	
Liabilities	<u>(34,926,963)</u>	
Net position		(7,601,561)

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	(376,858)	
ERP capital lease	(1,839,335)	
Compensated absences	(6,538,181)	
Stafford County loan	(855,000)	
Net pension liability	<u>(238,776,418)</u>	
Total		(248,385,792)

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental funds.	(28,371,772)
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Net position of governmental activities	\$	<u><u>208,882,678</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, 2016**

Exhibit D

	Operating Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Intergovernmental:				
Stafford County	\$ 111,658,395	\$ 22,241,152	\$ -	\$ 133,899,547
Commonwealth of Virginia	141,661,631	-	606,466	142,268,097
Federal Government	2,212,646	-	15,337,934	17,550,580
Total intergovernmental revenues	255,532,672	22,241,152	15,944,400	293,718,224
Charges for services:				
Tuition and fees	752,941	-	-	752,941
Food sales	-	-	6,754,639	6,754,639
Recovered costs	2,063,799	310,596	-	2,374,395
Miscellaneous	92,196	-	237,782	329,978
Interest	-	56,296	-	56,296
Total revenues	258,441,608	22,608,044	22,936,821	303,986,473
<b>EXPENDITURES</b>				
Current operating:				
Education:				
Instruction	186,155,614	-	9,951,877	196,107,491
Administration, attendance and health	10,743,059	-	-	10,743,059
Pupil transportation	12,463,033	-	-	12,463,033
Operation and maintenance	20,578,357	-	-	20,578,357
Food and nutrition services	212,463	-	11,865,350	12,077,813
Facilities	161,377	-	-	161,377
Technology	16,593,952	-	284,933	16,878,885
Capital outlay	5,664,167	28,829,165	111,415	34,604,747
Debt service:				
Principal	721,941	-	-	721,941
Interest and fiscal charges	68,115	-	-	68,115
Total expenditures	253,362,078	28,829,165	22,213,575	304,404,818
Excess (deficiency) of revenues over (under) expenditures	5,079,530	(6,221,121)	723,246	(418,345)
<b>OTHER FINANCING USES</b>				
Net transfers from (to) other funds	(456,805)	-	(100,359)	(557,164)
Total other financing uses	(456,805)	-	(100,359)	(557,164)
Change in fund balance	4,622,725	(6,221,121)	622,887	(975,509)
Fund balance, beginning - July 1, 2015	8,749,462	18,204,234	3,501,570	30,455,266
Fund balance, ending - June 30, 2016	\$ 13,372,187	\$ 11,983,113	\$ 4,124,457	\$ 29,479,757

*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, 2016**

Exhibit D-1

Net change in fund balance - total governmental funds \$ (975,509)

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	\$ 32,090,689	
Less: Depreciation and amortization expense	<u>(18,145,257)</u>	
Excess of capital outlay over depreciation and amortization		13,945,432

The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals and donations) is to decrease net position. (9,246,805)

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	361,277	
ERP capital lease	285,665	
Stafford County loan	<u>75,000</u>	
		721,942

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	(55,462)	
Pension expense	<u>7,656,360</u>	
		7,600,898

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

Total revenues and transfers from other funds	35,310,206	
Total expenses	<u>(35,446,923)</u>	
		<u>(136,717)</u>

Change in net position of governmental activities	\$ <u><u>11,909,241</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, 2016**

Exhibit E

	<b>Governmental Activities - Internal Service Funds</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 24,445,965
Accounts receivable - due from primary government	77,825
Due from other funds	226,782
Inventory	290,222
Prepaid expenses	476,646
Capital assets:	
Land	37,357
Land improvements	1,268,429
Buildings and building improvements	1,833,904
Furniture, fixtures and equipment	207,200
Vehicles	107,270
Software	78,725
Less: accumulated depreciation and amortization	(1,724,923)
Total capital assets	1,807,962
Total assets	27,325,402
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	157,395
Accrued salaries and benefits	158,428
Due to other funds	416
Current portion of capital lease	29,540
Current portion of accrued insurance claims	4,424,646
Current portion of compensated absences	13,296
Noncurrent portion of accrued insurance claims	50,165
Noncurrent portion of capital lease	160,693
Noncurrent portion of compensated absences	124,327
Noncurrent portion of OPEB Liability	29,808,057
Total liabilities	34,926,963
<b>NET POSITION</b>	
Net investment in capital assets	1,617,729
Unrestricted (deficit)	(9,219,290)
Total net position (deficit)	(7,601,561)
Total liabilities and net position	\$ 27,325,402

*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, 2016

Exhibit F

	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating revenues:</b>	
Charges for services	\$ 34,622,681
<b>Operating expenses:</b>	
Personnel services	2,087,175
Contractual services	31,728,698
Materials and supplies	1,428,780
Utilities	15,497
Telecommunication	25,203
Depreciation and amortization	155,630
Total operating expenses	35,440,983
Operating loss	(818,302)
<b>Nonoperating revenues (expenses):</b>	
Interest and investment revenue	15,303
Interest expense	(5,940)
Vehicle and other sales	115,058
Total nonoperating revenues, net	124,421
Loss before transfers	(693,881)
Transfers from other funds, net	557,164
Change in net position	(136,717)
Net position (deficit), beginning - July 1, 2015	(7,464,843)
Net position (deficit), ending - June 30, 2016	\$ (7,601,560)

*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, 2016**

Exhibit G

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 34,629,225
Payments to suppliers	(28,621,248)
Payments to employees	(2,110,188)
Net cash provided by operating activities	<u>3,897,789</u>
<b>Cash flows from noncapital and related financing activities:</b>	
Transfers from other funds, net	<u>557,164</u>
Net cash provided by noncapital and related financing activities	<u>557,164</u>
<b>Cash flows from capital and related financing activities:</b>	
Proceeds from vehicle and supply sales	115,058
Principal paid on capital lease	(28,728)
Interest paid on capital lease	(5,940)
Acquisition and construction of capital assets	(7,468)
Net cash provided by capital and related financing activities	<u>72,922</u>
<b>Cash flows from investing activities:</b>	
Interest earned on investments	<u>15,303</u>
Net cash provided by investing activities	<u>15,303</u>
Net increase in cash and cash equivalents	4,543,178
Cash and cash equivalents, beginning - July 1, 2015	19,902,787
Cash and cash equivalents, ending - June 30, 2016	<u><u>\$ 24,445,965</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (818,302)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization expense	155,630
Changes in assets and liabilities:	
Increase in accounts receivable	6,544
Increase in prepaid expenses	(215,697)
Decrease in inventory	7,931
Decrease in accounts payable and accrued expenses	(342,630)
Increase in compensated absences	6,033
Increase in OPEB liability	5,098,280
Total adjustments	<u>4,716,091</u>
Net cash provided by operating activities	<u><u>\$ 3,897,789</u></u>

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

STAFFORD COUNTY PUBLIC SCHOOLS  
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS - TRUST AND AGENCY FUNDS  
June 30, 2016

Exhibit H

	Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 2,961,599
Restricted investments	18,413,931	-
Total assets	<u>\$ 18,413,931</u>	<u>\$ 2,961,599</u>
<b>LIABILITIES</b>		
Scholarships payable	\$ 1,000	\$ -
Reserved for future expenditures	-	2,961,599
Total liabilities	<u>1,000</u>	<u>2,961,599</u>
<b>NET POSITION</b>		
Restricted for OPEB	18,380,629	-
Restricted for scholarships	3,672	-
Restricted for endowment	28,630	-
Total net position	<u>\$ 18,412,931</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 POSITION**  
**FIDUCIARY FUNDS - TRUST FUNDS**  
**June 30, 2016**

Exhibit I

	<b>OPEB Trust Fund</b>	<b>Scholarship Trust Fund</b>	<b>Endowment Trust Fund</b>	<b>Total Trust Fund</b>
<b>ASSETS</b>				
Restricted investments	\$ 18,380,629	\$ 3,672	\$ 29,630	\$ 18,413,931
<b>LIABILITIES</b>				
Scholarships payable	\$ -	\$ -	\$ 1,000	\$ 1,000
Total liabilities	\$ -	\$ -	\$ 1,000	\$ 1,000
<b>NET POSITION</b>				
Restricted for OPEB	\$ 18,380,629	\$ -	\$ -	\$ 18,380,629
Restricted for scholarships	-	3,672	-	3,672
Restricted for endowment	-	-	28,630	28,630
Total net position	\$ 18,380,629	\$ 3,672	\$ 28,630	\$ 18,412,931

*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, 2016

Exhibit J

	Trust Fund			
	OPEB Trust Fund			
	Fiduciary Net Position - July 1, 2015	Additions	Deductions	Fiduciary Net Position - June 30, 2016
<b>ASSETS</b>				
Restricted investments:				
Beginning balance	\$ 18,482,077	\$ -	\$ -	\$ 18,482,077
Investment gains (losses), net	-	-	(79,209)	(79,209)
Investment expenses	-	-	(22,239)	(22,239)
Ending balance	<u>\$ 18,482,077</u>	<u>\$ -</u>	<u>\$ (101,448)</u>	<u>\$ 18,380,629</u>
<b>NET POSITION</b>				
Restricted for OPEB	<u>\$ 18,482,077</u>	<u>\$ -</u>	<u>\$ (101,448)</u>	<u>\$ 18,380,629</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, 2016

Exhibit K

	Trust Fund			
	Scholarship Trust Fund			
	Fiduciary Net Position - July 1, 2015	Additions	Deductions	Fiduciary Net Position - June 30, 2016
<b>ASSETS</b>				
Restricted investments:				
Beginning balance	\$ 3,672	\$ -	\$ -	\$ 3,672
Contributions from donors	-	3,603	-	3,603
Scholarships paid	-	-	(3,603)	(3,603)
Ending balance	<u>\$ 3,672</u>	<u>\$ 3,603</u>	<u>\$ (3,603)</u>	<u>\$ 3,672</u>
<b>NET POSITION</b>				
Restricted for scholarships	<u>\$ 3,672</u>	<u>\$ 3,603</u>	<u>\$ (3,603)</u>	<u>\$ 3,672</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, 2016

Exhibit L

	Trust Fund			
	Endowment Trust Fund			
	Fiduciary Net Position - July 1, 2015	Additions	Deductions	Fiduciary Net Position - June 30, 2016
<b>ASSETS</b>				
Restricted investments:				
Beginning balance	\$ 30,535	\$ -	\$ -	\$ 30,535
Investment interest income	-	95	-	95
Scholarships paid	-	-	(1,000)	(1,000)
Ending balance	<u>\$ 30,535</u>	<u>\$ 95</u>	<u>\$ (1,000)</u>	<u>\$ 29,630</u>
<b>LIABILITIES</b>				
Scholarships payable	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>
<b>NET POSITION</b>				
Restricted for endowment	<u>\$ 29,535</u>	<u>\$ 95</u>	<u>\$ (1,000)</u>	<u>\$ 28,630</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, 2016**

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**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’ 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.

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

**FIDUCIARY FUNDS**

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

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

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**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. FUND ACCOUNTING (Continued)**

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

**C. BASIS OF FINANCIAL STATEMENT PRESENTATION**

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

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

***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

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

The Statement of Net Position presents the overall financial condition of SCPS at fiscal year-end. Presence and size of the net position is an indication of SCPS' ability to cover its 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 seven fiduciary funds, four agency funds and three trust funds. The agency funds are comprised of activity funds at all 30 schools and one fiduciary service activity fund, which is purely custodial (i.e., assets equal liabilities) and the flexible spending fund is comprised of the funds collected from and disbursed to employees for unreimbursed medical expenses and dependent care expenses. Agency funds do not involve the measurement of operations. The trust funds are comprised of the OPEB (Other Post-Employment Benefits) Trust Fund, an irrevocable trust, and involves the measurement of OPEB plan operations, a Scholarship trust fund, a fund involved in the collection of donations for the distribution of scholarships to students, and an Endowment trust fund, a fund involved in the collection of donations used for investment purposes and whose earnings are then distributed as scholarships.

**D. MEASUREMENT FOCUS**

***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

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

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

***FUND FINANCIAL STATEMENTS***

**Governmental Funds**

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

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**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. MEASUREMENT FOCUS (Continued)**

**Proprietary Funds**

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

**Fiduciary Funds**

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

**E. BASIS OF ACCOUNTING**

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

***REVENUES***

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

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

***EXPENDITURES/EXPENSES***

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

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**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. BASIS OF ACCOUNTING (Continued)**

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

**F. CASH AND CASH EQUIVALENTS**

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

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. In order to maximize investment returns, cash and cash equivalents are maintained in a fully insured or collateralized investment pool administered by the Treasurer's Office of the County of Stafford. At June 30, 2016, all of the County's deposits were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). The Act established a single body of law applicable to the pledge of security as collateral for public funds on deposit in banking institutions so that the procedure for securing public deposits is uniform throughout the Commonwealth. Under the Act, banks holding public deposits must pledge certain levels of collateral and make monthly filings with the State Treasury Board.

***RESTRICTED CASH***

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

**G. DEPOSITS AND INVESTMENTS**

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

**H. INVENTORIES**

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

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

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**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. INVENTORIES (Continued)**

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

**I. CAPITAL ASSETS**

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

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

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

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

**J. COMPENSATED ABSENCES**

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

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



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**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. PENSIONS**

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

**L. ACCRUED LIABILITIES AND LONG-TERM DEBT**

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

**M. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. The Board has two items that qualify for reporting in this category. It includes (1) the changes in proportion and differences between employer contributions and proportionate share of contributions and (2) the employer's fiscal year 2016 Virginia Retirement System contributions and are reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Three items qualify for reporting in this category. These items, the net difference between projected and actual earnings on the Virginia Retirement System's plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and the difference between expected and actual experience are reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

**N. NET POSITION**

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

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

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**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. NET POSITION(Continued)**

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

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

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

**O. ENCUMBRANCES**

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

**P. USE OF ESTIMATES**

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

**Q. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING**

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

1. SCPS' Superintendent prepares an annual budget that is presented to the School Board. The School Board then reviews and requests changes be made or approves the Superintendent's Budget and presents it to the County Board of Supervisors.
2. Prior to April 1, the County Administrator submits a proposed budget (operating and capital) to the Board of Supervisors for the fiscal year commencing the following July 1. The budget includes proposed obligations and the means of financing them. The budget embodies estimates of specific amounts of revenue.
3. Public hearings are conducted by the Board of Supervisors to obtain taxpayer and citizen comments.

