

STAFFORD COUNTY PUBLIC SCHOOLS

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



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



Fiscal Year 2017
(July 1, 2016 – June 30, 2017)

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2017



Members of the Stafford County Board of Supervisors

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

Members of the School Board

Ms. Holly Hazard, Hartwood District – Chair
Mr. C. Scott Hirons, Falmouth District – Vice-Chair
Ms. Irene M. Egan, Aquia District
Mr. Christopher P. Connelly, Garrisonville District
Mr. Dewayne McOsker, Jr., George Washington District
Ms. Jamie Decatur, Griffis-Widewater District
Ms. Patricia Healy, Rock Hill District

Officials of Stafford County Public Schools

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

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2017

2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017
(July 1, 2016 – July 30, 2017)

Prepared By:

Department of Financial Services

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Accounting Specialist



OUR VISION:

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

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2017

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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 18, 2017

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, 2017. 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 U.S. Office of Management and Budget's (OMB) *Compliance Supplement* and *Title 2 U.S. Code of Federal Regulations Part 200 Uniform Guidance*. Information related to this single audit, including a Schedule of Expenditures of Federal Awards, the Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance, 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.

An elected seven-member Board of Supervisors, representing the following districts, governs Stafford County: Aquia, Falmouth, Garrisonville, George Washington, Griffis-Widewater, Hartwood, and Rockhill. The Board of Supervisors has established the following priorities for the community: public safety, education, economic development, infrastructure, and service excellence, all encompassed by fiscal responsibility and reducing the tax burden. As of 2016, the County's population was estimated to be over 144,000, an increase of 11.9% from the 2010 Census, making Stafford one of the fastest growing counties in Virginia and the United States.

Stafford County Public Schools

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

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

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

Economic Outlook

Median Household Income

Median household income in Stafford County in 2015 was estimated at \$95,666 (Census Small Area Income and Poverty Estimates data), the seventh highest household income among Virginia's counties and independent cities. This compares to an average \$66,263 household income in Virginia. Total wages earned at businesses in Stafford County have experienced tremendous growth, expanding an annualized average 5.2% from 2006 to 2016. Wages earned at businesses in Stafford County experienced the third fastest growth rate among the state'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 2016, an estimated 50.3% of Stafford County's at-place workers had a 2-year degree or higher, on par with Virginia where 51.3% of workers have this level of education.

Stafford County ranks in the top quarter in annualized retail sales growth among the state's counties and independent cities over the last year. From 2011 to 2016, retail sales averaged 4.4% annualized growth in Stafford County, compared to 3.0% for Virginia and 3.0% 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 2017 and 2018 along with retail sales in the Northern Virginia metro area. The six-month moving average of single-family building permits in Stafford County bottomed out in April 2009 and has since expanded 269% as of February, 2017.

Composite Index

The Commonwealth of Virginia computes an index figure for each locality, known as the Composite Index of Local Ability-to-Pay (Composite Index). The calculation for the Composite Index is very complex, as summarized in *Management's Discussion & Analysis*. The Composite Index determines how much the required local match contribution to state funding for the standards of quality (SOQ) programs, incentive programs, and the lottery funded programs. In December 2015, the Composite Index increased from .3412 in the state biennium covering fiscal years 2015 and 2016 to .3445 in the state biennium covering fiscal years 2016 and 2017.

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

Teaching and Learning Summit

The first Teaching and Learning Summit took place June 26-29, 2017, at Stafford High School. Five hundred teachers participated. In addition, over 125 school and division leaders collaborated with teachers for this event. The Summit was a professional learning experience that centered around three focal points of growth in our division: C5W (All Centuries, All Learners), Integration of G Suite, and aligning School Improvement Planning (SIP) with our learning priorities outlined in the SCPS Strategic Plan. Part of this transformative process included SCPS Instructional Services launching new approaches in working and learning together as an organization. While training a third of our teaching staff in C5W, G Suite, and SIP, educators had opportunities to work with colleagues in schools, as well as learn from and with job-like peers throughout the division. Through daily and event exit slips the most popular activities reported were: Job-like Peer Communities of Practice (CoPs), School Improvement Planning and learning with John Antonetti, SCPS's C5W partner.

C5W Learning Walks

During the 2016-17 school year, all schools participated in development of C5W Learning Walk training. Administrators and teachers received training in leading learning walks in their building and recording data to record this work. Staff worked with John Antonetti and participated in C5W Learning Walk "Look-fors" in the areas of Relevance, Cognitive Demand, and Engagement. These key areas are focal points for observation, reflection, and gathering data in the upcoming year.

Responsive Classroom

In June 2017, we were able to expand our Responsive Classroom offerings to include additional teachers to receive the 4 day training for the upcoming school year. A cohort of 120 elementary teachers were trained at Stafford Elementary at the end of June. Responsive Classroom is not a program, but a set of strategies and structures that support the social and academic curriculum. The 4 Key Domains of Responsive Classroom are: Engaging Academics, Positive Community, Effective Management, and Developmental Awareness.

Instructional Coaching

Learning and Organizational Development focused on building the capacity of teacher leaders across the school division. This focus began in 2016-2017 with professional learning support for teachers who are in instructional coaching roles and included members of Learning and Organizational Development. The focus on models of instructional coaching, and the important relationship between an instructional coach and the teacher, principal and coaching peers was emphasized. The long-term goal is to optimize SCPS instructional coaches in improving teaching and learning processes by promoting peer-to-peer coaching partnerships within and across the school division.

K-8 STEM

During the 2016-17 academic year, the NSTAR/VDP stem grant through NAVSEA/Dahlgren provided upgraded stem robotic kits for participating middle school programs and continued scientist/engineer support through grade level implementation. Elementary, Middle, and High school student teams participated in the BAE grant supported Mission Impossible Challenge. Elementary and Middle school SeaPerch teams competed In the NAVSEA/Dahlgren regional spring competition.

Project SEARCH

In the spring of 2017, the Department of Student Services applied for, and was accepted into, the Project SEARCH program. The program provides an opportunity for three 10-week internships in a job setting for students with various disabilities. During the 2017-2018 school year, SCPS will partner with Mary Washington Healthcare, the Department of Aging and Rehabilitative Services (DARS), and Rehabilitative Services and Vocational Placement (RSVP) to teach students a variety of job skills in the hospital setting. This program will provide positive outcomes for all involved.

Science

During the 2016-17 academic year, content driven student field experiences and teacher professional learning included the elementary ocean Immersion experience, Rappahannock River, Delaware, and Nature Bridge experiences. Fall and Spring Professional learning continued aboard the "Methods and Mentorship" aboard the Oceanography Field experience where elementary and middle school teachers train and facilitate research stations for students during the VA beach ocean elective field study. Profession learning for elementary, 7th grade, Biology and Ecology teachers was facilitated locally with Project Wet training facilitated by our Tri-County partners.

CTE

In 2016, 98.43% of SCPS CTE completers earned an Advanced Studies Diploma, IB Diploma or Standard Diploma. The connection between academics and technical skills prepares students to be more successful in school and careers. The Class of 2017 was the first group of students required to earn a CTE industry credential in order to graduate with a Standard Diploma. These students will be able to enter the world of work one step ahead of their peers.

Division-wide Crisis Management Plan and Emergency Management

The Department of Safety, Security and Risk Management (DSSRM) developed a division-wide Emergency Management Plan and Risk Program with proactive approaches in preparedness, health and safety, security, loss prevention and property & liability claims management. Additionally, DSSRM reviewed and updated the Division-wide Crisis Management Plan and completed a school safety inspection checklist for each school in the division. The inspections revealed several overall improvements from the previous audit review conducted in 2014. These improvements included keyless access to all Sheriff's Office personnel for emergency entry and an upgrade in CCTV coverage, mapping and imaging. Better exterior lighting, barrier removal for increased visibility, and the completion of vestibule upgrades were security enhancements during FY2017.

Workers' Compensation and Property and Liability Insurance

DSSRM is responsible for managing all insurance and safety issues that may expose the division to litigation or insurance claims including, but not limited to, identifying, evaluating, controlling and minimizing the division's exposure to loss or damage to physical assets, and losses arising out of liability claims. Through an aggressive annual OSHA and risk assessment inspection at each school division's operations and facilities, the division earned the lowest deductible factor rating in comparison to 500 members in the insurance program's pool -- earning the division a premium discount of \$112,214. In addition, the division earned for the second time the distinguished Virginia Municipal League Insurance Risk Management Excellence Award.

Staffing Standards Plan

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

Licensed Staff Retention

The division experienced an almost 3 percent decrease in licensed staff turnover from FY 2016 to FY 2017. The turnover rate in FY 2016 was 14.3% and 11.4% in FY 2017. Significantly, a small percentage of licensed staff reported resigning to go to northern school divisions: 9% in FY 2016 and 8% in FY 2017. The top reason reported

for leaving was relocation out of the area, followed by retirement and family/health reasons. Those three categories accounted for 53.6% of licensed staff turnover in FY 2016 and 49.1% in FY 2017. It is noteworthy that the percentage of licensed staff citing dissatisfaction as the reason for leaving decreased from 2% in FY 2016 to 1% in FY 2017. The number of licensed staff in FY 2016 was 1,977 and 2,050 in FY 2017. The total number of resignations (including leaves of absence and retirements) was 283 in FY 2016 and 235 in FY 2017.

Munis

The Departments of Financial Services and Human Resources worked throughout fiscal year 2017 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.

Phase II of the implementation is complete and includes applicant tracking, benefits, leave tracking, license tracking, payroll, position control, recruitment, and time and attendance. Munis is the school division's first human resources information system (HRIS). In April 2017, HR successfully launched the applicant tracking feature of the new HRIS. Applicant tracking development entailed creation of the individual job applications as well as an intricate workflow system. The workflow system incorporates processes involving application, hiring, onboarding, and employee separation. Approximately 290 teachers were hired using the new HRIS. In addition to launching the applicant tracking module, HR developed and implemented the position control system for which it is responsible for maintaining. Development of the position control system was both a collaborative and monumental effort that involved a systematic creation of job classifications and positions within each classification. As a result, detailed employee and position information can be obtained from the HRIS.

Payroll was processed in Munis beginning in August of 2017 for 12-month employees, with payroll including all employees being processed in October 2017.

Assistive Technology

The technology department served 10% of the Special Education students with assistive technology solutions.

Chromebook Cyclic Replacement

Four Chromebooks to one MacBook increased the number of computers at schools for student use (30 Macs in one cart became 120 Chromebooks).

Chromebook Deployment

The technology department migrated 6,000 devices from stand-alone school domains to district domain and added 2,700 new (4:1 Chromebook Initiative) to domain.

G Suite Stafford County Public Domain

Staff accounts migrated to Google platform. The technology department migrated over 4,000 email accounts and over three million megabytes of email data (over eight million emails). Student accounts were created and automated (over 28,000 accounts created and kept in sync daily).

Governor's Security Equipment Grant for Schools

SCPS received approximately \$90,000 to upgrade school video cameras and keep students, teachers, and schools safe.

Online Registration

The Synergy Student Information System Module for online registration of new and returning students, OLR has the ability to register students online, streamline data entry and save paper.

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 2017, a contribution was not authorized to be made to the OPEB Trust Fund. The market value of the trust fund investments at June 30, 2017 and 2016 were \$20,724,834 and \$18,380,629, respectively. The

cost value of the trust fund investments at June 30, 2017 and 2016 were \$14,926,027 and \$14,943,316, respectively.

Accreditation

According to the Virginia Department of Education State Accreditation Report released on September 13, 2017, all 30 schools in Stafford County Public Schools earned the highest accreditation rating of “Fully Accredited” for the 2017-2018 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 65 school divisions in the Commonwealth to have all of its 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. As the state of Virginia continues to transition 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 (FAMO) targets will not be reported for the 2017-2018 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 2019 budget development process.

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

Internal Controls

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

Budgetary Controls

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

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

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

Risk Management

The risk management program endeavors to minimize or eliminate, when possible, risks that endanger the safety and environmental health of the students, staff, property and financial resources of SCPS. These objectives are met by

identifying risk exposures, measuring and analyzing them, and implementing appropriate procedures to mitigate them. The results are monitored and evaluated for effectiveness and revised, as necessary.

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

Cash Management

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

Acknowledgements

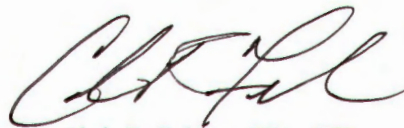
We would like to express our sincere gratitude to all the members of the Financial Services Department who were involved in or assisted with the preparation of this report. Our dedicated finance and accounting staff has accomplished the major task of preparing this Comprehensive Annual Financial Report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

We would also like to thank the School Board for its leadership, oversight and support in conducting the financial affairs of SCPS in a responsible and progressive manner 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,



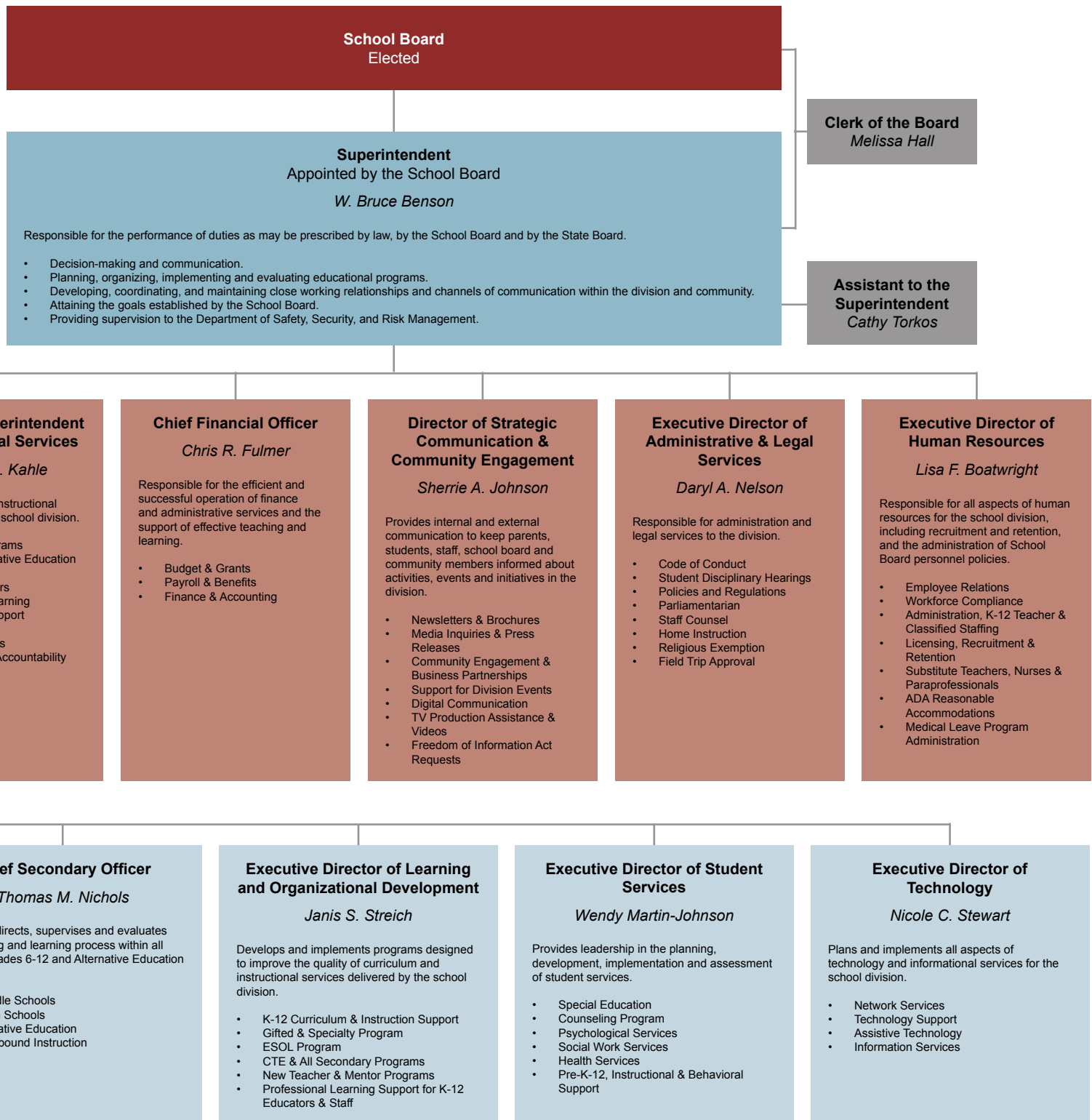
W. Bruce Benson, Ed.D.
Superintendent



Chris R. Fulmer, CPA, CFE
Chief Financial Officer



Organizational Chart As of 7/1/17



FINANCIAL SECTION

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2017

INDEPENDENT AUDITORS' REPORT

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stafford County School Board (the School Board), a component unit of Stafford County, Virginia, as of and for the year ended June 30, 2017, 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 the School Board as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information for the General (Operating) Fund, the schedules of other post-employment benefit (OPEB) funding progress, the schedule of changes in the school board net OPEB liability and related ratios, the schedule of OPEB contributions, the schedule of OPEB investment returns, 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 68-76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 18, 2017 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 18 2017

Stafford County Public Schools
A Component Unit of Stafford County, Virginia
June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of Stafford County Public Schools (“SCPS”), we offer readers an overview and analysis of financial activities for the fiscal year ended June 30, 2017. 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, 2017. 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 \$216.2 million at June 30, 2017, representing an increase of \$7.3 million, or 3.5%, from the total net position of \$208.9 million at June 30, 2016. The increase was due to increases in net investment in capital assets of \$7.1 million and unrestricted deficit of \$5.5 million, offset by a decrease in the restricted net position of \$5.2 million. Restricted cash increased by \$.4 million due to an increase in Virginia Public School Authority (VPSA) bond fund proceeds available at year end for construction projects. Current liabilities decreased by \$15.2 million in fiscal year 2017 over fiscal year 2016 due to decreases in accrued salaries and benefits of \$12.4 million and accounts payable and retainage of \$3.6 million. Noncurrent liabilities (other than for pensions) increased by \$10.4 million in fiscal year 2017 over fiscal year 2016 due primarily to a \$10.6 million increase in the OPEB liability.

For fiscal year 2017, SCPS’ governmental activities expenses of \$317.3 million exceeded program revenues (charges for services plus grants and contributions) of \$99.5 million by \$217.8 million. This deficit is an \$8.2 million increase from the \$209.6 million deficit for fiscal year 2016. 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 \$3.6 million, or 1.6%, from \$221.5 million in fiscal year 2016 to \$225.1 million in fiscal year 2017.

SCPS’ General Fund (otherwise referred to as the Operating Fund) reported a fund balance of \$11.5 million as of June 30, 2017. This represents a decrease of \$1.9 million, or 14.2%, as compared to the June 30, 2016 fund balance of \$13.4 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.

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).

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

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) Independent Auditor's Report on Compliance for the Major Federal Programs and Report on Internal Control Over Compliance required by the Uniform Guidance. The Schedule of Expenditures of Federal Awards along with the related note disclosures is also included in this section.

