STAFFORD COUNTY, VIRGINIA

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

FISCAL YEAR 2018
(July 1, 2017 - June 30, 2018)

Prepared by Stafford County, Virginia Finance Department

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Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

COUNTY OF STAFFORD, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

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Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

STAFFORD
Virginia

January 11, 2019

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of Stafford, Virginia (County) for Fiscal Year (FY) 2018 in compliance with Section 15.2-2511 of the *Code of Virginia* (1950), as amended. The County has used professionally accepted standards to prepare its financial statements. The report is designed to present fairly the financial position and results of financial operations of the County in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure so that the reader may gain maximum understanding of the County's financial affairs.

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

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

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

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

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

Cherry Bekaert LLP, a firm of licensed certified public accountants, audited the County's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2018, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based on their audit, that there was a reasonable basis for rendering an unmodified opinion on the County's financial statements for the year ended June 30, 2018, are fairly presented in conformity with GAAP. The report of independent auditor is presented as the first component of the financial section of this report.

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

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

PROFILE OF STAFFORD COUNTY

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

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

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

Public Schools

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

Higher Education

Multiple opportunities for higher education exist in the County. The University of Mary Washington's graduate school campus is located in Stafford County. It offers a variety of career advancement and professional development programs for working adults. More than 1,000 students were enrolled in these programs during 2017-2018. Germanna Community College operates its Stafford County Center for Workforce and Community Education in the northern section of the County. The center was opened as a partnership with the County's Economic Development Authority. It offers a full range of credit courses in addition to workforce training classes. The Germanna Community College system serves approximately 1,000 local students. Other nearby educational institutions include the Marine Corp University and George Mason University.

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

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

Budgetary Control

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

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

Internal Control

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

Accounting System

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

Relevant Financial Policies

The Board's financial policy, *Principles of High Performance Financial Management*, was adopted in FY 2005 and updated in FY 2016 per policy guidelines. The policy defines the fund balance levels for the General Fund and sets debt capacity parameters in order to provide for overall stability and flexibility for financial planning purposes. It is reviewed and updated every two years, at a minimum. One of the Board's goals for FY 2014 was to continue strengthening its financial position through a commitment to fiscal discipline and accountability. The revised policy continues the minimum unrestricted, unassigned fund balance for the General Fund at twelve percent (12%) of General Fund revenues. Use of unassigned fund balance is restricted to significant unexpected declines in revenues or unanticipated emergencies. This policy was met; at June 30, 2018 unassigned fund balance in the General Fund was $36.6 million or 12.4% of revenues. The Board also reaffirmed previously established fund balance commitments:

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

All commitments were fully funded according to policy guidelines for FY 2018. See the Notes to Financial Statements, Summary of Significant Accounting Policies, Note 1, Section N – Net Position and Fund Balance Classification – for a detailed discussion of this policy.

Long-Term Financial Planning

The County prepares a Capital Improvement Plan (CIP) annually. The CIP serves as a planning tool to analyze initiatives, formulate service levels and phase-in funding needed for public facilities. The Board adopts the plan during the budget process. The adopted FY 2018-2027 CIP totaled $692.9 million with $251.9 million for County projects, $250.2 million for school projects and $190.8 million for Utilities Fund projects. A variety of funding sources including general obligation bonds, revenue bonds, capital leases, grants and General Fund revenues will fund the projects. The bond portion of the projects totaled $383.3 million - $125.1 million for County projects, $178.2 million for school projects and $80.0 million for Utilities Fund projects.

The Board's financial policy limits general obligation debt to no more than 3% of the assessed value of taxable real property. General obligation debt as a percentage of taxable real property assessed value for FY 2018 was 2.38%. General Fund debt service expenditures for the County and its Component Unit School Board are not to exceed 10% of general government and schools operating budgeted expenditures. Debt service expenditures were 9.11% of budgeted expenditures for FY 2018. The financial policy also states that each year's maximum available debt service will be established by increasing the prior year's actual debt service by the percentage of general fund revenue changes averaged over the last 5 years. The policy reduces reliance on debt to meet capital needs by limiting the percentage of capital lease debt service to 1% of the general government budget. Additional criteria for capital lease funded purchases include that (1) capital lease purchase is eligible under state law for such financing, (2) the useful life of the purchase equals or exceeds the term of the debt, (3) the purchase exceeds $100,000, and (4) sufficient funds are available for the resulting debt service. The adopted CIP is in full compliance with the County's financial debt management policies.

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

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

ECONOMIC CONDITION AND OUTLOOK

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

According to the Bureau of Labor Statistics, Stafford's unemployment rate through June 2018 was 3.2%, while the State of Virginia and national rates were 3.3% and 4.0% respectively. This comparatively low unemployment rate is due to a relatively high skilled and educated labor force and continued business growth in the County. There are more than 2,701 businesses located in Stafford, employing more than 44,206 people. The professional and business services and health care industries have contributed significantly to that growth. By the end of June 2018 nearly 509,564 square feet of commercial space is under construction. There are numerous commercial projects in various stages of development

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

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

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

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

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

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

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

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

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

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

Efforts continue to enhance and expand the tourism sector of our economy. Marketing tools include the Stafford Visitor Center, a tourism website, a wayfinding signage program, cooperative regional programs, Civil War reenactments, and more.

Sports Tourism now brands Stafford County as a regional sports destination. The new Rouse Swim and Sports Center provides an Olympic pool complex, and 6 multi-sport fields with an additional 2 synthetic fields. Three more natural turf fields are in design at this site.

MAJOR INITIATIVES

Stafford has made it a priority to adhere to sound and responsible financial practices for years, with an eye towards improving bond ratings. That constant financial mindfulness led to Stafford receiving a third AAA bond rating in October of 2018 from Moody’s Investors Services. This accomplishment puts Stafford in a very small group of jurisdictions that are AAA by Moody’s, S&P and Fitch. Moody’s cited Stafford’s current healthy financial position as well as its emphasis on strategically planning for the future as a basis for the AAA rating. In keeping with its policies the Finance and Budget staff continues its efforts to keep the Board apprised of the County’s financial operations through a variety of initiatives. A monthly financial report compares budget to actual results, in dollars and percentage, for major revenue sources and departmental expenditures; a short narrative explains variances. There is also a quarterly presentation at a Board work session during which financial results are reviewed and projections are presented as well as plans to deal with them.

When the FY 2018 budget was adopted in April 2017, 5% of the operating budget for the local transfer to schools operations and County departments was withheld from appropriation. Only necessary appropriations were made after a comprehensive mid-year review, including revenue projections to support the additional appropriations. This practice is in place for FY 2019 as well.

Stafford County implemented a Five-Year Financial Plan that provides a multi-year forecast of revenues and expenditures as a planning and communication tool for existing and future priorities. This planning effort was a first and helps to guide budget decisions within a framework of five years, instead of just the one year. More importantly, the County instituted its first Strategic Plan. Stafford’s first Strategic Plan provides short-term steps that can be taken over the next three years to position the County for success with certain priorities for the community. Both the Five-Year Financial Plan and the Strategic Plan are tools used in planning for the annual budget process.

In July, 2012, the Board passed a resolution to establish a commission to create an armed services memorial in Stafford County. The memorial will: honor the loss of Stafford’s brave sons and daughters and their families; provide a place for families and citizens to honor the fallen; and serve as a visible reminder to the public of all the men and women who gave the last full measure of devotion to their county. The memorial’s construction commenced during FY16 and was completed and opened to the public in FY2018.

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

Stafford opened a state-of-the-art Animal Shelter that more than tripled the size of the previous shelter. The new shelter is designed to improve the experience of both animals and potential adoptees, increasing the odds of adoption and helping to keep the animals healthier.

Stafford also broke ground for a new Fire Station 14, a facility that will replace a portable unit and enhance Fire and Rescue's ability to serve a growing area. Like the Animal Shelter, this fire station is cutting edge and ushers in a new generation of fire stations for Stafford County.

Stafford County has installed exhaust capture and removal systems in its stations to protect the health of its Fire and Rescue personnel. The diesel engines parked in the bays of stations produce a mixture of toxic gases and particulates from the combustion process, many of which contain known cancer-causing substances. The systems were already installed in some stations, but Stafford's Board of Supervisors authorized the County to appropriate $488,627 to purchase them for all the stations.

Stafford's Fire and Rescue worked with the City of Fredericksburg to implement a "mile marker" sign system along the Rappahannock River to enable users to more accurately pinpoint their location, saving public safety time and money. The cost was minimal because personnel from Stafford and Fredericksburg installed the signs themselves, but the impact will be great, improving safety for the many recreational users on the river.

Stafford's Community Development Services Center and Planning Department implemented an online "Dynamic Portal" to allow customers to apply for permits online. The portal provides customers a timeline of permitting decisions as well as other information. This portal is an effort to streamline the process further and make it friendlier and more accessible to users.

Stafford joined the Commonwealth of Virginia at the ribbon cutting for Widewater State Park in November 2018. The park is Virginia's 38th state park and adds additional water access and recreational opportunities sought by both citizens and visitors. The park is expected to have a very positive impact on tourism and the economy in Stafford.

Stafford County Public Schools is the largest locality in the state to have all schools fully accredited.

In preparation efforts against potential acts of violence in schools, the Sheriff's Office is working with the Schools to provide school protection officers to join the School Resource Officers already deployed in schools. The Board of Supervisors provided funding to hire three officers, of which two have been employed and placed in elementary schools this year, with one more in the pipeline.

Stafford currently is working on Phase IV of the Belmont-Ferry Farm Trail. When finished, this section of the trail will connect Stafford County to the City of Fredericksburg via a bridge and allow more visitors to flow freely between the two localities.

Stafford undertook a study of local roads and how they might be improved by the County. They completed the Transportation Comprehensive Evaluation of County Roads, including 94 roads with 114 multiple segments.
Stafford's most exciting and ambitious initiative is the "Downtown Stafford" project, a plan to redevelop the area around Stafford Courthouse into a vibrant district for the County. Plans call for a mixed-use development where citizens can live, walk to work and enjoy shopping and recreational opportunities. Downtown Stafford coincides with the vast VDOT project redirecting and widening the I-95 Exit 140 path to the Courthouse area and Stafford Hospital.

As discussed above in long term financial planning, the County's PDR program purchased 1 easement during FY18 at Crow's Nest. 124 acres in September 2017 and an additional 212 acres were purchased in the first part of FY19. An additional 360 acres are in process for the remainder of FY19 and FY20. The PDR program utilizes a 50/50 grant from the State to enhance its purchasing power.

OTHER INFORMATION

The Certificate of Achievement for Excellence in Financial Reporting - The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Stafford County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the County's thirty-sixth consecutive award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

Distinguished Budget Presentation Award - The GFOA has also awarded the County its Distinguished Budget Award for the last thirty years, including the 2018 fiscal year budget. In order to receive this award, a governmental unit must publish a budget document that is an exceptional policy document, operations guide, financial plan and communications medium.

For an overview of the County's financial condition and financial highlights for FY2018, please refer to the Management's Discussion and Analysis, located in the Financial Section of this document.