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**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Q. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING (Continued)**

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

**Stafford County Public Schools' Budgets**

***Governmental Funds:***

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

***Proprietary Funds – Internal Service Funds:***

Fleet Services Fund  
Health Benefits Fund  
Workers' Compensation Fund

Budgets are adopted on a basis consistent with GAAP. The budget for the proprietary funds serves as a guide and not as legally binding limitations. Although legal restrictions on expenditures are established at the departmental level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets. For the year ended June 30, 2016, 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, 2016. Individual amendments were not material in relation to the original appropriations.

**R. FUND BALANCES**

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

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

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**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**R. FUND BALANCES (Continued)**

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

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

**Note 2. DEPOSITS AND INVESTMENTS**

**DEPOSITS**

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

**INVESTMENTS**

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

**CUSTODIAL CREDIT RISK**

The School Board's investments at June 30, 2016 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, 2016 were rated by Standard & Poor's and/or an equivalent national rating organization. The ratings using Standard & Poor's rating scale are presented below:

	<b>AAAm</b>
VACo/VML Pooled OPEB Trust	\$ 18,380,629
LGIP	4,782,968
SNAP	13,560,701
Total	<u>\$ 36,724,298</u>

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**Note 2. DEPOSITS AND INVESTMENTS**

**EXTERNAL INVESTMENT POOLS**

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

	Fair Value	Less than 1 Year
LGIP	\$ 4,782,968	\$ 4,782,968
SNAP	13,560,701	13,560,701
	<u>\$ 18,343,669</u>	<u>\$ 18,343,669</u>

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

The School Board has the following recurring fair value measurements as of June 30, 2016:

- SNAP securities of \$13,560,701 are valued using quoted market prices (Level 1 inputs).
- VACo/VML Pooled OPEB Trust of \$18,380,629 are valued using quoted market prices (Level 1 inputs).

**Note 3. DUE FROM STAFFORD COUNTY (PRIMARY GOVERNMENT)**

The receivable due from Stafford County at June 30, 2016 represents primarily, SCPS' ending cash balance, excluding the balance reported as "Pooled cash and investments", which was reclassified and reported at year-end as "Due from primary government" in the Operating Fund.

**Note 4. DUE FROM COMMONWEALTH OF VIRGINIA AND FEDERAL GOVERNMENT**

Significant amounts of intergovernmental receivables due from other governments at June 30, 2016 were as follows:

<i>Intergovernmental Receivables:</i>	<b>Governmental Funds – Operating Fund</b>	<b>Nonmajor Governmental Funds - Capital Projects Fund</b>	<b>Nonmajor Governmental Funds – Food and Nutrition Services Fund</b>	<b>Nonmajor Governmental Funds – Grants Fund</b>	<b>Governmental Funds Total</b>
Commonwealth of Virginia	\$ 5,065,176	\$ 221,436	\$ -	\$ 154,822	\$ 5,441,434
Federal Government	601,129	-	915,946	5,423,326	6,940,401
Total	<u>\$ 5,666,305</u>	<u>\$ 221,436</u>	<u>\$ 915,946</u>	<u>\$ 5,578,148</u>	<u>\$ 12,381,835</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 primarily attributed to the Jails – New Special Ed Regulation and Safe Routes to School programs. The amount due from the Commonwealth of Virginia in the Capital Projects Fund is primarily attributed to reimbursement for the relocation of cables in conjunction with the Courthouse Road Fiber Project.

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**Note 4. DUE FROM COMMONWEALTH OF VIRGINIA AND FEDERAL GOVERNMENT (Continued)**

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

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

**Note 5. INTERFUND TRANSFERS**

In the fiscal year ended June 30, 2016, the majority of the inter-fund transfers made were from the Operating Fund to the Workers' Compensation Fund, the Food and Nutrition Services Fund, and the Fleet Services Fund. The inter-fund transfers made during the year ended June 30, 2016 were, as follows:

<i>Transfer from:</i>	<b>Operating Fund</b>	<b>Food and Nutrition Services</b>	<b>Grants Fund</b>	<b>Total</b>
<i>Transfer to:</i>				
Operating Fund	\$ -	\$ 200,000	\$ -	\$ 200,000
Food and Nutrition Services Fund	118,630	-	-	118,630
Workers' Compensation Fund	525,392	-	18,989	544,381
Fleet Services Fund	12,783	-	-	12,783
Total	<u>\$ 656,805</u>	<u>\$ 200,000</u>	<u>\$ 18,989</u>	<u>\$ 875,794</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 transfers from the Operating Fund to the Food and Nutrition Services Fund and the Fleet Services Fund were made to cover the costs incurred in the funds for one time stipends to all employees as approved by the SCPS School Board.

**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, 2016:

	<b>Amounts Payable at 7/1/15</b>	<b>Increases</b>	<b>Decreases</b>	<b>Amounts Payable at 6/30/16</b>	<b>Amounts Due within One Year</b>
<i>Governmental Activities:</i>					
General Long-Term Debt:					
Capital Leases	\$ 2,863,135	\$ -	\$ 646,942	\$ 2,216,193	\$ 668,293
Compensated Absences*	6,482,719	566,220	510,758	6,538,181	526,714
Note Payable-Stafford County	930,000	-	75,000	855,000	75,000
<i>Internal Service Funds:</i>					
Capital Lease	218,961	-	28,728	190,233	29,540
Compensated Absences	131,590	16,276	10,243	137,623	13,296
Total	<u>\$ 10,626,405</u>	<u>\$ 582,496</u>	<u>\$ 1,271,671</u>	<u>\$ 9,937,230</u>	<u>\$ 1,312,843</u>

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

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**Note 6. CHANGES IN LONG-TERM DEBT (Continued)**

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

<b>Fiscal year ending June 30:</b>	<b>Amount</b>
2017	\$ 75,000
2018	75,000
2019	75,000
2020	75,000
2021	75,000
2022-2026	400,000
2027	80,000
Total future payments	<u>\$ 855,000</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 \$376,858 is outstanding as of June 30, 2016.

For the year ended June 30, 2016, interest expense from the energy capital lease obligation totaled \$23,076.

In May 2015, SCPS executed a contract for the purchase of an enterprise resource planning system (ERP). The financing for this project was funded by a Master Equipment Lease/Purchase Agreement and qualifies as a capital lease for accounting purposes. The total amount financed was \$2,125,000, of which \$1,839,335 was outstanding as of June 30, 2016.

For the year ended June 30, 2016, interest expense from the ERP capital lease obligation totaled \$40,327.

The maturities of future minimum lease payments and the net present value of capitalized lease obligations as of June 30, 2016 are as follows:

<b>Fiscal year ending June 30:</b>	<b>Amount</b>
2017	\$ 713,857
2018	326,949
2019	326,949
2020	326,949
2021	326,949
2022	326,949
Total future minimum lease payments	<u>2,348,602</u>
Less: interest included in total future minimum lease payments	<u>(132,409)</u>
Net present value of capitalized lease obligations	<u>\$ 2,216,193</u>

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**Note 7. CAPITAL LEASE OBLIGATIONS (Continued)**

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 \$190,233 is outstanding as of June 30, 2016.

For the year ended June 30, 2016, interest expense from the capital lease obligation totaled \$5,940.

The maturities of future minimum lease payments and the net present value of the capitalized lease obligation as of June 30, 2016 are as follows:

<b>Fiscal year ending June 30:</b>	<b>Amount</b>
2017	\$ 34,668
2018	34,668
2019	34,668
2020	34,668
2021	34,668
2022	34,671
Total future minimum lease payments	208,011
Less: interest included in total future minimum lease payments	(17,778)
Net present value of capitalized lease obligations	<u>\$ 190,233</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, 2016:

	Balance July 1, 2015	Increases	Decreases	Re- classifications	Balance June 30, 2016
<i>Governmental Activities:</i>					
<u>Capital assets not being depreciated or amortized:</u>					
Land	\$ 33,031,257	\$ -	\$ -	\$ 693,570	\$ 33,724,827
Assets not yet placed in service	21,131	-	-	-	21,131
Construction in progress	64,278,237	26,216,536	(200,393)	(69,221,360)	21,073,020
Total capital assets not being depreciated or amortized	97,330,625	26,216,536	(200,393)	(68,527,790)	54,818,978
<u>Capital assets being depreciated or amortized</u>					
Land improvements	47,438,822	1,491,942	(666,868)	7,126,828	55,390,724
Buildings & building improvements	451,968,572	1,175,409	(22,591,944)	60,918,244	491,470,281
Furniture, fixtures & equipment	8,675,194	659,053	(197,667)	482,718	9,619,298
Vehicles	22,091,423	2,468,396	(1,783,221)	-	22,776,598
Software	798,988	17,676	(27,723)	-	788,941
Technology infrastructure	2,569,737	61,677	-	-	2,631,414
Water treatment system	635,154	-	-	-	635,154
Total capital assets being depreciated or amortized	534,177,890	5,874,153	(25,267,423)	68,527,790	583,312,410
<u>Less accumulated depreciation or amortization for:</u>					
Land improvements	(16,718,335)	(2,725,061)	470,455	2,000	(18,970,941)
Buildings & building improvements	(159,102,317)	(13,125,216)	13,933,029	(2,000)	(158,296,504)
Furniture, fixtures & equipment	(6,941,539)	(717,042)	158,592	-	(7,499,989)
Vehicles	(11,779,130)	(1,288,414)	1,638,521	-	(11,429,023)
Software	(391,097)	(129,941)	20,414	-	(500,624)
Technology infrastructure	(385,907)	(130,210)	-	-	(516,117)
Water treatment system	(502,497)	(29,373)	-	-	(531,870)
Total accumulated depreciation or amortization	(195,820,822)	(18,145,257)	16,221,011	-	(197,745,068)
Total capital assets being depreciated or amortized, net	338,357,068	(12,271,104)	(9,046,412)	68,527,790	385,567,342
<b>Total capital assets, net - governmental activities</b>	<b>\$ 435,687,693</b>	<b>\$ 13,945,432</b>	<b>\$ (9,246,805)</b>	<b>\$ -</b>	<b>\$ 440,386,320</b>

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

Function	Depreciation and amortization expense
Instruction	\$ 429,013
Administration, attendance and health	173,859
Pupil transportation	1,195,151
Operation and maintenance	461,330
Food and nutrition services	131,281
Facilities	15,206,206
Technology	548,418
<b>Total depreciation and amortization expense - governmental activities</b>	<b>\$ 18,145,257</b>

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**Note 8. CAPITAL ASSETS (Continued)**

The following is a summary of the changes in *Total capital assets, proprietary funds* (i.e., for SCPS' Fleet Services Fund, an internal service fund) for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Re- classifications	Balance June 30, 2016
<i>Internal – Service Activities:</i>					
<u>Capital assets not being depreciated or amortized</u>					
Land	\$ 37,357	\$ -	\$ -	\$ -	\$ 37,357
Total capital assets not being depreciated or amortized	37,357	-	-	-	37,357
<u>Capital assets being depreciated or amortized</u>					
Land improvements	1,268,429	-	-	-	1,268,429
Buildings & building improvements	1,826,436	7,468	-	-	1,833,904
Furniture, fixtures & equipment	207,200	-	-	-	207,200
Vehicles	107,270	-	-	-	107,270
Software	78,725	-	-	-	78,725
Total capital assets being depreciated or amortized	3,488,060	7,468	-	-	3,495,528
<u>Less accumulated depreciation or amortization for:</u>					
Land improvements	(437,783)	(62,325)	-	-	(500,108)
Buildings & building improvements	(933,016)	(72,817)	-	-	(1,005,833)
Furniture, fixtures & equipment	(59,617)	(12,623)	-	-	(72,240)
Vehicles	(60,152)	(7,865)	-	-	(68,017)
Software	(78,725)	-	-	-	(78,725)
Total accumulated depreciation and amortization	(1,569,293)	(155,630)	-	-	(1,724,923)
Total capital assets being depreciated or amortized, net	1,918,767	(148,162)	-	-	1,770,605
<b>Total capital assets, net</b> <b>– internal –service activities</b>	<b>\$ 1,956,124</b>	<b>\$ (148,162)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,807,962</b>

**Note 9. CONSTRUCTION COMMITMENTS**

At June 30, 2016, SCPS had contractual commitments of \$9 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, 2016 were \$216,507, of which \$166,342 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:

<b>Fiscal Year Ended June 30</b>	<b>2016</b>	<b>2015</b>
Unpaid claims, beginning of fiscal year	\$ 4,443,510	\$ 4,931,982
Incurred claims (including IBNR)	23,543,117	24,017,877
Claims payments	(23,728,323)	(24,506,349)
Unpaid claims, end of fiscal year	<u>\$ 4,258,304</u>	<u>\$ 4,443,510</u>

**Note 13. LITIGATION AND CONTINGENT LIABILITIES**

SCPS is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. It is the opinion of SCPS' management, based on advice from legal counsel, that any losses incurred as a result of claims existing as of June 30, 2016 will not be material to the financial statements.