THE BASIC FINANCIAL STATEMENTS

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

THE BASIC FINANCIAL STATEMENTS (Continued)

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

| | Government-wide Financial Statements | Fund Financial Statements | | |
|--|---|--|--|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire school division | Activities of school system not fiduciary or proprietary, such as Operating Fund, Capital Projects Fund, Food and Nutrition Services Fund and Grants Fund | Activities of school system operating similar to private businesses, such as Fleet Services Fund, Health Benefits Fund and Workers' Compensation Funds | Activities of school system with an agent or trustee overseeing resources, such as OPEB Trust Fund, Scholarship and Endowment Trust Funds, School Activity Agency Funds, Employee Flexible Spending Agency Fund, Fiduciary Services Fund and Stafford Education Foundation Fund |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows | <ul style="list-style-type: none"> • Statement of net position • Statements of changes in net position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Agency Fund - cash basis of accounting Trust Fund – accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital and short-term and long-term, deferred outflows and deferred inflows | 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, deferred outflows and deferred inflows | Agency Fund - does not contain capital assets nor liabilities Trust Fund – all financial assets and liabilities, short-term and long-term |
| Type of inflow/outflow information | All revenues earned and expenses incurred during year, regardless of when cash is received or paid | Revenues when cash is received during or soon after year-end; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues earned and expenses incurred during year, regardless of when cash is received or paid | Agency Fund - all receipts as received and disbursements as paid Trust Fund – all revenues earned and expenses incurred during year |

FINANCIAL ANALYSIS OF SCPS AS A WHOLE

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

Net Position

Total net position at June 30, 2017 increased by \$7.3 million, or 3.5%, over June 30, 2016. Current assets decreased by \$4.7 million, or 5.1%, due primarily to a decrease in due from primary government of \$10.2 million and in accounts receivable of \$3.6 million, offset by an increase in cash of \$9.2 million from 2016 to 2017. Restricted assets increased by \$.4 million, or 2.8%, from 2016 to 2017 due to an increase in VPSA bond proceeds available for construction projects. The net investment in capital assets increased by \$7.1 million, or 1.6%, due primarily to high school addition/renovation projects. Noncurrent (non-pension) liabilities increased by \$10.4 million due to an increase in the OPEB liability of \$10.6 million, offset by decreases for debt service payments on long term debt and capital leases. The restricted net position decreased by \$5.2 million, or 40.6%, primarily due to an 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 (deficit) increased by \$5.5 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, 2017 and 2016.

| Summary of Net Position As of June 30, 2017 and 2016 (In thousands of dollars) Governmental Activities | | | | |
|---|-------------------|-------------------|-----------------------|-------------------------|
| | 2017 | 2016 | Net Change | Net % Change |
| Assets: | | | | |
| Current assets | \$ 86,600 | \$ 91,301 | \$ (4,701) | (5.1) % |
| Noncurrent assets: | | | | |
| Restricted assets | 14,883 | 14,483 | 400 | 2.8 % |
| Capital assets | 448,506 | 442,194 | 6,312 | 1.4 % |
| Total assets | 549,989 | 547,978 | 2,011 | 0.4 % |
| Deferred outflows of resources: | | | | |
| Contributions to pension plan in current fiscal year | 38,739 | 23,376 | 15,363 | 65.7 % |
| | 38,739 | 23,376 | 15,363 | 65.7 % |
| Liabilities: | | | | |
| Current liabilities | 41,654 | 56,840 | (15,186) | (26.7) % |
| Noncurrent (non-pension) liabilities | 48,857 | 38,483 | 10,374 | 27.0 % |
| Net pension liability | 266,971 | 238,776 | 28,195 | 11.8 % |
| Total liabilities | 357,482 | 334,099 | 23,383 | 7.0 % |
| Deferred inflows of resources: | | | | |
| Pension deferrals | 15,018 | 28,372 | (13,354) | (47.1) % |
| Total deferred inflows of resources | 15,018 | 28,372 | (13,354) | (47.1) % |
| Net position: | | | | |
| Net investment in capital assets | 446,018 | 438,933 | 7,085 | 1.6 % |
| Restricted | 7,640 | 12,861 | (5,221) | (40.6) % |
| Unrestricted (deficit) | (237,430) | (242,911) | 5,481 | (2.3) % |
| Total net position | \$ 216,228 | \$ 208,883 | \$ 7,345 | 3.5 % |

FINANCIAL ANALYSIS OF SCPS AS A WHOLE (Continued)

Changes in Net Position

Revenue increased by a net of \$12.1 million, or 3.9%. The increase in revenue primarily consists of an increase in State basic aid and sales tax of \$3.2 million; operating grants and contributions of \$4.1 million primarily due to an increase in federal funding for the school breakfast and lunch programs in the Food and Nutrition Services Fund; and an increase in capital grants and contributions of \$4.7 million due to an increase in the VPSA proceeds remitted from the County for capital projects. Program expenses increased by \$16.7 million, or 5.5%, which consists primarily of: a \$15.5 million increase in instruction and an \$8.5 million increase in administration, attendance and health; offset by a \$10.3 million decrease in capital outlays.

The following table summarizes SCPS' changes in net position for the fiscal years ended June 30, 2017 and 2016.

Summary of Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016
(In thousands of dollars)

| | Governmental Activities | | | |
|---------------------------------------|--------------------------------|--------------------|----------------------|------------------------|
| | <u>2017</u> | <u>2016</u> | <u>Change</u> | <u>% Change</u> |
| Revenues: | | | | |
| <i>Program revenues</i> | | | | |
| Charges for services | \$ 18,062 | \$ 18,373 | \$ (311) | (1.7) % |
| Operating grants and contributions | 54,536 | 50,398 | 4,138 | 8.2 % |
| Capital grants and contributions | 26,927 | 22,241 | 4,686 | 21.1 % |
| <i>General revenues</i> | | | | |
| Sales Tax | 28,680 | 27,831 | 849 | 3.1 % |
| Basic aid | 83,935 | 81,590 | 2,345 | 2.9 % |
| Unrestricted grants and contributions | 112,072 | 111,658 | 414 | 0.4 % |
| Investment earnings | 91 | 72 | 19 | 26.4 % |
| Gain on capital asset disposal | 65 | 115 | (50) | (43.5) % |
| Miscellaneous | 269 | 258 | 11 | 4.3 % |
| Total revenues | 324,637 | 312,536 | 12,101 | 3.9 % |
| Program expenses: | | | | |
| Educational: | | | | |
| Instruction | 187,652 | 172,121 | 15,531 | 9.0 % |
| Administration, attendance and health | 50,231 | 41,724 | 8,507 | 20.4 % |
| Pupil transportation | 12,974 | 12,219 | 755 | 6.2 % |
| Operation and maintenance | 21,062 | 19,922 | 1,140 | 5.7 % |
| Food and nutrition services | 11,365 | 11,218 | 147 | 1.3 % |
| Facilities | 17,182 | 15,488 | 1,694 | 10.9 % |
| Technology | 15,332 | 16,099 | (767) | (4.8) % |
| Capital outlays | 1,442 | 11,761 | (10,319) | (87.7) % |
| Interest and fiscal charges | 52 | 74 | (22) | (29.7) % |
| Total program expenses | 317,292 | 300,626 | 16,666 | 5.5 % |
| Change in net position | 7,345 | 11,910 | (4,565) | (38.3) % |
| Net position, July 1 | 208,883 | 196,973 | 11,910 | 6.0 % |
| Net position, ending | \$ 216,228 | \$ 208,883 | \$ 7,345 | 3.5 % |

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, 2017:

| Operating Fund Budget Summary For the fiscal year ended June 30, 2017 (In thousands of dollars) | | | | |
|--|-------------------------|--------------|---------------|--|
| Operating Activity Category | Operating Budget | | Actual | Variance from Final Budget Over (Under) |
| | Original | Final | | |
| Total revenues | \$ 268,953 | \$ 269,206 | \$ 265,891 | \$ (3,315) |
| Total expenditures | (268,881) | (281,664) | (267,420) | (14,244) |
| Total other financing sources | (72) | (336) | (336) | - |
| Net change in fund balance | \$ - | \$ (12,794) | \$ (1,865) | \$ (10,929) |

CAPITAL ASSETS

Below is a summary of SCPS' net capital assets as of June 30, 2017 and 2016, respectively. Additional information on SCPS' capital assets can be found in Note 8 to the financial statements.

| Net Capital Assets Summary As of June 30, 2017 and 2016 (In thousands of dollars) | | | | |
|--|---------------------------|-------------|-------------------------------|-------------|
| Capital Asset Category | Governmental Funds | | Internal Service Funds | |
| | 2017 | 2016 | 2017 | 2016 |
| Land & land improvements | \$ 94,633 | \$ 89,116 | \$ 1,306 | \$ 1,306 |
| Assets not yet placed in service | - | 21 | - | - |
| Construction in progress | 14,946 | 21,073 | - | - |
| Building & building improvements | 512,641 | 491,470 | 1,849 | 1,834 |
| Furniture & equipment | 11,354 | 9,619 | 242 | 207 |
| Vehicles | 23,659 | 22,777 | 107 | 107 |
| Software | 831 | 789 | 79 | 79 |
| Technology infrastructure | 3,954 | 2,631 | - | - |
| Water treatment system | 954 | 635 | - | - |
| Less: accumulated depreciation and amortization | (216,181) | (197,745) | (1,868) | (1,725) |
| Total net capital assets | \$ 446,791 | \$ 440,386 | \$ 1,715 | \$ 1,808 |

CAPITAL ASSETS (Continued)

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

Governmental Funds:

Building improvements increased primarily due to the following completed projects: Classroom, Health/PE and Fine Arts Additions at Brooke Point High School (\$6.5 million) and Colonial Forge High School (\$7.1 million); Mechanical Systems Repairs at A.G. Wright Middle School and Garrisonville Elementary School (\$2.7 million); and Rebuild Stafford High School (\$1.3 million).

Vehicles increased primarily due to the purchase of 26 new buses (\$2.4 million); however, due to current year bus retirements, vehicles had a net increase of \$.9 million.

Construction in progress decreased primarily due to the following completed projects: Classroom, Health/PE and Fine Arts Additions at Brooke Point High School and Colonial Forge High School, and Mechanical Systems Repairs at A.G. Wright Middle School and Garrisonville Elementary School; offset by ongoing construction for Classroom, Health/PE and Fine Arts Addition at Mountain View High School and Mechanical System Repairs at H.H. Poole Middle School. Completed projects were reclassified from construction in progress to various other categories (\$17.3 million).

Land and land improvements increased primarily for Stafford High School rebuild (\$3.8 million), Hampton Oaks Elementary School parking lot (\$.6 million), Brooke Point High School addition (\$.6 million), and Colonial Forge High School addition (\$.4 million).

Depreciation and amortization expense for 2017 was \$20.3 million.

Internal Service Funds:

There were no significant additions or retirements of internal service fund capital assets. Current year depreciation was \$.1 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 NORESO 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 6,124,907 less KBTU's for calendar year 2016, as reported in fiscal year 2017, for a savings of \$327,620.

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

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 .3412 in the state biennium covering fiscal years 2015 and 2016 to .3445 in the state biennium covering fiscal years 2016 and 2017.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

Since adopting the fiscal year 2018 budget, some factors have surfaced that may impact SCPS’ financial operations:

- On April 18, 2017, the board of supervisors unanimously adopted and approved fiscal year 2017 County budgets, in resolution R17-76.
- The County’s fiscal year 2018 budget adopted by the board of supervisors included a local operating transfer to the school division of \$115,841,867, but only \$110,049,774 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 2017 annual audit.
- The potential for increased energy costs, specifically oil, has a major financial impact on SCPS operations. SCPS consumes approximately 556,000 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 2017, which increases the Commonwealth revenues received by SCPS, as the majority of Commonwealth revenues are driven by the average daily student membership. The extent of this growth in revenue is mitigated by required increases in expenditures to accommodate the additional students.
- Providing competitive salaries continues to put pressure on SCPS’ resources as contiguous neighboring counties have historically exceeded SCPS teacher salaries. SCPS 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 fiscal years 2015 through 2017. SCPS has seen improvements in the pay scale; however, scarce resources continue to inhibit the division’s ability to achieve its target for all levels of the pay scale.
- SCPS continues to experience growing student populations in English as a Second Language (ESL), autism, and children who qualify for free and reduced lunch. These special populations add additional expenses beyond the general educational requirements.
- The division has seen a decrease in federal impact aid funds due to a decrease in students which have parents, or guardians, working on federal property or are active military. For FY 2018, the division has implemented a marketing campaign to help increase the number of completed forms that are required to be submitted from families.

CONTACTING SCPS MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2017

Exhibit A

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 41,154,628 |
| Accounts receivable, net of allowance for uncollectibles | 9,027,111 |
| Due from primary government | 34,991,341 |
| Prepaid expenses | 895,512 |
| Inventory | 530,665 |
| Restricted cash and cash equivalents | 14,883,309 |
| Capital assets: | |
| Land | 33,945,068 |
| Land improvements | 61,993,721 |
| Construction in progress | 14,946,614 |
| Buildings and building improvements | 514,489,946 |
| Water treatment system | 954,560 |
| Furniture, fixtures and equipment | 11,595,414 |
| Technology infrastructure | 3,953,859 |
| Software | 909,666 |
| Vehicles | 23,766,254 |
| Less: Accumulated depreciation | (218,048,754) |
| Total capital assets | 448,506,348 |
| Total assets | 549,988,914 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Contributions to pension plan | 38,739,239 |
| Total deferred outflows of resources | 38,739,239 |
| LIABILITIES | |
| Accounts payable | 3,596,358 |
| Contract retainage | 842,632 |
| Accrued salaries and benefits | 30,561,892 |
| Accrued insurance claims | 5,357,824 |
| Current portion of long-term debt | 938,322 |
| Unearned revenue | 357,457 |
| Noncurrent portion of accrued insurance claims | 125,572 |
| Noncurrent portion of long-term debt | 8,332,244 |
| Noncurrent portion of OPEB liability | 40,398,989 |
| Net pension liability | 266,971,390 |
| Total liabilities | 357,482,680 |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension deferrals | 15,017,872 |
| Total deferred inflows of resources | 15,017,872 |
| NET POSITION | |
| Net investment in capital assets | 446,017,754 |
| Restricted for: | |
| Capital Projects | 2,618,654 |
| School Nutrition | 4,850,254 |
| Grants | 171,006 |
| Unrestricted (deficit) | (237,430,067) |
| Total net position | \$ 216,227,601 |

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, 2017

Exhibit B

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses), Revenues and Changes in Net Position |
|---|----------------------|-------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| Education: | | | | | |
| Instruction | \$187,652,121 | \$ 1,550,407 | \$ 47,949,323 | \$ - | \$ (138,152,391) |
| Administration, attendance and health | 50,230,455 | 7,325,116 | - | - | (42,905,339) |
| Pupil transportation | 12,973,730 | 1,345,304 | - | - | (11,628,426) |
| Operation and maintenance | 21,062,234 | - | - | - | (21,062,234) |
| Food and nutrition services | 11,365,185 | 6,762,593 | 6,594,837 | - | 1,992,245 |
| Facilities | 17,182,010 | 354,402 | - | - | (16,827,608) |
| Technology | 15,331,994 | 528,416 | - | - | (14,803,578) |
| Capital outlay | 1,442,104 | 195,480 | - | 26,927,019 | 25,680,395 |
| Interest and fiscal charges | 51,832 | - | - | - | (51,832) |
| Total governmental activities | <u>\$317,291,665</u> | <u>\$ 18,061,718</u> | <u>\$ 54,544,160</u> | <u>\$ 26,927,019</u> | <u>(217,758,768)</u> |
| General revenues: | | | | | |
| | | | | | |
| Sales tax | | | | | 28,680,482 |
| Basic aid | | | | | 83,934,624 |
| Unrestricted grants and contributions | | | | | 112,072,289 |
| Investment earnings | | | | | 90,762 |
| Gain on capital asset disposals and other sales | | | | | 64,697 |
| Miscellaneous | | | | | 260,837 |
| Total general revenues | | | | | <u>225,103,691</u> |
| | | | | | |
| Change in net position | | | | | <u>7,344,923</u> |
| | | | | | |
| Net position, beginning - July 1, 2016 | | | | | <u>208,882,678</u> |
| | | | | | |
| Net position, ending - June 30, 2017 | | | | | <u>\$ 216,227,601</u> |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

Exhibit C

| | Operating Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|-------------------------------------|----------------------|-----------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | |
| Pooled cash and investments | \$ 49,010 | \$ 7,100,925 | \$ 5,467,672 | \$ 12,617,607 |
| Restricted cash and investments | - | 14,883,309 | - | 14,883,309 |
| Accounts receivable | 530,197 | 1,999 | 28,520 | 560,716 |
| Intergovernmental receivables: | | | | |
| Federal Government | 218,127 | - | 2,893,835 | 3,111,962 |
| Commonwealth of Virginia | 5,230,863 | - | 122,011 | 5,352,874 |
| Due from primary government | 34,840,082 | - | - | 34,840,082 |
| Due from other funds | 2,511,094 | - | 100,000 | 2,611,094 |
| Prepaid expenses | 569,714 | - | - | 569,714 |
| Inventory | - | - | 282,149 | 282,149 |
| Total assets | <u>\$ 43,949,087</u> | <u>\$ 21,986,233</u> | <u>\$ 8,894,187</u> | <u>\$ 74,829,507</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 2,181,019 | \$ 1,127,931 | \$ 81,164 | \$ 3,390,114 |
| Contract retainage | 51,661 | 788,143 | 2,828 | 842,632 |
| Accrued salaries and benefits | 29,827,888 | 4,756 | 683,030 | 30,515,674 |
| Unearned revenue | 47,010 | - | 310,447 | 357,457 |
| Due to other funds | 335,177 | 197 | 2,513,309 | 2,848,683 |
| Total liabilities | <u>32,442,755</u> | <u>1,921,027</u> | <u>3,590,778</u> | <u>37,954,560</u> |
| Fund balance: | | | | |
| Nonspendable: | | | | |
| Prepaid expenses | 569,714 | - | - | 569,714 |
| Inventory | - | - | 282,149 | 282,149 |
| Total nonspendable | <u>569,714</u> | <u>-</u> | <u>282,149</u> | <u>851,863</u> |
| Restricted: | | | | |
| Capital projects | - | 2,618,654 | - | 2,618,654 |
| Food and nutrition services | - | - | 4,850,254 | 4,850,254 |
| Grants | - | - | 171,006 | 171,006 |
| Total restricted | <u>-</u> | <u>2,618,654</u> | <u>5,021,260</u> | <u>7,639,914</u> |
| Committed: | | | | |
| Operating | 144,043 | - | - | 144,043 |
| Capital projects | - | 17,446,552 | - | 17,446,552 |
| Total committed | <u>144,043</u> | <u>17,446,552</u> | <u>-</u> | <u>17,590,595</u> |
| Unassigned: | | | | |
| Operating | 10,792,575 | - | - | 10,792,575 |
| Total unassigned | <u>10,792,575</u> | <u>-</u> | <u>-</u> | <u>10,792,575</u> |
| Total fund balance | <u>11,506,332</u> | <u>20,065,206</u> | <u>5,303,409</u> | <u>36,874,947</u> |
| Total liabilities and fund balance | <u>\$ 43,949,087</u> | <u>\$ 21,986,233</u> | <u>\$ 8,894,187</u> | <u>\$ 74,829,507</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, 2017

Exhibit C-1

| | | |
|---|----|------------|
| Fund balance - total governmental funds | \$ | 36,874,947 |
|---|----|------------|

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 | \$ 662,972,594 | |
| Less accumulated depreciation and amortization | <u>(216,180,962)</u> | |
| Net capital assets | | 446,791,632 |

| | |
|--|------------|
| 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. | 38,461,216 |
|--|------------|

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 | 31,216,866 | |
| Deferred outflows of resources | 278,023 | |
| Liabilities | (48,593,423) | |
| Deferred inflows of resources | <u>(107,780)</u> | |
| Net position | | (17,206,314) |

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.

| | | |
|-----------------------|----------------------|---------------|
| ERP capital lease | (1,547,901) | |
| Compensated absences | (6,625,020) | |
| Stafford County loan | (780,000) | |
| Net pension liability | <u>(264,830,867)</u> | |
| Total | | (273,783,788) |

| | |
|---|--------------|
| 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. | (14,910,092) |
|---|--------------|

| | | |
|---|----|---------------------------|
| Net position of governmental activities | \$ | <u><u>216,227,601</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 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