ACKNOWLEDGEMENTS

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

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

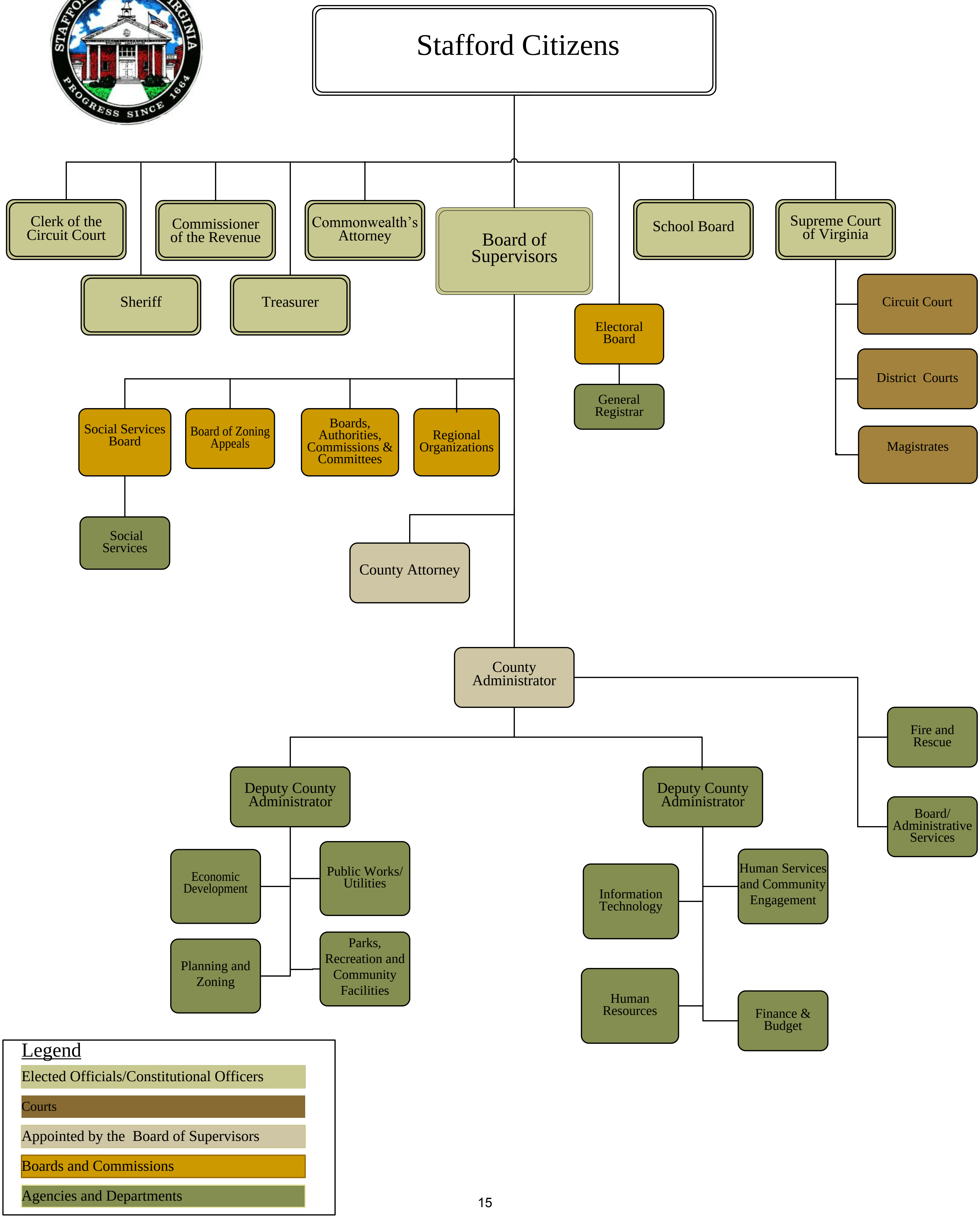
Thomas C. Foley

Thomas C. Foley
County Administrator

Maria J Perrotte

Maria J. Perrotte
Chief Financial Officer

COUNTY OF STAFFORD, VIRGINIA



COUNTY OF STAFFORD, VIRGINIA

PRINCIPAL OFFICIALS

BOARD OF SUPERVISORS

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

CONSTITUTIONAL OFFICERS

Kathy M. Stern	Clerk of Circuit Court
Scott A. Mayausky	Commissioner of the Revenue
Eric L. Olsen	Commonwealth's Attorney
David P. Decatur	Sheriff
Laura M. Rudy	Treasurer

COUNTY ADMINISTRATIVE OFFICERS

Thomas C. Foley	County Administrator
Mike T. Smith	Deputy County Administrator
Fred J. Presley	Deputy County Administrator
Rysheda M. McClendon	County Attorney
Andrea M Light	Budget Division Director
Jason D. Towery	Director of Public Utilities and Public Works
Jeffrey A. Harvey	Director of Planning and Community Development
Joseph A. Cardello	Fire Chief
Michael J. Muse	Director of Social Services
Michael Q. Cannon	Director of Information Technology
Maria J. Perrotte	Chief Financial Officer
Michael A. Morris	Director of Parks, Recreation and Community Facilities
Shannon E. Howell	Public Information Officer
Shannon L. Wagner	Director of Human Resources

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Stafford County

Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Notes 16 and 18 to the financial statements, the County adopted Governmental Accounting Standards Board (the "GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective July 1, 2017, which resulted in a restatement of net position. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tysons Corner, Virginia
January 11, 2019

Management's Discussion and Analysis

As management of the County of Stafford, VA (County) we offer users of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the transmittal letter, financial statements, and the accompanying notes.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $204.7 million (*net position*).

- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $111.0 million. Of the $111.0 million, $36.6 million is available for spending in accordance with the County's financial policies (*unassigned fund balance*).

- The County's net general government long-term liabilities which includes OPEB and Pension increased by $42.8 million during the current fiscal year. The increase was in part the result of reduction in long term debt of $12.9 million debt coupled with an increase in pension and OPEB liabilities of $55.7million driven by the implantation of GASB 75.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

Statement of Net Position

As noted earlier, over time, changes in net position may serve as an indicator of the County's financial position. The County's assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by $204.7 million at the close of fiscal year 2018. By far, the largest portion of the County's net position ($478.2 million) reflects its net investment in capital assets net of depreciation (e.g., land, buildings, vehicles, distribution and collections systems, and equipment); less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to its citizens (e.g., law enforcement, fire and emergency medical services, libraries, water and wastewater services). Consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the related debt must be provided by other sources since the capital assets cannot be used to liquidate the liabilities (the assets are not generally sold or otherwise disposed of during their useful life).

An additional portion of the County's net position $47.4 million represents resources that are subject to external restrictions on how they may be used. These restrictions include debt service, construction and maintenance, grants and Federal drug enforcement constraints.

Another significant point to note regarding school assets and their related debt is that in the State of Virginia, school boards cannot issue debt; however, they hold title to the assets acquired through debt issued by their respective primary governments. They are custodians of the assets and maintain the property. Therefore, the County reports a significant liability for debt related to school property and equipment. The $191.1 million governmental net position deficit is primarily due to $307.3 million for school property and equipment.

The net $25.2 million increase in business-type activities net position is largely due to capital contributions donated infrastructure and developer contributions.

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

Summary of Net Position
As of June 30, 2018 and 2017
($ in millions)

	Primary Government						Component Unit	
	Governmental Activities		Business Type Activities		Total Primary			
	2018	2017	2018	2017	2018	2017	2018	2017
Assets:								
Current and other assets	$ 181.5	$ 186.7	$ 88.7	$ 78.3	$ 270.2	$ 260.7	$ 107.2	$ 101.5
Capital assets (net)	268.2	262.4	441.1	429.8	709.3	702.2	450.8	448.4
Total assets	449.7	449.1	529.8	508.1	979.5	952.9	558.0	549.9
Total deferred outflows of resources	12.8	14.7	4.9	4.3	17.7	19.0	40.2	38.7
Liabilities:								
Other liabilities	100.3	101.8	12.6	12.5	112.9	110.0	42.5	41.8
Long-term liabilities, restated	529.5	555.8	121.3	128.7	650.8	684.5	420.0	461.0
Total liabilities	629.8	657.6	133.9	141.2	763.7	794.5	462.5	502.8
Total deferred inflows of resources	23.8	6.1	5.0	0.6	28.8	6.7	56.6	15.0
Net position:								
Net Investment in capital assets	140.1	137.1	338.1	327.6	478.2	464.7	448.8	446.0
Restricted	36.4	42.4	11.0	8.3	47.4	50.7	23.1	7.6
Unrestricted	(367.6)	(379.4)	46.7	34.7	(320.9)	(344.7)	(392.8)	(382.8)
Total net position, restated	$(191.1)	$(199.9)	$ 395.8	$ 370.6	$ 204.7	$ 170.7	$ 79.1	$ 70.8

Statement of Activities
Governmental Activities

The increase in net position attributable to the County’s governmental activities totaled $8.8 million for fiscal year 2018. Generally, the change in net position is the difference between revenues and expenses. For fiscal year 2018 governmental revenues were $311.7 million and expenses were $303.0 million. A summary of key elements follows:

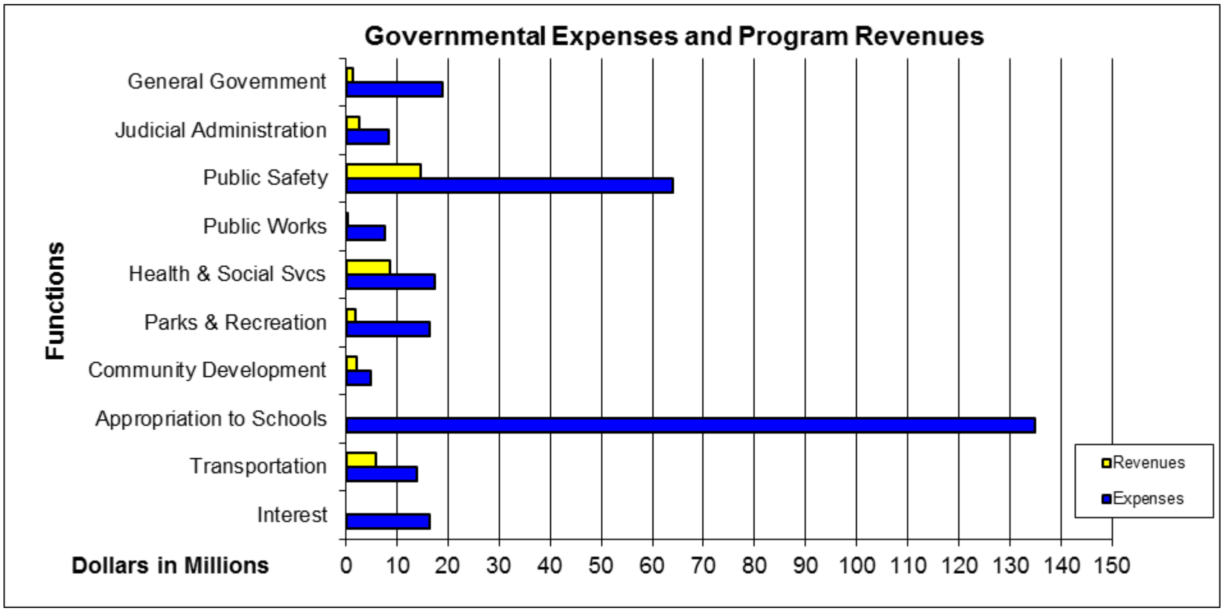
- Revenues increased $10.6 million due to increased real estate and personal property tax collections, sales and meals tax.

- Operating grants and contributions increased $2.3 million.