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**Note 13. LITIGATION AND CONTINGENT LIABILITIES (Continued)**

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

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**Note 14. PENSION PLAN**

**A. PLAN DESCRIPTION**

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

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

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

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>About Plan 1</b></p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b></p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010 or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b></p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> <li>▪ The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>▪ 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.</li> <li>▪ 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.</li> </ul>

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**Note 14. PENSION PLAN (Continued)**

**A. PLAN DESCRIPTION (Continued)**

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

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**Note 14. PENSION PLAN (Continued)**

**A. PLAN DESCRIPTION (Continued)**

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Retirement Contributions</b>  Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution, but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b>  Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b>  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><b>Creditable Service</b>  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><b>Creditable Service</b>  Same as Plan 1.</p>	<p><b>Creditable Service</b>  <u><b>Defined Benefit Component</b></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><b>Defined Contributions Component</b></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)**

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Vesting</b>  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><b>Vesting</b>  Same as Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component</b></u>  Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u><b>Defined Contributions Component</b></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> <ul style="list-style-type: none"> <li>▪ After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>▪ After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> </ul>

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**Note 14. PENSION PLAN (Continued)**

**A. PLAN DESCRIPTION (Continued)**

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
		<b><u>Defined Contributions</u></b> <b><u>Component (Continued)</u></b>
		<ul style="list-style-type: none"> <li>After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul>
		Distribution is not required by law until age 70 1/2.
<b>Calculating the Benefit</b>	<b>Calculating the Benefit</b>	<b>Calculating the Benefit</b>
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.	See definition under Plan 1.	<b><u>Defined Benefit Component</u></b> See definition under Plan 1.
		<b><u>Defined Contribution</u></b> <b><u>Component</u></b>
		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.
<b>Average Final Compensation</b>	<b>Average Final Compensation</b>	<b>Average Final Compensation</b>
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
<b>Service Retirement Multiplier</b>	<b>Service Retirement Multiplier</b>	<b>Service Retirement Multiplier</b>
The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	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.	<b><u>Defined Contribution Component</u></b>
		The retirement multiplier is 1.0%.
		For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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**Note 14. PENSION PLAN (Continued)**

**A. PLAN DESCRIPTION (Continued)**

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<b>Normal Retirement Age</b> Age 65.	<b>Normal Retirement Age</b> Normal Social Security retirement age.	<b>Normal Retirement Age</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.
		<b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<b>Earliest Unreduced Retirement Eligibility</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	<b>Earliest Unreduced Retirement Eligibility</b> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.	<b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.
		<b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<b>Earliest Reduced Retirement Eligibility</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	<b>Earliest Reduced Retirement Eligibility</b> Age 60 with at least five years (60 months) of creditable service.	<b>Earliest Reduced Retirement Eligibility</b> <b><u>Defined Benefit Component</u></b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
		<b><u>Defined Contribution Component</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

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**Note 14. PENSION PLAN (Continued)**

**A. PLAN DESCRIPTION (Continued)**

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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%.	<b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.	<b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.  <b><u>Defined Contribution Component:</u></b> Not applicable.
<b><u>Eligibility:</u></b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.  For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	<b><u>Eligibility:</u></b> Same as Plan 1	<b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.
<b><u>Exceptions to COLA Effective Dates:</u></b> 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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> </ul>		

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**Note 14. PENSION PLAN (Continued)**

**A. PLAN DESCRIPTION (Continued)**

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>	<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>	<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>
<b><u>Exceptions to COLA Effective Dates:</u></b>	<b><u>Exceptions to COLA Effective Dates:</u></b>	<b><u>Exceptions to COLA Effective Dates:</u></b>
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	Same as Plan 1	Same as Plan 1 and Plan 2.
<b>Disability Coverage</b>	<b>Disability Coverage</b>	<b>Disability Coverage</b>
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.	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.	Employees of school divisions (teachers), including Plan 1 and Plan 2 opt-ins, participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.
VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Virginia Sickness and Disability Program (VSDP) members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

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**Note 14. PENSION PLAN (Continued)**

**A. PLAN DESCRIPTION (Continued)**

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<b>Purchase of Prior Service</b> 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.	<b>Purchase of Prior Service</b> Same as Plan 1.	<b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> <li>Hybrid Retirement Plan members are ineligible for ported service.</li> <li>The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost.</li> </ul>
		<b><u>Defined Contribution Component:</u></b> Not applicable.

**School Board Non-Professional**

**Employees Covered by Benefit Terms**

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Number</b>
Inactive members or their beneficiaries currently receiving benefits	158
Inactive members:	
Vested	26
Non-vested	123
Active elsewhere in	56
Total inactive members	205
Active members	318
Total covered employees	681

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**Note 14. PENSION PLAN (Continued)**

**A. PLAN DESCRIPTION (Continued)**

***Contributions***

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

The School Board non-professional's contractually required contribution rate for the year ended June 30, 2016 was 8.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the non-professional plan were \$754,488 and \$700,475 for the years ended June 30, 2016 and 2015, respectively.

**School Board Professional**

***Contributions***

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

The School Board Professionals contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014, adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%; however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Section 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board for the professional plan were \$21,137,562 and \$22,117,580 for the years ended June 30, 2016 and 2015, respectively.



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**Note 14. PENSION PLAN (Continued)**

**B. NET PENSION LIABILITY**

The School Board's non-professional plan net pension liabilities were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

At June 30, 2016, the School Board reported a liability for the professional plan of \$236,250,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the School Board's proportion was 1.87703% as compared to 1.96028% at June 30, 2014.

**Actuarial Assumptions – School Board Non-Professional Plan**

The total pension liability for non-professionals in the School Board's retirement plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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**Note 14. PENSION PLAN (Continued)**

**B. NET PENSION LIABILITY (Continued)**

**Actuarial Assumptions – School Board Professional Plan**

The total pension liability for the VRS Teacher retirement plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2015.

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

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

**Mortality Rates:**

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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**Note 14. PENSION PLAN (Continued)**

**B. NET PENSION LIABILITY (Continued)**

**Long-Term Expected Rate of Return**

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

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

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

**Discount Rate**

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

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**Note 14. PENSION PLAN (Continued)**

**B. NET PENSION LIABILITY (Continued)**

**Discount Rate (Continued)**

Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the School Board's retirement plans will be subject to the proration of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liabilities.

**C. CHANGES IN THE NET PENSION LIABILITY**

**School Board Non-Professional**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$ 25,991,264	\$ 23,804,703	\$ 2,186,561
Changes for the Year:			
Service cost	917,801	-	917,801
Interest	1,773,289	-	1,773,289
Difference between expected and actual experience	(171,518)	-	(171,518)
Contributions – employer	-	700,475	(700,475)
Contributions – employee	-	412,685	(412,685)
Net investment income	-	1,081,570	(1,081,570)
Benefit payments, including refunds of employee contributions	(1,317,128)	(1,317,128)	-
Administrative expense	-	(14,788)	14,788
Other changes	-	(227)	227
Net changes	1,202,444	862,587	339,857
Balances at June 30, 2015	\$ 27,193,708	\$ 24,667,290	\$ 2,526,418

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

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

	1% Decrease -6.00%	Current Discount Rate -7.00%	1% Increase -8.00%
School Board non-professional net pension liability (asset)	\$ 6,014,958	\$ 2,526,418	\$ (381,030)
School Board professional net pension liability	345,729,000	236,250,000	146,125,000

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**Note 14. PENSION PLAN (Continued)**

**C. CHANGES IN THE NET PENSION LIABILITY (Continued)**

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

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

**School Board Non-Professional**

For the year ended June 30, 2016, the School Board recognized pension expense related to its non-professional plan of \$340,184. The School Board also reported deferred outflows of resources and deferred inflows of resources related to its non-professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ -	\$ 123,339
Net difference between projected and actual earnings on pension plan investments	461,676	1,085,433
Employer contributions subsequent to the measurement date	754,488	-
Total	<u>\$ 1,216,164</u>	<u>\$ 1,208,772</u>

The \$754,488 reported as deferred outflows of resources related pensions resulting from the School Board non-professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

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

Year Ending June 30,	Amount
2017	\$ 294,571
2018	294,571
2019	273,373
2020	(115,419)
	<u>\$ 747,096</u>

**School Board Professional**

For the year ended June 30, 2016, the School Board recognized pension expense related to the professional plan of \$15,437,000. Since there was a change in proportionate share between June 30, 2014 and June 30, 2015, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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**Note 14. PENSION PLAN (Continued)**

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

At June 30, 2016, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions for the professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 14,468,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,022,000	9,442,000
Difference between expected and actual experience	-	3,253,000
Employer contributions subsequent to the measurement date	21,137,562	-
Total	<u>\$ 22,159,562</u>	<u>\$ 27,163,000</u>

\$21,137,562 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions for the professional plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	\$ 8,271,000
2018	8,271,000
2019	8,271,000
2020	(7,000)
2021	1,335,000
	<u>\$ 26,141,000</u>

**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.

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

**A. PLAN DESCRIPTION (Continued)**

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

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

***DISABILITY BENEFITS***

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

***SURVIVOR BENEFITS***

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

***MEDICARE COVERAGE OPTIONS***

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

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

**ACTUARIAL METHODS AND ASSUMPTIONS**

**Cost Method**

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

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

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



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

**A. PLAN DESCRIPTION (Continued)**

**Interest Assumptions**

The actuarial assumptions of the plan as of June 30, 2016 are as follows:

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

**B. FUNDING POLICY**

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

**C. ANNUAL OPEB COST AND NET OPEB OBLIGATION**

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

The School Board's annual OPEB cost (expense) for the year ended June 30, 2016 was \$6,965,214 (comprised of the ARC of \$6,734,000 plus interest of \$1,729,684 on the beginning net OPEB obligation less an ARC adjustment of \$1,498,470) and the annual contributions were \$1,866,934, yielding an increase in the net OPEB obligation of \$5,098,280.

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for fiscal years 2016, 2015, and 2014 are as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Annual Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2016	\$ 6,965,214	\$ 1,866,934	26.80%	\$ 29,808,057
June 30, 2015	6,672,328	2,196,007	32.91%	24,709,777
June 30, 2014	5,704,000	5,837,643	102.34%	20,233,456

**D. FUNDED STATUS AND PROGRESS**

As of June 30, 2015, the most recent valuation date, the plan was 31.19% funded. The actuarial accrued liability for benefits was \$76,133,000, and the actuarial value of the assets was \$23,743,000, resulting in an UAAL of \$52,390,000. The covered payroll (annual payroll of active employees) was \$104,673,291, and the ratio of the UAAL to the covered payroll was 50.05%.

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.

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**Note 16. HEALTH INSURANCE CREDIT OPEB PLAN**

**A. PLAN DESCRIPTION**

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

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

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

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

**ACTUARIAL METHODS AND ASSUMPTIONS**

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

**Cost Method**

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

**B. FUNDING POLICY**

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

**C. ANNUAL OPEB COST AND NET OPEB OBLIGATION**

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

For 2016, SCPS' contribution of \$19,627 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 2016, 2015, and 2014 are as follows:

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

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

<b>Fiscal Year Ended</b>	<b>OPEB Cost (ARC)</b>	<b>Percentage of ARC Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2016	\$ 19,627	100.00%	\$ -
June 30, 2015	19,547	100.00%	-
June 30, 2014	24,205	100.00%	-

**D. FUNDING STATUS AND FUNDING PROGRESS**

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

Actuarial accrued liability (AAL)	\$ 368,791
Actuarial value of plan assets	\$ 231,422
Unfunded actuarial accrued liabilities (UAAL)	\$ 137,369
Funded ratio (actuarial value of plan assets/AAL)	62.75%
Covered payroll (active plan members)	\$ 8,451,460
UAAL as a percentage of covered payroll	1.63%

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

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

**E. PROFESSIONAL EMPLOYEES**

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2016, 2015, and 2014 were \$1,523,160, \$1,490,028, and \$1,583,495, respectively and equaled the required contributions for each year.

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**Note 17. DEFICIT IN NET POSITION**

The Health Benefits Fund had a deficit net position balance of \$11,748,943 as of June 30, 2016.

**Note 18. PENDING ACCOUNTING STANDARDS OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

At June 30, 2016, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the School Board. The statements which might impact the School Board are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires a state or local government to disclose information about tax abatement. Statement No. 77 will be effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 78, *Pensions Provided through Certain Multi-Employer Defined Benefit Pension Plans*, amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Statement No. 78 will be effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, will improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*. Statement No. 80 will be effective for reporting periods beginning after June 15, 2016.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*, the objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement No. 82 will be effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

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**Note 19. SUBSEQUENT EVENTS**

The School Board has evaluated subsequent events through November 30, 2016, the date on which the financial statements were available to be issued.

# **REQUIRED SUPPLEMENTARY INFORMATION**

**STAFFORD COUNTY PUBLIC SCHOOLS**  
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**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Operating Fund**  
**For the Fiscal Year Ended June 30, 2016**

Exhibit M

	<b>Budget</b>			<b>Variance from Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Intergovernmental:				
Stafford County	\$ 113,886,828	\$ 114,722,832	\$ 111,658,395	\$ (3,064,437)
Commonwealth of Virginia	140,878,568	140,991,068	141,661,631	670,563
Federal Government	2,306,725	2,306,725	2,212,646	(94,079)
Total intergovernmental revenues	257,072,121	258,020,625	255,532,672	(2,487,953)
Charges for services:				
Tuition and fees	903,750	903,750	752,941	(150,809)
Recovered costs	1,649,941	2,078,017	2,063,799	(14,218)
Miscellaneous	58,279	86,509	92,196	5,687
Total revenues	259,684,091	261,088,901	258,441,608	(2,647,293)
<b>EXPENDITURES</b>				
Current operating:				
Instruction	193,082,354	187,320,053	186,155,614	(1,164,439)
Administration, attendance and health	11,592,520	12,162,229	10,743,059	(1,419,170)
Pupil transportation	14,105,588	12,524,646	12,463,033	(61,613)
Operation and maintenance	22,660,203	22,443,921	20,578,357	(1,865,564)
Food and nutrition services	222,931	222,931	212,463	(10,468)
Facilities	99,000	650,455	161,377	(489,078)
Technology	15,393,937	20,044,065	16,593,952	(3,450,113)
Capital outlay	1,894,700	12,867,307	5,664,167	(7,203,140)
Debt service:				
Principal	802,226	802,226	721,941	(80,285)
Interest and fiscal charges	30,632	30,632	68,115	37,483
Total expenditures	259,884,091	269,068,465	253,362,078	(15,706,387)
Excess (deficiency) of revenues over (under) expenditures	(200,000)	(7,979,564)	5,079,530	13,059,094
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from (to) other funds, net	200,000	(325,392)	(456,805)	(131,413)
Net change in fund balance	\$ -	\$ (8,304,956)	4,622,725	\$ 12,927,681
Fund balance, beginning - July 1, 2015			8,749,462	
Fund balance, ending - June 30, 2016			\$ 13,372,187	

**STAFFORD COUNTY PUBLIC SCHOOLS**  
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**SCHEDULE OF FUNDING PROGRESS FOR OPEB PLANS**  
**Last Six Fiscal Years**

Exhibit N

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

*For Professional and Non-professional Employees:*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll {(b) - (a)} / (c)
July 1, 2015	\$ 23,743,000	\$ 76,133,000	\$ 52,390,000	31.19%	\$ 104,673,291	50.05%
July 1, 2014	18,099,103	70,272,000	52,172,897	25.76%	105,019,653	49.68%
July 1, 2013	11,874,000	55,269,000	43,395,000	21.48%	103,582,553	41.89%
July 1, 2012	4,697,715	50,489,000	45,791,285	9.30%	104,507,089	43.82%
July 1, 2011	2,700,962	96,984,000	94,283,038	2.79%	104,195,744	90.49%
July 1, 2010	2,236,000	89,408,000	87,172,000	2.50%	102,349,123	85.17%