Exhibit D

| | Operating Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------|-----------------------|-----------------------------|--------------------------|
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Stafford County | \$ 112,072,289 | \$ 26,927,019 | \$ - | \$ 138,999,308 |
| Commonwealth of Virginia | 148,341,522 | - | 554,850 | 148,896,372 |
| Federal Government | 2,111,184 | - | 16,151,710 | 18,262,894 |
| Total intergovernmental revenues | 262,524,995 | 26,927,019 | 16,706,560 | 306,158,574 |
| Charges for services: | | | | |
| Tuition and fees | 868,492 | - | - | 868,492 |
| Food sales | - | - | 6,762,593 | 6,762,593 |
| Recovered costs | 2,319,159 | 195,480 | - | 2,514,639 |
| Miscellaneous | 178,146 | - | 267,838 | 445,984 |
| Interest | - | 54,853 | - | 54,853 |
| Total revenues | 265,890,792 | 27,177,352 | 23,736,991 | 316,805,135 |
| EXPENDITURES | | | | |
| Current operating: | | | | |
| Education: | | | | |
| Instruction | 196,383,205 | - | 9,830,930 | 206,214,135 |
| Administration, attendance and health | 11,407,604 | - | - | 11,407,604 |
| Pupil transportation | 12,810,665 | - | - | 12,810,665 |
| Operation and maintenance | 21,543,418 | - | - | 21,543,418 |
| Food and nutrition services | 227,019 | - | 11,820,755 | 12,047,774 |
| Facilities | 163,332 | - | - | 163,332 |
| Technology | 15,328,572 | - | 388,479 | 15,717,051 |
| Capital outlay | 8,766,644 | 19,095,259 | 283,369 | 28,145,272 |
| Debt service: | | | | |
| Principal | 743,292 | - | - | 743,292 |
| Interest and fiscal charges | 46,704 | - | - | 46,704 |
| Total expenditures | 267,420,455 | 19,095,259 | 22,323,533 | 308,839,247 |
| Excess (deficiency) of revenues over (under) expenditures | (1,529,663) | 8,082,093 | 1,413,458 | 7,965,888 |
| OTHER FINANCING USES | | | | |
| Net transfers to other funds | (336,192) | - | (234,506) | (570,698) |
| Total other financing uses | (336,192) | - | (234,506) | (570,698) |
| Change in fund balance | (1,865,855) | 8,082,093 | 1,178,952 | 7,395,190 |
| Fund balance, beginning - July 1, 2016 | 13,372,187 | 11,983,113 | 4,124,457 | 29,479,757 |
| Fund balance, ending - June 30, 2017 | \$ 11,506,332 | \$ 20,065,206 | \$ 5,303,409 | \$ 36,874,947 |

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, 2017

Exhibit D-1

Net change in fund balance - total governmental funds \$ 7,395,190

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 | \$ 26,907,694 | |
| Less: Depreciation and amortization expense | (20,297,856) | |
| Excess of capital outlay over depreciation and amortization | | 6,609,838 |

The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals and donations) is to decrease net position. (204,526)

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 | 376,857 | |
| ERP capital lease | 291,435 | |
| Stafford County loan | 75,000 | |
| | | 743,292 |

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 | (86,839) | |
| Pension expense | 2,492,721 | |
| | | 2,405,882 |

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 | 35,225,808 | |
| Total expenses | (44,830,561) | |
| | | (9,604,753) |

| | |
|---|--------------|
| Change in net position of governmental activities | \$ 7,344,923 |
|---|--------------|

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, 2017

Exhibit E

| | Governmental Activities - Internal Service Funds |
|---|---|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 28,537,021 |
| Accounts receivable | 1,559 |
| Accounts receivable - due from primary government | 151,259 |
| Due from other funds | 237,997 |
| Inventory | 248,516 |
| Prepaid expenses | 325,798 |
| Capital assets: | |
| Land | 37,357 |
| Land improvements | 1,268,429 |
| Buildings and building improvements | 1,848,904 |
| Furniture, fixtures and equipment | 241,823 |
| Vehicles | 107,270 |
| Software | 78,725 |
| Less: accumulated depreciation and amortization | (1,867,792) |
| Total capital assets | <u>1,714,716</u> |
| Total assets | <u>31,216,866</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Contributions to pension plan | 278,023 |
| Total deferred outflows of resources | <u>278,023</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 206,244 |
| Accrued salaries and benefits | 46,218 |
| Due to other funds | 408 |
| Current portion of capital lease | 30,374 |
| Current portion of accrued insurance claims | 5,357,824 |
| Current portion of compensated absences | 12,705 |
| Noncurrent portion of accrued insurance claims | 125,572 |
| Noncurrent portion of capital lease | 130,319 |
| Noncurrent portion of compensated absences | 144,247 |
| Noncurrent portion of OPEB Liability | 40,398,989 |
| Net pension liability | <u>2,140,523</u> |
| Total liabilities | <u>48,593,423</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension deferrals | 107,780 |
| Total deferred inflows of resources | <u>107,780</u> |
| NET POSITION | |
| Net investment in capital assets | 1,554,023 |
| Unrestricted (deficit) | (18,760,337) |
| Total net position (deficit) | <u>\$ (17,206,314)</u> |

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017

Exhibit F

| | Governmental Activities - Internal Service Funds |
|--|---|
| Operating revenues: | |
| Charges for services | \$ 34,554,504 |
| Operating expenses: | |
| Personnel services | 3,936,277 |
| Contractual services | 39,230,438 |
| Materials and supplies | 1,467,293 |
| Utilities | 14,946 |
| Telecommunication | 23,610 |
| Depreciation and amortization | 146,869 |
| Total operating expenses | 44,819,433 |
| Operating loss | (10,264,929) |
| Nonoperating revenues (expenses): | |
| Interest and investment revenue | 35,909 |
| Interest expense | (5,128) |
| Loss on disposal of capital assets | (6,000) |
| Vehicle and other sales | 64,697 |
| Total nonoperating revenues, net | 89,478 |
| Loss before transfers | (10,175,451) |
| Transfers from other funds, net | 570,698 |
| Change in net position | (9,604,753) |
| Net position (deficit), beginning - July 1, 2016 | (7,601,561) |
| Net position (deficit), ending - June 30, 2017 | \$ (17,206,314) |

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, 2017

Exhibit G

| | Governmental Activities - Internal Service Funds |
|---|---|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 34,468,296 |
| Payments to suppliers | (26,925,095) |
| Payments to employees | (4,029,158) |
| Net cash provided by operating activities | <u>3,514,043</u> |
| Cash flows from noncapital and related financing activities: | |
| Transfers from other funds, net | 570,698 |
| Net cash provided by noncapital and related financing activities | <u>570,698</u> |
| Cash flows from capital and related financing activities: | |
| Proceeds from vehicle and supply sales | 64,697 |
| Principal paid on capital lease | (29,540) |
| Interest paid on capital lease | (5,128) |
| Acquisition and construction of capital assets | (59,623) |
| Net cash used in capital and related financing activities | <u>(29,594)</u> |
| Cash flows from investing activities: | |
| Interest earned on investments | 35,909 |
| Net cash provided by investing activities | <u>35,909</u> |
| Net increase in cash and cash equivalents | 4,091,056 |
| Cash and cash equivalents, beginning - July 1, 2016 | 24,445,965 |
| Cash and cash equivalents, ending - June 30, 2017 | <u>\$ 28,537,021</u> |
| Reconciliation of operating loss to net cash provided by operating activities: | |
| Operating loss | \$ (10,264,929) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation and amortization expense | 146,869 |
| Changes in assets and liabilities: | |
| Increase in accounts receivable | (86,208) |
| Decrease in prepaid expenses | 150,848 |
| Decrease in inventory | 41,706 |
| Increase in deferred outflows of resources | (90,601) |
| Increase in accounts payable and accrued expenses | 945,216 |
| Increase in compensated absences | 19,329 |
| Increase in net pension liability | 2,180,580 |
| Decrease in deferred inflows of resources | (119,699) |
| Increase in OPEB liability | 10,590,932 |
| Total adjustments | <u>13,778,972</u> |
| Net cash provided by operating activities | <u>\$ 3,514,043</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, 2017

Exhibit H

| | Trust Funds | Agency Funds |
|----------------------------------|----------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ - | \$ 3,396,556 |
| Restricted investments | 20,761,792 | - |
| Total assets | <u>\$ 20,761,792</u> | <u>\$ 3,396,556</u> |
| LIABILITIES | | |
| Scholarships payable | \$ 4,432 | \$ - |
| Reserved for future expenditures | - | 3,396,556 |
| Total liabilities | <u>4,432</u> | <u>3,396,556</u> |
| NET POSITION | | |
| Restricted for OPEB | 20,724,834 | - |
| Restricted for scholarships | 3,672 | - |
| Restricted for endowment | 28,854 | - |
| Total net position | <u>\$ 20,757,360</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, 2017

Exhibit I

| | OPEB Trust Fund | Scholarship Trust Fund | Endowment Trust Fund | Total Trust Fund |
|-----------------------------|----------------------------|-----------------------------------|---------------------------------|-----------------------------|
| ASSETS | | | | |
| Restricted investments | \$ 20,724,834 | \$ 7,104 | \$ 29,854 | \$ 20,761,792 |
| LIABILITIES | | | | |
| Scholarships payable | \$ - | \$ 3,432 | \$ 1,000 | \$ 4,432 |
| Total liabilities | \$ - | \$ 3,432 | \$ 1,000 | \$ 4,432 |
| NET POSITION | | | | |
| Restricted for OPEB | \$ 20,724,834 | \$ - | \$ - | \$ 20,724,834 |
| Restricted for scholarships | - | 3,672 | - | 3,672 |
| Restricted for endowment | - | - | 28,854 | 28,854 |
| Total net position | \$ 20,724,834 | \$ 3,672 | \$ 28,854 | \$ 20,757,360 |

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, 2017

Exhibit J

| | Trust Fund | | | |
|--------------------------------|---|--------------|-------------|--|
| | OPEB Trust Fund | | | Fiduciary Net Position - June 30, 2017 |
| | Fiduciary Net Position - July 1, 2016 | Additions | Deductions | |
| ASSETS | | | | |
| Restricted investments: | | | | |
| Beginning balance | \$ 18,380,629 | \$ - | \$ - | \$ 18,380,629 |
| Investment gains (losses), net | - | 2,366,671 | - | 2,366,671 |
| Investment expenses | - | - | (22,466) | (22,466) |
| Ending balance | \$ 18,380,629 | \$ 2,366,671 | \$ (22,466) | \$ 20,724,834 |
| NET POSITION | | | | |
| Restricted for OPEB | \$ 18,380,629 | \$ 2,366,671 | \$ (22,466) | \$ 20,724,834 |

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, 2017

Exhibit K

| | Trust Fund | | | |
|-----------------------------|---|-----------|------------|--|
| | Scholarship Trust Fund | | | |
| | Fiduciary Net Position - July 1, 2016 | Additions | Deductions | Fiduciary Net Position - June 30, 2017 |
| ASSETS | | | | |
| Restricted investments: | | | | |
| Beginning balance | \$ 3,672 | \$ - | \$ - | \$ 3,672 |
| Contributions from donors | - | 3,432 | - | 3,432 |
| Ending balance | \$ 3,672 | \$ 3,432 | \$ - | \$ 7,104 |
| LIABILITIES | | | | |
| Scholarships payable | \$ - | \$ 3,432 | \$ - | \$ 3,432 |
| NET POSITION | | | | |
| Restricted for scholarships | \$ 3,672 | \$ - | \$ - | \$ 3,672 |

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, 2017

Exhibit L

| | Trust Fund | | | |
|----------------------------|---|---------------|-------------|--|
| | Endowment Trust Fund | | | |
| | Fiduciary Net Position - July 1, 2016 | Additions | Deductions | Fiduciary Net Position - June 30, 2017 |
| ASSETS | | | | |
| Restricted investments: | | | | |
| Beginning balance | \$ 29,630 | \$ - | \$ - | \$ 29,630 |
| Investment interest income | - | 224 | - | 224 |
| Ending balance | <u>\$ 29,630</u> | <u>\$ 224</u> | <u>\$ -</u> | <u>\$ 29,854</u> |
| LIABILITIES | | | | |
| Scholarships payable | <u>\$ 1,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,000</u> |
| NET POSITION | | | | |
| Restricted for endowment | <u>\$ 28,630</u> | <u>\$ 224</u> | <u>\$ -</u> | <u>\$ 28,854</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, 2017

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.
- ***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.

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FUND ACCOUNTING (Continued)

- ***Endowment Trust Fund*** – accounts for the assets, liabilities, net position and changes in net position (additions and deletions) associated with endowment programs administered by SCPS.
- ***School Activity Funds*** – account for the cash, cash receipts and cash disbursements associated with the various activities conducted at the individual school sites in connection with student athletics, classes, clubs, and various fundraising activities and private donations. In addition, each school also has a faculty activity fund. SCPS is liable if any school is unable to meet its obligations with respect to these funds.
- ***Employee Flexible Spending Fund*** – accounts for the cash, cash receipts and cash disbursements associated with the employee flexible spending program, which includes medical expense reimbursements and dependent care reimbursements.
- ***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 costs and continue to provide services in the future.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

FUND FINANCIAL STATEMENTS

In order to provide budgetary controls and maintain legal compliance, SCPS records transactions in separate funds rendering a more detailed level. SCPS' Operating Fund and Capital Projects Fund are deemed to be major governmental funds; therefore, they are separately reported in the governmental fund statements. All of SCPS' special revenue funds are aggregated in the column entitled "non-major governmental funds". The internal service funds are presented in the proprietary fund statements; SCPS has three internal service funds. There are seven fiduciary funds, 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.

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.

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and pension obligations, which are recognized only to the extent they have matured. Depreciation and amortization, which are allocations of cost, are not recorded in the governmental funds.

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

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.

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. CASH AND CASH EQUIVALENTS (Continued)

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, 2017, 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.

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 acquisition value on the date of the donation. Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. CAPITAL ASSETS (Continued)

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.

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 employer's fiscal year 2017 Virginia Retirement System contributions (2) the net difference between projected actual earnings on the Virginia Retirement System's plan investments.

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June 30, 2017

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. 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. Two items qualify for reporting in this category. These items, 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.

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.

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June 30, 2017

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
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

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

Q. STEWARDSHIP, COMPLIANCE, AND ACCOUNTING (Continued)

Budgets are adopted on a basis consistent with GAAP. The budget for the proprietary funds serves as a guide and not as legally binding limitations. Although legal restrictions on expenditures are established at the departmental level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets. For the year ended June 30, 2017, there were no significant 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, 2017. 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.

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

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

Note 2. DEPOSITS AND INVESTMENTS

DEPOSITS

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

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June 30, 2017

Note 2. DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS

Statutes authorize the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, 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, 2017 were held by the School Board or in the School Board's name by the County's custodial accounts.

CREDIT RISK OF DEBT SECURITIES

Stafford County Public Schools' debt investments as of June 30, 2017 were rated by Standard & Poor's and/or an equivalent national rating organization. The ratings using Standard & Poor's rating scale are presented below:

| | AAAm |
|----------------------------|----------------------|
| VACo/VML Pooled OPEB Trust | \$ 20,724,834 |
| LGIP | 4,819,102 |
| SNAP | 14,883,309 |
| Total | <u>\$ 40,427,245</u> |

EXTERNAL INVESTMENT POOLS

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

| | Fair Value | Less than 1 Year |
|------|----------------------|----------------------|
| LGIP | \$ 4,819,102 | \$ 4,819,102 |
| SNAP | 14,883,309 | 14,883,309 |
| | <u>\$ 19,702,411</u> | <u>\$ 19,702,411</u> |

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

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

The School Board has the following recurring fair value measurements as of June 30, 2017:

- SNAP securities of \$14,883,309 are valued using quoted market prices (Level 2 inputs).
- VACo/VML Pooled OPEB Trust of \$20,724,834 are valued using quoted market prices (Level 2 inputs).
- LGIP (Level 2 inputs)

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Note 3. DUE FROM STAFFORD COUNTY (PRIMARY GOVERNMENT)

The receivable due from Stafford County at June 30, 2017 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, 2017 were as follows:

| <i>Intergovernmental Receivables:</i> | Governmental Funds – Operating Fund | Nonmajor Governmental Funds – Food and Nutrition Services Fund | Nonmajor Governmental Funds – Grants Fund | Governmental Funds Total |
|---|--|---|--|-------------------------------------|
| Commonwealth of Virginia | \$ 5,230,863 | \$ - | \$ 122,011 | \$ 5,352,874 |
| Federal Government | 218,127 | 324,061 | 2,569,774 | 3,111,962 |
| Total | <u>\$ 5,448,990</u> | <u>\$ 324,061</u> | <u>\$ 2,691,785</u> | <u>\$ 8,464,836</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.

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 I 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, 2017, 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, 2017 were as follows:

| <i>Transfer from:</i> | Operating Fund | Food and Nutrition Services | Grants Fund | Fleet Services | Total |
|----------------------------|---------------------------|--|--------------------|---------------------------|-------------------|
| <i>Transfer to:</i> | | | | | |
| Operating Fund | \$ - | \$ 200,000 | \$ - | \$ - | \$ 200,000 |
| Workers' Compensation Fund | 536,192 | 13,959 | 20,547 | 4,743 | 575,441 |
| Total | <u>\$ 536,192</u> | <u>\$ 213,959</u> | <u>\$ 20,547</u> | <u>\$ 4,743</u> | <u>\$ 775,441</u> |

The transfer from the Operating Fund, Food and Nutrition Services Fund, Grants Fund, and Fleet Services 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.

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Note 6. CHANGES IN LONG-TERM DEBT

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

| | Amounts Payable at 7/1/16 | Increases | Decreases | Amounts Payable at 6/30/17 | Amounts Due within One Year |
|---------------------------------|---------------------------------|---------------------|---------------------|----------------------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| General Long-Term Debt: | | | | | |
| Capital Leases | \$ 2,216,193 | \$ - | \$ 668,292 | \$ 1,547,901 | \$ 297,323 |
| Compensated Absences* | 6,538,181 | 3,343,236 | 3,256,397 | 6,625,020 | 522,920 |
| Note Payable-Stafford County | 855,000 | - | 75,000 | 780,000 | 75,000 |
| Internal Service Funds: | | | | | |
| Capital Lease | 190,233 | - | 29,540 | 160,693 | 30,374 |
| Compensated Absences | 137,623 | 96,476 | 77,147 | 156,952 | 12,705 |
| Total | <u>\$ 9,937,230</u> | <u>\$ 3,439,712</u> | <u>\$ 4,106,376</u> | <u>\$ 9,270,566</u> | <u>\$ 938,322</u> |

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

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

| Fiscal year ending June 30: | Amount |
|------------------------------------|-------------------|
| 2018 | \$ 75,000 |
| 2019 | 75,000 |
| 2020 | 75,000 |
| 2021 | 75,000 |
| 2022 | 80,000 |
| 2023-2027 | 400,000 |
| Total future payments | <u>\$ 780,000</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. The final payment was remitted May 3, 2017.

For the year ended June 30, 2017, interest expense from the energy capital lease obligation totaled \$7,385.

In May 2015, SCPS executed a contract for the purchase of an enterprise resource planning (ERP) system. The financing for this project was funded by a Master Equipment Lease/Purchase Agreement and qualifies as a capital lease for accounting purposes. The total amount financed was \$2,125,000, of which \$1,547,901 was outstanding as of June 30, 2017.

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Note 7. CAPITAL LEASE OBLIGATIONS (Continued)

For the year ended June 30, 2017, interest expense from the ERP capital lease obligation totaled \$34,537.

The maturities of future minimum lease payments and the net present value of capitalized lease obligations as of June 30, 2017 are as follows:

| Fiscal year ending June 30: | Amount |
|--|---------------------|
| 2018 | \$ 326,949 |
| 2019 | 326,949 |
| 2020 | 326,949 |
| 2021 | 326,949 |
| 2022 | 326,949 |
| Total future minimum lease payments | 1,634,745 |
| Less: interest included in total future minimum lease payments | (86,844) |
| Net present value of capitalized lease obligations | <u>\$ 1,547,901</u> |

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

The financing for this project was structured as a Tax-exempt Lease/Purchase Agreement and qualifies as a capital lease for accounting purposes. The total amount financed was \$300,500, including capitalized interest of \$500, of which \$160,693 is outstanding as of June 30, 2017.