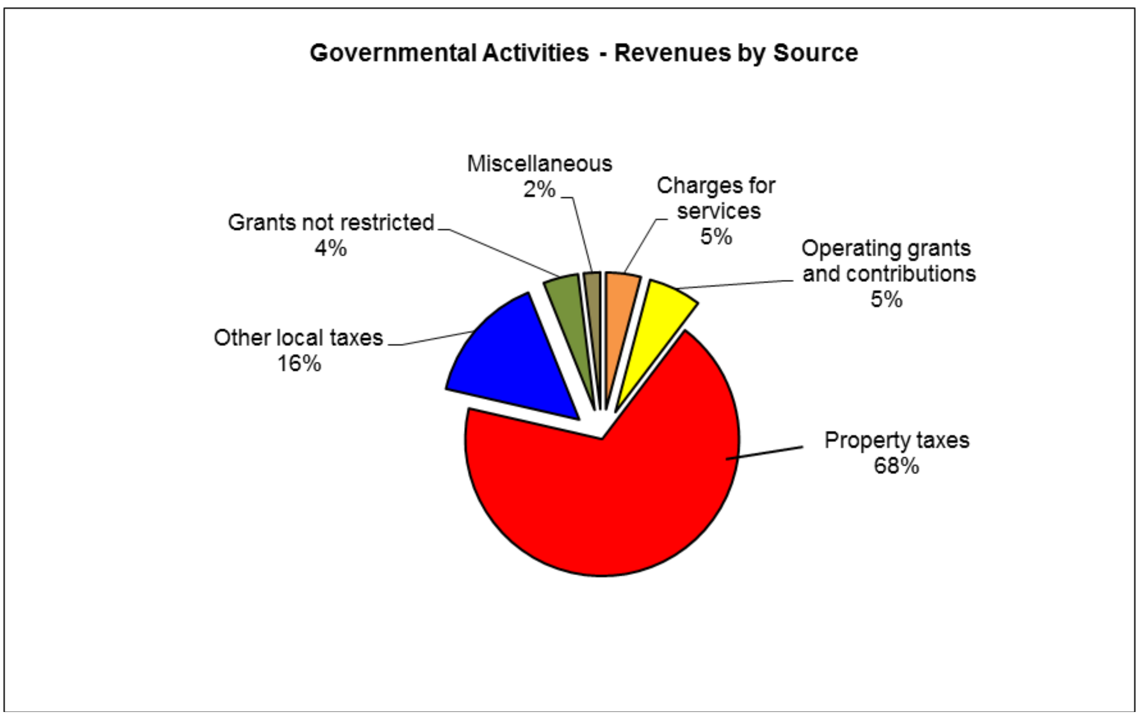
- Capital grants and contributions increased $2.0 million reflecting revenue sharing agreements for local road improvement projects.

- Expenses for governmental activities recorded a net increase of $15.0 million compared to the prior year. Increases in general government, public safety, social services, parks and recreation, transportation and schools operating were partly offset by a reduction in public works and schools capital projects.

The following graph compares the County's fiscal year 2018 expenses by function to associated program revenues for governmental activities.



The following graph illustrates the County's fiscal year 2018 governmental revenues by source.



Business-type Activities

The increase in net position attributable to the County's business-type activities totaled $25.2 million for fiscal year 2018. Similar to the changes in net position attributable to government activities, changes in business-type activity net position also result from the difference between revenues and expenses. However, unlike governmental activities, which primarily rely on general tax revenues to finance operations, business-type activities are financed to a significant extent by fees charged for goods and services provided. The County's business-type activities consist of a Water and Sewer Fund. Like all business-type activities, the Water and Sewer Fund attempts to recover much of the operating expenses it incurs through user charges. Nevertheless, operating revenues were less than operating expenses for fiscal year 2017, resulting in a net loss before contributions of $2.2 million, primarily due to user fees failing to keep pace with operating cost. The net asset increase was primarily due to non-operating contributions (availability fees and pro-rata fees) and donated capital assets. The following is a summary of relevant financial results for fiscal year 2018:

- Charges for services totaled $39.0 million, which were $3.1 million more than the prior fiscal year. This increase includes additional service to new customers.

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

- Donated capital assets (infrastructure completed by developers and dedicated to the County) totaled $13.5 million, a $7.7 million increase compared to the prior year.

- Expenses totaled $41.4 million, a net $6.3 million increase over the prior year. This is due to personnel expense increase of $ .5 million, material and supplies increase of $2.3 million, depreciation expense increase of $ 2.3 million, and miscellaneous expenses increased by $ 1.2 million.

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

Change in Net Position For the Fiscal Years Ended June 30, 2018 and 2017 ($ in millions)								
	Primary Government							
	Governmental Activities		Business Type Activities		Total Primary		Component Unit School Board	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues:								
Program revenues:								
Charges for services	$ 12.4	$ 11.8	$ 39.0	$ 35.9	$ 51.4	$ 47.7	$ 18.7	$ 18.1
Operating grants and contributions	18.9	16.6	-	-	18.9	16.6	148.1	138.4
Capital grants and contributions	6.4	4.3	27.1	19.3	33.5	23.6	18.5	26.9
General revenues:								
General property taxes	206.8	199.3	-	-	206.8	199.3	-	-
Other local taxes	45.7	44.1	-	-	46.4	44.1	27.6	28.7
Grants not restricted	12.5	12.7	-	-	12.5	12.7	116.5	112.1
Investment earnings	1.7	.8	.7	.2	2.4	1.0	.3	.1
Miscellaneous	5.9	6.7	.2	-	6.1	6.7	.3	.3
Total revenues	311.0	296.3	67.0	55.4	378.0	351.7	330.0	324.6
Expenses:								
General Government	18.9	14.6	-	-	18.9	14.6	-	-
Judicial administration	8.3	8.5	-	-	8.3	8.5	-	-
Public safety	64.0	61.3	-	-	64.0	61.3	-	-
Public works	7.5	9.6	-	-	7.5	9.6	-	-
Health and social services	17.4	15.9	-	-	17.4	15.9	-	-
Parks, recreation and cultural	16.5	14.8	-	-	16.5	14.8	-	-
Community development	5.0	4.2	-	-	5.0	4.2	-	-
Appropriation to schools	135.0	139.1	-	-	135.0	139.1	321.8	317.3
Transportation	13.9	3.7	-	-	13.9	3.7	-	-
Interest	16.4	16.2	-	-	16.4	16.2	-	-
Water and sewer	-	-	41.1	34.9	41.1	34.9	-	-
Total expenses	302.9	287.9	41.1	34.9	344.0	322.8	321.8	317.3
Excess before transfer	8.1	8.4	25.9	-	34.0	-	-	-
Transfers	.7	-	(.7)	-	-	-	-	-
Change in net position	8.8	8.8	25.2	20.5	34.0	29.3	8.2	7.3
Net position (deficit) beginning as restated (note 18)	(199.9)	(140.9)	370.6	386.5	170.7	245.6	70.9	216.2
Cumulative change in GAAP	-	(59.0)	-	(15.9)	-	(74.9)	-	(145.3)
Net position (deficit) ending	$ (191.1)	$ (199.9)	$ 395.8	$ 370.6	$ 204.7	$ 170.7	$ 79.1	$ 70.9

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $111.1 million, an increase of $.5 million in comparison with the prior year.

Of the $111.1 million, $36.4 million is restricted for grant programs, drug enforcement activities, construction and debt service requirements. Committed and assigned portions of its fund balances are established to indicate plans for use of financial resources. The County reserves portions of its fund balances as commitments for specific purposes such as capital needs, economic development and risk management. Commitments include fund balance reservations required by the Board's financial policies as well as contractual obligations of the County. Assignments represent management's plans for future expenditures and the intent to liquidate purchase orders (encumbrances) of the prior fiscal year. By policy, the unassigned portion of fund balance is equal to 12% of annual general fund revenues, not including transfers, reserves and grants. Unassigned funds beyond the 12 % are by policy set aside in the capital project reserve. Unassigned fund balance for fiscal year 2018 was $36.6 million. The Fund Balance section of Note 1, Summary of Significant Accounting Policies, presents details of the County's governmental fund balance classification.

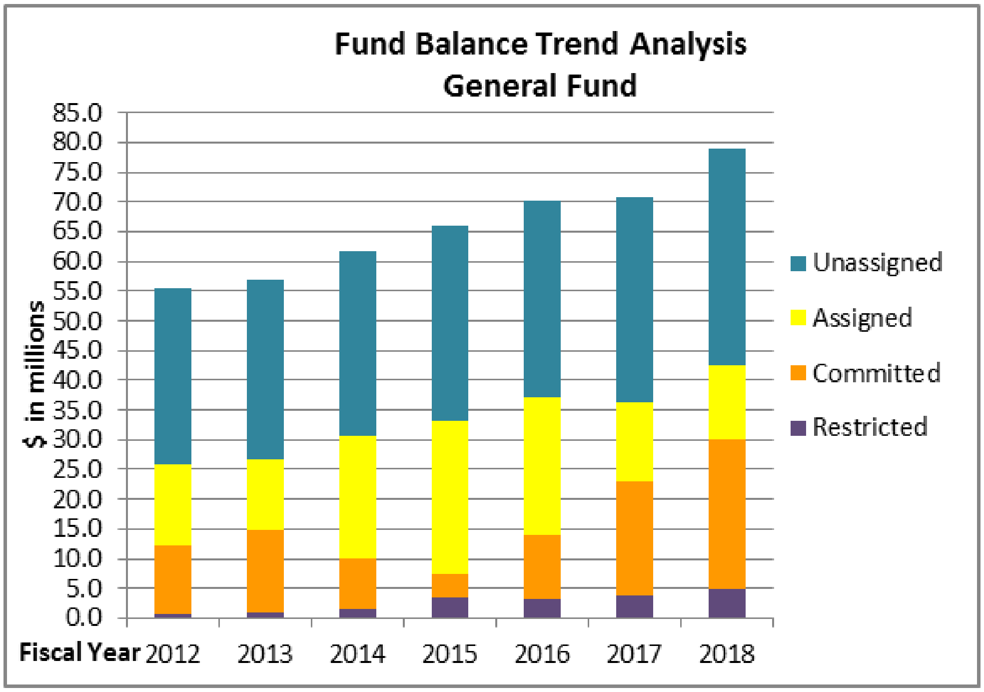
The General Fund is the primary operating fund of the County. The total fund balance of the County's General Fund increased $8.3 million during fiscal year 2018. This was due to management's conservative budgeting, commitment to maintain unassigned fund balance at or above stated policy levels, frequent analysis of revenue collection and expenditure patterns, and underspending by Schools and County departments. Of the $79.1 million General Fund balance,$.4 million is nonspendable made up mostly of inventory, $0.8 million is restricted for grant-funded programs, $2.8 million is restricted for health insurance expenditures, $25.0 million is committed by policy or for contractual obligations, $12.3 million is assigned for future expenditures and to provide budget flexibility while ensuring a structurally balanced budget and $36.6 million is unassigned.