**B. VRS Health Insurance Credit OPEB Plan**

*For Non-professional Employees:*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll {(b) - (a)} / (c)
June 30, 2015	\$ 231,422	\$ 368,791	\$ 137,369	62.75%	\$ 8,451,460	1.63%
June 30, 2014	225,732	362,027	136,295	62.35%	8,577,515	1.59%
June 30, 2013	194,630	347,795	153,165	55.96%	8,531,613	1.80%
June 30, 2012	173,361	346,381	173,020	50.05%	8,451,315	2.05%
June 30, 2011	170,484	324,869	154,384	52.48%	8,652,954	1.78%
June 30, 2010	138,036	300,205	162,169	45.98%	9,204,760	1.76%



**STAFFORD COUNTY PUBLIC SCHOOLS**  
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**SCHEDULE OF CHANGES IN THE SCHOOL BOARD NON-PROFESSIONAL**  
**NET PENSION LIABILITY AND RELATED RATIOS - VIRGINIA RETIREMENT SYSTEM**

Exhibit O

	As of June 30,	
	2015	2014
Total Pension Liability		
Service cost	\$ 917,801	\$ 931,365
Interest	1,773,289	1,679,630
Differences between expected and actual experience	(171,518)	-
Benefit payments, including refunds of employee contributions	(1,317,128)	(1,228,897)
<b>Net change in total pension liability</b>	<b>1,202,444</b>	<b>1,382,098</b>
Total pension liability - beginning	25,991,264	24,609,166
Total pension liability - ending (a)	<b>\$27,193,708</b>	<b>\$ 25,991,264</b>
Plan Fiduciary Net Position		
Contributions - employer	\$ 700,475	\$ 828,505
Contributions - employee	412,685	433,951
Net investment income	1,081,570	3,247,485
Benefit payments, including refunds of employee contributions	(1,317,128)	(1,228,897)
Administrative expense	(14,788)	(17,281)
Other	(227)	171
<b>Net change in plan fiduciary net position</b>	<b>862,587</b>	<b>3,263,934</b>
Plan fiduciary net position - beginning	23,804,703	20,540,769
Plan fiduciary net position - ending (b)	<b>\$24,667,290</b>	<b>\$ 23,804,703</b>
School Board non-professional net pension liability - ending (a) - (b)	<b>\$ 2,526,418</b>	<b>\$ 2,186,561</b>
Plan fiduciary net position as a percentage of the total pension liability	90.71%	91.59%
Employer's covered-employee payroll	\$ 8,451,460	\$ 8,577,515
School Board's non-professional net pension liability as a percentage of covered-employee payroll	29.89%	25.49%

**Notes to Schedule:**

- (1) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities was minimal.
- (2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:
  - a. Update mortality table
  - b. Adjustments to rates of service retirement for females
  - c. Increase in rates of withdrawal
  - d. Decrease in male and female rates of disability
- (3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**

Exhibit P

**SCHEDULE OF SCHOOL BOARD SHARE OF NET PENSION LIABILITY**  
**TEACHER RETIREMENT PLAN - VIRGINIA RETIREMENT PLAN**

	As of June 30,	
	2015	2014
Employer's proportion of the net pension liability	1.87703%	1.96028%
Employer's proportionate share of the net pension liability	\$ 236,250,000	\$ 236,893,000
Employer's covered-employee payroll	139,553,875	143,355,995
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	169.29%	165.25%
Plan fiduciary net position as a percentage of the total pension liability	70.68%	70.88%

**Notes to Schedule:**

- (1) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.
- (2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:
  - a. Update mortality table
  - b. Adjustments to rates of service retirement
  - c. Decrease in rate of withdrawals for 3 through 9 years of service
  - d. Decrease in rates of disability
  - e. Reduce rates of salary increase by 0.25% per year
- (3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**

Exhibit Q

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

	Fiscal Year	
	June 30, 2015	June 30, 2014
Contractually required contribution (CRC)	\$ 825,400	\$ 828,505
Contributions in relation to the CRC	825,400	828,505
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered-employee payroll	\$ 8,451,460	\$ 8,577,515
Contributions as a percentage of covered-employee payroll	9.77%	9.66%

**Notes to Schedule:**

- (1) Valuation date: June 30, 2015
- (2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20-29 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.50%
Projected salary increases	3.50%-5.35%
Investment rate of return	7.0%, including inflation at 2.50%
- (4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years for which information is available.

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**

Exhibit R

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

	Fiscal Year	
	June 30, 2015	June 30, 2014
Contractually required contribution (CRC)	\$ 20,235,599	\$ 16,715,309
Contributions in relation to the CRC	20,235,599	16,715,309
Contribution deficiency (excess)	\$ -	\$ -
Employers covered-employee payroll	\$ 139,553,875	\$ 143,355,995
Contributions as a percentage of covered-employee payroll	14.50%	11.66%

**Notes to Schedule:**

- (1) Valuation date: June 30, 2015
- (2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:
- |                               |                                     |
|-------------------------------|-------------------------------------|
| Actuarial cost method         | Entry age                           |
| Amortization method           | Level percentage of payroll, closed |
| Remaining amortization period | 20-29 years                         |
| Asset valuation method        | 5-year smoothed market              |
| Cost-of-living adjustments    | 2.50%                               |
| Projected salary increases    | 3.50%-5.95%                         |
| Investment rate of return     | 7.0%, including inflation at 2.50%  |
- (4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years for which information is available.

# **OTHER SUPPLEMENTARY INFORMATION**

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2016**

Exhibit S

	<b>Special Revenue Funds</b>		
	<b>Food and Nutrition Services Fund</b>	<b>Grants Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Pooled cash and investments	\$ 3,861,481	\$ 69,321	\$ 3,930,802
Intergovernmental receivables:			
Federal Government	915,946	5,423,326	6,339,272
Commonwealth of Virginia	-	154,822	154,822
Due from other funds	100,000	-	100,000
Inventory	260,626	-	260,626
Total assets	<u>\$ 5,138,053</u>	<u>\$ 5,647,469</u>	<u>\$ 10,785,522</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ 25,591	\$ 8,605	\$ 34,196
Accrued salaries and benefits	1,052,045	-	1,052,045
Unearned revenue	-	69,321	69,321
Due to other funds	2,126	5,503,377	5,505,503
Total liabilities	<u>1,079,762</u>	<u>5,581,303</u>	<u>6,661,065</u>
Fund balance:			
Nonspendable:			
Inventory	260,626	-	260,626
Total nonspendable	<u>260,626</u>	<u>-</u>	<u>260,626</u>
Restricted:			
Food and nutrition services	3,797,665	-	3,797,665
Grants	-	66,166	66,166
Total restricted	<u>3,797,665</u>	<u>66,166</u>	<u>3,863,831</u>
Total fund balance	<u>4,058,291</u>	<u>66,166</u>	<u>4,124,457</u>
Total liabilities and fund balance	<u>\$ 5,138,053</u>	<u>\$ 5,647,469</u>	<u>\$ 10,785,522</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, 2016**

Exhibit T

	<b>Special Revenue Funds</b>		
	<b>Food and Nutrition Services Fund</b>	<b>Grants Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>			
Intergovernmental:			
Commonwealth of Virginia	\$ 215,201	\$ 391,265	\$ 606,466
Federal Government	5,907,507	9,430,427	15,337,934
Total intergovernmental revenues	6,122,708	9,821,692	15,944,400
Charges for services:			
Food sales	6,754,639	-	6,754,639
Miscellaneous	-	237,782	237,782
Total revenues	12,877,347	10,059,474	22,936,821
<b>EXPENDITURES</b>			
Current operating:			
Education:			
Instruction	-	9,951,877	9,951,877
Food and nutrition services	11,865,350	-	11,865,350
Technology	168,444	116,489	284,933
Capital outlay	86,198	25,217	111,415
Total expenditures	12,119,992	10,093,583	22,213,575
Excess (deficiency) of revenues over (under) expenditures	757,355	(34,109)	723,246
<b>OTHER FINANCING USES</b>			
Net transfers to other funds	(81,370)	(18,989)	(100,359)
Change in fund balance	675,985	(53,098)	622,887
Fund balance, beginning - July 1, 2015	3,382,306	119,264	3,501,570
Fund balance, ending - June 30, 2016	\$ 4,058,291	\$ 66,166	\$ 4,124,457

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**COMBINING STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2016**

Exhibit U

	Internal Service Funds			
	Fleet Services Fund	Health Benefits Fund	Workers' Compensation Fund	Total Proprietary Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,234,818	\$ 21,818,337	\$ 1,392,810	\$ 24,445,965
Accounts receivable - due from primary government	77,825	-	-	77,825
Due from other funds	77,825	148,957	-	226,782
Inventory	290,222	-	-	290,222
Prepaid expenses	-	476,646	-	476,646
Capital assets:				
Land	37,357	-	-	37,357
Land improvements	1,268,429	-	-	1,268,429
Buildings and building improvements	1,833,904	-	-	1,833,904
Furniture, fixtures and equipment	207,200	-	-	207,200
Vehicles	107,270	-	-	107,270
Software	78,725	-	-	78,725
Less accumulated depreciation and amortization	(1,724,923)	-	-	(1,724,923)
Total capital assets	1,807,962	-	-	1,807,962
Total assets	3,488,652	22,443,940	1,392,810	27,325,402
<b>LIABILITIES</b>				
Accounts payable	21,387	120,135	15,873	157,395
Accrued salaries and benefits	145,635	6,387	6,406	158,428
Due to other funds	361	-	55	416
Current portion capital lease	29,540	-	-	29,540
Current portion of accrued insurance claims	-	4,258,304	166,342	4,424,646
Current portion of compensated absences	13,296	-	-	13,296
Noncurrent portion of accrued insurance claims	-	-	50,165	50,165
Noncurrent portion of capital lease	160,693	-	-	160,693
Noncurrent portion of compensated absences	124,327	-	-	124,327
Noncurrent portion of OPEB liability	-	29,808,057	-	29,808,057
Total liabilities	495,239	34,192,883	238,841	34,926,963
<b>NET POSITION</b>				
Net investment in capital assets	1,617,729	-	-	1,617,729
Unrestricted (deficit)	1,375,684	(11,748,943)	1,153,969	(9,219,290)
Total net position (deficit)	2,993,413	(11,748,943)	1,153,969	(7,601,561)
Total liabilities and net position	\$ 3,488,652	\$ 22,443,940	\$ 1,392,810	\$ 27,325,402



**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, 2016**

Exhibit V

	<b>Internal Service Funds</b>			
	<b>Fleet Services Fund</b>	<b>Health Benefits Fund</b>	<b>Workers' Compensation Fund</b>	<b>Total Proprietary Funds</b>
<b>Operating revenues:</b>				
Charges for services	\$ 3,395,396	\$ 31,227,285	\$ -	\$ 34,622,681
<b>Operating expenses:</b>				
Personnel services	1,852,669	148,203	86,303	2,087,175
Contractual services	17,927	31,436,048	274,723	31,728,698
Materials and supplies	1,428,780	-	-	1,428,780
Utilities	15,497	-	-	15,497
Telecommunications	25,203	-	-	25,203
Depreciation and amortization	155,630	-	-	155,630
Total operating expenses	3,495,706	31,584,251	361,026	35,440,983
Operating loss	(100,310)	(356,966)	(361,026)	(818,302)
<b>Nonoperating revenues (expenses):</b>				
Interest and investment revenue	-	15,303	-	15,303
Interest expense	(5,940)	-	-	(5,940)
Vehicle and other sales	115,058	-	-	115,058
Total nonoperating revenues, net	109,118	15,303	-	124,421
Income (loss) before transfers	8,808	(341,663)	(361,026)	(693,881)
Net transfers from other funds	12,783	-	544,381	557,164
Change in net position	21,591	(341,663)	183,355	(136,717)
Net position (deficit), beginning - July 1, 2015	2,971,823	(11,407,280)	970,614	(7,464,843)
Net position (deficit), ending - June 30, 2016	\$ 2,993,414	\$ (11,748,943)	\$ 1,153,969	\$ (7,601,560)

**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, 2016**

Exhibit W

	<b>Internal Service Funds</b>			
	<b>Fleet Services Fund</b>	<b>Health Benefits Fund</b>	<b>Workers' Compensation Fund</b>	<b>Total Proprietary Funds</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 3,406,506	\$ 31,222,719	\$ -	\$ 34,629,225
Payments to suppliers	(1,481,982)	(26,697,217)	(442,049)	(28,621,248)
Payments to employees	(1,873,174)	(150,796)	(86,218)	(2,110,188)
Net cash provided by (used in) operating activities	51,350	4,374,706	(528,267)	3,897,789
<b>Cash flows from noncapital financing activities:</b>				
Transfers from other funds, net	12,783	-	544,381	557,164
Net cash provided by noncapital financing activities	12,783	-	544,381	557,164
<b>Cash flows from capital and related financing activities:</b>				
Proceeds from vehicle and supply sales	115,058	-	-	115,058
Principal paid on capital lease	(28,728)	-	-	(28,728)
Interest paid on capital lease	(5,940)	-	-	(5,940)
Acquisition and construction of capital assets	(7,468)	-	-	(7,468)
Net cash provided by capital and related financing activities	72,922	-	-	72,922
<b>Cash flows from investing activities:</b>				
Interest earned on investments	-	15,303	-	15,303
Net cash provided by investing activities	-	15,303	-	15,303
Net increase in cash and cash equivalents	137,055	4,390,009	16,114	4,543,178
Cash and cash equivalents, beginning July 1, 2015	1,097,763	17,428,328	1,376,696	19,902,787
Cash and cash equivalents, ending June 30, 2016	\$ 1,234,818	\$ 21,818,337	\$ 1,392,810	\$ 24,445,965
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>				
Operating loss	\$ (100,310)	\$ (356,966)	\$ (361,026)	\$ (818,302)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	155,630	-	-	155,630
Changes in assets and liabilities:				
Decrease (Increase) in accounts receivables	11,110	(4,566)	-	6,544
Increase in prepaid expenses	-	(215,697)	-	(215,697)
Decrease in inventory	7,931	-	-	7,931
Decrease in accounts payable and accrued expenses	(29,044)	(146,345)	(167,241)	(342,630)
Increase in compensated absences	6,033	-	-	6,033
Increase in OPEB liability	-	5,098,280	-	5,098,280
Total adjustments	151,660	4,731,672	(167,241)	4,716,091
Net cash provided by (used in) operating activities	\$ 51,350	\$ 4,374,706	\$ (528,267)	\$ 3,897,789