For the year ended June 30, 2017, interest expense from the capital lease obligation totaled \$5,128.

The maturities of future minimum lease payments and the net present value of the capitalized lease obligation as of June 30, 2017 are as follows:

| Fiscal year ending June 30: | Amount |
|--|-------------------|
| 2018 | \$ 34,668 |
| 2019 | 34,668 |
| 2020 | 34,668 |
| 2021 | 34,668 |
| 2022 | 34,671 |
| Total future minimum lease payments | 173,343 |
| Less: interest included in total future minimum lease payments | (12,650) |
| Net present value of capitalized lease obligations | <u>\$ 160,693</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, 2017:

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

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

| Function | Depreciation and amortization expense |
|--|--|
| Instruction | \$ 512,904 |
| Administration, attendance and health | 205,616 |
| Pupil transportation | 1,335,387 |
| Operation and maintenance | 440,715 |
| Food and nutrition services | 146,963 |
| Facilities | 17,019,426 |
| Technology | 636,845 |
| Total depreciation and amortization expense - governmental activities | \$ 20,297,856 |

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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, 2017:

| | Balance July 1, 2016 | Increases | Decreases | Re- classifications | Balance June 30, 2017 |
|---|-------------------------|--------------------|-------------------|------------------------|--------------------------|
| <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 | 1,833,904 | 25,000 | (10,000) | - | 1,848,904 |
| Furniture, fixtures & equipment | 207,200 | 34,623 | - | - | 241,823 |
| Vehicles | 107,270 | - | - | - | 107,270 |
| Software | 78,725 | - | - | - | 78,725 |
| Total capital assets being depreciated or amortized | 3,495,528 | 59,623 | (10,000) | - | 3,545,151 |
| <u>Less accumulated depreciation or amortization for:</u> | | | | | |
| Land improvements | (500,108) | (62,325) | - | - | (562,433) |
| Buildings & building improvements | (1,005,833) | (63,710) | 4,000 | (6,637) | (1,072,180) |
| Furniture, fixtures & equipment | (72,240) | (13,804) | - | 6,637 | (79,407) |
| Vehicles | (68,017) | (7,030) | - | - | (75,047) |
| Software | (78,725) | - | - | - | (78,725) |
| Total accumulated depreciation and amortization | (1,724,923) | (146,869) | 4,000 | - | (1,867,792) |
| Total capital assets being depreciated or amortized, net | 1,770,605 | (87,246) | (6,000) | - | 1,677,359 |
| Total capital assets, net – internal –service activities | \$ 1,807,962 | \$ (87,246) | \$ (6,000) | \$ - | \$ 1,714,716 |

Note 9. CONSTRUCTION COMMITMENTS

At June 30, 2017, SCPS had contractual commitments of \$2.6 million in the Capital Projects Fund for construction of various projects.

Note 10. RELATED PARTIES

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

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Note 11. DEBT SERVICE

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

Note 12. RISK MANAGEMENT

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

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

SCPS carries commercial insurance for all risks of loss, except for workers' compensation. Like the County, SCPS participates in the VML public entity risk pool. Settled claims have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year. The total estimated workers' compensation insurance claims payable as of June 30, 2017 were \$508,496, of which \$382,924 was estimated to be current claims payable.

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

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

| Fiscal Year Ended June 30 | 2017 | 2016 |
|---|---------------------|---------------------|
| Unpaid claims, beginning of fiscal year | \$ 4,258,304 | \$ 4,443,510 |
| Incurred claims (including IBNR) | 24,383,185 | 23,543,117 |
| Claims payments | (23,666,589) | (23,728,323) |
| Unpaid claims, end of fiscal year | <u>\$ 4,974,900</u> | <u>\$ 4,258,304</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, 2017 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:

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|--|---|--|
| About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. | About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. 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. | About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") <ul style="list-style-type: none"> ▪ The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. ▪ The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. |

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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|--|---|---|
| | | About the Hybrid Retirement Plan (Continued) |
| | | <ul style="list-style-type: none"> ▪ In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. |
| <p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> | <p>Eligible Members 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>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> ▪ School division employees ▪ Political subdivision employees* ▪ Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 |
| <p>Hybrid Opt-In Election 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>Hybrid Opt-In Election 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 1 members who opted in was July 1, 2014.</p> | <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> | <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan.</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>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> | <p>*Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</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>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>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)

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

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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

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

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Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|--|--|---|
| | | <u>Defined Contributions</u> |
| | | <u>Component (Continued)</u> |
| | | <ul style="list-style-type: none"> After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. |
| | | Distribution is not required by law until age 70½. |
| <u>Calculating the Benefit</u> | <u>Calculating the Benefit</u> | <u>Calculating the Benefit</u> |
| 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. | <u>Defined Benefit Component</u> See definition under Plan 1. |
| | | <u>Defined Contribution</u> |
| | | <u>Component</u> |
| | | The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions. |
| <u>Average Final Compensation</u> | <u>Average Final Compensation</u> | <u>Average Final Compensation</u> |
| 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. |
| <u>Service Retirement Multiplier</u> | <u>Service Retirement Multiplier</u> | <u>Service Retirement Multiplier</u> |
| 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. | <u>Defined Benefit Component</u> The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. |
| | | <u>Defined Benefit Component</u> Not applicable. |

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

A. PLAN DESCRIPTION (Continued)

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

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

A. PLAN DESCRIPTION (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|---|---|--|
| Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. | Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%. | Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. |
| <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. | <u>Eligibility:</u> Same as Plan 1 | <u>Defined Contribution Component:</u> Not applicable. |
| <u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: <ul style="list-style-type: none"> ▪ The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. ▪ The member retires on disability. ▪ The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. | | <u>Eligibility:</u> Same as Plan 1 and Plan 2. |

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June 30, 2017

Note 14. PENSION PLAN (Continued)

A. PLAN DESCRIPTION (Continued)

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

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

A. PLAN DESCRIPTION (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|--|---|---|
| Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. 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. | Purchase of Prior Service Same as Plan 1. | Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> ▪ Hybrid Retirement Plan members are ineligible for ported service. ▪ The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. ▪ 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. |
| | | <u>Defined Contribution Component:</u> Not applicable. |

School Board Non-Professional

Employees Covered by Benefit Terms

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

| | Number |
|--|---------------|
| Inactive members or their beneficiaries currently receiving benefits | 166 |
| Inactive members: | |
| Vested | 31 |
| Non-vested | 105 |
| Active elsewhere in VRS | 53 |
| Total inactive members | 189 |
| Active members | 320 |
| Total covered employees | 675 |

STAFFORD COUNTY PUBLIC SCHOOLS
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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 school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The School Board's non-professional contractually required contribution rate for the year ended June 30, 2017 was 6.22% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the non-professional plan were \$560,715 and \$754,488 for the years ended June 30, 2017 and 2016, 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's professional contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015, adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Section 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board for the professional plan were \$22,443,877 and \$21,137,562 for the years ended June 30, 2017 and 2016, respectively.

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A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
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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, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

At June 30, 2017, the School Board reported a liability for the professional plan of \$264,117,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the School Board's proportion was 1.88465% as compared to 1.87703% at June 30, 2015.

Actuarial Assumptions – School Board Non-Professional Plan

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

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

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

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

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

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

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

Mortality Rates:

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

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

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

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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 | <u>100.00%</u> | | <u>5.83%</u> |
| | Inflation | | <u>2.50%</u> |
| | * Expected arithmetic nominal return | | <u>8.33%</u> |

* 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.

STAFFORD COUNTY PUBLIC SCHOOLS
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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 portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

C. CHANGES IN THE NET PENSION LIABILITY

School Board Non-Professional

| | Increase (Decrease) | | |
|--|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at June 30, 2015 | \$ 27,193,708 | \$ 24,667,290 | \$ 2,526,418 |
| Changes for the Year: | | | |
| Service cost | 853,719 | - | 853,719 |
| Interest | 1,856,844 | - | 1,856,844 |
| Difference between expected and actual experience | (868,215) | - | (868,215) |
| Contributions – employer | - | 687,268 | (687,268) |
| Contributions – employee | - | 406,077 | (406,077) |
| Net investment income | - | 436,457 | (436,457) |
| Benefit payments, including refunds of employee contributions | (1,334,723) | (1,334,723) | - |
| Administrative expense | - | (15,244) | 15,244 |
| Other changes | - | (182) | 182 |
| Net changes | 507,625 | 179,653 | 327,972 |
| Balances at June 30, 2016 | \$ 27,701,333 | \$ 24,846,943 | \$ 2,854,390 |

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

C. CHANGES IN THE NET PENSION LIABILITY (Continued)

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

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

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

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

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

School Board Non-Professional

For the year ended June 30, 2017, the School Board recognized pension expense related to its non-professional plan of \$323,369. The School Board also reported deferred outflows of resources and deferred inflows of resources related to its non-professional plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Net difference between expected and actual experience | \$ - | \$ 702,872 |
| Net difference between projected and actual earnings on pension plan investments | 647,647 | - |
| Employer contributions subsequent to the measurement date | 560,715 | - |
| Total | <u>\$ 1,208,362</u> | <u>\$ 702,872</u> |

The \$560,715 reported as deferred outflows of resources related to pensions resulting from the School Board non-professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

STAFFORD COUNTY PUBLIC SCHOOLS
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June 30, 2017

Note 14. PENSION PLAN (Continued)

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

School Board Non-Professional (Continued)

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

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|--------------------|
| 2018 | \$ (278,821) |
| 2019 | (257,623) |
| 2020 | 224,966 |
| 2021 | 256,253 |
| | <u>\$ (55,225)</u> |

School Board Professional

For the year ended June 30, 2017, the School Board recognized pension expense related to the professional plan of \$20,976,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

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

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

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

School Board Professional (Continued)

\$22,443,877 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions for the professional plan subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-------------------|
| 2018 | \$ (3,502,000) |
| 2019 | (3,502,000) |
| 2020 | 4,810,000 |
| 2021 | 3,457,000 |
| 2022 | (491,000) |
| | <u>\$ 772,000</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.

B. PROVIDED BENEFITS

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

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

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

DISABILITY BENEFITS

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

SURVIVOR BENEFITS

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

B. PROVIDED BENEFITS (Continued)

MEDICARE COVERAGE OPTIONS

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

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

ACTUARIAL METHODS AND ASSUMPTIONS

Cost Method

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

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

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

Interest Assumptions

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

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

C. MEMBERSHIP

At June 30, 2017 membership consisted of:

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

D. FUNDING POLICY

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

E. INVESTMENT POLICY

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

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

Rate of Return

For the year ended June 30, 2017 the annual money weighted rate of return on investments, net of investment expense, was 13.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

F. ANNUAL OPEB COST AND NET OPEB OBLIGATION

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

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

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

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

Change in Net OPEB Liability

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

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

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

G. FUNDED STATUS AND PROGRESS

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

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

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

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

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

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

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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, 2016 was 20-29 years.

B. FUNDING POLICY

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

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 16. HEALTH INSURANCE CREDIT OPEB PLAN (Continued)

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

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

D. FUNDING STATUS AND FUNDING PROGRESS

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

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

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

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

E. PROFESSIONAL EMPLOYEES

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

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

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

Note 17. DEFICIT IN NET POSITION

The Health Benefits Fund had a deficit net position balance of \$19,252,367 as of June 30, 2017.

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 18. PENDING ACCOUNTING STANDARDS OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD

At June 30, 2017, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the County. The statements which might impact the County 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. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (ARO's). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's. Statement No. 83 will be effective for fiscal years beginning after June 15, 2018.

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

GASB Statement No. 85, Omnibus 2017, will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. Statement No. 85 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 86, Certain Debt Extinguishment Issues, will improve accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance. Statement No. 86 will be effective for fiscal years beginning after June 15, 2017.

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

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

Note 19. SUBSEQUENT EVENTS

The School Board has evaluated subsequent events through December 18, 2017, the date on which the financial statements were available to be issued.

REQUIRED
SUPPLEMENTARY
INFORMATION

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Operating Fund
For the Fiscal Year Ended June 30, 2017

Exhibit M

| | Budget | | | Variance from Final Budget Over (Under) |
|--|-----------------|-----------------|----------------|--|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Stafford County | \$ 113,932,804 | \$ 114,185,885 | \$ 112,072,289 | \$ (2,113,596) |
| Commonwealth of Virginia | 148,726,601 | 148,244,911 | 148,341,522 | 96,611 |
| Federal Government | 2,655,919 | 2,231,605 | 2,103,021 | (128,584) |
| Total intergovernmental revenues | 265,315,324 | 264,662,401 | 262,516,832 | (2,145,569) |
| Charges for services: | | | | |
| Tuition and fees | 879,289 | 905,450 | 868,492 | (36,958) |
| Recovered costs | 2,641,286 | 3,362,638 | 2,319,159 | (1,043,479) |
| Miscellaneous | 116,759 | 275,250 | 186,309 | (88,941) |
| Total revenues | 268,952,658 | 269,205,739 | 265,890,792 | (3,314,947) |
| EXPENDITURES | | | | |
| Current operating: | | | | |
| Instruction | 201,845,315 | 199,967,380 | 196,383,205 | (3,584,175) |
| Administration, attendance and health | 12,737,596 | 13,528,944 | 11,407,604 | (2,121,340) |
| Pupil transportation | 13,612,578 | 12,858,242 | 12,810,665 | (47,577) |
| Operation and maintenance | 22,233,650 | 22,809,827 | 21,543,418 | (1,266,409) |
| Food and nutrition services | 224,340 | 224,340 | 227,019 | 2,679 |
| Facilities | 99,000 | 1,655,811 | 163,332 | (1,492,479) |
| Technology | 16,145,132 | 16,983,340 | 15,328,572 | (1,654,768) |
| Capital outlay | 1,516,204 | 12,839,053 | 8,766,644 | (4,072,409) |
| Debt service: | | | | |
| Principal | 436,277 | 766,226 | 743,292 | (22,934) |
| Interest and fiscal charges | 30,632 | 30,632 | 46,704 | 16,072 |
| Total expenditures | 268,880,724 | 281,663,795 | 267,420,455 | (14,243,340) |
| Excess (deficiency) of revenues over (under) expenditures | 71,934 | (12,458,056) | (1,529,663) | 10,928,393 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from (to) other funds, net | (71,934) | (336,192) | (336,192) | - |
| Net change in fund balance | \$ - | \$ (12,794,248) | (1,865,855) | \$ 10,928,393 |
| Fund balance, beginning - July 1, 2016 | | | 13,372,187 | |
| Fund balance, ending - June 30, 2017 | | | \$ 11,506,332 | |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
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, 2016 | \$ 18,369,240 | \$ 125,161,000 | \$ 106,791,760 | 14.68% | \$ 151,834,911 | 70.33% |
| July 1, 2015 | 23,743,000 | 76,133,000 | 52,390,000 | 31.19% | 143,681,878 | 36.46% |
| July 1, 2014 | 18,099,103 | 70,272,000 | 52,172,897 | 25.76% | 139,553,875 | 37.39% |
| July 1, 2013 | 11,874,000 | 55,269,000 | 43,395,000 | 21.48% | 143,327,089 | 30.28% |
| July 1, 2012 | 4,697,715 | 50,489,000 | 45,791,285 | 9.30% | 139,879,661 | 32.74% |
| July 1, 2011 | 2,700,962 | 96,984,000 | 94,283,038 | 2.79% | 141,128,169 | 66.81% |

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, 2016 | \$ 229,004 | \$ 378,648 | \$ 149,644 | 60.48% | \$ 8,163,550 | 1.83% |
| 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% |

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

Exhibit O

| | <u>2017</u> |
|---|-----------------------------|
| Total OPEB Liability | |
| Service cost | \$ 9,898,436 |
| Interest on the total OPEB liability | 4,889,280 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (5,614,431) |
| Changes of assumptions and other inputs | (19,337,174) |
| Benefit payments, including refunds of employee contributions | (1,397,982) |
| Net change in total OPEB liability | <u>(11,561,871)</u> |
| Total pension liability - beginning | <u>170,465,662</u> |
| Total pension liability - ending (a) | <u><u>\$158,903,791</u></u> |
| Plan Fiduciary Net Position | |
| Contributions - employer | \$ 1,397,982 |
| Net investment income | 2,355,594 |
| Benefit payments, including refunds of employee contributions | (1,397,982) |
| Administrative expense | - |
| Net change in plan fiduciary net position | <u>2,355,594</u> |
| Plan fiduciary net position - beginning | <u>18,369,240</u> |
| Plan fiduciary net position - ending (b) | <u><u>\$ 20,724,834</u></u> |
| School Board net OPEB liability - ending (a) - (b) | <u><u>\$138,178,957</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 13.04% |
| Employer's covered-employee payroll | \$151,834,911 |
| School Board's net OPEB liability as a percentage of covered-employee payroll | 91.01% |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS

Exhibit P

| | <u>June 30, 2017</u> |
|--|-----------------------------|
| Actuarially determined contribution | \$ 11,710,000 |
| Contributions in relation to actuarially determined contribution | <u>1,397,982</u> |
| Contribution deficiency (excess) | <u><u>\$ 10,312,018</u></u> |
| Employer's covered-employee payroll | \$ 151,834,911 |
| Contributions as a percentage of covered-employee payroll | 0.92% |

Notes to Schedule:

- (1) Valuation date: June 30, 2017
- (2) Actuarially determined contribution rates are calculated as of June 30, one year 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 normal cost method |
| Amortization method | Level percentage of payroll |
| Remaining amortization period | 22 years |
| Asset valuation method | Market value of assets |
| Inflation | 3.0% |
| Healthcare cost trend rates | 3.92% |
| Salary Increases | 4.0% |
| Investment rate of return | 6.58%, net of OPEB plan investment expense, including price inflation |
| Retirement age | In the 2017 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Healthy Annuitant Mortality Table. |
| Mortality | Life expectancies were based on RP-2000 combined mortality table scale AA. |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFITS

Exhibit Q

June 30, 2017

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

13.0%

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

Exhibit R

| | As of June 30, | | |
|---|---------------------|---------------------|---------------------|
| | 2016 | 2015 | 2014 |
| Total Pension Liability | | | |
| Service cost | \$ 853,719 | \$ 917,801 | \$ 931,365 |
| Interest | 1,856,844 | 1,773,289 | 1,679,630 |
| Differences between expected and actual experience | (868,215) | (171,518) | - |
| Benefit payments, including refunds of employee contributions | (1,334,723) | (1,317,128) | (1,228,897) |
| Net change in total pension liability | 507,625 | 1,202,444 | 1,382,098 |
| Total pension liability - beginning | 27,193,708 | 25,991,264 | 24,609,166 |
| Total pension liability - ending (a) | <u>\$27,701,333</u> | <u>\$27,193,708</u> | <u>\$25,991,264</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - employer | \$ 687,268 | \$ 700,475 | \$ 828,505 |
| Contributions - employee | 406,077 | 412,685 | 433,951 |
| Net investment income | 436,457 | 1,081,570 | 3,247,485 |
| Benefit payments, including refunds of employee contributions | (1,334,723) | (1,317,128) | (1,228,897) |
| Administrative expense | (15,244) | (14,788) | (17,281) |
| Other | (182) | (227) | 171 |
| Net change in plan fiduciary net position | 179,653 | 862,587 | 3,263,934 |
| Plan fiduciary net position - beginning | 24,667,290 | 23,804,703 | 20,540,769 |
| Plan fiduciary net position - ending (b) | <u>\$24,846,943</u> | <u>\$24,667,290</u> | <u>\$23,804,703</u> |
| School Board non-professional net pension liability - ending (a) - (b) | <u>\$ 2,854,390</u> | <u>\$ 2,526,418</u> | <u>\$ 2,186,561</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 89.70% | 90.71% | 91.59% |
| Employer's covered-employee payroll | \$ 8,163,550 | \$ 8,451,460 | \$ 8,577,515 |
| School Board's non-professional net pension liability as a percentage of covered-employee payroll | 34.97% | 29.89% | 25.49% |