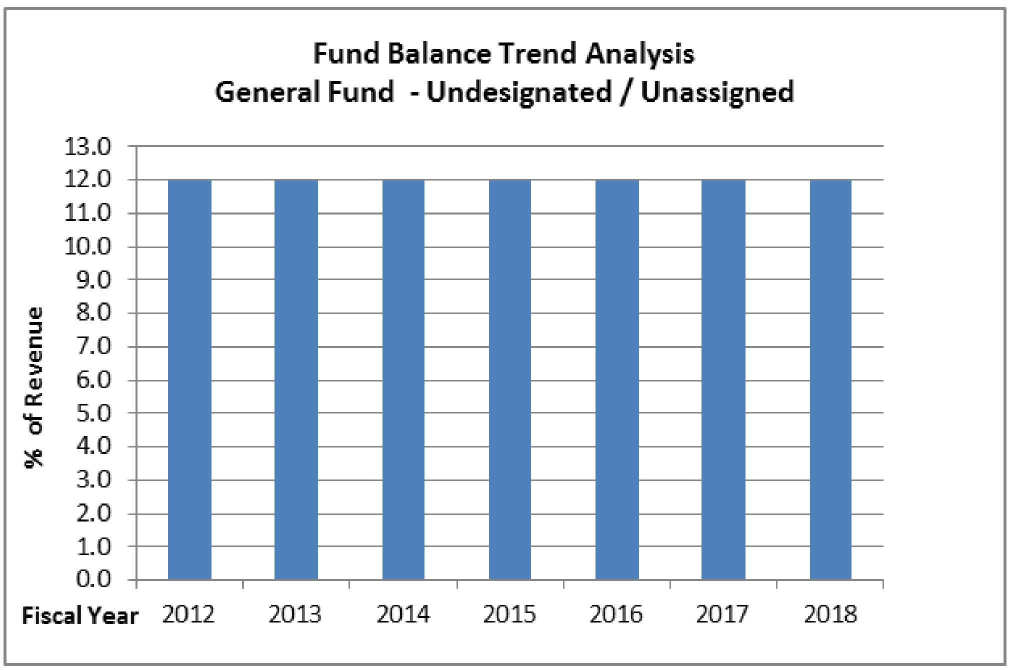
In addition to the General Fund, the County has two major governmental funds, the Transportation Fund and the General Capital Projects Fund. Total fund balance for the Transportation Fund at year end was $10 million, a decrease of $ 8 million compared to the prior year. Of the $10 million, $9.4 million is restricted for transportation projects and $0.6 million is restricted for debt service. The decrease in fund balance is attributable to spend on road projects.

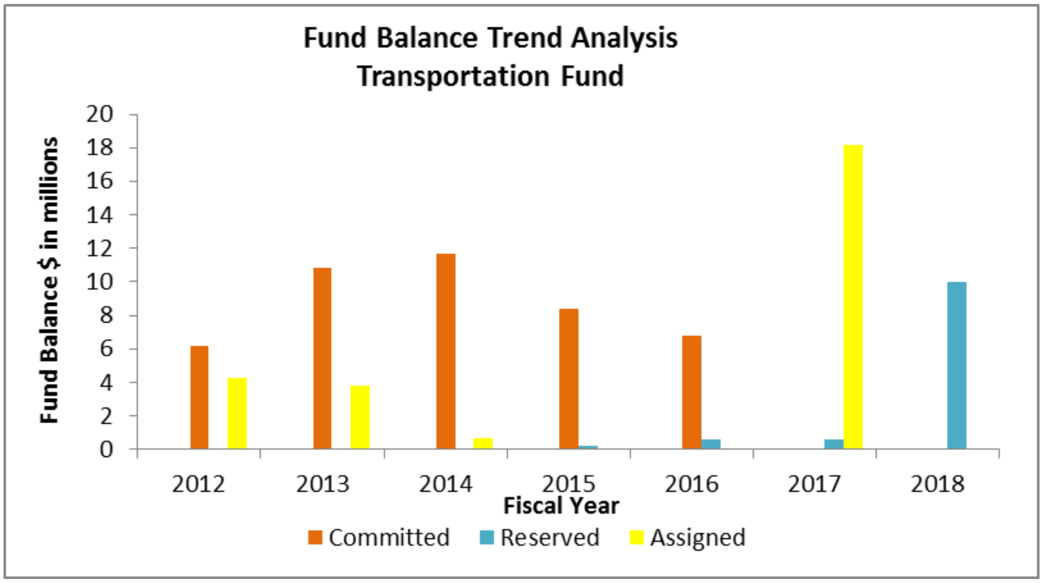
Total fund balance for the General Capital Projects Fund at year end was $12.9 million. This is an increase of $3.2 million from the previous fiscal year, which is primarily due to a decrease in public works and school's capital expense as compared to the prior year.

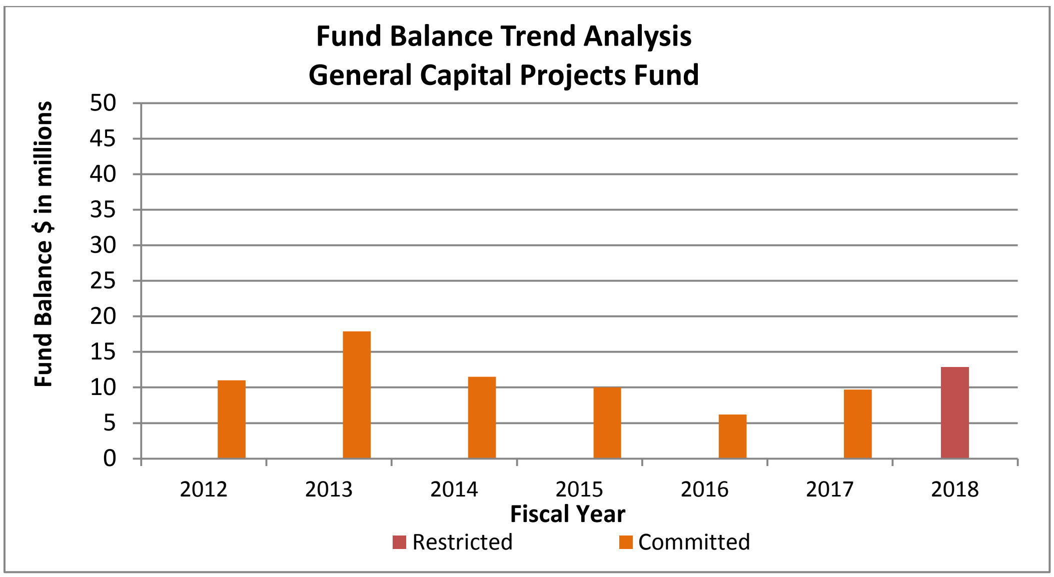
The County also has twelve non-major governmental funds. In total, fund balance is $9.1 million, a $2.1 million decrease compared to prior year. Of the $9.1 million, $0.2 million is restricted for drug enforcement activities. $8.9 million is committed for contractual obligations related to each fund's purpose.

The following graphs illustrate fund balance trends for the County's governmental funds for fiscal years 2012 through 2018.


Fund Balance Trend Analysis
General Fund
85.0
80.0
75.0
70.0
65.0
60.0
55.0
50.0
45.0
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
$ in millions
Fiscal Year
2012
2013
2014
2015
2016
2017
2018
Unassigned
Assigned
Committed
Restricted


Fund Balance Trend Analysis
General Fund - Undesignated / Unassigned
13.0
12.0
11.0
10.0
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
% of Revenue
Fiscal Year
2012
2013
2014
2015
2016
2017
2018





Proprietary fund: The County's proprietary fund financial statements provide the same type of information presented in the business-type activities on the government–wide financial statements, but in more detail. The Water and Sewer Fund total net position increased $25.2 million during fiscal year 2018. Capital assets, net of depreciation and related debt increased $11.3 million. Restricted net position increased by $2.7 million and unrestricted net position decreased by $4 million. A summary of the Water and Sewer Fund operations for the year was previously provided in the discussion of business-type activities.

Component Unit – School Board: The change in net position for the component unit School Board was $8.2 million. This was due to the increases in program revenues exceeding the increase in expense. Funds transferred from the County General Fund include a local appropriation for operations and bond proceeds used to offset facility construction expenditures. The School Board issues a separate set of financial statements, which may be obtained directly from the School Board.

General Fund Budgetary Highlights

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

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

General Fund revenues increased $10.7 million over the prior year amount. General property taxes increased $7.1 million driven by new construction and increases in real estate and personal property tax collections. Other local taxes increased by $1.4 million. Robust sales tax, meals tax, and consumer utility collections contributed to the increase in other local taxes.

General Fund expenditures recorded a net increase of $5.6 million compared to the prior year amount. Highlights that contributed to the net increase include:

- Debt service increased due to new debt issuance for School and County capital projects.
- Additional funding for School Operating in the amount of $4.3 million.
- Increased capital expenditures using cash capital (per the Board's financial policies)
- Replacement of public safety vehicles

The following table compares General Fund revenues and expenditures for fiscal year 2018 with the previous fiscal year.

General Fund Comparison
Revenues and Expenditures
FY 2018 – FY 2017
($ in millions)

	FY 2018	FY 2017	Increase (Decrease)
Revenues:			
General property taxes	$ 206.6	$ 199.5	$ 7.1
Other local taxes	40.3	38.9	1.4
Licenses and permits	4.6	4.6	-
Use of money and property	1.3	.7	.6
Charges for services	6.9	6.4	.5
Other	5.6	6.0	(.4)
Intergovernmental	30.8	29.3	1 .5
Total revenues	$ 296.1	$ 285.4	$ 10.7
Expenditures:			
General government	$ 13.9	$ 13.2	$ .7
Judicial administration	7.8	7.5	0.3
Public safety	57.7	55.1	2.6
Public works	5.1	4.8	.3
Health and social services	17.1	15.8	1.3
Parks, recreation and cultural	13.2	13.0	.2
Community development	3.5	3.8	(.3)
Education	117.2	118.7	(1.5)
Capital outlay	5.0	3.2	1.8
Debt service	44.9	44.7	.2
Total expenditures	$ 285.4	$ 279.8	$ 5.6

Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental and business-type activities as of June 30, 2018, totals $466.6 million, net of accumulated depreciation. This represents an increase of $1.9 million over the prior year. The investment in capital assets includes land, buildings, distribution and collection systems, equipment, vehicles, construction in progress. Major capital asset acquisitions during the current fiscal year included the following:

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

The following tables summarize the changes in the County's governmental and business-type capital assets for fiscal year 2018. Additional information on the County's capital assets can be found in Note 4.

Change in Capital Assets ($ in millions)			
	Balance June 30, 2017	Net Additions And Deletions	Balance June 30, 2018
Governmental Activities:			
Land	$ 49.9	$ 1.5	$ 51.4
Other intangible	1.6	-	1.6
Construction in progress	75.6	(25.5)	50.1
Capital assets not being depreciated	127.1	(24.0)	103.1
Land improvements	46.0	36.4	82.4
Buildings and building improvements	116.6	.2	116.8
Furniture, fixtures and equipment	55.0	5.8	60.8
Vehicles	24.2	1 .0	25.2
Capital assets being depreciated	241.8	43.4	285.2
Less accumulated depreciation	(106.4)	(13.8)	(120.2)
Net capital assets being depreciated	135.4	29.6	165.0
Governmental activities capital assets	$ 262.5	$ 5.6	$ 268.1

Change in Capital Assets ($ in millions)			
	Balance June 30, 2017	Net Additions And Deletions	Balance June 30, 2018
Business-Type Activities:			
Land	$ 19.1	$ -	$ 19.1
Other intangible	4.0	-	4.0
Construction in progress	159.4	(145.7)	13.7
Capital assets not being depreciated	182.5	(145.7)	36.8
Land improvements	0.6	.1	0.7
Buildings and building improvements	4.2	.1	4.3
Distribution and collection systems	410.7	167.3	578.0
Furniture, fixtures and equipment	16.0	2.7	18.7
Vehicles	4.3	.4	4.7
Capital assets being depreciated	435.8	170.6	606.4
Less accumulated depreciation	(188.5)	(13.6)	(202.1)
Net capital assets being depreciated	247.3	157.0	404.3
Business-type activities capital assets	$ 429.8	$ 11.3	$ 441.1

Long-term liabilities excluding Deferred Revenue, OPEB and Pension: At the end of the current fiscal year, County governmental activities reported total debt outstanding of $462.3 million. Of this amount, $362.1 million is general obligation debt backed by the full faith and credit of the County. The remainder of the County's debt is secured by specific revenue sources. County governmental activities had a net decrease in long-term liabilities excluding OPEB and Pension of $5.5 million during the fiscal year. Issuances for FY 2018 included $16.2 million general obligation bonds for school renovation projects, $4.5 million for refunding 2008 lease revenue bond and $5.5 million VRA loan for construction of Fire Station 14.