STAFFORD COUNTY PUBLIC SCHOOLS  
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS - AGENCY FUNDS  
June 30, 2016

Exhibit X

	School Activity Funds	Employee Flexible Spending Fund	Fiduciary Services Fund	Stafford Education Foundation	Total Agency Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,706,910	\$ 160,521	\$ 30,019	\$ 64,149	\$ 2,961,599
<b>LIABILITIES</b>					
Reserved for future expenditures	\$ 2,706,910	\$ 160,521	\$ 30,019	\$ 64,149	\$ 2,961,599

STAFFORD COUNTY PUBLIC SCHOOLS  
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUND - SCHOOL ACTIVITY FUNDS  
For the Fiscal Year Ended June 30, 2016

Exhibit Y

	Agency Fund			
	School Activity Funds			
	Beginning Balance - July 1, 2015	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance - June 30, 2016
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,610,084	\$ 5,754,467	\$ (5,657,641)	\$ 2,706,910
<b>LIABILITIES</b>				
Reserved for future expenditures	\$ 2,610,084	\$ 5,754,467	\$ (5,657,641)	\$ 2,706,910

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, 2016

Exhibit Z

	Agency Fund			
	Employee Flexible Spending Fund			
	Beginning Balance - July 1, 2015	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance - June 30, 2016
<b>ASSETS</b>				
Cash and cash equivalents	\$ 139,080	\$ 584,140	\$ (562,699)	\$ 160,521
<b>LIABILITIES</b>				
Reserved for future expenditures	\$ 139,080	\$ 584,140	\$ (562,699)	\$ 160,521

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, 2016

Exhibit AA

	Agency Fund			
	Fiduciary Services Fund			
	Beginning Balance July 1, 2015	Additions - Cash Receipts	Deductions - Cash Disbursements	Ending Balance June 30, 2016
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,557	\$ 24,041	\$ (11,579)	\$ 30,019
<b>LIABILITIES</b>				
Reserved for future expenditures	\$ 17,557	\$ 24,041	\$ (11,579)	\$ 30,019

STAFFORD COUNTY PUBLIC SCHOOLS  
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUND - STAFFORD EDUCATION FOUNDATION  
For the Fiscal Year Ended June 30, 2016

Exhibit BB

	Agency Fund			
	Stafford Education Foundation			Ending Balance June 30, 2016
	Beginning Balance July 1, 2015	Additions - Cash Receipts	Deductions - Cash Disbursements	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 62,905	\$ 1,244	\$ -	\$ 64,149
<b>LIABILITIES</b>				
Reserved for future expenditures	\$ 62,905	\$ 1,244	\$ -	\$ 64,149

## **STATISTICAL SECTION**



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 2007 - 2016**  
**(Accrual Basis of Accounting)**

	<b>June 30,</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>NET ASSETS/NET POSITION</b>					
Investment in capital assets, net of related debt	\$ 360,219,807	\$ 372,811,891	\$ 377,290,792	\$ 371,615,809	\$ 371,880,043
Net investment in capital assets	-	-	-	-	-
Restricted	843	-	-	6,615,701	11,479,446
Unrestricted	<u>26,411,900</u>	<u>27,817,509</u>	<u>17,502,199</u>	<u>8,350,669</u>	<u>4,772,785</u>
<b>Total net assets</b>	<b>\$ 386,632,550</b>	<b>\$ 400,629,400</b>	<b>\$ 394,792,991</b>	<b>\$ 386,582,179</b>	<b>\$ 388,132,274</b>
<b>Total net position</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

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

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

Table S-1

June 30,					
2012	2013	2014	2015	2016	
					<b>NET ASSETS/NET POSITION</b>
\$ 377,833,302	\$ -	\$ -	\$ -	\$ -	Investment in capital assets, net of related debt
-	383,728,660	402,418,884	433,631,721	438,932,856	Net investment in capital assets
17,548,128	21,973,458	49,239,175	21,465,238	12,861,062	Restricted
(5,832,921)	5,638,327	(21,932,140)	(258,123,522)	(242,911,240)	Unrestricted
<u>\$ 389,548,509</u>	N/A	N/A	N/A	N/A	<b>Total net assets</b>
N/A	<u>\$ 411,340,445</u>	<u>\$ 429,725,919</u>	<u>\$ 196,973,437</u>	<u>\$ 208,882,678</u>	<b>Total net position</b>

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**CHANGES IN NET POSITION BY COMPONENT**  
**Fiscal Years 2007 - 2016**  
**(Accrual Basis of Accounting)**

	For the Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
<b>Expenses</b>					
Governmental activities	\$ 254,849,234	\$ 269,258,983	\$ 279,829,235	\$ 275,344,685	\$ 281,858,250
<b>Program revenues</b>					
Charges for services	12,905,290	10,738,470	17,996,927	21,992,880	17,282,725
Grants and contributions	140,951,314	146,067,195	152,758,520	140,144,414	64,321,646
<b>Total program revenues</b>	<u>153,856,604</u>	<u>156,805,665</u>	<u>170,755,447</u>	<u>162,137,294</u>	<u>81,604,371</u>
<b>Net expenses</b>	<u>(100,992,630)</u>	<u>(112,453,318)</u>	<u>(109,073,788)</u>	<u>(113,207,391)</u>	<u>(200,253,879)</u>
<b>General revenues</b>					
Sales Tax and Basic Aid	*	*	*	*	96,195,244
Unrestricted grants and contributions	110,969,860	124,008,330	101,194,329	103,808,533	99,323,620
Investment earnings	1,635,750	954,628	411,486	24,374	22,090
Gain on capital asset disposals and other sales	-	-	-	(9,726)	80,567
Miscellaneous	1,151,800	1,487,210	1,631,563	1,791,969	332,453
<b>Total general revenues</b>	<u>113,757,410</u>	<u>126,450,168</u>	<u>103,237,378</u>	<u>105,615,150</u>	<u>195,953,974</u>
<b>Change in net position/assets</b>	<u>\$ 12,764,780</u>	<u>\$ 13,996,850</u>	<u>\$ (5,836,410)</u>	<u>\$ (7,592,241)</u>	<u>\$ (4,299,905)</u>

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

Table S-2

For the Fiscal Year Ended June 30,					
2012	2013	2014	2015	2016	
<u>\$ 287,665,251</u>	<u>\$ 290,728,443</u>	<u>\$ 293,901,842</u>	<u>\$ 285,238,534</u>	<u>\$ 300,625,771</u>	<b>Expenses</b>
					Governmental activities
					<b>Program revenues</b>
16,404,687	17,987,309	18,232,507	18,902,311	18,372,613	Charges for services
<u>73,208,380</u>	<u>81,370,952</u>	<u>82,741,613</u>	<u>76,415,692</u>	<u>72,638,754</u>	Grants and contributions
<u>89,613,067</u>	<u>99,358,261</u>	<u>100,974,120</u>	<u>95,318,003</u>	<u>91,011,367</u>	<b>Total program revenues</b>
<u>(198,052,184)</u>	<u>(191,370,182)</u>	<u>(192,927,722)</u>	<u>(189,920,531)</u>	<u>(209,614,404)</u>	<b>Net expenses</b>
					<b>General revenues</b>
100,375,990	102,845,402	102,485,508	107,949,304	109,421,075	Sales Tax and Basic Aid
98,599,339	108,625,975	108,414,728	103,735,323	111,658,395	Unrestricted grants and contributions
33,339	53,507	51,177	42,190	71,599	Investment earnings
40,600	1,069,605	117,222	133,484	115,058	Gain on capital asset disposals and other sales
<u>419,151</u>	<u>567,629</u>	<u>244,561</u>	<u>276,331</u>	<u>257,518</u>	Miscellaneous
<u>199,468,419</u>	<u>213,162,118</u>	<u>211,313,196</u>	<u>212,136,632</u>	<u>221,523,645</u>	<b>Total general revenues</b>
<u>\$ 1,416,235</u>	<u>\$ 21,791,936</u>	<u>\$ 18,385,474</u>	<u>\$ 22,216,101</u>	<u>\$ 11,909,241</u>	<b>Change in net position/assets</b>

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**Fiscal Years 2007 - 2016**  
**(Modified Accrual Basis of Accounting)**

	June 30,				
<b>Operating Fund:</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	960,510
Committed	-	-	-	-	-
Assigned	-	-	-	-	7,007,460
Unassigned	-	-	-	-	-
Reserved	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>5,797,867</u>	<u>10,982,000</u>	<u>9,029,683</u>	<u>4,184,937</u>	<u>7,967,970</u>
<b>All Other Governmental Funds:</b>					
Reserved:					
Capital Projects Fund	18,667,695	9,916,007	1,822,581	4,581,296	-
Food and Nutrition Services Fund	136,083	340,048	353,134	315,257	-
School Construction, Renovation and Maintenance Fund	843	-	-	-	-
Grants Fund	-	-	558,638	47,115	-
	<u>18,804,621</u>	<u>10,256,055</u>	<u>2,734,353</u>	<u>4,943,668</u>	<u>-</u>
Unreserved:					
Capital Projects Fund	(2,801,008)	8,655,320	3,546,746	1,923,648	-
Food and Nutrition Services Fund	1,606,927	1,240,709	1,375,483	1,540,575	-
School Construction, Renovation and Maintenance Fund	-	-	-	-	-
Grants Fund	-	-	(558,638)	-	-
	<u>(1,194,081)</u>	<u>9,896,029</u>	<u>4,363,591</u>	<u>3,464,223</u>	<u>-</u>
Nonspendable:					
Food and Nutrition Services Fund	-	-	-	-	234,485
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,485</u>
Restricted:					
Capital Projects Fund	-	-	-	-	8,168,063
Food and Nutrition Services Fund	-	-	-	-	2,273,740
Grants Fund	-	-	-	-	77,133
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,518,936</u>
Committed:					
Capital Projects Fund	-	-	-	-	1,781,748
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,781,748</u>
Fund balance - other governmental funds	<u>17,610,540</u>	<u>20,152,084</u>	<u>7,097,944</u>	<u>8,407,891</u>	<u>12,535,169</u>
Fund balance - total governmental funds	<u>\$ 23,408,407</u>	<u>\$ 31,134,084</u>	<u>\$ 16,127,627</u>	<u>\$ 12,592,828</u>	<u>\$ 20,503,139</u>

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

Table S-3

June 30,					
2012	2013	2014	2015	2016	Operating Fund:
\$ 490,227	\$ 525,298	\$ 659,455	\$ 444,506	\$ 577,597	Nonspendable
-	-	-	-	-	Restricted
4,757,640	7,318,523	2,465,667	3,091,085	-	Committed
544,058	-	-	-	-	Assigned
(2,816,334)	(2,329,257)	2,961,531	5,213,871	12,794,590	Unassigned
-	-	-	-	-	Reserved
-	-	-	-	-	Designated
<u>2,975,591</u>	<u>5,514,564</u>	<u>6,086,653</u>	<u>8,749,462</u>	<u>13,372,187</u>	Fund balance - operating fund
					<b>All Other Governmental Funds:</b>
					Reserved:
-	-	-	-	-	Capital Projects Fund
-	-	-	-	-	Food and Nutrition Services Fund
-	-	-	-	-	School Construction, Renovation and Maintenance Fund
-	-	-	-	-	Grants Fund
-	-	-	-	-	
-	-	-	-	-	Unreserved:
-	-	-	-	-	Capital Projects Fund
-	-	-	-	-	Food and Nutrition Services Fund
-	-	-	-	-	School Construction, Renovation and Maintenance Fund
-	-	-	-	-	Grants Fund
-	-	-	-	-	
<u>238,566</u>	<u>341,770</u>	<u>297,730</u>	<u>240,566</u>	<u>260,626</u>	Nonspendable:
<u>238,566</u>	<u>341,770</u>	<u>297,730</u>	<u>240,566</u>	<u>260,626</u>	Food and Nutrition Services Fund
14,990,608	19,823,101	46,626,075	18,204,234	8,997,231	Restricted:
2,395,383	2,109,164	2,508,113	3,141,740	3,797,665	Capital Projects Fund
40,328	41,193	104,987	119,264	66,166	Food and Nutrition Services Fund
<u>17,426,319</u>	<u>21,973,458</u>	<u>49,239,175</u>	<u>21,465,238</u>	<u>12,861,062</u>	Grants Fund
<u>2,126,770</u>	<u>13,584,453</u>	<u>(10,966,533)</u>	-	<u>2,985,882</u>	Committed:
<u>2,126,770</u>	<u>13,584,453</u>	<u>(10,966,533)</u>	-	<u>2,985,882</u>	Capital Projects Fund
19,791,655	35,899,681	38,570,372	21,705,804	16,107,570	Fund balance - other governmental funds
<u>\$ 22,767,246</u>	<u>\$ 41,414,245</u>	<u>\$ 44,657,025</u>	<u>\$ 30,455,266</u>	<u>\$ 29,479,757</u>	Fund balance - total governmental funds

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**Fiscal Years 2007 - 2016**  
**(Modified Accrual Basis of Accounting)**