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 pension liability was not significant.
- (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 S

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

| | As of June 30, | | |
|---|----------------|----------------|----------------|
| | 2016 | 2015 | 2014 |
| Employer's proportion of the net pension liability | 1.88465% | 1.87703% | 1.96028% |
| Employer's proportionate share of the net pension liability | \$ 264,117,000 | \$ 236,250,000 | \$ 236,893,000 |
| Employer's covered-employee payroll | 143,696,984 | 139,553,874 | 143,355,995 |
| Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 183.80% | 169.29% | 165.25% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.28% | 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 T

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

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

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 | 28, 20, and 19 years |
| Asset valuation method | 5-year smoothed market |
| Cost-of-living adjustments | 2.25 - 2.50% |
| Projected salary increases | 3.50%-5.35% |
| Investment rate of return | 7.0%, including inflation at 2.50% |
- (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 U

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

| | Fiscal Year | | |
|---|----------------|----------------|----------------|
| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Contractually required contribution (CRC) | \$ 20,203,796 | \$ 20,235,599 | \$ 16,715,309 |
| Contributions in relation to the CRC | 20,203,796 | 20,235,599 | 16,715,309 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - |
| Employers covered-employee payroll | \$ 143,696,984 | \$ 139,553,875 | \$ 143,355,995 |
| Contributions as a percentage of covered-employee payroll | 14.06% | 14.50% | 11.66% |

Notes to Schedule:

- (1) Valuation date: June 30, 2015
- (2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:
- | | |
|-------------------------------|-------------------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 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, 2017

Exhibit V

| | Special Revenue Funds | | |
|-------------------------------------|---|------------------------|--|
| | Food and Nutrition Services Fund | Grants Fund | Total Nonmajor Governmental Funds |
| ASSETS | | | |
| Pooled cash and investments | \$ 5,394,792 | \$ 72,880 | \$ 5,467,672 |
| Accounts receivable | 28,520 | - | 28,520 |
| Intergovernmental receivables: | | | |
| Federal Government | 324,061 | 2,569,774 | 2,893,835 |
| Commonwealth of Virginia | - | 122,011 | 122,011 |
| Due from other funds | 100,000 | - | 100,000 |
| Inventory | 282,149 | - | 282,149 |
| Total assets | <u>\$ 6,129,522</u> | <u>\$ 2,764,665</u> | <u>\$ 8,894,187</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities: | | | |
| Accounts payable | \$ 71,479 | \$ 9,685 | \$ 81,164 |
| Contract retainage | 2,828 | - | 2,828 |
| Accrued salaries and benefits | 683,030 | - | 683,030 |
| Unearned revenue | 237,567 | 72,880 | 310,447 |
| Due to other funds | 2,215 | 2,511,094 | 2,513,309 |
| Total liabilities | <u>997,119</u> | <u>2,593,659</u> | <u>3,590,778</u> |
| Fund balance: | | | |
| Nonspendable: | | | |
| Inventory | 282,149 | - | 282,149 |
| Total nonspendable | <u>282,149</u> | <u>-</u> | <u>282,149</u> |
| Restricted: | | | |
| Food and nutrition services | 4,850,254 | - | 4,850,254 |
| Grants | - | 171,006 | 171,006 |
| Total restricted | <u>4,850,254</u> | <u>171,006</u> | <u>5,021,260</u> |
| Total fund balance | <u>5,132,403</u> | <u>171,006</u> | <u>5,303,409</u> |
| Total liabilities and fund balance | <u>\$ 6,129,522</u> | <u>\$ 2,764,665</u> | <u>\$ 8,894,187</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, 2017

Exhibit W

| | Special Revenue Funds | | |
|--|---|------------------------|--|
| | Food and Nutrition Services Fund | Grants Fund | Total Nonmajor Governmental Funds |
| REVENUES | | | |
| Intergovernmental: | | | |
| Commonwealth of Virginia | \$ 227,095 | \$ 327,755 | \$ 554,850 |
| Federal Government | 6,367,740 | 9,783,970 | 16,151,710 |
| Total intergovernmental revenues | 6,594,835 | 10,111,725 | 16,706,560 |
| Charges for services: | | | |
| Food sales | 6,762,593 | - | 6,762,593 |
| Miscellaneous | - | 267,838 | 267,838 |
| Total revenues | 13,357,428 | 10,379,563 | 23,736,991 |
| EXPENDITURES | | | |
| Current operating: | | | |
| Education: | | | |
| Instruction | - | 9,830,930 | 9,830,930 |
| Food and nutrition services | 11,820,755 | - | 11,820,755 |
| Technology | 143,223 | 245,256 | 388,479 |
| Capital outlay | 105,379 | 177,990 | 283,369 |
| Total expenditures | 12,069,357 | 10,254,176 | 22,323,533 |
| Excess of revenues over expenditures | 1,288,071 | 125,387 | 1,413,458 |
| OTHER FINANCING USES | | | |
| Net transfers to other funds | (213,959) | (20,547) | (234,506) |
| Change in fund balance | 1,074,112 | 104,840 | 1,178,952 |
| Fund balance, beginning - July 1, 2016 | 4,058,291 | 66,166 | 4,124,457 |
| Fund balance, ending - June 30, 2017 | \$ 5,132,403 | \$ 171,006 | \$ 5,303,409 |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

Exhibit X

| | Internal Service Funds | | | Total |
|--|---------------------------|----------------------------|----------------------------------|----------------------|
| | Fleet Services Fund | Health Benefits Fund | Workers' Compensation Fund | Proprietary Funds |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,330,278 | \$ 25,778,379 | \$ 1,428,364 | \$ 28,537,021 |
| Accounts receivable | 1,559 | - | - | 1,559 |
| Accounts receivable - due from primary government | 151,259 | - | - | 151,259 |
| Due from other funds | 73,434 | 164,563 | - | 237,997 |
| Inventory | 248,516 | - | - | 248,516 |
| Prepaid expenses | - | 325,798 | - | 325,798 |
| Capital assets: | | | | |
| Land | 37,357 | - | - | 37,357 |
| Land improvements | 1,268,429 | - | - | 1,268,429 |
| Buildings and building improvements | 1,848,904 | - | - | 1,848,904 |
| Furniture, fixtures and equipment | 241,823 | - | - | 241,823 |
| Vehicles | 107,270 | - | - | 107,270 |
| Software | 78,725 | - | - | 78,725 |
| Less accumulated depreciation and amortization | (1,867,792) | - | - | (1,867,792) |
| Total capital assets | 1,714,716 | - | - | 1,714,716 |
| Total assets | 3,519,762 | 26,268,740 | 1,428,364 | 31,216,866 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Contributions to pension plan | 278,023 | - | - | 278,023 |
| Total deferred outflows of resources | 278,023 | - | - | 278,023 |
| LIABILITIES | | | | |
| Accounts payable | 34,035 | 145,599 | 26,610 | 206,244 |
| Accrued salaries and benefits | 43,329 | 1,619 | 1,270 | 46,218 |
| Due to other funds | 349 | - | 59 | 408 |
| Current portion capital lease | 30,374 | - | - | 30,374 |
| Current portion of accrued insurance claims | - | 4,974,900 | 382,924 | 5,357,824 |
| Current portion of compensated absences | 12,705 | - | - | 12,705 |
| Noncurrent portion of accrued insurance claims | - | - | 125,572 | 125,572 |
| Noncurrent portion of capital lease | 130,319 | - | - | 130,319 |
| Noncurrent portion of compensated absences | 144,247 | - | - | 144,247 |
| Noncurrent portion of OPEB liability | - | 40,398,989 | - | 40,398,989 |
| Net pension liability | 2,140,523 | - | - | 2,140,523 |
| Total liabilities | 2,535,881 | 45,521,107 | 536,435 | 48,593,423 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension deferrals | 107,780 | - | - | 107,780 |
| Total deferred inflows of resources | 107,780 | - | - | 107,780 |
| NET POSITION | | | | |
| Net investment in capital assets | 1,554,023 | - | - | 1,554,023 |
| Unrestricted (deficit) | (399,899) | (19,252,367) | 891,929 | (18,760,337) |
| Total net position (deficit) | \$ 1,154,124 | \$ (19,252,367) | \$ 891,929 | \$ (17,206,314) |

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, 2017

Exhibit Y

| | Internal Service Funds | | | |
|--|------------------------------------|-------------------------------------|---|--|
| | Fleet Services Fund | Health Benefits Fund | Workers' Compensation Fund | Total Proprietary Funds |
| Operating revenues: | | | | |
| Charges for services | \$ 3,510,640 | \$ 31,043,864 | \$ - | \$ 34,554,504 |
| Operating expenses: | | | | |
| Personnel services | 3,705,924 | 143,098 | 87,255 | 3,936,277 |
| Contractual services | 40,113 | 38,440,099 | 750,226 | 39,230,438 |
| Materials and supplies | 1,467,293 | - | - | 1,467,293 |
| Utilities | 14,946 | - | - | 14,946 |
| Telecommunications | 23,610 | - | - | 23,610 |
| Depreciation and amortization | 146,869 | - | - | 146,869 |
| Total operating expenses | 5,398,755 | 38,583,197 | 837,481 | 44,819,433 |
| Operating income (loss) | (1,888,115) | (7,539,333) | (837,481) | (10,264,929) |
| Nonoperating revenues (expenses): | | | | |
| Interest and investment revenue | - | 35,909 | - | 35,909 |
| Interest expense | (5,128) | - | - | (5,128) |
| Loss on disposal of capital assets | (6,000) | - | - | (6,000) |
| Vehicle and other sales | 64,697 | - | - | 64,697 |
| Total nonoperating revenues, net | 53,569 | 35,909 | - | 89,478 |
| Income (loss) before transfers | (1,834,546) | (7,503,424) | (837,481) | (10,175,451) |
| Net transfers (to) from other funds | (4,743) | - | 575,441 | 570,698 |
| Change in net position | (1,839,289) | (7,503,424) | (262,040) | (9,604,753) |
| Net position (deficit), beginning - July 1, 2016 | 2,993,413 | (11,748,943) | 1,153,969 | (7,601,561) |
| Net position (deficit), ending - June 30, 2017 | \$ 1,154,124 | \$ (19,252,367) | \$ 891,929 | \$ (17,206,314) |

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, 2017

Exhibit Z

| | Internal Service Funds | | | Total |
|--|---------------------------|----------------------------|----------------------------------|----------------------|
| | Fleet Services Fund | Health Benefits Fund | Workers' Compensation Fund | Proprietary Funds |
| Cash flows from operating activities: | | | | |
| Receipts from customers | \$ 3,440,038 | \$ 31,028,258 | \$ - | \$ 34,468,296 |
| Payments to suppliers | 478,660 | (26,956,259) | (447,496) | (26,925,095) |
| Payments to employees | (3,788,901) | (147,866) | (92,391) | (4,029,158) |
| Net cash provided by (used in) operating activities | 129,797 | 3,924,133 | (539,887) | 3,514,043 |
| Cash flows from noncapital financing activities: | | | | |
| Transfers (to) from other funds, net | (4,743) | - | 575,441 | 570,698 |
| Net cash provided by (used in) noncapital financing activities | (4,743) | - | 575,441 | 570,698 |
| Cash flows from capital and related financing activities: | | | | |
| Proceeds from vehicle and supply sales | 64,697 | - | - | 64,697 |
| Principal paid on capital lease | (29,540) | - | - | (29,540) |
| Interest paid on capital lease | (5,128) | - | - | (5,128) |
| Acquisition and construction of capital assets | (59,623) | - | - | (59,623) |
| Net cash used in capital and related financing activities | (29,594) | - | - | (29,594) |
| Cash flows from investing activities: | | | | |
| Interest earned on investments | - | 35,909 | - | 35,909 |
| Net cash provided by investing activities | - | 35,909 | - | 35,909 |
| Net increase in cash and cash equivalents | 95,460 | 3,960,042 | 35,554 | 4,091,056 |
| Cash and cash equivalents, beginning July 1, 2016 | 1,234,818 | 21,818,337 | 1,392,810 | 24,445,965 |
| Cash and cash equivalents, ending June 30, 2017 | \$ 1,330,278 | \$ 25,778,379 | \$ 1,428,364 | \$ 28,537,021 |

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

| | | | | |
|--|----------------|----------------|--------------|-----------------|
| Operating income (loss) | \$ (1,888,115) | \$ (7,539,333) | \$ (837,481) | \$ (10,264,929) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization expense | 146,869 | - | - | 146,869 |
| Changes in assets and liabilities: | | | | |
| Increase in accounts receivables | (70,602) | (15,606) | - | (86,208) |
| Decrease in prepaid expenses | - | 150,848 | - | 150,848 |
| Decrease in inventory | 41,706 | - | - | 41,706 |
| Increase in deferred outflows of resources | (90,601) | - | - | (90,601) |
| Increase (decrease) in accounts payable and accrued expenses | (89,670) | 737,292 | 297,594 | 945,216 |
| Increase in compensated absences | 19,329 | - | - | 19,329 |
| Increase in net pension liability | 2,180,580 | - | - | 2,180,580 |
| Decrease in deferred inflows of resources | (119,699) | - | - | (119,699) |
| Increase in OPEB liability | - | 10,590,932 | - | 10,590,932 |
| Total adjustments | 2,017,912 | 11,463,466 | 297,594 | 13,778,972 |
| Net cash provided by (used in) operating activities | \$ 129,797 | \$ 3,924,133 | \$ (539,887) | \$ 3,514,043 |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS - AGENCY FUNDS
June 30, 2017

Exhibit AA

| | School Activity Funds | Employee Flexible Spending Fund | Fiduciary Services Fund | Stafford Education Foundation | Total Agency Funds |
|----------------------------------|--------------------------|--|-------------------------------|-------------------------------------|-----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 3,044,988 | \$ 239,289 | \$ 18,506 | \$ 93,773 | \$ 3,396,556 |
| LIABILITIES | | | | | |
| Reserved for future expenditures | \$ 3,044,988 | \$ 239,289 | \$ 18,506 | \$ 93,773 | \$ 3,396,556 |

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, 2017

Exhibit BB

| | Agency Fund | | | |
|----------------------------------|--|---------------------------------|---------------------------------------|--------------------------------------|
| | School Activity Funds | | | |
| | Beginning Balance - July 1, 2016 | Additions - Cash Receipts | Deductions - Cash Disbursements | Ending Balance - June 30, 2017 |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,706,910 | \$ 5,728,330 | \$ (5,390,252) | \$ 3,044,988 |
| LIABILITIES | | | | |
| Reserved for future expenditures | \$ 2,706,910 | \$ 5,728,330 | \$ (5,390,252) | \$ 3,044,988 |

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, 2017

Exhibit CC

| | Agency Fund | | | |
|----------------------------------|--|---------------------------------|---------------------------------------|--------------------------------------|
| | Employee Flexible Spending Fund | | | |
| | Beginning Balance - July 1, 2016 | Additions - Cash Receipts | Deductions - Cash Disbursements | Ending Balance - June 30, 2017 |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 160,521 | \$ 742,308 | \$ (663,540) | \$ 239,289 |
| LIABILITIES | | | | |
| Reserved for future expenditures | \$ 160,521 | \$ 742,308 | \$ (663,540) | \$ 239,289 |

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, 2017

Exhibit DD

| | Agency Fund | | | |
|----------------------------------|--------------------------------------|---------------------------------|---------------------------------------|------------------------------------|
| | Fiduciary Services Fund | | | |
| | Beginning Balance July 1, 2016 | Additions - Cash Receipts | Deductions - Cash Disbursements | Ending Balance June 30, 2017 |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 30,019 | \$ 43,999 | \$ (55,512) | \$ 18,506 |
| LIABILITIES | | | | |
| Reserved for future expenditures | \$ 30,019 | \$ 43,999 | \$ (55,512) | \$ 18,506 |

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, 2017

Exhibit EE

| | Agency Fund | | | |
|----------------------------------|--------------------------------------|---------------------------------|---------------------------------------|------------------------------------|
| | Stafford Education Foundation | | | Ending Balance June 30, 2017 |
| | Beginning Balance July 1, 2016 | Additions - Cash Receipts | Deductions - Cash Disbursements | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 64,149 | \$ 46,868 | \$ (17,244) | \$ 93,773 |
| LIABILITIES | | | | |
| Reserved for future expenditures | \$ 64,149 | \$ 46,868 | \$ (17,244) | \$ 93,773 |

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 2008 - 2017
(Accrual Basis of Accounting)

| | June 30, | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| NET ASSETS/NET POSITION | | | | | |
| Investment in capital assets, net of related debt | \$ 372,811,891 | \$ 377,290,792 | \$ 371,615,809 | \$ 371,880,043 | \$ 377,833,302 |
| Net investment in capital assets | - | - | - | - | - |
| Restricted | - | - | 6,615,701 | 11,479,446 | 17,548,128 |
| Unrestricted | <u>27,817,509</u> | <u>17,502,199</u> | <u>8,350,669</u> | <u>4,772,785</u> | <u>(5,832,921)</u> |
| Total net assets | <u>\$ 400,629,400</u> | <u>\$ 394,792,991</u> | <u>\$ 386,582,179</u> | <u>\$ 388,132,274</u> | <u>\$ 389,548,509</u> |
| Total net position | N/A | N/A | N/A | N/A | N/A |