The County's strong wealth and income levels, diverse local economy, sound financial management and moderate debt burden recently earned an upgrade (AA+ to AAA) for its general obligation bonds from Moody's together with Fitch Ratings and Standard and Poor's making the County a three AAA crediting rating.

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

The County's business-type activities reported total long-term liabilities excluding OPEB and Pension of $106.6 million at the end of the current fiscal year.

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

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

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

	June 30, 2017	Net Increase (Decrease)	June 30, 2018
Governmental Activities:			
General obligation bonds, net	$ 366.0	$ (3.9)	$ 362.1
Lease revenue bonds	7.3	(6.8)	.5
Capital leases	11.2	(2.5)	8.7
Other	75.8	7.4	83.2
Compensated absences	7.5	.3	7.8
Total long-term debt	$ 467.8	$ (5.5)	$ 462.3
Business-Type Activities:			
Revenue bonds, net	$ 84.8	$ (2.3)	$ 82.5
VRA loans	24.5	(1.6)	22.9
Compensated absences	1.2	-	1.2
Total long-term debt	$ 110.5	$ (3.9)	$ 106.6

Factors Influencing Future Budgets

Key factors that are expected to impact future budgets include:

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

Requests for Information

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

Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

STATEMENT OF NET POSITION
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	School Board
ASSETS				
Current assets:				
Cash, cash equivalents and temporary cash investments	$ 147,741,770	$ 66,152,278	$ 213,894,048	$ 45,085,588
Receivables, net of allowance for uncollectibles	25,226,419	5,562,387	30,788,806	14,109,717
Note receivable - Component Unit	75,000	-	75,000	-
Due from Primary Government	-	-	-	27,073,130
Internal balances	(418,536)	418,536	-	-
Deposits	-	-	-	75,000
Prepaids	434,349	-	434,349	723,540
Inventory	10,266	828,440	838,706	710,581
Total current assets	173,069,268	72,961,641	246,030,909	87,777,556
Noncurrent assets:				
Restricted cash and cash equivalents	1,604,988	15,709,637	17,314,625	19,388,155
Note receivable - Component Unit	630,000	-	630,000	-
Investment in joint venture	6,239,657	-	6,239,657	-
Capital assets:				
Land	51,414,560	19,053,161	70,467,721	34,000,628
Construction in progress	50,077,414	13,754,087	63,831,501	15,411,924
Other intangible assets	1,668,570	4,035,282	5,703,852	-
Subtotal non-depreciable capital assets	103,160,544	36,842,530	140,003,074	49,412,552
Land improvements	82,395,942	699,187	83,095,129	64,056,821
Buildings and building improvements	116,771,158	4,294,205	121,065,363	531,492,752
Distribution and collection systems	-	577,980,930	577,980,930	958,180
Furniture, fixtures and equipment	46,132,764	17,714,848	63,847,612	12,064,755
Technology infrastructure	8,326,096	770,090	9,096,186	4,190,020
Software	6,332,761	240,638	6,573,399	2,299,106
Vehicles	25,243,774	4,714,199	29,957,973	24,270,140
Less accumulated depreciation	(120,224,746)	(202,143,499)	(322,368,245)	(237,893,565)
Subtotal depreciable capital assets	164,977,749	404,270,598	569,248,347	401,438,209
Total noncurrent assets	276,612,938	456,822,765	733,435,703	470,238,916
Total assets	449,682,206	529,784,406	979,466,612	558,016,472
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	3,552,753	2,377,019	5,929,772	-
Deferred outflows related to pensions	8,411,158	2,459,164	10,870,322	32,691,380
Deferred outflows related to OPEB	851,729	63,011	914,740	7,463,794
Total deferred outflows of resources	12,815,640	4,899,194	17,714,834	40,155,174
LIABILITIES				
Current liabilities:				
Accounts payable	5,105,494	1,933,098	7,038,592	6,851,852
Retainage payable	734,048	667,954	1,402,002	588,354
Accrued salaries and benefits	2,187,451	328,756	2,516,207	27,962,310
Accrued insurance claims	1,294,842	125,806	1,420,648	5,764,074
Accrued interest	7,068,851	890,578	7,959,429	-
Other accrued liabilities	1,329,787	35,710	1,365,497	-
Due to Component Unit	27,073,130	-	27,073,130	-
Deposits	19,184,283	4,077,288	23,261,571	-
Unearned revenue	1,874,409	-	1,874,409	331,825
Current portion of long-term debt	34,484,332	4,539,018	39,023,350	958,003
Total current liabilities	100,336,627	12,598,208	112,934,835	42,456,418
Noncurrent liabilities:				
Noncurrent portion of long-term debt	427,721,015	102,068,519	529,789,534	7,497,327
Noncurrent portion of accrued insurance claims	-	-	-	135,326
Net OPEB liability	84,852,199	16,184,980	101,037,179	175,819,571
Net pension liability	16,857,472	3,076,274	19,933,746	236,628,109
Total noncurrent liabilities	529,430,686	121,329,773	650,760,459	420,080,333
Total liabilities	629,767,313	133,927,981	763,695,294	462,536,751
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues	1,914,719	-	1,914,719	-
Deferred inflows related to pensions	8,993,777	2,540,412	11,534,189	31,754,369
Deferred inflows related to OPEB	12,907,629	2,465,073	15,372,702	24,803,733
Total deferred inflows of resources	23,816,125	5,005,485	28,821,610	56,558,102
NET POSITION (DEFICIT)				
Net Investment in capital assets	140,085,894	338,103,297	478,189,191	448,764,864
Restricted:				
Drug enforcement	167,187	-	167,187	-
Capital projects	31,683,692	-	31,683,692	17,237,097
School Nutrition	-	-	-	5,771,134
Grant programs	809,231	-	809,231	145,312
CFR	2,788,886	-	2,788,886	-
Tourism	938,293		938,293	
Water-sewer restricted construction		10,990,332	10,990,332	-
Unrestricted (deficit)	(367,558,775)	46,656,505	(320,902,270)	(392,841,614)
Total net position (deficit)	$ (191,085,592)	$ 395,750,134	$ 204,664,542	$ 79,076,793

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

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 18,839,600	$ 277,761	$ 1,111,753	$ -
Judicial administration	8,306,197	373,817	2,190,237	-
Public safety	63,986,551	7,934,736	6,772,215	-
Public works	7,575,241	204,629	-	-
Health and social services	17,445,345	53,475	8,683,077	-
Parks, recreation and cultural	16,539,452	1,767,047	-	-
Community development	5,004,066	1,776,963	6,414	433,000
Appropriation to School Board:				
School operating	116,515,953	-	-	-
School capital projects	18,501,329	-	-	-
Transportation	13,854,155	35,040	109,931	5,918,751
Interest	16,388,405	-	-	-
Total governmental activities	302,956,294	12,423,468	18,873,627	6,351,751
Business-type activities:				
Water and Sewer	41,099,002	38,997,356	-	27,095,667
Total business-type activities	41,099,002	38,997,356	-	27,095,667
Total Primary Government	$ 344,055,296	$ 51,420,824	$ 18,873,627	$ 33,447,418
Component unit:				
Stafford County School Board	$ 321,825,800	$ 18,722,670	$ 62,835,021	$ 18,501,329

General revenues:
Taxes:
General property taxes
Other local taxes:
Sales
Fuels
Consumer utility
Motor vehicle decals
Bank stock
Recordation
Occupancy
Meals
Short-term rental
Cable franchise
Road impact fees
Basic aid
Grants and contributions not restricted to specific programs
Investment earnings
Gain on disposal of capital assets
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position (deficit), beginning as restated (Note 18)
Net position (deficit), ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	**Business-type Activities**	**Totals**	**School Board**
$ (17,450,086)	$ -	$ (17,450,086)	$ -
(5,742,143)	-	(5,742,143)	-
(49,279,600)	-	(49,279,600)	-
(7,370,612)	-	(7,370,612)	-
(8,708,793)	-	(8,708,793)	-
(14,772,405)	-	(14,772,405)	-
(2,787,689)	-	(2,787,689)	-
(116,515,953)	-	(116,515,953)	-
(18,501,329)	-	(18,501,329)	-
(7,790,433)	-	(7,790,433)	-
(16,388,405)	-	(16,388,405)	-
(265,307,448)	-	(265,307,448)	-
-	24,994,021	24,994,021	-
-	24,994,021	24,994,021	
(265,307,448)	24,994,021	(240,313,427)	-
			$ (221,766,780)
206,800,056	-	206,800,056	-
14,341,668	-	14,341,668	27,609,115
3,806,666	-	3,806,666	-
7,035,404	-	7,035,404	-
2,645,892	-	2,645,892	-
571,276	-	571,276	-
5,985,497	-	5,985,497	-
1,910,573	-	1,910,573	-
8,512,213	-	8,512,213	-
74,246	-	74,246	-
327,003	-	327,003	-
1,194,430	-	1,194,430	-
-	-	-	85,303,704
12,542,261	-	12,542,261	116,440,953
1,747,745	680,907	2,428,652	339,742
-	-	-	24,671
5,864,196	209,750	6,073,946	272,184
724,000	(724,000)	-	-
274,083,126	166,657	274,249,783	229,990,369
8,775,678	25,160,678	33,936,356	8,223,589
(199,861,270)	370,589,456	170,728,186	70,853,204
$ (191,085,592)	$ 395,750,134	$ 204,664,542	$ 79,076,793