	For the Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
<b>REVENUES:</b>					
Intergovernmental:					
Stafford County	\$ 110,969,860	\$ 124,008,330	\$ 101,194,329	\$ 109,379,789	\$ 107,735,478
Commonwealth of Virginia	127,676,745	132,608,495	138,721,700	119,332,877	118,851,130
Federal Government	13,274,571	13,458,700	14,036,820	20,811,537	33,253,902
Total intergovernmental revenues	251,921,176	270,075,525	253,952,849	249,524,203	259,840,510
Charges for services:					
Tuition and fees	469,534	448,696	646,368	804,273	695,978
Food sales	6,849,080	6,948,489	7,124,957	6,817,209	7,316,875
Recovered costs	728,878	1,217,023	1,199,174	960,986	1,370,939
Miscellaneous	399,420	124,779	396,412	768,248	332,453
Interest	1,386,795	742,760	331,375	10,472	12,329
Total revenues	261,754,883	279,557,272	263,651,135	258,885,391	269,569,084
<b>EXPENDITURES:</b>					
Education:					
Instruction	165,233,993	184,897,493	182,434,351	181,521,213	181,073,501
Administration, attendance and health	12,895,864	16,360,660	13,411,457	12,611,894	9,688,371
Pupil transportation	11,187,407	13,001,603	12,363,412	12,279,285	12,706,286
Operation and maintenance	17,960,887	20,624,177	21,287,639	19,949,060	20,957,014
Food and nutrition services	9,165,532	10,666,907	10,848,880	10,620,763	11,162,148
Facilities	401,980	73,908	524,866	250,290	187,981
Technology	-	-	12,005,015	11,949,997	14,581,888
Capital outlay	48,922,976	24,902,092	18,306,903	9,273,865	11,518,149
Debt service:					
Principal	556,414	322,495	268,828	280,422	367,517
Interest and fiscal charges	138,833	110,444	118,081	106,486	102,347
Total expenditures	266,463,886	270,959,779	271,569,432	258,843,275	262,345,202
Excess (deficiency) of revenues over (under) expenditures	(4,709,003)	8,597,493	(7,918,297)	42,116	7,223,882
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of land	-	-	-	-	-
Proceeds from capital lease	-	-	-	-	-
Transfers from other funds	100,000	100,000	100,000	118,434	1,958,212
Transfers to other funds	(19,483,531)	(2,764,665)	(5,395,311)	(4,313,920)	(1,958,212)
Loan from Stafford County	-	-	-	-	1,305,000
Total other financing uses, net	(19,383,531)	(2,664,665)	(5,295,311)	(4,195,486)	1,305,000
<b>Net change in fund balance</b>	<b>\$ (24,092,534)</b>	<b>\$ 5,932,828</b>	<b>\$ (13,213,608)</b>	<b>\$ (4,153,370)</b>	<b>\$ 8,528,882</b>



Table S-4

For the Fiscal Year Ended June 30,					
2012	2013	2014	2015	2016	
					<b>REVENUES:</b>
					Intergovernmental:
\$ 123,180,386	\$ 142,676,306	\$ 141,522,936	\$ 131,198,166	\$ 133,899,547	Stafford County
126,557,871	133,476,749	135,588,828	139,495,094	142,268,097	Commonwealth of Virginia
22,445,452	16,689,274	16,530,085	17,407,059	17,550,580	Federal Government
272,183,709	292,842,329	293,641,849	288,100,319	293,718,224	Total intergovernmental revenues
					Charges for services:
721,180	911,220	759,633	867,202	752,941	Tuition and fees
7,231,445	6,681,246	6,640,211	6,684,272	6,754,639	Food sales
1,180,368	1,767,641	2,059,853	2,082,884	2,374,395	Recovered costs
419,151	587,600	286,236	280,754	329,978	Miscellaneous
26,157	45,810	46,322	36,892	56,296	Interest
281,762,010	302,835,846	303,434,104	298,052,323	303,986,473	Total revenues
					<b>EXPENDITURES:</b>
					Education:
187,321,574	191,433,956	190,904,984	190,794,453	196,107,491	Instruction
10,062,051	10,422,301	10,587,435	10,448,126	10,743,059	Administration, attendance and health
13,335,894	13,419,206	13,591,390	12,923,044	12,463,033	Pupil transportation
20,688,827	21,315,872	20,731,939	19,888,292	20,578,357	Operation and maintenance
11,908,144	12,054,783	11,517,146	11,724,692	12,077,813	Food and nutrition services
182,034	198,990	111,512	100,323	161,377	Facilities
13,887,167	15,129,827	15,320,646	15,021,211	16,878,885	Technology
21,150,304	22,907,317	36,172,121	52,277,196	34,604,747	Capital outlay
					Debt service:
380,132	393,292	407,020	421,339	721,941	Principal
81,776	71,631	68,147	49,701	68,115	Interest and fiscal charges
278,997,903	287,347,175	299,412,340	313,648,377	304,404,818	Total expenditures
					Excess (deficiency) of revenues over
2,764,107	15,488,671	4,021,764	(15,596,054)	(418,345)	(under) expenditures
					<b>OTHER FINANCING SOURCES (USES):</b>
-	1,000,000	-	-	-	Proceeds from sale of land
-	-	-	2,125,000	-	Proceeds from capital lease
-	2,361,672	200,000	1,302,000	318,630	Transfers from other funds
(500,000)	(203,343)	(978,985)	(2,032,707)	(875,794)	Transfers to other funds
-	-	-	-	-	Loan from Stafford County
(500,000)	3,158,329	(778,985)	1,394,293	(557,164)	Total other financing uses, net
\$ 2,264,107	\$ 18,647,000	\$ 3,242,779	\$ (14,201,761)	\$ (975,509)	<b>Net change in fund balance</b>

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**GENERAL INFORMATION**  
**June 30, 2016**

**Table S-5**

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

<b>Stafford County Public Schools</b>			
<b>Number of Schools:</b>		<b>EOY Membership: (1)</b>	
Early childhood centers	1	Elementary schools	11,992
Elementary schools	17	Middle schools	6,517
Middle schools	8	High schools	9,005
High schools	5	Total	<u>27,514</u>
Alternative schools	<u>2</u>		
	<u>33</u>		

<b>Contracted Employees: FY 2016</b>	
Licensed Instructional	2,304
Other Employees	<u>1,449</u>
	<u>3,753</u>

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

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

**STAFFORD COUNTY PUBLIC SCHOOLS  
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA  
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION  
Fiscal Years 2007 - 2016**

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Contracted Employees:</b>					
Licensed Instructional	2,015	2,079	2,125	2,186	2,149
Other Employees	1,419	2,537	2,424	1,603	1,586
Total	3,434	4,616	4,549	3,789	3,735

Table S-6

Fiscal Year					Contracted Employees: Licensed Instructional Other Employees Total
2012	2013	2014	2015	2016	
2,168	2,174	2,139	2,116	2,304	
1,537	1,541	1,486	1,428	1,449	
3,705	3,715	3,625	3,544	3,753	

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**NUMBER OF SCHOOLS IN THE DIVISION**  
**Fiscal Years 2007 - 2016**

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Number of Schools:</b>					
Elementary Schools	17	17	17	17	17
Secondary/ Middle Schools	7	7	8	8	8
High Schools	5	5	5	5	5
Total	29	29	30	30	30

Table S-7

Fiscal Year					Number of Schools: Elementary Schools Secondary/ Middle Schools High Schools Total
2012	2013	2014	2015	2016	
17	17	17	17	17	
8	8	8	8	8	
5	5	5	5	5	
30	30	30	30	30	

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**DIVISION-WIDE ENROLLMENT**  
**Fiscal Years 2007 - 2016**

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Student Membership:</b>					
September 30 membership	26,274	26,221	26,435	26,672	26,797
Average daily membership as of March 31	26,181	26,114	26,350	26,648	26,745
End-of-year membership	25,934	25,977	26,219	26,522	26,603
Students enrolled in special education programs	2,415	2,346	2,410	2,391	2,412
English Language Learners	1,040	1,036	1,036	996	1,135
Students enrolled in grades K-3	7,273	7,186	7,320	7,416	5,471

Table S-8

Fiscal Year					
2012	2013	2014	2015	2016	
26,815	26,972	26,944	27,173	27,510	<b>Student Membership:</b>
26,773	26,904	26,901	27,200	27,519	September 30 membership
26,681	26,803	26,925	27,218	27,514	Average daily membership as of March 31
2,412	2,559	2,392	2,532	2,653	End-of-year membership
					Students enrolled in special education programs
1,160	1,192	1,108	1,632	1,685	English Language Learners
5,505	7,526	7,532	7,761	7,822	Students enrolled in grades K-3



**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**VARIOUS OPERATING INDICATORS**  
**Fiscal Years 2007 - 2016**

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Operating Statistics:</b>					
Average per pupil expenditures	\$ 8,639	\$ 9,335	\$ 9,531	\$ 9,399	\$12,387
Average classroom teacher salary	\$51,383	\$52,251	\$50,820	\$52,591	\$50,692
Composite index <b>(1)</b>	0.3503	0.3503	0.3629	0.3629	0.3362

**(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					
2012	2013	2014	2015	2016	
\$ 9,752	\$ 9,971	\$ 9,285	\$ 8,255	\$ 9,514	Operating Statistics:
\$51,465	\$50,864	\$52,080	\$52,716	\$ 54,490	Average per pupil expenditures
0.3362	0.3305	0.3305	0.3412	0.3412	Average classroom teacher salary
					Composite index <b>(1)</b>

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**TRANSPORTATION OPERATING INDICATORS**  
**Fiscal Years 2007 - 2016**

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Transportation Statistics:</b>					
Average Ridership (Regular)	18,619	19,404	17,997	19,950	20,007
Average Ridership (Special Needs)	607	497	532	576	650
Average Ridership (Head Start)	224	225	250	284	300
Buses Operated Daily (Regular)	165	168	166	154	159
Buses Operated Daily (Special Needs)	53	43	41	53	45
Buses Operated Daily (Head Start)	11	11	11	14	12
Special Trip Assignments	3,100	2,587	2,600	2,132	4,214
Miles Traveled (Regular)	2,336,706	2,889,000	1,479,400	1,612,567	2,118,744
Miles Traveled (Special Needs)	1,272,132	1,324,920	685,040	1,053,310	1,331,000

Table S-10

Fiscal Year					
2012	2013	2014	2015	2016	
19,991	18,893	16,489	17,048	15,664	Average Ridership (Regular)
626	566	561	726	697	Average Ridership (Special Needs)
300	353	350	350	300	Average Ridership (Head Start)
143	150	138	140	137	Buses Operated Daily (Regular)
63	70	71	71	57	Buses Operated Daily (Special Needs)
11	11	10	10	10	Buses Operated Daily (Head Start)
4,477	4,048	3,926	3,864	3,976	Special Trip Assignments
1,529,964	1,269,012	1,421,050	1,465,231	1,686,888	Miles Traveled (Regular)
716,207	839,917	860,773	865,854	1,103,008	Miles Traveled (Special Needs)

STAFFORD COUNTY PUBLIC SCHOOLS  
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA  
FOOD AND NUTRITION SERVICES OPERATING INDICATORS  
Fiscal Years 2007 - 2016

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>School Nutrition Program (SNP)</b>					
<b>Statistics:</b>					
September 30 Membership	26,274	26,221	26,435	26,672	26,797
Eligible for Free Lunch	3,091	3,263	3,727	4,632	5,277
<i>Percentage</i>	11.76%	12.44%	14.10%	17.37%	19.69%
Eligible for Reduced Price Lunch	1,042	1,112	1,237	1,281	1,106
<i>Percentage</i>	3.97%	4.24%	4.68%	4.80%	4.13%
Eligible for Free and Reduced Price Lunch - Total	4,133	4,375	4,964	5,913	6,383
<i>Percentage</i>	15.73%	16.69%	18.78%	22.17%	23.82%
Middle and High School Lunch Prices	\$ 1.85	\$ 1.85	\$ 2.10	\$ 2.25	\$ 2.25
Elementary School Lunch Prices	\$ 1.75	\$ 1.75	\$ 2.10	\$ 2.15	\$ 2.15

Table S-11

Fiscal Year					
2012	2013	2014	2015	2016	
26,815	26,972	26,944	27,173	27,510	<b>School Nutrition Program (SNP)</b>
5,933	5,993	6,135	6,439	7,222	<b>Statistics:</b>
22.13%	22.22%	22.77%	23.70%	26.25%	September 30 Membership
1,520	1,520	1,552	1,608	1,711	Eligible for Free Lunch
5.67%	5.64%	5.76%	5.92%	6.22%	<b>Percentage</b>
					Eligible for Reduced Price Lunch
					<b>Percentage</b>
7,453	7,513	7,687	8,047	8,933	Eligible for Free and Reduced
27.79%	27.85%	28.53%	29.61%	32.47%	Price Lunch - Total
					<b>Percentage</b>
\$ 2.40	\$ 2.40	\$ 2.55/2.65	\$2.65/2.75	\$2.70/2.80	Middle and High School Lunch Prices
\$ 2.30	\$ 2.30	\$ 2.45	\$ 2.55	\$ 2.60	Elementary School Lunch Prices

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**FLEET SERVICES OPERATING INDICATORS**  
**Fiscal Years 2007 - 2016**

	Fiscal Year									
	2007	2008	2009	2010	2011		2012			
					Active	Average Age	Average Mileage	Active	Average Age	Average Mileage
<b>Fleet Vehicles Serviced by Fleet Services:</b>										
Stafford County Public Schools Fleet Vehicles:										
Buses:										
Mainstream	229	232	229	232	240	8.02	21,063	233	8.91	12,373
Special Needs	64	67	69	67	66	6.13	26,555	62	6.31	16,689
Activity Buses	5	5	5	5	5	5.09	38,489	5	2.51	20,596
Less: Salvaged (1)	-	-	-	(5)	(20)			(6)		
Subtotal Buses	298	304	303	299	291			294		
Other School Vehicles:										
Administration	2	2	2	2	2	2.5	37,591	2	4.26	13,895
Driver's Education	12	12	13	13	13	4.5	48,798	13	5.13	8,266
Fleet Services	7	8	7	7	7	8.4	49,644	7	9.75	3,559
Head Start	4	4	4	4	4	10.5	34,655	6	7.34	2,532
Maintenance	42	42	42	46	48	7.3	75,807	51	8.40	7,546
Food and Nutritional Services	1	1	1	1	1	5.1	N/A	1	6.82	2,509
Planning & Construction	3	4	4	4	4	4.3	27,655	4	6.05	5,170
Technology	0	0	0	0	1	N/A	N/A	1	1.89	1,904
Security	5	5	5	8	7	4.2	11,910	7	5.98	2,059
Transportation	6	7	7	7	8	3.0	33,671	8	6.02	2,321
Subtotal Other Vehicles	82	85	85	92	95			100		
Total Stafford County Public Schools Fleet Vehicles	380	389	388	391	386			394		
County of Stafford Fleet Vehicles:										
Fire & Rescue	137	143	142	144	151	9.4		154	9.75	N/A
Sheriff	192	190	190	216	232	5.0		223	5.38	N/A
Utilities	96	101	101	103	84	8.3		105	8.66	N/A
Other	129	132	132	127	145	6.7		142	7.64	N/A
Total County of Stafford Fleet Vehicles	554	566	565	590	612	7.4		624		
<b>Total Fleet Vehicles</b>	<b>934</b>	<b>955</b>	<b>953</b>	<b>981</b>	<b>998</b>			<b>1,018</b>		
<b>Other Vehicles Serviced by Fleet Services:</b>										
Airport Authority Fleet Vehicles	2	2	2	2	2	9.6		N/A	N/A	N/A
Vocational Foundation Fleet Vehicles	1	1	1	1	1	15.0		1	17	N/A
<b>Total Other Vehicles</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>			<b>1</b>		

**Source:** Fleet Services internal records.

(1) To be sold at auction

N/A - Not available.