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.
N/A = Not applicable

Table S-1

| June 30, | | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---|
| 2013 | 2014 | 2015 | 2016 | 2017 | |
| | | | | | NET ASSETS/NET POSITION |
| \$ - | \$ - | \$ - | \$ - | \$ - | Investment in capital assets, net of related debt |
| 383,728,660 | 402,418,884 | 433,631,721 | 438,932,856 | 446,017,754 | Net investment in capital assets |
| 21,973,458 | 49,239,175 | 21,465,238 | 12,861,062 | 7,639,914 | Restricted |
| <u>5,638,327</u> | <u>(21,932,140)</u> | <u>(258,123,522)</u> | <u>(242,911,240)</u> | <u>(237,430,067)</u> | Unrestricted |
| N/A | N/A | N/A | N/A | N/A | Total net assets |
| <u>\$ 411,340,445</u> | <u>\$ 429,725,919</u> | <u>\$ 196,973,437</u> | <u>\$ 208,882,678</u> | <u>\$ 216,227,601</u> | Total net position |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
CHANGES IN NET POSITION BY COMPONENT
Fiscal Years 2008 - 2017
(Accrual Basis of Accounting)

| | For the Fiscal Year Ended June 30, | | | | |
|---|---|-----------------------|-----------------------|-----------------------|----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| Expenses | | | | | |
| Governmental activities | \$ 269,258,983 | \$ 279,829,235 | \$ 275,344,685 | \$ 281,858,250 | \$ 287,665,251 |
| Program revenues | | | | | |
| Charges for services | 10,738,470 | 17,996,927 | 21,992,880 | 17,282,725 | 16,404,687 |
| Grants and contributions | 146,067,195 | 152,758,520 | 140,144,414 | 64,321,646 | 73,208,380 |
| Total program revenues | <u>156,805,665</u> | <u>170,755,447</u> | <u>162,137,294</u> | <u>81,604,371</u> | <u>89,613,067</u> |
| Net expenses | <u>(112,453,318)</u> | <u>(109,073,788)</u> | <u>(113,207,391)</u> | <u>(200,253,879)</u> | <u>(198,052,184)</u> |
| General revenues | | | | | |
| Sales Tax and Basic Aid | * | * | * | 96,195,244 | 100,375,990 |
| Unrestricted grants and contributions | 124,008,330 | 101,194,329 | 103,808,533 | 99,323,620 | 98,599,339 |
| Investment earnings | 954,628 | 411,486 | 24,374 | 22,090 | 33,339 |
| Gain on capital asset disposals and other sales | - | - | (9,726) | 80,567 | 40,600 |
| Miscellaneous | 1,487,210 | 1,631,563 | 1,791,969 | 332,453 | 419,151 |
| Total general revenues | <u>126,450,168</u> | <u>103,237,378</u> | <u>105,615,150</u> | <u>195,953,974</u> | <u>199,468,419</u> |
| Change in net position/assets | <u>\$ 13,996,850</u> | <u>\$ (5,836,410)</u> | <u>\$ (7,592,241)</u> | <u>\$ (4,299,905)</u> | <u>\$ 1,416,235</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, | | | | | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---|
| 2013 | 2014 | 2015 | 2016 | 2017 | |
| <u>\$ 290,728,443</u> | <u>\$ 293,901,842</u> | <u>\$ 285,238,534</u> | <u>\$ 300,625,771</u> | <u>\$ 317,291,665</u> | Expenses |
| | | | | | Governmental activities |
| | | | | | Program revenues |
| 17,987,309 | 18,232,507 | 18,902,311 | 18,372,613 | 18,061,718 | Charges for services |
| <u>81,370,952</u> | <u>82,741,613</u> | <u>76,415,692</u> | <u>72,638,754</u> | <u>81,463,016</u> | Grants and contributions |
| <u>99,358,261</u> | <u>100,974,120</u> | <u>95,318,003</u> | <u>91,011,367</u> | <u>99,524,734</u> | Total program revenues |
| <u>(191,370,182)</u> | <u>(192,927,722)</u> | <u>(189,920,531)</u> | <u>(209,614,404)</u> | <u>(217,766,931)</u> | Net expenses |
| | | | | | General revenues |
| 102,845,402 | 102,485,508 | 107,949,304 | 109,421,075 | 112,615,106 | Sales Tax and Basic Aid |
| 108,625,975 | 108,414,728 | 103,735,323 | 111,658,395 | 112,072,289 | Unrestricted grants and contributions |
| 53,507 | 51,177 | 42,190 | 71,599 | 90,762 | Investment earnings |
| 1,069,605 | 117,222 | 133,484 | 115,058 | 64,697 | Gain on capital asset disposals and other sales |
| <u>567,629</u> | <u>244,561</u> | <u>276,331</u> | <u>257,518</u> | <u>269,000</u> | Miscellaneous |
| <u>213,162,118</u> | <u>211,313,196</u> | <u>212,136,632</u> | <u>221,523,645</u> | <u>225,111,854</u> | Total general revenues |
| <u>\$ 21,791,936</u> | <u>\$ 18,385,474</u> | <u>\$ 22,216,101</u> | <u>\$ 11,909,241</u> | <u>\$ 7,344,923</u> | Change in net position/assets |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS
Fiscal Years 2008 - 2017
(Modified Accrual Basis of Accounting)

| | June 30, | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Operating Fund: | 2008 | 2009 | 2010 | 2011 | 2012 |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ 490,227 |
| Restricted | - | - | - | 960,510 | - |
| Committed | - | - | - | - | 4,757,640 |
| Assigned | - | - | - | 7,007,460 | 544,058 |
| Unassigned | - | - | - | - | (2,816,334) |
| Reserved | 9,189,151 | 4,329,683 | 3,566,366 | - | - |
| Designated | 1,792,849 | 4,700,000 | 618,571 | - | - |
| Fund balance - operating fund | <u>10,982,000</u> | <u>9,029,683</u> | <u>4,184,937</u> | <u>7,967,970</u> | <u>2,975,591</u> |
| All Other Governmental Funds: | | | | | |
| Reserved: | | | | | |
| Capital Projects Fund | 9,916,007 | 1,822,581 | 4,581,296 | - | - |
| Food and Nutrition Services Fund | 340,048 | 353,134 | 315,257 | - | - |
| School Construction, Renovation and Maintenance Fund | - | - | - | - | - |
| Grants Fund | - | 558,638 | 47,115 | - | - |
| | <u>10,256,055</u> | <u>2,734,353</u> | <u>4,943,668</u> | <u>-</u> | <u>-</u> |
| Unreserved: | | | | | |
| Capital Projects Fund | 8,655,320 | 3,546,746 | 1,923,648 | - | - |
| Food and Nutrition Services Fund | 1,240,709 | 1,375,483 | 1,540,575 | - | - |
| School Construction, Renovation and Maintenance Fund | - | - | - | - | - |
| Grants Fund | - | (558,638) | - | - | - |
| | <u>9,896,029</u> | <u>4,363,591</u> | <u>3,464,223</u> | <u>-</u> | <u>-</u> |
| Nonspendable: | | | | | |
| Food and Nutrition Services Fund | - | - | - | 234,485 | 238,566 |
| | - | - | - | <u>234,485</u> | <u>238,566</u> |
| Restricted: | | | | | |
| Capital Projects Fund | - | - | - | 8,168,063 | 14,990,608 |
| Food and Nutrition Services Fund | - | - | - | 2,273,740 | 2,395,383 |
| Grants Fund | - | - | - | 77,133 | 40,328 |
| | - | - | - | <u>10,518,936</u> | <u>17,426,319</u> |
| Committed: | | | | | |
| Capital Projects Fund | - | - | - | 1,781,748 | 2,126,770 |
| | - | - | - | <u>1,781,748</u> | <u>2,126,770</u> |
| Fund balance - other governmental funds | <u>20,152,084</u> | <u>7,097,944</u> | <u>8,407,891</u> | <u>12,535,169</u> | <u>19,791,655</u> |
| Fund balance - total governmental funds | <u>\$ 31,134,084</u> | <u>\$ 16,127,627</u> | <u>\$ 12,592,828</u> | <u>\$ 20,503,139</u> | <u>\$ 22,767,246</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, | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|---|
| 2013 | 2014 | 2015 | 2016 | 2017 | Operating Fund: |
| \$ 525,298 | \$ 659,455 | \$ 444,506 | \$ 577,597 | \$ 569,714 | Nonspendable |
| - | - | - | - | - | Restricted |
| 7,318,523 | 2,465,667 | 3,091,085 | - | 144,043 | Committed |
| - | - | - | - | - | Assigned |
| (2,329,257) | 2,961,531 | 5,213,871 | 12,794,590 | 10,792,575 | Unassigned |
| - | - | - | - | - | Reserved |
| - | - | - | - | - | Designated |
| <u>5,514,564</u> | <u>6,086,653</u> | <u>8,749,462</u> | <u>13,372,187</u> | <u>11,506,332</u> | Fund balance - operating fund |
| | | | | | All Other Governmental Funds: |
| | | | | | Reserved: |
| - | - | - | - | - | Capital Projects Fund |
| - | - | - | - | - | Food and Nutrition Services Fund |
| - | - | - | - | - | School Construction, Renovation and Maintenance Fund |
| - | - | - | - | - | Grants Fund |
| - | - | - | - | - | |
| | | | | | Unreserved: |
| - | - | - | - | - | Capital Projects Fund |
| - | - | - | - | - | Food and Nutrition Services Fund |
| - | - | - | - | - | School Construction, Renovation and Maintenance Fund |
| - | - | - | - | - | Grants Fund |
| - | - | - | - | - | |
| <u>341,770</u> | <u>297,730</u> | <u>240,566</u> | <u>260,626</u> | <u>282,149</u> | Nonspendable: |
| <u>341,770</u> | <u>297,730</u> | <u>240,566</u> | <u>260,626</u> | <u>282,149</u> | Food and Nutrition Services Fund |
| 19,823,101 | 46,626,075 | 18,204,234 | 8,997,231 | 2,618,654 | Restricted: |
| 2,109,164 | 2,508,113 | 3,141,740 | 3,797,665 | 4,850,254 | Capital Projects Fund |
| 41,193 | 104,987 | 119,264 | 66,166 | 171,006 | Food and Nutrition Services Fund |
| <u>21,973,458</u> | <u>49,239,175</u> | <u>21,465,238</u> | <u>12,861,062</u> | <u>7,639,914</u> | Grants Fund |
| 13,584,453 | (10,966,533) | - | 2,985,882 | 17,446,552 | Committed: |
| <u>13,584,453</u> | <u>(10,966,533)</u> | - | <u>2,985,882</u> | <u>17,446,552</u> | Capital Projects Fund |
| <u>35,899,681</u> | <u>38,570,372</u> | <u>21,705,804</u> | <u>16,107,570</u> | <u>25,368,615</u> | Fund balance - other governmental funds |
| <u>\$ 41,414,245</u> | <u>\$ 44,657,025</u> | <u>\$ 30,455,266</u> | <u>\$ 29,479,757</u> | <u>\$ 36,874,947</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 2008 - 2017
(Modified Accrual Basis of Accounting)

| | For the Fiscal Year Ended June 30, | | | | |
|--|------------------------------------|------------------------|-----------------------|---------------------|---------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| REVENUES: | | | | | |
| Intergovernmental: | | | | | |
| Stafford County | \$ 124,008,330 | \$ 101,194,329 | \$ 109,379,789 | \$ 107,735,478 | \$ 123,180,386 |
| Commonwealth of Virginia | 132,608,495 | 138,721,700 | 119,332,877 | 118,851,130 | 126,557,871 |
| Federal Government | 13,458,700 | 14,036,820 | 20,811,537 | 33,253,902 | 22,445,452 |
| Total intergovernmental revenues | 270,075,525 | 253,952,849 | 249,524,203 | 259,840,510 | 272,183,709 |
| Charges for services: | | | | | |
| Tuition and fees | 448,696 | 646,368 | 804,273 | 695,978 | 721,180 |
| Food sales | 6,948,489 | 7,124,957 | 6,817,209 | 7,316,875 | 7,231,445 |
| Recovered costs | 1,217,023 | 1,199,174 | 960,986 | 1,370,939 | 1,180,368 |
| Miscellaneous | 124,779 | 396,412 | 768,248 | 332,453 | 419,151 |
| Interest | 742,760 | 331,375 | 10,472 | 12,329 | 26,157 |
| Total revenues | 279,557,272 | 263,651,135 | 258,885,391 | 269,569,084 | 281,762,010 |
| EXPENDITURES: | | | | | |
| Education: | | | | | |
| Instruction | 184,897,493 | 182,434,351 | 181,521,213 | 181,073,501 | 187,321,574 |
| Administration, attendance and health | 16,360,660 | 13,411,457 | 12,611,894 | 9,688,371 | 10,062,051 |
| Pupil transportation | 13,001,603 | 12,363,412 | 12,279,285 | 12,706,286 | 13,335,894 |
| Operation and maintenance | 20,624,177 | 21,287,639 | 19,949,060 | 20,957,014 | 20,688,827 |
| Food and nutrition services | 10,666,907 | 10,848,880 | 10,620,763 | 11,162,148 | 11,908,144 |
| Facilities | 73,908 | 524,866 | 250,290 | 187,981 | 182,034 |
| Technology | - | 12,005,015 | 11,949,997 | 14,581,888 | 13,887,167 |
| Capital outlay | 24,902,092 | 18,306,903 | 9,273,865 | 11,518,149 | 21,150,304 |
| Debt service: | | | | | |
| Principal | 322,495 | 268,828 | 280,422 | 367,517 | 380,132 |
| Interest and fiscal charges | 110,444 | 118,081 | 106,486 | 102,347 | 81,776 |
| Total expenditures | 270,959,779 | 271,569,432 | 258,843,275 | 262,345,202 | 278,997,903 |
| Excess (deficiency) of revenues over (under) expenditures | 8,597,493 | (7,918,297) | 42,116 | 7,223,882 | 2,764,107 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Proceeds from sale of land | - | - | - | - | - |
| Proceeds from capital lease | - | - | - | - | - |
| Transfers from other funds | 100,000 | 100,000 | 118,434 | 1,958,212 | - |
| Transfers to other funds | (2,764,665) | (5,395,311) | (4,313,920) | (1,958,212) | (500,000) |
| Loan from Stafford County | - | - | - | 1,305,000 | - |
| Total other financing uses, net | (2,664,665) | (5,295,311) | (4,195,486) | 1,305,000 | (500,000) |
| Net change in fund balance | \$ 5,932,828 | \$ (13,213,608) | \$ (4,153,370) | \$ 8,528,882 | \$ 2,264,107 |

Table S-4

| For the Fiscal Year Ended June 30, | | | | | |
|------------------------------------|----------------|-----------------|----------------|----------------|---|
| 2013 | 2014 | 2015 | 2016 | 2017 | |
| | | | | | REVENUES: |
| | | | | | Intergovernmental: |
| \$ 142,676,306 | \$ 141,522,936 | \$ 131,198,166 | \$ 133,899,547 | \$ 138,999,308 | Stafford County |
| 133,476,749 | 135,588,828 | 139,495,094 | 142,268,097 | 148,896,372 | Commonwealth of Virginia |
| 16,689,274 | 16,530,085 | 17,407,059 | 17,550,580 | 18,254,731 | Federal Government |
| 292,842,329 | 293,641,849 | 288,100,319 | 293,718,224 | 306,150,411 | Total intergovernmental revenues |
| | | | | | Charges for services: |
| 911,220 | 759,633 | 867,202 | 752,941 | 868,492 | Tuition and fees |
| 6,681,246 | 6,640,211 | 6,684,272 | 6,754,639 | 6,762,593 | Food sales |
| 1,767,641 | 2,059,853 | 2,082,884 | 2,374,395 | 2,514,639 | Recovered costs |
| 587,600 | 286,236 | 280,754 | 329,978 | 454,147 | Miscellaneous |
| 45,810 | 46,322 | 36,892 | 56,296 | 54,853 | Interest |
| 302,835,846 | 303,434,104 | 298,052,323 | 303,986,473 | 316,805,135 | Total revenues |
| | | | | | EXPENDITURES: |
| | | | | | Education: |
| 191,433,956 | 190,904,984 | 190,794,453 | 196,107,491 | 206,214,135 | Instruction |
| 10,422,301 | 10,587,435 | 10,448,126 | 10,743,059 | 11,407,604 | Administration, attendance and health |
| 13,419,206 | 13,591,390 | 12,923,044 | 12,463,033 | 12,810,665 | Pupil transportation |
| 21,315,872 | 20,731,939 | 19,888,292 | 20,578,357 | 21,543,418 | Operation and maintenance |
| 12,054,783 | 11,517,146 | 11,724,692 | 12,077,813 | 12,047,774 | Food and nutrition services |
| 198,990 | 111,512 | 100,323 | 161,377 | 163,332 | Facilities |
| 15,129,827 | 15,320,646 | 15,021,211 | 16,878,885 | 15,717,051 | Technology |
| 22,907,317 | 36,172,121 | 52,277,196 | 34,604,747 | 28,145,272 | Capital outlay |
| | | | | | Debt service: |
| 393,292 | 407,020 | 421,339 | 721,941 | 743,292 | Principal |
| 71,631 | 68,147 | 49,701 | 68,115 | 46,704 | Interest and fiscal charges |
| 287,347,175 | 299,412,340 | 313,648,377 | 304,404,818 | 308,839,247 | Total expenditures |
| 15,488,671 | 4,021,764 | (15,596,054) | (418,345) | 7,965,888 | Excess (deficiency) of revenues over (under) expenditures |
| | | | | | OTHER FINANCING SOURCES (USES): |
| 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 |
| (203,343) | (978,985) | (2,032,707) | (875,794) | (570,698) | Transfers to other funds |
| - | - | - | - | - | Loan from Stafford County |
| 3,158,329 | (778,985) | 1,394,293 | (557,164) | (570,698) | Total other financing uses, net |
| \$ 18,647,000 | \$ 3,242,779 | \$ (14,201,761) | \$ (975,509) | \$ 7,395,190 | Net change in fund balance |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
GENERAL INFORMATION
June 30, 2017

Table S-5

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

| Stafford County Public Schools | | | |
|---------------------------------------|-----------|-----------------------------|---------------|
| Number of Schools: | | Fall Membership: (1) | |
| Early childhood centers | 1 | Elementary schools | 12,166 |
| Elementary schools | 17 | Middle schools | 6,536 |
| Middle schools | 8 | High schools | 9,303 |
| High schools | 5 | Total | <u>28,005</u> |
| Alternative schools | <u>2</u> | | |
| | <u>33</u> | | |

| | |
|--------------------------------------|--------------|
| Contracted Employees: FY 2017 | |
| Licensed Instructional | 2,480 |
| Other Employees | <u>1,402</u> |
| | <u>3,882</u> |

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

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION
Fiscal Years 2008 - 2017

| | Fiscal Year | | | | |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| Contracted Employees: | | | | | |
| Licensed Instructional | 2,079 | 2,125 | 2,186 | 2,149 | 2,168 |
| Other Employees | 2,537 | 2,424 | 1,603 | 1,586 | 1,537 |
| Total | <u>4,616</u> | <u>4,549</u> | <u>3,789</u> | <u>3,735</u> | <u>3,705</u> |

Table S-6

| Fiscal Year | | | | | Contracted Employees: Licensed Instructional Other Employees Total |
|-------------|-------|-------|-------|-------|--|
| 2013 | 2014 | 2015 | 2016 | 2017 | |
| 2,174 | 2,139 | 2,116 | 2,304 | 2,480 | |
| 1,541 | 1,486 | 1,428 | 1,449 | 1,402 | |
| 3,715 | 3,625 | 3,544 | 3,753 | 3,882 | |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
NUMBER OF SCHOOLS IN THE DIVISION
Fiscal Years 2008 - 2017

| | Fiscal Year | | | | |
|------------------------------|-------------|------|------|------|------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| Number of Schools: | | | | | |
| Elementary Schools | 17 | 17 | 17 | 17 | 17 |
| Secondary/ Middle Schools | 7 | 8 | 8 | 8 | 8 |
| High Schools | 5 | 5 | 5 | 5 | 5 |
| Total | 29 | 30 | 30 | 30 | 30 |

Table S-7

| Fiscal Year | | | | | Number of Schools: Elementary Schools Secondary/ Middle Schools High Schools Total |
|-------------|------|------|------|------|---|
| 2013 | 2014 | 2015 | 2016 | 2017 | |
| 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 2008 - 2017

| | Fiscal Year | | | | |
|---|-------------|--------|--------|--------|--------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| Student Membership: | | | | | |
| September 30 membership | 26,221 | 26,435 | 26,672 | 26,797 | 26,815 |
| Average daily membership as of March 31 | 26,114 | 26,350 | 26,648 | 26,745 | 26,773 |
| End-of-year membership | 25,977 | 26,219 | 26,522 | 26,603 | 26,681 |
| Students enrolled in special education programs | 2,346 | 2,410 | 2,391 | 2,412 | 2,412 |
| English Language Learners | 1,036 | 1,036 | 996 | 1,135 | 1,160 |
| Students enrolled in grades K-3 | 7,186 | 7,320 | 7,416 | 5,471 | 5,505 |