COUNTY OF STAFFORD, VIRGINIA Exhibit III

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	Major Funds				
	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Non Major Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in pooled cash and investments	$ 115,578,385	$ 4,038,562	$ 2,259,446	$ 7,754,088	$ 129,630,481
Restricted assets:					
Cash	-	-	-	1,604,988	1,604,988
Cash with fiscal agents	2,669,404	4,193,725	11,248,160	-	18,111,289
Receivables, net of allowance for uncollectibles:					
Property taxes	12,603,265	-	-	30,968	12,634,233
Accounts	3,423,826	1,351,278	-	331,100	5,106,204
Intergovernmental	6,088,475	795,402	-	548,174	7,432,051
Due from other funds	53,931	-	-	-	53,931
Inventory	10,266	-	-	-	10,266
Prepaid expenditures	421,849	-	-	12,500	434,349
Total assets	$ 140,849,401	$ 10,378,967	$ 13,507,606	$ 10,281,818	$ 175,017,792
LIABILITIES					
Liabilities:					
Accounts payable	$ 4,090,698	$ 421,500	$ 386,109	$ 207,187	$ 5,105,494
Retainage payable	-	-	225,844	508,204	734,048
Deposits	19,184,283	-	-	-	19,184,283
Accrued salaries and benefits	2,175,372	2,389	4,216	5,474	2,187,451
Other accrued liabilities	1,329,787	-	-	-	1,329,787
Unearned revenues	1,465,715	-	-	408,694	1,874,409
Due to other funds	418,536	-	-	-	418,536
Due to Component Unit	27,073,130	-	-	-	27,073,130
Total liabilities	55,737,521	423,889	616,169	1,129,559	57,907,138
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue property taxes	4,109,105	-	-	34,833	4,143,938
Deferred revenue	1,914,719	-	-	-	1,914,719
Total deferred inflows of resources	6,023,824	-	-	34,833	6,058,657
FUND BALANCES					
Nonspendable	432,115	-	-	12,500	444,615
Restricted	4,646,807	9,955,078	12,891,437	8,893,967	36,387,289
Committed	25,028,902	-	-	210,959	25,239,861
Assigned	12,364,759	-	-	-	12,364,759
Unassigned	36,615,473	-	-	-	36,615,473
Total fund balances	79,088,056	9,955,078	12,891,437	9,117,426	111,051,997
Total liabilites, deferred inflows of resources and fund balances	$ 140,849,401	$ 10,378,967	$ 13,507,606	$ 10,281,818	$ 175,017,792

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

COUNTY OF STAFFORD, VIRGINIA Exhibit IV

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Total fund balances - total governmental funds		**$ 111,051,997**
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Governmental capital assets	$ 388,363,039	
Less accumulated depreciation	(120,224,746)	
Net capital assets		268,138,293
Unavailable revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		4,143,938
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Investment in joint venture	6,239,657	
Note Receivable - Component Unit (noncurrent)	630,000	
Note Receivable - Component Unit (current)	75,000	
		6,944,657
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Revenue bonds	(500,000)	
General obligation bonds	(333,349,649)	
VRA loan	(82,346,744)	
Literary loans	(864,590)	
Capital leases	(8,637,382)	
Compensated absences	(7,764,263)	
Bond premiums	(28,742,719)	
Loss on refunding	3,552,753	
Pension related deferred outflows of resources	8,411,158	
Pension related deferred inflows of resources	(8,993,777)	
Net pension liability	(16,857,472)	
Accrued insurance claims	(1,294,842)	
Interest payable	(7,068,851)	
OPEB related deferred outflows of resources	851,729	
OPEB related deferred inflows of resources	(12,907,629)	
Net OPEB liability	(84,852,199)	
		(581,364,477)
Net Position (Deficit) of Governmental Activities		**$ (191,085,592)**

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

COUNTY OF STAFFORD, VIRGINIA Exhibit V

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Major Funds				
	General Fund	Special Revenue Transportation Fund	Capital Projects General Capital Projects Fund	Non Major Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	$ 206,557,038	$ -	$ -	$ 746,919	$ 207,303,957
Other local taxes	40,257,473	3,806,666	-	2,340,729	46,404,868
Permits, privilege fees and regulatory licenses	4,640,366	-	-	-	4,640,366
Fines and forfeitures	878,756	-	-	-	878,756
Use of money and property	1,328,959	105,952	191,311	121,523	1,747,745
Charges for services	6,904,346	-	-	-	6,904,346
Miscellaneous	4,657,906	41,142	391,262	773,886	5,864,196
Intergovernmental	30,834,386	2,243,443	433,000	4,256,810	37,767,639
Total revenues	296,059,230	6,197,203	1,015,573	8,239,867	311,511,873
EXPENDITURES					
Current operating:					
General government	13,890,180	-	-	-	13,890,180
Judicial administration	7,849,633	-	-	23,615	7,873,248
Public safety	57,617,653	-	4,457,436	530,292	62,605,381
Public works	5,077,192	-	521	-	5,077,713
Health and social services	17,111,432	-	-	-	17,111,432
Parks, recreation and cultural	13,164,744	-	1,604,788	411,167	15,180,699
Community development	3,479,462	-		1,258,085	4,737,547
Appropriation to School Board:					
School operating	116,440,953	-	-	-	116,440,953
School capital projects	849,298	-	17,652,031	-	18,501,329
Transportation	-	3,076,652	-	-	3,076,652
Capital outlay	5,036,566	11,655,470	230,342	8,286,103	25,208,481
Debt service:					
Principal	27,785,690	345,901	-	300,000	28,431,591
Interest and fiscal charges	17,113,586	501,934	87,056	228,526	17,931,102
Bond issuance costs	-	-	70,608	-	70,608
Total expenditures	285,416,389	15,579,957	24,102,782	11,037,788	336,136,916
Excess (deficiency) of revenues over (under) expenditures	10,642,841	(9,382,754)	(23,087,209)	(2,797,921)	(24,625,043)
OTHER FINANCING SOURCES (USES)					
Transfers in	215,253	550,726	1,896,287	1,160,500	3,822,766
Transfers out	(2,582,513)	(41,000)	-	(475,253)	(3,098,766)
Issuance of debt:					
Issuances of new bonds	-	-	22,100,000	-	22,100,000
Premiums on issuances	-	-	2,219,352	-	2,219,352
Refunding bonds issuance	-	-	4,085,000	-	4,085,000
Premium on refunded bonds issuance	-	-	353,100	-	353,100
Payment to refunding bond escrow agent	-	-	(4,367,492)	-	(4,367,492)
Total other financing sources (uses), net	(2,367,260)	509,726	26,286,247	685,247	25,113,960
Net change in fund balances	8,275,581	(8,873,028)	3,199,038	(2,112,674)	488,917
Fund balance, beginning	70,812,475	18,828,106	9,692,399	11,230,100	110,563,080
Fund balance, ending	$ 79,088,056	$ 9,955,078	$ 12,891,437	$ 9,117,426	$ 111,051,997

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds		**$ 488,917**
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Acquisition of capital assets	$ 22,621,490	
Loss on sale of capital assets	(1,779,259)	
Less depreciation expense	(15,086,558)	
Excess of capital outlay over depreciation		5,755,673
Unavailable revenues represent amounts that were not available to fund current expenditures and therefore are not reported as revenue in the governmental funds.		(503,901)
Changes in investments and receivables for joint ventures and component unit. These changes are included in expenses based on their functional category.		
Change in joint venture investment (Landfill)	461,020	
Change in note receivable - component unit (School operating)	(75,000)	
		386,020
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liablities in the Statement of Net Position. Repayment of bond principal and issuance costs are expenditures in the governmental funds, but the repayment reduces long-term liabilities. This is the amount by which proceeds were more than repayments.		
Debt issued or incurred:		
General obligation bonds	(16,210,000)	
Bond premiums	(2,572,452)	
VRA loans	(9,975,000)	
Refunding revenue bonds	4,280,000	
Principal repayments:		
General obligation debt	20,618,499	
Revenue bonds	2,535,000	
VRA loans	2,263,106	
Literary loans	466,149	
Capital leases	2,548,837	
		3,954,139
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest	43,311	
Compensated absences	(294,578)	
Accrued insurance claims	(18,485)	
Deferred loss on refunding	(297,030)	
Amortization of premium on refunding, net	1,954,516	
Change in net pension liability and deferred amounts	2,164,770	
Change in net other postemployment benefits obligations	(4,857,674)	
		(1,305,170)
Change in net position of governmental activities		**$ 8,775,678**

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

COUNTY OF STAFFORD, VIRGINIA Exhibit VII

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

	Business Type Activity - Enterprise Fund Water and Sewer Fund
ASSETS	
Current assets:	
Equity in pooled cash and investments	$ 66,152,278
Receivables, net of allowance for uncollectibles	5,562,387
Due from other funds	418,536
Inventory	828,440
Total current assets	72,961,641
Noncurrent assets:	
Restricted cash and cash equivalents	15,709,637
Capital assets:	
Land	19,053,161
Construction in progress	13,754,087
Other intangible assets	4,035,282
Land improvements	699,187
Buildings and building improvements	4,294,205
Distribution and collection systems	577,980,930
Furniture, fixtures and equipment	17,714,848
Vehicles	4,714,199
Software	240,638
Technology infrastructure	770,090
Less accumulated depreciation	(202,143,499)
Total capital assets (net of accumulated depreciation)	441,113,128
Total noncurrent assets	456,822,765
Total assets	529,784,406
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	2,377,019
Deferred outflows related to pensions	2,459,164
Deferred outflows related to OPEB	63,011
Total deferred outflows of resources	4,899,194
LIABILITIES	
Current liabilities:	
Accounts payable	1,933,098
Retainage payable	667,954
Accrued salaries and benefits	328,756
Accrued insurance claims	125,806
Accrued interest	890,578
Other liabilities	35,710
Deposits	4,077,288
Current portion of long-term debt	4,539,018
Total current liabilities	12,598,208
Noncurrent liabilities:	
Noncurrent portion of long-term debt	102,068,519
Net OPEB liability	16,184,980
Net pension liability	3,076,274
Total noncurrent liabilities	121,329,773
Total liabilities	133,927,981
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,540,412
Deferred inflows related to OPEB	2,465,073
Total deferred inflows of resources	5,005,485
NET POSITION	
Net investment in capital assets	338,103,297
Restricted construction	10,990,332
Unrestricted	46,656,505
Total net position	$ 395,750,134

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018

	Business-Type Activity - Enterprise Fund
	Water and Sewer Fund
Operating revenues:	
Charges for services	$ 38,997,356
Miscellaneous	209,750
Total operating revenues	39,207,106
Operating expenses:	
Personnel services	12,342,196
Contractual services	3,294,842
Materials and supplies	3,783,929
Heat, light and power	1,844,937
Telecommunication and internal services	2,150,331
Miscellaneous	574,691
Depreciation	13,924,554
Total operating expenses	37,915,480
Operating income	1,291,626
Nonoperating revenues (expenses):	
Interest and investment revenue	680,907
Interest expense	(3,494,594)
Amortization of bond discount	417,499
Amortization of loss on refunding	(103,349)
Loss on disposal of capital assets	(3,078)
Total nonoperating expenses, net	(2,502,615)
Net loss before contributions and transfers	(1,210,989)
Capital contributions:	
Donated capital assets	13,492,480
Availability fees	11,289,698
Prorata fees	2,313,489
Total capital contributions	27,095,667
Transfers:	
Transfers out	(724,000)
Net transfers	(724,000)
Change in net position	25,160,678
Net Position, Beginning as restated (Note 18)	370,589,456
Net Position, Ending	$ 395,750,134

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018

	Business-Type Activity - Enterprise Fund
	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 38,533,916
Other receipts	209,750
Other payments	(574,691)
Payments to suppliers	(11,444,694)
Payments to employees	(11,533,462)
Net cash provided by operating activities	15,190,819
CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES	(724,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(11,759,532)
Principal paid on bonds	(3,512,042)
Interest paid on bonds	(3,494,594)
Proceeds on disposal of capital assets	19,212
Availability fees and prorata fees	13,603,187
Net cash used in capital and related financing activities	(5,143,769)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	
Interest and dividends on investments	603,643
Net increase in cash and cash equivalents	9,926,693
Cash and cash equivalents, beginning	71,935,222
Cash and cash equivalents, ending	$ 81,861,915
Equity in pooled cash and investments	$ 66,152,278
Restricted cash and cash equivalents	15,709,637
Total cash and cash equivalents	$ 81,861,915
Reconciliation of operating income to net cash provided by operating activities	
Cash flows form operations:	
Income from operations	$ 1,291,626
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	13,924,554
Change in assets and liabilities:	
Increase in accounts receivable	(463,440)
Decrease in prepaids	54,104
Increase in accrued salaries and benefits	2,896
Decrease in other liabilities	(143,446)
Decrease in pension related liabilities and deferrals	(330,483)
Increase in OPEB related liabilities and deferrals	1,027,101
Increase in inventory	(3,333)
Decrease in accounts payable and retainage payable	(507,086)
Increase in accrued insurance claims	125,806
Increase in deposits	229,106
Decrease in compensated absences	(16,586)
Total adjustments	13,899,193
Net cash provided by operating activities	$ 15,190,819
Supplemental disclosure of noncash capital and related financing activities:	
Donated capital assets	13,492,480
Loss on the disposal of capital assets	(3,078)
Amortization on bond premium	417,499
Amortization on the loss of refundings	103,349