Table S-12A

Fiscal Year												Fleet Vehicles Serviced by Fleet Services: Stafford County Public Schools Fleet Vehicles: Buses: Mainstream Special Needs Activity Buses Less: Salvaged (1) Subtotal Buses  Other School Vehicles: Administration Driver's Education Fleet Services Head Start Maintenance Food and Nutritional Services Planning & Construction Technology Security Transportation Subtotal Other Vehicles Total Stafford County Public Schools Fleet Vehicles  County of Stafford Fleet Vehicles: Fire & Rescue Sheriff Utilities Other Total County of Stafford Fleet Vehicles  Total Fleet Vehicles  Other Vehicles Serviced by Fleet Services: Airport Authority Fleet Vehicles Vocational Foundation Fleet Vehicles  Total Other Vehicles
2013			2014			2015			2016			
Average	Average		Average	Average		Average	Average		Average	Average		
Active	Age	Mileage	Active	Age	Mileage	Active	Age	Mileage	Active	Age	Mileage	
236	9.33	12,287	223	8.61	10,675	195	9.05	12,606	192	8.25	14,709	
64	6.32	15,366	68	6.35	14,627	67	6.66	17,274	68	6.82	21,283	
5	1.51	13,195	5	2.40	21,062	5	3.20	22,632	5	4.20	23,982	
(18)			(27)			(15)			(20)			
287			269			252			245			
2	3.74	7,428	2	4.50	9,851	2	6.00	10,464	2	6.50	9,555	
13	6.46	7,232	11	7.30	6,253	12	4.50	6,185	13	4.50	7,307	
7	8.61	3,564	6	9.33	3,577	6	7.16	3,276	6	7.16	3,276	
6	8.67	2,756	6	9.66	2,440	6	10.33	4,423	6	10.60	537	
53	9.26	7,150	43	10.12	7,786	45	9.75	6,339	45	8.90	6,803	
1	8.15	1,151	1	9.00	1,693	1	10.00	1,409	1	11.00	1,987	
4	7.38	4,013	4	7.75	4,342	4	9.00	5,243	4	10.00	6,154	
1	3.20	1,864	1	4.00	2,050	1	5.00	1,813	1	6.00	1,647	
7	7.30	1,831	7	7.28	1,631	7	8.85	1,897	7	9.87	2,254	
8	7.35	2,101	8	7.50	2,153	7	8.00	2,908	8	7.62	2,769	
102			89			91			93			
389			358			343			338			
166	9.94	N/A	169	11.36	N/A	172	11.34	N/A	178	11.34	4,318	
222	5.97	N/A	241	5.94	N/A	221	6.01	6,930	227	6.01	9,137	
108	9.27	N/A	117	8.69	N/A	120	8.38	7,767	120	8.38	7,002	
145	8.47	N/A	139	9.28	N/A	153	8.02	N/A	157	9.04	4,920	
641			666			666			682			
1,030			1,024			1,009			1,020			
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
1	18	N/A	1	19.00	N/A	1	20	N/A	1	21	N/A	
1			1			1			1			



**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**FLEET SERVICES OPERATING INDICATORS**  
**Fiscal Years 2007 - 2016**

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>FLEET OPERATIONS</b>					
Work orders completed	6,038	6,124	6,394	6,314	6,390
Invoices processed	5,299	5,156	5,303	5,292	5,780
Parts transactions	23,970	25,007	22,140	27,222	20,147

	Fiscal Year					
	2011		2012		2013	
	<u>Schools</u>	<u>County</u>	<u>Schools</u>	<u>County</u>	<u>Schools</u>	<u>County</u>
<b>FLEET FUEL</b>						
Gallons Purchased	562,728	443,724	573,778	425,719	557,143	485,554
Cost	\$ 1,602,158	\$ 1,184,052	\$ 1,838,125	\$ 1,305,111	\$ 1,791,347	\$ 1,484,928

	Fiscal Year					
	2011		2012		2013	
	<u>Replacement</u>	<u>Additional</u>	<u>Replacement</u>	<u>Additional</u>	<u>Replacement</u>	<u>Additional</u>
<b>FLEET ACQUISITIONS</b>						
School Buses - Mainstream	6	-	5	-	12	-
- Special Needs	-	-	8	-	3	-
Other School Vehicles	2	3	5	-	3	-

	Fiscal Year					
	2011		2012		2013	
	<u>Heavy Duty Shop</u>	<u>Light Duty Shop</u>	<u>Heavy Duty Shop</u>	<u>Light Duty Shop</u>	<u>Heavy Duty Shop</u>	<u>Light Duty Shop</u>
<b>FLEET SHOPS</b>						
Vehicles per Technician by Shop	32.9	173	50	112	47	114

**Source:** Fleet Services internal records.

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

Table S-12B

Fiscal Year						
2012	2013	2014	2015	2016		
6,101	5,593	5,638	5,254	5,402		FLEET OPERATIONS
4,814	4,374	4,670	4,593	4,532		Work orders completed
93,302	95,663	90,926	83,703	80,917		Invoices processed
						Parts transactions

Fiscal Year						
2014		2015		2016		
Schools	County	Schools	County	Schools	County	FLEET FUEL
514,496	397,319	519,600	392,871	541,287	478,829	Gallons Purchased
\$ 1,606,938	\$ 1,190,109	\$ 1,171,087	\$ 884,457	\$ 777,308	\$ 733,776	Cost

Fiscal Year						
2014		2015		2016		
Replacement	Additional	Replacement	Additional	Replacement	Additional	FLEET ACQUISITIONS
11	-	13	-	-	20	School Buses - Mainstream
6	-	3	-	-	5	- Special Needs
2	-	10	-	3	-	Other School Vehicles

Fiscal Year						
2014		2015		2016		
Heavy Duty Shop	Light Duty Shop	Heavy Duty Shop	Light Duty Shop	Heavy Duty Shop	Light Duty Shop	FLEET SHOPS
41	113	35	122	36	124	Vehicles per Technician by Shop

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**Technology and Information Services**  
**Fiscal Years 2011 - 2016**

**Table S-13**

	<b>Fiscal Years</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Technology Statistics:</b>						
Number of Sites Serviced (Schools and Support Offices)	34	34	34	34	34	34
<b>Computer Statistics:</b>						
Total Desktop Computers	7,077	7,141	7,141	7,270	7,326	7,457
Desktop Computers over 5 years old	819	139	65	138	174	5
Percentage of Desktop Computers over 5 years old	12%	2%	1%	2%	2%	0%
Total Laptop Computers	3,731	3,825	3,825	3,245	3,135	3,161
Laptop Computers over 5 years old	731	108	187	-	-	-
Percentage of Laptop Computers over 5 years old	20%	3%	5%	-	-	-
<b>Connectivity Statistics by Site</b>						
Number of Sites with Wireless LAN connection	34	34	34	34	34	34
Percentage of Sites with Wireless LAN connection	100%	100%	100%	100%	100%	100%
Number of Sites with Fiber WAN connection	9	18	18	26	27	31
Percentage of Sites with Fiber WAN connection	26%	53%	53%	76%	79%	91%
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	8	6	6	3	3	2
Percentage of Sites with T1 WAN connection	24%	18%	18%	9%	9%	6%
<b>Other Technology Statistics:</b>						
Number of Schools fully equipped with Mounted Projectors	3	30	30	30	30	30
Percentage of Schools fully equipped with Mounted Projectors	10%	100%	100%	100%	100%	100%

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

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**Property Data**  
**June 30, 2016**

**Table S-14**

	<b>Year of Construction</b>	<b>Year of Last Renovation</b>	<b>Building - Square Feet</b>	<b>Site - Acreage</b>
<b>High School Data</b>				
Brooke Point HS	1993	2016	281,637	52.82
Colonial Forge HS	1999	2016	268,091	62.90
Mountain View HS	2005	-	254,854	95.35
North Stafford HS	1981	2003	304,096	88.50
Stafford Senior HS	2015	-	288,253	124.56
<b>Middle School Data</b>				
Edward Drew MS	1951	1998	98,913*	15.31
<i>*6,032 SF is designated to the Heather Empfield Day School</i>				
Dixon-Smith MS	2006	-	145,700	48.04
H. H. Poole MS	1995	1998	145,140	36.62
Rodney Thompson MS	2000	-	138,199	44.55
Stafford MS	1991	2007	136,677	37.45
Shirley Heim MS	2008	-	146,770	22.00
T.B. Gayle MS	2002	-	148,221	39.98
A.G. Wright MS and Garrisonville ES (combined campus)	1981	2007	195,099	50.20
<b>Elementary School Data</b>				
Anthony Burns ES	2006	-	88,300	38.57
K. W. Barrett ES	2002	-	87,800	20.51
Conway ES	2005	-	88,300	19.92
Falmouth ES	1967	2012	73,725	41.49
Ferry Farm ES	1957	1992	70,550	18.12
Grafton Village ES	1967	2014	81,384	12.16
Hartwood ES	1963	1993	61,068	29.60
Hampton Oaks ES	1992	1996	80,968	18.76
Margaret Brent ES	2004	-	87,800	22.80
Moncure ES	1966	1997	76,098	18.54
Park Ridge ES	1990	1994	76,431	20.00
Rockhill ES	1989	1994	76,438	23.38
Rocky Run ES	2000	-	87,700	20.00
Stafford ES	1968	2013	74,317	15.87
Widewater ES	1988	1995	77,108	22.44
Winding Creek ES	1997	-	82,016	20.89
<b>Other Property</b>				
Alvin York Bandy Administration Building and and Professional Development Center	1998	2000	74,124	9.55
Gari Melchers Complex	1931	1990	156,934	29.87
Pupil Transportation (Included in Fleet Acreage)	2009	-	7,362	-
Fleet Services	1980	-	16,000	21.54
Support Services Building (included in Fleet Acreage)	1998	-	25,650	-
Aimee Building (JROTC Office on Stafford Senior HS campus)	1981	-	2,304	-
<b>Land</b>				
High School #6, Clift Farm Road	-	-	-	172.00
Armstrong Property	-	-	-	151.45

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

	<b>Calendar Year</b>				
	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>
<b>Utilities Summary of All Schools (by Year):</b>					
Thousand British Thermal Units (KBTU)	231,703,193	246,594,352	235,724,780	217,896,785	233,409,383
Square Footage	3,390,412	3,624,412	3,771,182	3,771,182	3,771,182
KBTU/Square Footage	68.34	68.04	62.51	57.78	61.89

**Utilities Summary by School Level (in KBTU):**

	<b>2015</b>		
	<b><u>Actual</u></b>	<b><u>Historical</u></b>	<b><u>Savings</u></b>
<b>Elementary Schools:</b>			
Electric	52,149,974	51,713,404	(436,570)
Gas	18,057,292	21,401,971	3,344,679
Oil	-	2,196,103	2,196,103
Propane	214,489	254,107	39,618
Subtotal	<u>70,421,755</u>	<u>75,565,585</u>	<u>5,143,830</u>
<b>Middle Schools:</b>			
Electric	32,369,146	34,131,433	1,762,287
Gas	8,702,121	8,822,532	120,411
Oil	2,375,504	3,841,448	1,465,944
Propane	78,973	71,642	(7,331)
Subtotal	<u>43,525,744</u>	<u>46,867,055</u>	<u>3,341,311</u>
<b>High Schools</b>			
Electric	49,801,364	52,098,570	2,297,206
Gas	19,878,442	11,308,877	(8,569,565)
Oil	3,441,306	8,751,156	5,309,850
Propane	449,990	25,474	(424,516)
Subtotal	<u>73,571,102</u>	<u>72,184,077</u>	<u>(1,387,025)</u>
<b>Total</b>	<u><u>187,518,601</u></u>	<u><u>194,616,717</u></u>	<u><u>7,098,116</u></u>

Percentage of Savings 3.65%  
Dollar Savings (net of capital lease payment of \$386,908) \$ 205,954

Table S-15

Calendar Year					Utilities Summary of All Schools (by Year):
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	
201,773,183	189,007,876	191,080,280	189,759,963	187,518,601	Thousand British Thermal Units (KBTU)
3,771,182	3,771,182	3,771,182	3,771,182	3,784,663	Square Footage
53.50	50.12	50.67	50.32	49.55	MBTU/Square Footage

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**AVERAGE SAT SCORES**  
**Fiscal Years 2007 - 2016**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Average SAT Scores:</b>					
Math	502	509	504	509	504
Writing	482	488	484	493	486
Critical Reading	508	513	506	516	510

**Source:** College Board SAT 2016, College-Bound Seniors District Highlights Report.

**Table S-16**

<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	
505	509	511	519	513	<b>Average SAT Scores:</b>
489	490	493	492	486	Math
514	514	519	522	520	Writing
					Critical Reading



**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**STANDARDS OF LEARNING TEST PASSING RATES**  
**Fiscal Years 2007 - 2016**