Table S-8

| Fiscal Year | | | | | |
|-------------|--------|--------|--------|--------|---|
| 2013 | 2014 | 2015 | 2016 | 2017 | |
| 26,972 | 26,944 | 27,173 | 27,510 | 28,005 | Student Membership: |
| 26,904 | 26,901 | 27,200 | 27,519 | 28,031 | September 30 membership |
| 26,803 | 26,925 | 27,218 | 27,514 | 28,042 | Average daily membership as of March 31 |
| 2,559 | 2,392 | 2,532 | 2,653 | 2,964 | End-of-year membership |
| | | | | | Students enrolled in special education programs |
| 1,192 | 1,121 | 1,183 | 1,251 | 1,380 | English Language Learners |
| 7,526 | 7,532 | 7,761 | 7,822 | 7,916 | Students enrolled in grades K-3 |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
VARIOUS OPERATING INDICATORS
Fiscal Years 2008 - 2017

| | Fiscal Year | | | | |
|----------------------------------|-------------|----------|----------|-----------|----------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| Operating Statistics: | | | | | |
| Average per pupil expenditures | \$ 9,335 | \$ 9,531 | \$ 9,399 | \$ 12,387 | \$ 9,752 |
| Average classroom teacher salary | \$52,251 | \$50,820 | \$52,591 | \$50,692 | \$51,465 |
| Composite index (1) | 0.3503 | 0.3629 | 0.3629 | 0.3362 | 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 | | | | | |
|-------------|----------|----------|----------|-----------|----------------------------------|
| 2013 | 2014 | 2015 | 2016 | 2017 | |
| \$ 9,971 | \$ 9,285 | \$ 8,255 | \$ 9,514 | \$ 9,961 | Operating Statistics: |
| \$50,864 | \$52,080 | \$52,716 | \$54,490 | \$ 56,462 | Average per pupil expenditures |
| 0.3305 | 0.3305 | 0.3412 | 0.3412 | 0.3445 | Average classroom teacher salary |
| | | | | | Composite index (1) |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
TRANSPORTATION OPERATING INDICATORS
Fiscal Years 2008 - 2017

| | Fiscal Year | | | | |
|--------------------------------------|-------------|-----------|-----------|-----------|-----------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| Transportation Statistics: | | | | | |
| Average Ridership (Regular) | 19,404 | 17,997 | 19,950 | 20,007 | 19,991 |
| Average Ridership (Special Needs) | 497 | 532 | 576 | 650 | 626 |
| Average Ridership (Head Start) | 225 | 250 | 284 | 300 | 300 |
| Buses Operated Daily (Regular) | 168 | 166 | 154 | 159 | 143 |
| Buses Operated Daily (Special Needs) | 43 | 41 | 53 | 45 | 63 |
| Buses Operated Daily (Head Start) | 11 | 11 | 14 | 12 | 11 |
| Special Trip Assignments | 2,587 | 2,600 | 2,132 | 4,214 | 4,477 |
| Miles Traveled (Regular) | 2,889,000 | 1,479,400 | 1,612,567 | 2,118,744 | 1,529,964 |
| Miles Traveled (Special Needs) | 1,324,920 | 685,040 | 1,053,310 | 1,331,000 | 716,207 |

Table S-10

| Fiscal Year | | | | | |
|-------------|-----------|-----------|-----------|-----------|--------------------------------------|
| 2013 | 2014 | 2015 | 2016 | 2017 | |
| 18,893 | 16,489 | 17,048 | 15,664 | 17,069 | Average Ridership (Regular) |
| 566 | 561 | 726 | 697 | 732 | Average Ridership (Special Needs) |
| 353 | 350 | 350 | 300 | 350 | Average Ridership (Head Start) |
| 150 | 138 | 140 | 137 | 139 | Buses Operated Daily (Regular) |
| 70 | 71 | 71 | 57 | 67 | Buses Operated Daily (Special Needs) |
| 11 | 10 | 10 | 10 | 11 | Buses Operated Daily (Head Start) |
| 4,048 | 3,926 | 3,864 | 3,976 | 4,217 | Special Trip Assignments |
| 1,269,012 | 1,421,050 | 1,465,231 | 1,686,888 | 1,649,558 | Miles Traveled (Regular) |
| 839,917 | 860,773 | 865,854 | 1,103,008 | 1,291,239 | Miles Traveled (Special Needs) |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FOOD AND NUTRITION SERVICES OPERATING INDICATORS
Fiscal Years 2008 - 2017

| | Fiscal Year | | | | |
|---|-------------|---------|---------|---------|---------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| School Nutrition Program (SNP) | | | | | |
| Statistics: | | | | | |
| September 30 Membership | 26,221 | 26,435 | 26,672 | 26,797 | 26,815 |
| Eligible for Free Lunch | 3,263 | 3,727 | 4,632 | 5,277 | 5,933 |
| <i>Percentage</i> | 12.44% | 14.10% | 17.37% | 19.69% | 22.13% |
| Eligible for Reduced Price Lunch | 1,112 | 1,237 | 1,281 | 1,106 | 1,520 |
| <i>Percentage</i> | 4.24% | 4.68% | 4.80% | 4.13% | 5.67% |
| Eligible for Free and Reduced Price Lunch - Total | 4,375 | 4,964 | 5,913 | 6,383 | 7,453 |
| <i>Percentage</i> | 16.69% | 18.78% | 22.17% | 23.82% | 27.79% |
| Middle and High School Lunch Prices | \$ 1.85 | \$ 2.10 | \$ 2.25 | \$ 2.25 | \$ 2.40 |
| Elementary School Lunch Prices | \$ 1.75 | \$ 2.10 | \$ 2.15 | \$ 2.15 | \$ 2.30 |

Table S-11

| Fiscal Year | | | | | |
|-------------|--------------|-------------|-------------|-------------|---------------------------------------|
| 2013 | 2014 | 2015 | 2016 | 2017 | |
| 26,972 | 26,944 | 27,173 | 27,510 | 28,005 | School Nutrition Program (SNP) |
| 5,993 | 6,135 | 6,439 | 7,222 | 8,035 | Statistics: |
| 22.22% | 22.77% | 23.70% | 26.25% | 28.69% | September 30 Membership |
| 1,520 | 1,552 | 1,608 | 1,711 | 1,617 | Eligible for Free Lunch |
| 5.64% | 5.76% | 5.92% | 6.22% | 5.77% | Percentage |
| 7,513 | 7,687 | 8,047 | 8,933 | 9,652 | Eligible for Reduced Price Lunch |
| 27.85% | 28.53% | 29.61% | 32.47% | 34.47% | Percentage |
| \$ 2.40 | \$ 2.55/2.65 | \$2.65/2.75 | \$2.70/2.80 | \$2.80/2.90 | Eligible for Free and Reduced |
| \$ 2.30 | \$ 2.45 | \$ 2.55 | \$ 2.60 | \$ 2.70 | Price Lunch - Total |
| | | | | | Percentage |
| | | | | | Middle and High School Lunch Prices |
| | | | | | Elementary School Lunch Prices |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FLEET SERVICES OPERATING INDICATORS
Fiscal Years 2008 - 2017

| | Fiscal Year | | | | | | | | | | | |
|---|-------------|------|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2008 | 2009 | 2010 | 2011 | | | 2012 | | | 2013 | | |
| | | | | Average | Average | | Average | Average | | Average | Average | |
| | | | | Active | Age | Mileage | Active | Age | Mileage | Active | Age | Mileage |
| Fleet Vehicles Serviced by Fleet Services: | | | | | | | | | | | | |
| Stafford County Public Schools Fleet Vehicles: | | | | | | | | | | | | |
| Buses: | | | | | | | | | | | | |
| Mainstream | 232 | 229 | 232 | 240 | 8.02 | 21,063 | 233 | 8.91 | 12,373 | 236 | 9.33 | 12,287 |
| Special Needs | 67 | 69 | 67 | 66 | 6.13 | 26,555 | 62 | 6.31 | 16,689 | 64 | 6.32 | 15,366 |
| Activity Buses | 5 | 5 | 5 | 5 | 5.09 | 38,489 | 5 | 2.51 | 20,596 | 5 | 1.51 | 13,195 |
| Less: Salvaged (1) | - | - | (5) | (20) | | | (6) | | | (18) | | |
| Subtotal Buses | 304 | 303 | 299 | 291 | | | 294 | | | 287 | | |
| Other School Vehicles: | | | | | | | | | | | | |
| Administration | 2 | 2 | 2 | 2 | 2.5 | 37,591 | 2 | 4.26 | 13,895 | 2 | 3.74 | 7,428 |
| Driver's Education | 12 | 13 | 13 | 13 | 4.5 | 48,798 | 13 | 5.13 | 8,266 | 13 | 6.46 | 7,232 |
| Fleet Services | 8 | 7 | 7 | 7 | 8.4 | 49,644 | 7 | 9.75 | 3,559 | 7 | 8.61 | 3,564 |
| Head Start | 4 | 4 | 4 | 4 | 10.5 | 34,655 | 6 | 7.34 | 2,532 | 6 | 8.67 | 2,756 |
| Maintenance | 42 | 42 | 46 | 48 | 7.3 | 75,807 | 51 | 8.40 | 7,546 | 53 | 9.26 | 7,150 |
| Food and Nutritional Services | 1 | 1 | 1 | 1 | 5.1 | N/A | 1 | 6.82 | 2,509 | 1 | 8.15 | 1,151 |
| Planning & Construction | 4 | 4 | 4 | 4 | 4.3 | 27,655 | 4 | 6.05 | 5,170 | 4 | 7.38 | 4,013 |
| Technology | 0 | 0 | 0 | 1 | N/A | N/A | 1 | 1.89 | 1,904 | 1 | 3.20 | 1,864 |
| Security | 5 | 5 | 8 | 7 | 4.2 | 11,910 | 7 | 5.98 | 2,059 | 7 | 7.30 | 1,831 |
| Transportation | 7 | 7 | 7 | 8 | 3.0 | 33,671 | 8 | 6.02 | 2,321 | 8 | 7.35 | 2,101 |
| Subtotal Other Vehicles | 85 | 85 | 92 | 95 | | | 100 | | | 102 | | |
| Total Stafford County Public Schools Fleet Vehicles | 389 | 388 | 391 | 386 | | | 394 | | | 389 | | |
| County of Stafford Fleet Vehicles: | | | | | | | | | | | | |
| Fire & Rescue | 143 | 142 | 144 | 151 | 9.4 | N/A | 154 | 9.75 | N/A | 166 | 9.94 | N/A |
| Sheriff | 190 | 190 | 216 | 232 | 5.0 | N/A | 223 | 5.38 | N/A | 222 | 5.97 | N/A |
| Utilities | 101 | 101 | 103 | 84 | 8.3 | N/A | 105 | 8.66 | N/A | 108 | 9.27 | N/A |
| Other | 132 | 132 | 127 | 145 | 6.7 | N/A | 142 | 7.64 | N/A | 145 | 8.47 | N/A |
| Total County of Stafford Fleet Vehicles | 566 | 565 | 590 | 612 | | | 624 | | | 641 | | |
| Total Fleet Vehicles | 955 | 953 | 981 | 998 | | | 1,018 | | | 1,030 | | |
| Other Vehicles Serviced by Fleet Services: | | | | | | | | | | | | |
| Airport Authority Fleet Vehicles | 2 | 2 | 2 | 2 | 9.6 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Vocational Foundation Fleet Vehicles | 1 | 1 | 1 | 1 | 15.0 | N/A | 1 | 17 | N/A | 1 | 18 | N/A |
| Total Other Vehicles | 3 | 3 | 3 | 3 | | | 1 | | | 1 | | |

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 |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---|
| 2014 | | | 2015 | | | 2016 | | | 2017 | | | |
| Average | Average | | Average | Average | | Average | Average | | Average | Average | | |
| Active | Age | Mileage | Active | Age | Mileage | Active | Age | Mileage | Active | Age | Mileage | |
| | | | | | | | | | | | | |
| 223 | 8.61 | 10,675 | 195 | 9.05 | 12,606 | 192 | 8.25 | 14,709 | 195 | 7.50 | 12,921 | |
| 68 | 6.35 | 14,627 | 67 | 6.66 | 17,274 | 68 | 6.82 | 21,283 | 66 | 7.30 | 17,501 | |
| 5 | 2.40 | 21,062 | 5 | 3.20 | 22,632 | 5 | 4.20 | 23,982 | 5 | 5.20 | 22,085 | |
| (27) | | | (15) | | | (20) | | | (8) | | | |
| 269 | | | 252 | | | 245 | | | 258 | | | |
| 2 | 4.50 | 9,851 | 2 | 6.00 | 10,464 | 2 | 6.50 | 9,555 | - | - | - | |
| 11 | 7.30 | 6,253 | 12 | 4.50 | 6,185 | 13 | 4.50 | 7,307 | 13 | 3.61 | 5,770 | |
| 6 | 9.33 | 3,577 | 6 | 7.16 | 3,276 | 6 | 7.16 | 3,276 | 6 | 8.60 | 4,276 | |
| 6 | 9.66 | 2,440 | 6 | 10.33 | 4,423 | 6 | 10.60 | 537 | 6 | 12.33 | 4,543 | |
| 43 | 10.12 | 7,786 | 45 | 9.75 | 6,339 | 45 | 8.90 | 6,803 | 58 | 10.00 | 5,675 | |
| 1 | 9.00 | 1,693 | 1 | 10.00 | 1,409 | 1 | 11.00 | 1,987 | 1 | 12.00 | 1,743 | |
| 4 | 7.75 | 4,342 | 4 | 9.00 | 5,243 | 4 | 10.00 | 6,154 | 4 | 11.00 | 6,642 | |
| 1 | 4.00 | 2,050 | 1 | 5.00 | 1,813 | 1 | 6.00 | 1,647 | 1 | 7.00 | 1,993 | |
| 7 | 7.28 | 1,631 | 7 | 8.85 | 1,897 | 7 | 9.87 | 2,254 | 7 | 10.00 | 1,576 | |
| 8 | 7.50 | 2,153 | 7 | 8.00 | 2,908 | 8 | 7.62 | 2,769 | 8 | 9.00 | 1,906 | |
| 89 | | | 91 | | | 93 | | | 104 | | | |
| 358 | | | 343 | | | 338 | | | 362 | | | |
| 169 | 11.36 | N/A | 172 | 11.34 | N/A | 178 | 11.34 | 4,318 | 170 | 11.97 | 4,950 | |
| 241 | 5.94 | N/A | 221 | 6.01 | 6,930 | 227 | 6.01 | 9,137 | 259 | 5.84 | 9,847 | |
| 117 | 8.69 | N/A | 120 | 8.38 | 7,767 | 120 | 8.38 | 7,002 | 134 | 8.19 | 10,715 | |
| 139 | 9.28 | N/A | 153 | 8.02 | N/A | 157 | 9.04 | 4,920 | 139 | 11.13 | N/A | |
| 666 | | | 666 | | | 682 | | | 702 | | | |
| 1,024 | | | 1,009 | | | 1,020 | | | 1,064 | | | |
| 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 | 19 | N/A | 1 | 20 | N/A | 1 | 21 | N/A | - | - | N/A | |
| 1 | | | 1 | | | 1 | | | - | | | |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
FLEET SERVICES OPERATING INDICATORS
Fiscal Years 2008 - 2017

| | Fiscal Year | | | | |
|-------------------------|-------------|--------|--------|--------|--------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| FLEET OPERATIONS | | | | | |
| Work orders completed | 6,124 | 6,394 | 6,314 | 6,390 | 6,101 |
| Invoices processed | 5,156 | 5,303 | 5,292 | 5,780 | 4,814 |
| Parts transactions | 25,007 | 22,140 | 27,222 | 20,147 | 93,302 |

| | Fiscal Year | | | | | |
|-------------------|----------------|---------------|----------------|---------------|----------------|---------------|
| | 2012 | | 2013 | | 2014 | |
| | <u>Schools</u> | <u>County</u> | <u>Schools</u> | <u>County</u> | <u>Schools</u> | <u>County</u> |
| FLEET FUEL | | | | | | |
| Gallons Purchased | 573,778 | 425,719 | 557,143 | 485,554 | 514,496 | 397,319 |
| Cost | \$ 1,838,125 | \$ 1,305,111 | \$ 1,791,347 | \$ 1,484,928 | \$ 1,606,938 | \$ 1,190,109 |

| | Fiscal Year | | | | | |
|---------------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| | 2012 | | 2013 | | 2014 | |
| | <u>Replacement</u> | <u>Additional</u> | <u>Replacement</u> | <u>Additional</u> | <u>Replacement</u> | <u>Additional</u> |
| FLEET ACQUISITIONS | | | | | | |
| School Buses - Mainstream | 5 | - | 12 | - | 11 | - |
| - Special Needs | 8 | - | 3 | - | 6 | - |
| Other School Vehicles | 5 | - | 3 | - | 2 | - |

| | Fiscal Year | | | | | |
|---------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2012 | | 2013 | | 2014 | |
| | <u>Heavy Duty Shop</u> | <u>Light Duty Shop</u> | <u>Heavy Duty Shop</u> | <u>Light Duty Shop</u> | <u>Heavy Duty Shop</u> | <u>Light Duty Shop</u> |
| FLEET SHOPS | | | | | | |
| Vehicles per Technician by Shop | 50 | 112 | 47 | 114 | 41 | 113 |

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 | | | | | | |
|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|---------------------------------|
| 2013 | 2014 | 2015 | 2016 | 2017 | | |
| 5,593 | 5,638 | 5,254 | 5,402 | 5,220 | FLEET OPERATIONS | |
| 4,374 | 4,670 | 4,593 | 4,532 | 4,443 | Work orders completed | |
| 95,663 | 90,926 | 83,703 | 80,917 | 87,410 | Invoices processed | |
| | | | | | Parts transactions | |
| | | | | | | |
| Fiscal Year | | | | | | |
| 2015 | | 2016 | | 2017 | | |
| <u>Schools</u> | <u>County</u> | <u>Schools</u> | <u>County</u> | <u>Schools</u> | <u>County</u> | FLEET FUEL |
| 519,600 | 392,871 | 541,287 | 478,829 | 556,154 | 487,511 | Gallons Purchased |
| \$ 1,171,087 | \$ 884,457 | \$ 777,308 | \$ 733,776 | \$ 921,522 | \$ 785,867 | Cost |
| | | | | | | |
| Fiscal Year | | | | | | |
| 2015 | | 2016 | | 2017 | | |
| <u>Replacement</u> | <u>Additional</u> | <u>Replacement</u> | <u>Additional</u> | <u>Replacement</u> | <u>Additional</u> | FLEET ACQUISITIONS |
| 13 | - | - | 20 | 23 | - | School Buses - Mainstream |
| 3 | - | - | 5 | 3 | - | - Special Needs |
| 10 | - | 3 | - | 3 | - | Other School Vehicles |
| | | | | | | |
| Fiscal Year | | | | | | |
| 2015 | | 2016 | | 2017 | | |
| <u>Heavy Duty Shop</u> | <u>Light Duty Shop</u> | <u>Heavy Duty Shop</u> | <u>Light Duty Shop</u> | <u>Heavy Duty Shop</u> | <u>Light Duty Shop</u> | FLEET SHOPS |
| 35 | 122 | 36 | 124 | 36 | 128 | Vehicles per Technician by Shop |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Technology and Information Services
Fiscal Years 2011 - 2017

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

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

Table S-13

| Fiscal Years | | | |
|--------------|-------|-------|--|
| 2015 | 2016 | 2017 | |
| 34 | 34 | 34 | Technology Statistics: |
| | | | Number of Sites Serviced (Schools and Support Offices) |
| | | | Computer Statistics: |
| 7,326 | 7,457 | 7,449 | Total Desktop Computers |
| 174 | 5 | 0 | Desktop Computers over 5 years old |
| 2% | 0% | 0% | Percentage of Desktop Computers over 5 years old |
| 3,135 | 3,161 | 2,696 | Total Laptop Computers |
| - | - | - | Laptop Computers over 5 years old |
| - | - | - | Percentage of Laptop Computers over 5 years old |
| | | | Connectivity Statistics by Site |
| 34 | 34 | 34 | Number of Sites with Wireless LAN connection |
| 100% | 100% | 100% | Percentage of Sites with Wireless LAN connection |
| 27 | 31 | 33 | Number of Sites with Fiber WAN connection |
| 79% | 91% | 97% | Percentage of Sites with Fiber WAN connection |
| 18 | 18 | 18 | Number of Sites with Wireless WAN connection |
| 53% | 53% | 53% | Percentage of Sites with Wireless WAN connection |
| 3 | 2 | 2 | Number of Sites with T1 WAN connection |
| 9% | 6% | 6% | Percentage of Sites with T1 WAN connection |
| | | | Other Technology Statistics: |
| 30 | 30 | 30 | Number of Schools fully equipped with Mounted Projectors |
| 100% | 100% | 100% | Percentage of Schools fully equipped with Mounted Projectors |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Property Data
June 30, 2017