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

COUNTY OF STAFFORD, VIRGINIA Exhibit X

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Funds	Postemployment Trust Fund
ASSETS		
Current assets:		
Cash and short-term investments	$ 2,022,785	$ 7,210,542
Receivables:		
Property taxes	6,707,254	-
Accounts	100,870	-
Total assets	$ 8,830,909	7,210,542
LIABILITIES		
Accounts payable	$ 561	-
Accrued salaries and benefits	46,939	
Other liabilities	694,342	-
Reserve for future expenses	132,900	-
Reserve for bondholders	7,956,167	-
Total liabilities	$ 8,830,909	-
NET POSITION		
Restricted for other postemployment benefits		$ 7,210,542

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
RETIRED EMPLOYEES HEALTH INSURANCE TRUST FUND
YEAR ENDED JUNE 30, 2018

	Postemployment Trust Fund
ADDITIONS	
Retiree premiums - retiree portion collected	$ 487,617
Retiree premiums - county portion	347,051
Investments:	
Contributions	470,120
Investment earnings	582,889
Net investment earnings	1,053,009
Total additions	1,887,677
DEDUCTIONS	
Retiree premium expense	834,668
Administration	500
Total deductions	835,168
Change in net position	1,052,509
Net position restricted for postemployment benefits	
Beginning of year	6,158,033
End of year	$ 7,210,542

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

The County of Stafford, Virginia (County) is located in northeastern Virginia, approximately 40 miles south of Washington, DC, and 55 miles north of Richmond, Virginia. It was founded in 1664 and was named for Staffordshire, England. It encompasses 277 square miles and has a population of 145,699.

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

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

A. THE FINANCIAL REPORTING MODEL and the REPORTING ENTITY

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

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

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

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

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

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

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

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

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

Discretely Presented Component Unit:

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

County of Stafford School Board

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The following is a brief description of the specific funds used by the County in fiscal year 2018.

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

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

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

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

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

6. **Lake Carroll Service District Fund** – accounts for ad valorem tax receipts from property owners in the Lake Carroll subdivision to repair the Lake Carroll dam .

7. **Lake Arrowhead Service District Fund** – accounts for ad valorem tax receipts from property owners in the Lake Arrowhead subdivision to the repair the Lake Arrowhead dam.

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

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

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

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

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

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

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

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

(2) Proprietary Funds

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

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

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

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Expenditures of governmental funds are recorded when the related fund liabilities are incurred. However, exceptions apply related to principal and interest on long-term debt, compensated absences, pensions, OPEB, and claims and judgments are recognized when due.

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

D. <u>DEFERRED OUTFLOWS / INFLOWS OF RESOURCES</u>

In addition to assets, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, "Deferred outflows of resources", represents a consumption of net position that applies to a future period which will not be recognized as an outflow of resources (expense or expenditure) until then. The County has three items that meets this criterion – a loss resulting from the refunding of debt, pension, and OPEB related deferrals. The refunding loss is the difference in the reacquisition price and the net carrying value of the old debt. The amount is amortized as a component of interest expense on the straight-line basis over the remaining life of the old debt, or the new debt, whichever is shorter. The pension and OPEB deferrals relate to contributions made to the corresponding plans in the 2018 fiscal year and changes in actuary calculations. Changes in actuarial assumptions are deferred and amortized over the remaining service life of all participants and investment experience amounts are deferred and amortized over a closed five-year period.

In addition to liabilities, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "Deferred inflows of resources", represents an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources (revenue) until then. The County has a few items that meet this criterion such as prepaid on property taxes, property taxes not collected within the period of availability, deferrals of pension expense and OPEB. These are explained in more detail in a separate note to the financial statements.

E. <u>BUDGETS AND BUDGETARY ACCOUNTING</u>

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

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Primary Government

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

Component Unit – School Board

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

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

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

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

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

8. By law, total expenditures by fund may not, and did not, exceed appropriations in fiscal year 2018.

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

F. DEPOSITS AND INVESTMENTS

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

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

G. RESTRICTED ASSETS – CASH AND INVESTMENTS

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

H. INVENTORIES AND PREPAID ITEMS

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

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

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

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

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

I. CAPITAL ASSETS

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated property is recorded at acquisition value. Maintenance, repairs and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is recorded in the results of operations.

J. REAL ESTATE AND PERSONAL PROPERTY DATA

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

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

K. COMPENSATED ABSENCES

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

L. LONG-TERM OBLIGATIONS

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

M. <u>NET POSITION DEFICIT</u>

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

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

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

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

Of the $191.1 million net position deficit in governmental activities in the government wide Statement of Net Position, $291.6 million is attributed to debt for school property and equipment.

N. <u>NET POSITION and FUND BALANCE CLASSIFICATION</u>

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

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

During its review of financial policies in fiscal year 2012, the Board established a goal of a minimum unassigned fund balance of twelve percent of General Fund operating revenues. This threshold must be met before other reserves are funded. The goal was met for fiscal year 2018.

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2017, the Board reviewed the County's financial policies and made changes (R17-113) that are designed to improve debt ratios and to strengthen and clarify fund balance reserve policies. Amounts in excess of the required minimum unassigned fund balance are assigned to the reserves according to the following hierarchy all of which are in the committed fund balance:

- Revenue Stabilization Reserve – after the minimum unassigned fund balance threshold is met, a minimum of one half of one percent of general fund revenue, with a goal of two percent, is added to the reserve for use during times of economic downturn when reduced revenues create fiscal stress. The trigger for drawing on the reserve is a two percent revenue shortfall within a single fiscal year. Withdrawal amounts may not exceed one-half of the reserve balance. The reserve will be used in combination with spending cuts. The reserve will not be used to offset a tax rate change. Replenishment is required within five years.
- Capital Projects Reserve - $1.5 million for capital needs, to reduce reliance on debt, provide cash flow for capital projects and pay down high interest debt when advantageous.
- Stafford Opportunity Reserve – $500,000 to enhance and promote economic development opportunities.
- Healthcare Costs Reserve – an amount equal to the estimated claims incurred but not reported (IBNR) plus ten percent of annual claims. Any healthcare savings realized after all reserve needs have been met will be set aside for contribution to the County's OPEB Trust Fund.
- Purchase of Development Rights Reserve – if funds are available from positive results of operation after all reserves are at policy levels, the first $ 250,000 will be transferred to the Reserve.
- Schools Capital Project Reserve - $ 1.5 million for capital needs to reduce reliance on debt, provide cash flow and pay down light interest debt when advantageous.
- Any remaining available fund balance after the reserves have been fully funded will go to the Capital Projects Reserve.

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification for Governmental Funds:

	General Fund	Transportation Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
Nonspendable					
Prepaids	$ 421,849			$ 12,500	$ 434,349
Inventory	10,266				10,266
Restricted					
Grant expenditures	801,266				801,266
Expenses utilizing appropriations	7,965				7,965
Drug enforcement				167,187	167,187
Claims fluctuation reserve	2,788,886				2,788,886
Court fees	110,397				110,397
Tourism	938,293				938,293
Capital projects		9,955,078	12,891,437	8,726,780	31,573,295
Committed					
Armed Services, Wetlands & Hidden Lake				210,959	210,959
Stafford Opportunity fund	500,000				500,000
Capital projects reserve	1,500,000				1,500,000
Available for projects	4,102,806				4,102,806
Available for school projects	660,537				660,537
Purchase of development rights	1,927,208				1,927,208
Health insurance	876,509				876,509
Schools CIP funding	1,208,329				1,208,329
Road improvements	3,000,000				3,000,000
Revenue stabilization reserve	6,103,000				6,103,000
School capital project reserve	1,500,000				1,500,000
Repair, replacement and rehab reserves	2,656,518				2,656,518
Courthouse recordation reserve	993,995				993,995
Assigned					
Expenditures on prior appropriations	4,472,562				4,472,562
Corrections/Juvenile Detention Center	500,043				500,043
CSA reserve	500,000				500,000
Expenditure fluctuation reserve	1,500,000				1,500,000
County capital projects	2,050,783				2,050,783
School capital projects	427,000				427,000
Fire and rescue volunteer reserve for capital	246,550				246,550
Schools meal tax - new buildings	909,758				909,758
Schools debt service - new buildings	321,092				321,092
Schools CIP funding	74,225				74,225
Courthouse debt service savings	380,200				380,200
Future operations	982,546				982,546
Unassigned	36,615,473				36,615,473
Total	$ 79,088,056	$ 9,955,078	$ 12,891,437	$ 9,117,426	$ 111,051,997

O. CASH FLOWS

In accordance with GAAP, the County has presented a Statement of Cash Flows for the Water and Sewer Fund. The cash amounts used in this Statement of Cash Flows is the equivalent of all demand deposits as well as short-term investments. For purposes of this statement, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 3 months or less.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. USE OF ESTIMATES

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

Q. OTHER POST EMPLOYMENT BENEFITS

Retiree Health Insurance

The Stafford County Retired Employees Health Insurance Plan (SCREHIP) is a single-employer defined benefit plan that provides health insurance to Stafford County retirees. The fiduciary net position of SCREHIP has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the post employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the SCREHIP fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Group Life Insurance

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

Health Insurance Credit Program

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. PENSIONS

The VRS Political Subdivision Retirement Plan is a multi-employer agent plan. 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 Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position 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.

Note 2. DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

B. INVESTMENTS

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

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

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

Note 2. DEPOSITS AND INVESTMENTS (Continued)

The County has the following recurring reported value measurements as of June 30, 2018:

Investment Type	Valuation Method	Reported Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. Agencies and Securities	Fair Value	$ 51,949,149	$ 51,949,149	$ -
Municipal Bonds	Fair Value	1,627,026	-	1,627,026
Corporate Notes and Bonds	Fair Value	18,831,265	-	18,831,265
Money Market Mutual Funds	Amortized Cost	9,112,792	-	-
LGIP	Amortized Cost	114,817,447	-	-
SNAP	Amortized Cost	12,097,542	-	-
Total		$ 208,435,221	$ 51,949,149	$ 20,458,291
Component Unit				
LGIP	Amortized Cost	$ 4,890,710	$ -	$ -
SNAP	Amortized Cost	19,383,155	-	-
Total		$ 24,273,865	$ -	$ -
Held in County's Name as Fiduciary				
U.S. Agencies and Securities	Fair Value	$ 4,441,627	$ 4,441,627	$ -
Municipal Bonds	Fair Value	$ 119,822	$ -	$ 119,822
Corporate Notes and Bonds	Fair Value	$ 2,457,119	-	2,457,119
Money Market Mutual Funds	Amortized Cost	$ 1,624,682	-	-
Total		$ 8,643,250	$ 4,441,627	$ 2,576,941

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

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

(1) Custodial Credit Risk

The County's investment securities at June 30, 2018 were held by the County or in the County's name by the County's custodial banks.