**Table S-17A**

Grade 3-8, 2007-2016											
Grade	Location	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Reading											
3	Division	77%	80%	81%	84%	85%	88%	76%	70%	76%	75%
		80%	84%	89%	88%	83%	88%	72%	69%	75%	76%
4	Division	87%	87%	86%	88%	90%	88%	74%	72%	82%	77%
		87%	88%	89%	88%	87%	88%	70%	70%	77%	77%
5	Division	85%	87%	88%	89%	91%	89%	79%	76%	83%	83%
		87%	89%	92%	90%	89%	89%	73%	73%	79%	81%
6	Division	88%	84%	84%	85%	89%	90%	79%	76%	78%	80%
		84%	85%	86%	88%	87%	89%	73%	73%	76%	77%
7	Division	86%	86%	89%	86%	91%	92%	82%	83%	86%	85%
		86%	86%	88%	89%	89%	88%	74%	76%	81%	82%
8	Division	86%	80%	87%	83%	92%	92%	77%	74%	81%	81%
		80%	83%	87%	90%	90%	89%	71%	70%	75%	75%
High School	Division	95%	94%	96%	94%	96%	97%	93%	92%	92%	90%
		94%	94%	95%	94%	94%	94%	89%	90%	89%	89%
Writing											
5	Division	88%	89%	84%	87%	91%	90%	75%	74%	NLG	NLG
		89%	87%	86%	88%	87%	87%	71%	71%	NLG	NLG
8	Division	88%	86%	89%	87%	90%	91%	74%	69%	76%	75%
		86%	87%	89%	91%	88%	88%	70%	70%	72%	71%
High School	Division	92%	92%	95%	92%	96%	95%	90%	85%	86%	86%
		92%	92%	92%	92%	93%	93%	87%	84%	83%	83%

**NLG = No longer given**

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**STANDARDS OF LEARNING TEST PASSING RATES**  
**Fiscal Years 2007 - 2016**

Table S-17B

Grade	Location	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
History											
3	Division State	92%	92%	93%	94%	87%	89%	89%	88%	NLG	NLG
		92%	93%	93%	93%	85%	87%	87%	86%	NLG	NLG
5	Division State	N/A	N/A	N/A	83%	100%	93%	95%	95%	NLG	NLG
				94%	90%	80%	84%	82%	86%	NLG	NLG
History and Social Science (Alternative Assessment)											
4	Division State	N/A	N/A	N/A	N/A	88%	93%	96%	95%	NLG	NLG
		N/A	N/A	95%	92%	87%	84%	81%	88%	NLG	NLG
6	Division State	N/A	N/A	N/A	100%	95%	88%	83%	90%	NLG	NLG
		N/A	N/A	N/A	91%	92%	86%	84%	89%	NLG	NLG
7	Division State	N/A	N/A	N/A	100%	95%	96%	89%	96%	NLG	NLG
		N/A	N/A	N/A	92%	91%	88%	84%	89%	NLG	NLG
High School	Division State	N/A	N/A	N/A	95%	89%	92%	86%	92%	90%	90%
		N/A	N/A	90%	91%	87%	84%	77%	86%	78%	85%
Virginia and U.S. History											
High School	Division State	96%	97%	96%	97%	89%	93%	91%	90%	91%	90%
		93%	94%	95%	95%	83%	85%	86%	87%	87%	86%
World History I											
High School	Division State	93%	95%	96%	98%	88%	88%	92%	91%	89%	89%
		89%	91%	93%	93%	81%	84%	84%	85%	85%	84%
World History II											
High School	Division State	96%	96%	97%	97%	88%	91%	90%	92%	91%	90%
		92%	92%	93%	92%	82%	85%	85%	86%	87%	86%
World Geography											
High School	Division State	92%	93%	96%	99%	100%	99%	97%	99%	100%	99%
		83%	84%	86%	86%	85%	85%	86%	86%	86%	86%
Virginia Studies											
Content Specific	Division State	80%	79%	86%	87%	92%	91%	90%	87%	89%	87%
		83%	93%	88%	87%	89%	89%	87%	85%	87%	87%
U.S. History 1865 to 1877											
Content Specific	Division State	60%	69%	66%	80%	84%	82%	85%	79%	NLG	NLG
		69%	74%	74%	78%	81%	81%	83%	81%	NLG	NLG
U.S. History 1877 to present											
Content Specific	Division State	88%	91%	94%	94%	88%	86%	88%	84%	NLG	NLG
		87%	92%	92%	91%	85%	84%	82%	81%	NLG	NLG
Civics and Economics											
Content Specific	Division State	81%	84%	81%	82%	82%	84%	87%	83%	86%	87%
		83%	84%	84%	86%	84%	84%	85%	83%	86%	87%

NLG = No longer given

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**STANDARDS OF LEARNING TEST PASSING RATES**  
**Fiscal Years 2007 - 2016**

**Table S-17C**

<b>Grade</b>	<b>Location</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Mathematics</b>											
3	Division	88%	88%	88%	93%	93%	69%	69%	68%	78%	77%
	State	89%	89%	89%	92%	91%	64%	65%	67%	74%	77%
4	Division	81%	81%	84%	88%	90%	75%	79%	84%	85%	83%
	State	81%	84%	86%	88%	89%	70%	74%	80%	84%	83%
5	Division	86%	86%	87%	94%	91%	72%	76%	78%	84%	81%
	State	87%	88%	90%	92%	89%	67%	69%	73%	79%	79%
6	Division	70%	70%	76%	83%	83%	82%	83%	86%	90%	90%
	State	60%	68%	73%	77%	73%	74%	77%	76%	83%	82%
7	Division	71%	71%	66%	68%	73%	54%	75%	75%	79%	81%
	State	56%	65%	71%	75%	77%	58%	61%	65%	72%	72%
8	Division	85%	85%	90%	89%	90%	83%	68%	72%	79%	77%
	State	77%	83%	85%	87%	82%	60%	61%	67%	74%	73%
<b>Mathematics (Alternate Assessment)</b>											
High School	Division	N/A	85%	91%	95%	100%	92%	67%	88%	100%	97%
	State	88%	80%	81%	80%	77%	68%	65%	69%	72%	69%
<b>Algebra I</b>											
High School	Division	93%	93%	94%	97%	97%	83%	87%	84%	85%	84%
	State	92%	93%	94%	94%	94%	75%	76%	79%	82%	83%
<b>Geometry</b>											
High School	Division	88%	88%	91%	90%	92%	77%	81%	82%	85%	82%
	State	86%	87%	87%	88%	87%	74%	76%	77%	80%	80%
<b>Algebra II</b>											
High School	Division	88%	88%	92%	92%	92%	72%	86%	91%	95%	92%
	State	88%	90%	91%	91%	91%	69%	76%	82%	87%	89%

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**STANDARDS OF LEARNING TEST PASSING RATES**  
**Fiscal Years 2007 - 2016**

**Table S-17D**

<b>Grade</b>	<b>Location</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Science</b>											
3	Division	87%	88%	88%	91%	90%	92%	85%	85%	NLG	NLG
	State	88%	89%	89%	91%	90%	90%	84%	83%	NLG	NLG
5	Division	85%	88%	87%	90%	86%	88%	79%	75%	82%	81%
	State	88%	88%	88%	88%	87%	88%	75%	73%	79%	81%
8	Division	93%	93%	95%	94%	96%	96%	83%	79%	83%	83%
	State	89%	90%	90%	92%	92%	92%	76%	74%	78%	79%
<b>Science (Alternate Assessment)</b>											
High School	Division	N/A	85%	100%	86%	94%	96%	71%	85%	84%	90%
	State	N/A	84%	88%	88%	90%	83%	59%	74%	77%	84%
<b>Biology</b>											
High School	Division	91%	93%	93%	93%	95%	95%	89%	88%	91%	90%
	State	87%	88%	88%	93%	90%	92%	83%	83%	84%	84%
<b>Chemistry</b>											
High School	Division	96%	94%	97%	96%	95%	96%	90%	90%	91%	87%
	State	91%	92%	93%	94%	93%	93%	86%	87%	88%	88%
<b>Earth Science</b>											
High School	Division	89%	92%	93%	92%	93%	96%	91%	88%	87%	87%
	State	85%	86%	87%	88%	89%	90%	83%	83%	83%	84%

**NLG = No longer given**

**STAFFORD COUNTY PUBLIC SCHOOLS**  
**A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA**  
**SCHOOL ACCREDITATION AND ADEQUATE YEARLY PROGRESS (AYP)**  
**OR FEDERAL ANNUAL MEASURABLE OBJECTIVES (FAMOs)**  
**Fiscal Years 2007 - 2016**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Division-wide Status:</b>					
Schools Fully Accredited	100%	97%	100%	100%	100%
Schools that Made AYP/AMO	63%	48%	47%	53%	37%
Division AYP/AMO	Made AYP	Did not make AYP	Made AYP	Did not make AYP	Did not make AYP
Schools that Made FAMO	-	-	-	-	-
Division FAMO	-	-	-	-	-

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

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

**Table S-18**

<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Division-wide Status:</b>
100%	100%	97%	100%	100%	Schools Fully Accredited
37%	47%	50%	37%	*	Schools that Made AYP/AMO
Did not make AYP	Did not meet FAMO	Did not meet FAMO	Did not meet FAMO	*	Division AYP/AMO
-	47%	50%	37%	*	Schools that Made FAMO
-	Did not meet FAMO	Did not meet FAMO	Did not meet FAMO	*	Division FAMO

# **COMPLIANCE SECTION**



RSM US LLP

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Boards*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stafford County School Board (the school board), a component unit of Stafford County, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the school board's basic financial statements and have issued our report thereon dated December 19, 2016.

**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.

*RSM VS LLP*

New Bern, North Carolina  
December 19, 2016



RSM US LLP

**Independent Auditor's Report  
on Compliance For Each Major Federal Program  
and on Internal Control Over  
Compliance Required By the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited 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 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, 2016. The school board's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, 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, 2016.



## Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 2016-001.

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 and Corrective Action Plan. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*RSM VS LLP*

New Bern, North Carolina  
December 19, 2016

**Stafford County Public Schools  
Component Unit of the County of Stafford  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016**

<b>Federal Grantor/State Pass - Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Subrecipient</b>	<b>Federal Expenditures</b>
Department of Agriculture:				
Direct Payments:				
Child Nutrition Cluster:				
Food Distribution	10.555	10.555/2012	-	789,870
Department of Education:				
National school lunch program	10.555	2014IN109941	-	3,825,567
Total 10.555			-	4,615,437
National school breakfast program	10.553	2014IN109941	-	1,292,070
Total Child Nutrition Cluster			-	5,907,507
Total Department of Agriculture			-	5,907,507
Department of Defense:				
Direct Payments:				
JROTC	12.000	N/A	-	277,007
Basic and Applied Scientific Research	12.300	N/A	-	2,800
Total Department of Defense			-	279,807
Department of Education:				
Direct Payments:				
Impact Aid	84.041	N/A	-	1,067,092
Pass Through Payments:				
Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	H027A130107	-	4,376,533
Special Education - Preschool Grants	84.173	H173A130112	-	90,390
Total Special Education Cluster			-	4,466,923
Title I Grants to Local Educational Agencies	84.010	S010A130046	-	1,715,544
Title IV Part B-21 Twenty-First Century Community Learning Center	84.287	S287C130047	-	180,431
Advance Placement Incentive Program	84.330	S330B130008	-	19,360
Career and Technical Education - Basic Grants to States	84.048	V048A130046	-	238,770
Improving Teacher Quality State Grants	84.367	S367A130044	-	329,069
English Language Acquisition Grant	84.365	S365A130046	-	118,189
Total Department of Education			-	8,135,378
Department Health and Human Services:				
Direct Payments:				
Head Start Program	93.600	N/A	-	2,378,702
Pass Through Payments:				
Department of Social Services:				
Medicaid Cluster:				
Medical Assistance Program	93.778	93.778/2012	-	849,186
Total Medicaid Cluster			-	849,186
Total Department Health and Human Services			-	3,227,888
Total Expenditures of Federal Awards			-	17,550,580

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, 2016**

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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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Stafford County Public Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Stafford County Public Schools.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

School Operating Fund	\$ 2,212,646
School Grants Fund	9,430,427
School Food and Nutrition Services Fund	5,907,507
Total federal expenditures per basic financial statements	<u>\$ 17,550,580</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 17,550,580</u>
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\*\* Includes non-cash expenditures - value of donated commodities of \$789,870.

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

**Schedule Of Findings And Questioned Costs  
Year Ended June 30, 2016**

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**Section I. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

**Internal control over financial reporting:**

- ◆ Material weakness identified?      yes   ✓   no
- ◆ Significant deficiency identified?      yes   ✓   none reported

Noncompliance material to financial statements noted?      yes   ✓   no

**Federal Awards**

**Internal control over major federal programs:**

- ◆ Material weakness identified?      yes   ✓   no
- ◆ Significant deficiency identified?   ✓   yes      none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   ✓   yes      no

**Identification of major programs:**

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start Program
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

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, 2016**

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**Section II. Financial Statement Findings and Questioned Costs**

None reported.

**Section III. Findings and Questioned Costs for Federal Awards**

**Finding 2016-001**

Compliance Finding and Significant Deficiency in Internal Control

Program Name: Title I Grants to Local Educational Agencies

CFDA #84.010

Criteria: Program rules stipulate specific time and effort documentation. There is a requirement for semi-annual time certifications.

Condition: Time and effort documentation was not properly completed for some personnel. For 9 of the 17 employees we tested, the certification was prepared annually, rather than semi-annually. For 9 of the 17 employees we tested, the time certification was prepared in advance of time worked. For 1 of the 17 employees' time certification we tested, there was no evidence of supervisory approval.

Cause and Context: Program supervisors were not aware of the semi-annual requirements. Staff prepared time certifications once at the end of the first semester for the entire year rather than semi-annually.

Effect: Potential noncompliance with program requirement.

Questioned Cost: None, because other means were found to support the employees' time utilization in the Title I program.

Recommendation: The School Board should develop control procedures to ensure employees complete and sign semi-annual certifications of time charged to federal programs after they have worked that time, as well as adequate supervisory review of such certifications as required.

Management Response: Management concurs with the facts.

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

**Corrective Action Plan  
Year Ended June 30, 2016**

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**Identifying Number: 2016-001**

**Name of Contact person:** Chris Fulmer, Director of Finance and Accounting

**Corrective Actions Taken:** Title I responsibilities were realigned under the Office of Assessment, Accountability, and Program Evaluation beginning July 1, 2016. The Office is aware of the semi-annual certification requirements and has established procedures and deadlines to ensure these requirements are met with fidelity.

**Proposed Completion Date:** December 31, 2016



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

**Summary Schedule Of Prior Audit Findings  
Year Ended June 30, 2016**

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**Finding 2015-001**

Program Name: Impact Aid

CFDA #84.041

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

Corrective Action: Management implemented a process to review all compliance requirements for each federal program ensuring that all departments are aware of applicable requirements. Separately, other procedures have been developed to review compliance no less than on an annual basis. The Financial Services Department reviews the procedures for monitoring program requirements with each department and verifying that compliance with the program requirements has been achieved



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