Table S-14

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

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
Energy Management - Utilities Savings
Calendar Years 2007 - 2016

| | Calendar Year | | | | |
|--|---------------|-------------|-------------|-------------|-------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| Utilities Summary of All Schools (by Year): | | | | | |
| Thousand British Thermal Units (KBTU) | 246,594,352 | 235,724,780 | 217,896,785 | 233,409,383 | 201,773,183 |
| Square Footage | 3,624,412 | 3,771,182 | 3,771,182 | 3,771,182 | 3,771,182 |
| KBTU/Square Footage | 68.04 | 62.51 | 57.78 | 61.89 | 53.50 |

Utilities Summary by School Level (in KBTU):

| | 2016 | | |
|----------------------------|--------------------|--------------------|-------------------|
| | Actual | Historical | Savings |
| Elementary Schools: | | | |
| Electric | 54,706,340 | 51,742,509 | (2,963,831) |
| Gas | 17,079,651 | 21,113,816 | 4,034,165 |
| Oil | - | 2,049,696 | 2,049,696 |
| Propane | 122,203 | 245,313 | 123,110 |
| Subtotal | 71,908,194 | 75,151,334 | 3,243,140 |
| Middle Schools: | | | |
| Electric | 32,533,335 | 34,013,947 | 1,480,612 |
| Gas | 10,047,568 | 8,814,505 | (1,233,063) |
| Oil | 2,116,154 | 3,743,718 | 1,627,564 |
| Propane | 23,957 | 72,131 | 48,174 |
| Subtotal | 44,721,014 | 46,644,301 | 1,923,287 |
| High Schools | | | |
| Electric | 49,248,893 | 51,945,423 | 2,696,530 |
| Gas | 13,343,352 | 11,880,181 | (1,463,171) |
| Oil | 3,190,658 | 8,397,166 | 5,206,508 |
| Propane | 368,735 | 53,775 | (314,960) |
| Subtotal | 66,151,638 | 72,276,545 | 6,124,907 |
| Total | 182,780,846 | 194,072,180 | 11,291,334 |

Percentage of Savings 5.81%
Dollar Savings (net of capital lease payment of \$386,908) \$ 327,620

Table S-15

| Calendar Year | | | | | Utilities Summary of All Schools (by Year): |
|----------------------|--------------------|--------------------|--------------------|--------------------|--|
| <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | |
| 189,007,876 | 191,080,280 | 189,759,963 | 187,518,601 | 182,780,846 | Thousand British Thermal Units (KBTU) |
| 3,771,182 | 3,771,182 | 3,771,182 | 3,784,663 | 3,840,542 | Square Footage |
| 50.12 | 50.67 | 50.32 | 49.55 | 47.59 | KBTU/Square Footage |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
AVERAGE SAT SCORES
Fiscal Years 2008 - 2017

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Average SAT Scores: | | | | | |
| Math | 509 | 504 | 509 | 504 | 505 |
| Writing | 488 | 484 | 493 | 486 | 489 |
| Critical Reading | 513 | 506 | 516 | 510 | 514 |

Source: College Board (2017) State and District Integrated Report.

Table S-16

| 2013 | 2014 | 2015 | 2016 | 2017 | Average SAT Scores: Mathematics Evidence-Based Reading and Writing |
|------|------|------|------|------|---|
| 509 | 511 | 519 | 513 | 521 | |
| 490 | 493 | 492 | 486 | 542 | |
| 514 | 519 | 522 | 520 | - | |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2008 - 2017

Table S-17A

| Grade | Location | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Reading | | | | | | | | | | | |
| 3 | Division | 80% | 81% | 84% | 85% | 88% | 76% | 70% | 76% | 75% | 74% |
| | State | 84% | 89% | 88% | 83% | 88% | 72% | 69% | 75% | 76% | 75% |
| 4 | Division | 87% | 86% | 88% | 90% | 88% | 74% | 72% | 82% | 77% | 78% |
| | State | 88% | 89% | 88% | 87% | 88% | 70% | 70% | 77% | 77% | 79% |
| 5 | Division | 87% | 88% | 89% | 91% | 89% | 79% | 76% | 83% | 83% | 83% |
| | State | 89% | 92% | 90% | 89% | 89% | 73% | 73% | 79% | 81% | 81% |
| 6 | Division | 84% | 84% | 85% | 89% | 90% | 79% | 76% | 78% | 80% | 83% |
| | State | 85% | 86% | 88% | 87% | 89% | 73% | 73% | 76% | 77% | 78% |
| 7 | Division | 86% | 89% | 86% | 91% | 92% | 82% | 83% | 86% | 85% | 85% |
| | State | 86% | 88% | 89% | 89% | 88% | 74% | 76% | 81% | 82% | 82% |
| 8 | Division | 80% | 87% | 83% | 92% | 92% | 77% | 74% | 81% | 81% | 79% |
| | State | 83% | 87% | 90% | 90% | 89% | 71% | 70% | 75% | 75% | 76% |
| High School | Division | 94% | 96% | 94% | 96% | 97% | 93% | 92% | 92% | 90% | 90% |
| | State | 94% | 95% | 94% | 94% | 94% | 89% | 90% | 89% | 89% | 87% |
| Writing | | | | | | | | | | | |
| 5 | Division | 89% | 84% | 87% | 91% | 90% | 75% | 74% | NLG | NLG | NLG |
| | State | 87% | 86% | 88% | 87% | 87% | 71% | 71% | NLG | NLG | NLG |
| 8 | Division | 86% | 89% | 87% | 90% | 91% | 74% | 69% | 76% | 75% | 74% |
| | State | 87% | 89% | 91% | 88% | 88% | 70% | 70% | 72% | 71% | 73% |
| High School | Division | 92% | 95% | 92% | 96% | 95% | 90% | 85% | 86% | 86% | 86% |
| | State | 92% | 92% | 92% | 93% | 93% | 87% | 84% | 83% | 83% | 84% |

NLG = No longer given

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2008 - 2017

Table S-17B

| Grade | Location | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------|----------------|---|------|------|------|------|------|------|------|------|------|
| 3 | Division State | History | | | | | | | | | |
| | | 92% | 93% | 94% | 87% | 89% | 89% | 88% | NLG | NLG | NLG |
| | | 93% | 93% | 93% | 85% | 87% | 87% | 86% | NLG | NLG | NLG |
| 5 | Division State | N/A | N/A | 83% | 100% | 93% | 95% | 95% | NLG | NLG | NLG |
| | | | 94% | 90% | 80% | 84% | 82% | 86% | NLG | NLG | NLG |
| | | History and Social Science (Alternative Assessment) | | | | | | | | | |
| 4 | Division State | N/A | N/A | N/A | 88% | 93% | 96% | 95% | NLG | NLG | NLG |
| | | N/A | 95% | 92% | 87% | 84% | 81% | 88% | NLG | NLG | NLG |
| | | | | | | | | | | | |
| 6 | Division State | N/A | N/A | 100% | 95% | 88% | 83% | 90% | NLG | NLG | NLG |
| | | N/A | N/A | 91% | 92% | 86% | 84% | 89% | NLG | NLG | NLG |
| | | | | | | | | | | | |
| 7 | Division State | N/A | N/A | 100% | 95% | 96% | 89% | 96% | NLG | NLG | NLG |
| | | N/A | N/A | 92% | 91% | 88% | 84% | 89% | NLG | NLG | NLG |
| | | | | | | | | | | | |
| High School | Division State | N/A | N/A | 95% | 89% | 92% | 86% | 92% | 90% | 90% | 85% |
| | | N/A | 90% | 91% | 87% | 84% | 77% | 86% | 78% | 85% | 80% |
| | | Virginia and U.S. History | | | | | | | | | |
| High School | Division State | 97% | 96% | 97% | 89% | 93% | 91% | 90% | 91% | 90% | 90% |
| | | 94% | 95% | 95% | 83% | 85% | 86% | 87% | 87% | 86% | 86% |
| | | World History I | | | | | | | | | |
| High School | Division State | 95% | 96% | 98% | 88% | 88% | 92% | 91% | 89% | 89% | 90% |
| | | 91% | 93% | 93% | 81% | 84% | 84% | 85% | 85% | 84% | 85% |
| | | World History II | | | | | | | | | |
| High School | Division State | 96% | 97% | 97% | 88% | 91% | 90% | 92% | 91% | 90% | 90% |
| | | 92% | 93% | 92% | 82% | 85% | 85% | 86% | 87% | 86% | 87% |
| | | World Geography | | | | | | | | | |
| High School | Division State | 93% | 96% | 99% | 100% | 99% | 97% | 99% | 100% | 99% | 95% |
| | | 84% | 86% | 86% | 85% | 85% | 86% | 86% | 86% | 86% | 83% |
| | | Virginia Studies | | | | | | | | | |
| Content Specific | Division State | 79% | 86% | 87% | 92% | 91% | 90% | 87% | 89% | 87% | 85% |
| | | 93% | 88% | 87% | 89% | 89% | 87% | 85% | 87% | 87% | 87% |
| | | U.S. History 1865 to 1877 | | | | | | | | | |
| Content Specific | Division State | 69% | 66% | 80% | 84% | 82% | 85% | 79% | NLG | NLG | NLG |
| | | 74% | 74% | 78% | 81% | 81% | 83% | 81% | NLG | NLG | NLG |
| | | U.S. History 1877 to present | | | | | | | | | |
| Content Specific | Division State | 91% | 94% | 94% | 88% | 86% | 88% | 84% | NLG | NLG | NLG |
| | | 92% | 92% | 91% | 85% | 84% | 82% | 81% | NLG | NLG | NLG |
| | | Civics and Economics | | | | | | | | | |
| Content Specific | Division State | 84% | 81% | 82% | 82% | 84% | 87% | 83% | 86% | 87% | 84% |
| | | 84% | 84% | 86% | 84% | 84% | 85% | 83% | 86% | 87% | 87% |
| | | | | | | | | | | | |

NLG = No longer given

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2008 - 2017

Table S-17C

| Grade | Location | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Mathematics | | | | | | | | | | | |
| 3 | Division | 88% | 88% | 93% | 93% | 69% | 69% | 68% | 78% | 77% | 74% |
| | State | 89% | 89% | 92% | 91% | 64% | 65% | 67% | 74% | 77% | 75% |
| 4 | Division | 81% | 84% | 88% | 90% | 75% | 79% | 84% | 85% | 83% | 81% |
| | State | 84% | 86% | 88% | 89% | 70% | 74% | 80% | 84% | 83% | 81% |
| 5 | Division | 86% | 87% | 94% | 91% | 72% | 76% | 78% | 84% | 81% | 83% |
| | State | 88% | 90% | 92% | 89% | 67% | 69% | 73% | 79% | 79% | 79% |
| 6 | Division | 70% | 76% | 83% | 83% | 82% | 83% | 86% | 90% | 90% | 88% |
| | State | 68% | 73% | 77% | 73% | 74% | 77% | 76% | 83% | 82% | 82% |
| 7 | Division | 71% | 66% | 68% | 73% | 54% | 75% | 75% | 79% | 81% | 79% |
| | State | 65% | 71% | 75% | 77% | 58% | 61% | 65% | 72% | 72% | 71% |
| 8 | Division | 85% | 90% | 89% | 90% | 83% | 68% | 72% | 79% | 77% | 76% |
| | State | 83% | 85% | 87% | 82% | 60% | 61% | 67% | 74% | 73% | 74% |
| Mathematics (Alternate Assessment) | | | | | | | | | | | |
| High School | Division | 85% | 91% | 95% | 100% | 92% | 67% | 88% | 100% | 97% | 96% |
| | State | 80% | 81% | 80% | 77% | 68% | 65% | 69% | 72% | 69% | 69% |
| Algebra I | | | | | | | | | | | |
| High School | Division | 93% | 94% | 97% | 97% | 83% | 87% | 84% | 85% | 84% | 84% |
| | State | 93% | 94% | 94% | 94% | 75% | 76% | 79% | 82% | 83% | 82% |
| Geometry | | | | | | | | | | | |
| High School | Division | 88% | 91% | 90% | 92% | 77% | 81% | 82% | 85% | 82% | 81% |
| | State | 87% | 87% | 88% | 87% | 74% | 76% | 77% | 80% | 80% | 78% |
| Algebra II | | | | | | | | | | | |
| High School | Division | 88% | 92% | 92% | 92% | 72% | 86% | 91% | 95% | 92% | 89% |
| | State | 90% | 91% | 91% | 91% | 69% | 76% | 82% | 87% | 89% | 90% |

STAFFORD COUNTY PUBLIC SCHOOLS
A COMPONENT UNIT OF STAFFORD COUNTY, VIRGINIA
STANDARDS OF LEARNING TEST PASSING RATES
Fiscal Years 2008 - 2017

Table S-17D

| Grade | Location | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Science | | | | | | | | | | | |
| 3 | Division | 88% | 88% | 91% | 90% | 92% | 85% | 85% | NLG | NLG | NLG |
| | State | 89% | 89% | 91% | 90% | 90% | 84% | 83% | NLG | NLG | NLG |
| 5 | Division | 88% | 87% | 90% | 86% | 88% | 79% | 75% | 82% | 81% | 79% |
| | State | 88% | 88% | 88% | 87% | 88% | 75% | 73% | 79% | 81% | 79% |
| 8 | Division | 93% | 95% | 94% | 96% | 96% | 83% | 79% | 83% | 83% | 82% |
| | State | 90% | 90% | 92% | 92% | 92% | 76% | 74% | 78% | 79% | 79% |
| Science (Alternate Assessment) | | | | | | | | | | | |
| High School | Division | 85% | 100% | 86% | 94% | 96% | 71% | 85% | 84% | 90% | 81% |
| | State | 84% | 88% | 88% | 90% | 83% | 59% | 74% | 77% | 84% | 82% |
| Biology | | | | | | | | | | | |
| High School | Division | 93% | 93% | 93% | 95% | 95% | 89% | 88% | 91% | 90% | 88% |
| | State | 88% | 88% | 93% | 90% | 92% | 83% | 83% | 84% | 84% | 82% |
| Chemistry | | | | | | | | | | | |
| High School | Division | 94% | 97% | 96% | 95% | 96% | 90% | 90% | 91% | 87% | 87% |
| | State | 92% | 93% | 94% | 93% | 93% | 86% | 87% | 88% | 88% | 89% |
| Earth Science | | | | | | | | | | | |
| High School | Division | 92% | 93% | 92% | 93% | 96% | 91% | 88% | 87% | 87% | 86% |
| | State | 86% | 87% | 88% | 89% | 90% | 83% | 83% | 83% | 84% | 82% |

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 2008 - 2017

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------------------------|------------------|-------------|------------------|------------------|------------------|
| Division-wide Status: | | | | | |
| Schools Fully Accredited | 97% | 100% | 100% | 100% | 100% |
| Schools that Made AYP/AMO | 48% | 47% | 53% | 37% | 37% |
| Division AYP/AMO | Did not make AYP | Made AYP | Did not make 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

| 2013 | 2014 | 2015 | 2016 | 2017 | |
|-------------------|-------------------|-------------------|-------------|-------------|--|
| 100% | 97% | 100% | 100% | 100% | Division-wide Status: Schools Fully Accredited |
| 47% | 50% | 37% | * | * | Schools that Made AYP/AMO |
| 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

**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, 2017, 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 18, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 US LLP

New Bern, North Carolina
December 18, 2017

**Independent Auditor's Report on Compliance for the 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 the 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 the School Board's major federal program for the year ended June 30, 2017. The School Board's major federal program is 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 the School Board's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the School Board's compliance.

Opinion on the Major Federal Program

In our opinion, the School Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control over compliance.

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

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

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

RSM US LLP

New Bern, North Carolina
December 18, 2017

Stafford County Public Schools
Component Unit of the County of Stafford
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

| Federal Grantor/State Pass - Through Grantor/ Program Title | Federal CFDA Number | Pass-through Entity Identifying Number | Subrecipient | Federal Expenditures |
|--|------------------------------------|---|---------------------|---------------------------------|
| Department of Agriculture: | | | | |
| Direct Payments: | | | | |
| Child Nutrition Cluster: | | | | |
| Food Distribution | 10.555 | 10.555/2012 | - | 850,684 |
| Department of Education: | | | | |
| National school lunch program | 10.555 | 2014IN109941 | - | 4,081,035 |
| Total 10.555 | | | - | 4,931,719 |
| National school breakfast program | 10.553 | 2014IN109941 | - | 1,436,021 |
| Total Child Nutrition Cluster | | | - | 6,367,740 |
| Total Department of Agriculture | | | - | 6,367,740 |
| Department of Defense: | | | | |
| Direct Payments: | | | | |
| JROTC | 12.000 | N/A | - | 260,560 |
| Basic and Applied Scientific Research | 12.300 | N/A | - | 1,638 |
| Total Department of Defense | | | - | 262,198 |
| Direct Payments: | | | | |
| Impact Aid | 84.041 | N/A | - | 1,007,050 |
| Pass Through Payments: | | | | |
| Department of Education: | | | | |
| Special Education Cluster: | | | | |
| Special Education - Grants to States | 84.027 | H027A130107 | - | 4,387,276 |
| Special Education - Preschool Grants | 84.173 | H173A130112 | - | 96,499 |
| Total Special Education Cluster | | | - | 4,483,775 |
| Title I Grants to Local Educational Agencies | 84.010 | S010A130046 | - | 1,661,112 |
| Title IV Part B-21 Twenty-First Century Community Learning Center | 84.287 | S287C130047 | - | 88,544 |
| Education for Homeless Children and Youth | 84.196 | S196A160048 | - | 40,998 |
| Special Education Cluster (IDEA): | | | | |
| Advance Placement Incentive Program | 84.330 | S330B130008 | - | 15,954 |
| Career and Technical Education - Basic Grants to States | 84.048 | V048A130046 | - | 345,145 |
| Improving Teacher Quality State Grants | 84.367 | S367A130044 | - | 398,702 |
| State Grants for Innovative Programs | 84.298 | S394A090047 | - | |
| English Language Acquisition Grant | 84.365 | S365A130046 | - | 135,667 |
| Total Department of Education | | | - | 8,176,947 |
| Department of Homeland Security: | | | | |
| Pass Through Payments: | | | | |
| Department of Emergency Management | 97.036 | | - | 47,072 |
| Total Department of Homeland Security | | | - | 47,072 |
| Department Health and Human Services: | | | | |
| Direct Payments: | | | | |
| Head Start Program | 93.600 | N/A | - | 2,632,291 |
| Pass Through Payments: | | | | |
| Department of Social Services: | | | | |
| Medicaid Cluster: | | | | |
| Medical Assistance Program | 93.778 | 93.778/2012 | - | 776,647 |
| Total Medicaid Cluster | | | - | 776,647 |
| Total Department Health and Human Services | | | - | 3,408,938 |
| Total Expenditures of Federal Awards | | | - | 18,262,894 |

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, 2017

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 | \$ 2,111,184 |
| School Grants Fund | 9,783,970 |
| School Food and Nutrition Services Fund | 6,367,740 |
| Total federal expenditures per basic financial statements | <u>\$ 18,262,894</u> |

| | |
|---|----------------------|
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | <u>\$ 18,262,894</u> |
|---|----------------------|

** Includes non-cash expenditures - value of donated commodities of \$850,684.

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

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

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor 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:

| CFDA Numbers | Name of Federal Program or Cluster |
|------------------------------------|------------------------------------|
| 10.553, 10.555, 10.556, and 10.559 | Child Nutrition Cluster |

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, 2017**

Section II. Financial Statement Findings and Questioned Costs

None reported.

Section III. Findings and Questioned Costs for Federal Awards

None reported.

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

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017**

Finding 2016-001

Program Name: Impact Aid

CFDA #84.041

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

Corrective Action: 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.



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