(2) Credit Risk of Debt Securities

Standard & Poor's and/or an equivalent organization on the Nationally Recognized Statistical Rating Organizations (NRSRO) list rated the County's debt investments as of June 30, 2018 and the ratings are presented on the following table using the Standard & Poor's rating scale.

Note 2. DEPOSITS AND INVESTMENTS (Continued)

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

	Short-Term		Long-Term		
Primary Government	**AAAm**	**A-1**	**AAA**	**AA**	**A**
U.S. Agencies	$ -	$ -	$ 27,203,827	$ 24,745,322	$ -
Municipal Bonds	$ -	$ -	$ -	$ 623,513	$ 1,003,513
Corporate Notes and Bonds	$ -	$ 4,396,174	$ 1,038,548	$ 12,289,403	$ 1,107,140
Money Market	$ 9,112,792	$ -	$ -	$ -	$ -
LGIP	$ 114,817,447	$ -	$ -	$ -	$ -
SNAP	$ 12,097,542	$ -	$ -	$ -	$ -
Total	$ 136,027,781	$ 4,396,174	$ 28,242,375	$ 37,658,238	$ 2,110,653
Component Unit - Stafford County Public Schools					
LGIP	$ 4,890,710	$ -	$ -	$ -	$ -
SNAP	$ 19,383,155	$ -	$ -	$ -	$ -
Total	$ 24,273,865	$ -	$ -	$ -	$ -
Held in County's Name as Fiduciary					
U.S. Agencies and Securities	$ -	$ -	$ 2,026,791	$ 2,414,836	$ -
Municipal Bonds	$ -	$ -	$ -	$ -	$ 119,822
Corporate Notes and Bonds	$ -	$ 1,199,246	$ 70,575	$ 1,187,298	$ -
Money Market Mutual Funds	$ 1,624,682	$ -	$ -	$ -	$ -
Total	$ 1,624,682	$ 1,199,246	$ 2,097,366	$ 3,602,134	$ 119,822

As of June 30, 2018, all investments were in compliance with the State Statutes administering investments of Public Funds. All investments are rated by Standard & Poor's and/or Moody's. Ratings must comply with the investment policy prior to any purchase.

(3) Concentration of Credit Risk

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

At June 30, 2018, the County did not have any investments exceeding 5% of the total investment.

(4) Interest Rate Risk

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

Note 2. DEPOSITS AND INVESTMENTS (Continued)

Investment Type	Fair Value	Investment Maturities (In Years)			
Primary Government		Less Than 1 Year	1 - 5 Years	6 - 10 Years	Over 10 Years
U.S. Agencies and Securities	$ 51,949,149	$ 10,874,423	$ 41,001,726	$ 32,259	$ 40,741
Municipal Bonds	1,627,026	1,003,513	623,513	-	-
Corporate Notes and Bonds	18,831,265	9,178,207	9,643,954	-	9,104
Money Market Mutual Funds	9,112,792	9,112,792	-	-	-
LGIP	114,817,447	114,817,447	-	-	-
SNAP	12,097,542	12,097,542	-	-	-
Total	$ 208,435,221	$ 157,083,924	$ 51,269,193	$ 32,259	$ 49,845
Component Unit - Stafford County Public Schools					
LGIP	$ 4,890,710	$ 4,890,710	$ -	$ -	$ -
SNAP	19,383,155	19,383,155	-	-	-
Total	$ 24,273,865	$ 24,273,865	$ -	$ -	$ -
Held in County's Name as Fiduciary					
U.S. Agencies and Securities	$ 4,441,627	$ 1,276,852	$ 3,164,775	$ -	$ -
Municipal Bonds	119,822	119,822	-	-	-
Corporate Notes and Bonds	2,457,119	1,572,161	884,958	-	-
Money Market Mutual Funds	1,624,682	1,624,682	-	-	-
Total	$ 8,643,250	$ 4,593,517	$ 4,049,733	$ -	$ -

C. COUNTY AND COMPONENT UNIT'S OPEB FUNDS

As of June 30, 2018, the carrying value of the County's OPEB Fund's deposits and investments held by the Virginia Pooled OPEB Trust (VML/VACo Pooled OPEB Trust) and their respective credit rating was as follows:

Investment Type	Reported Value	Credit Rating
Investment in pooled funds	$7,210,542	Not Rated

As of June 30, 2018, the carrying value of the Component Unit – Stafford County Public School's OPEB Fund's deposits and investments held by the Virginia Pooled OPEB Trust and their respective credit rating was as follows:

Investment Type	Reported Value	Credit Rating
Investment in pooled funds	$22,685,048	Not Rated

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

Note 2. DEPOSITS AND INVESTMENTS (Continued)

The Board of Trustees review, monitor, and evaluate the performance of the investments and its investment advisors in light of available investment opportunities, market conditions, and publicly available indices for the generally accepted evaluation and measurement of such performance. Specific investment information for the Virginia Pooled OPEB Trust can be obtained by writing to VML/VACo Finance Program, 919 East Main Street Suite 1100, Richmond, Virginia 23219.

Note 3. RECEIVABLES

Receivables at June 30, 2018 consist of the following:

Primary Government

	General Fund	Transportation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Totals
Property Taxes	$ 17,424,392	$ -	$ -	$ 31,271	$ -	$ 17,455,663
Accounts	3,423,826	1,351,278		331,100	6,195,413	11,301,617
Intergovernmental	6,088,475	795,402	-	548,174	-	7,432,051
Gross Receivables	26,936,693	2,146,680	-	910,545	6,195,413	36,189,331
Less:						
Allowance for uncollectible accounts	4,821,127	-	-	303	633,026	5,454,456
Net Receivables	$ 22,115,566	$ 2,146,680	$ -	$ 910,242	$ 5,562,387	$ 30,734,875

Component Unit - Stafford County Public Schools

	Totals
Accounts	$ 465,561
Intergovernmental	13,644,156
Due from Primary Government	27,073,130
Total Receivables	$ 41,182,847

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

Note 4. CAPITAL ASSETS

The following is a summary of changes in capital assets for the Primary Government's governmental activities for the fiscal year ended June 30, 2018:

PRIMARY GOVERNMENT

Governmental Activities

	Balance June 30, 2017	Increases	Decreases	Reclassifications	Transfers	Balance June 30, 2018
Capital assets not being depreciated						
Land	$ 49,871,202	$ 825,762	$ -	$ 717,596	$ -	$ 51,414,560
Intangible asset - other	1,668,570	-	-	-	-	1,668,570
Construction in progress	75,563,670	17,441,927	(776,900)	(42,151,283)	-	50,077,414
Total capital assets not being depreciated	127,103,442	18,267,689	(776,900)	(41,433,687)	-	103,160,544
Capital assets being depreciated						
Land Improvements	46,050,626	110,831	-	36,234,485	-	82,395,942
Building and building improvements	116,582,107	66,635	(398,087)	520,503	-	116,771,158
Furniture, fixtures and equipment	43,605,020	942,900	(30,135)	1,614,979	-	46,132,764
Intangible asset - software	6,284,058	48,703	-	-	-	6,332,761
Technology Infrastructure	4,952,100	324,454	-	3,049,542	-	8,326,096
Vehicles	24,272,540	2,860,278	(1,938,635)	14,178	35,413	25,243,774
Total capital assets being depreciated	241,746,451	4,353,801	(2,366,857)	41,433,687	35,413	285,202,495
Less accumulated depreciation for:						
Land Improvements	(16,317,436)	(2,879,449)	-	-	-	(19,196,885)
Building and building improvements	(38,200,125)	(3,772,242)	-	7,962	-	(41,964,405)
Furniture, fixtures and equipment	(25,869,177)	(5,204,075)	30,135	-	-	(31,043,117)
Intangible asset - software	(5,849,965)	(244,543)	-	-	-	(6,094,508)
Technology Infrastructure	(4,109,817)	(753,046)	-	-	-	(4,862,863)
Vehicles	(16,120,753)	(2,233,203)	1,326,401	-	(35,413)	(17,062,968)
Total accumulated depreciation	(106,467,273)	(15,086,558)	1,356,536	7,962	(35,413)	(120,224,746)
Total capital assets being depreciated, net	135,279,178	(10,732,757)	(1,010,321)	41,441,649	-	164,977,749
Total capital assets, governmental activities	$ 262,382,620	$ 7,534,932	$ (1,787,221)	$ 7,962	$ -	$ 268,138,293

Depreciation expense was charged to governmental functions as follows:

General government	$ 4,086,955
Judicial administration	131,373
Public safety	4,034,104
Public works	2,921,441
Parks, recreation and cultural	2,974,168
Community development	111,723
Transportation	826,794
Total	$ 15,086,558

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for Primary Government's business-type activities for the fiscal year ended June 30, 2018:

PRIMARY GOVERNMENT
Business-type Activities
Water and Sewer Fund

	Balance June 30, 2017	Increases	Decreases	Reclassifications	Transfers	Balance June 30, 2018
Capital assets not being depreciated:						
Land	$ 19,053,161	$ -	$ -	$ -	$ -	$ 19,053,161
Intangible asset - other	4,035,282	-	-	-	-	4,035,282
Construction in progress	159,374,827	9,999,987	(10,841)	(155,609,886)	-	13,754,087
Total capital assets not being depreciated	182,463,270	9,999,987	(10,841)	(155,609,886)	-	36,842,530
Capital assets being depreciated:						
Land Improvements	618,111	81,076	-	-	-	699,187
Building and building improvements	4,223,105	60,428	-	10,672	-	4,294,205
Distribution and collection systems	410,674,389	13,597,822	-	153,708,719	-	577,980,930
Furniture, fixtures and equipment	15,189,195	634,152	(122,906)	1,890,495	123,912	17,714,848
Intangible asset - software	240,638	-	-	-	-	240,638
Technology Infrastructure	610,759	159,331	-	-	-	770,090
Vehicles	4,303,589	719,216	(66,114)	-	(242,492)	4,714,199
Total capital assets being depreciated	435,859,786	15,252,025	(189,020)	155,609,886	(118,580)	606,414,097
Less accumulated depreciation for:						
Land Improvements	(349,551)	(25,136)	-	-	-	(374,687)
Building and building improvements	(2,386,944)	(118,828)	-	-	-	(2,505,772)
Distribution and collection systems	(169,947,815)	(12,360,090)	-	-	-	(182,307,905)
Furniture, fixtures and equipment	(12,243,387)	(897,145)	111,457	-	(123,912)	(13,152,987)
Intangible asset - software	(204,587)	(9,013)	-	-	-	(213,600)
Technology Infrastructure	(392,621)	(16,928)	-	-	-	(409,549)
Vehicles	(2,990,191)	(497,414)	66,114	-	242,492	(3,178,999)
Total accumulated depreciation	(188,515,096)	(13,924,554)	177,571	-	118,580	(202,143,499)
Total capital assets being depreciated, net	247,344,690	1,327,471	(11,449)	155,609,886	-	404,270,598
Total capital assets, business-type activities	$ 429,807,960	$ 11,327,458	$ (22,290)	$ -	$ -	$ 441,113,128

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets, except for fleet services fund, for Stafford County Public Schools' governmental activities for the fiscal year ended June 30, 2018:

COMPONENT UNIT – Stafford County Public Schools
Governmental Activities

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

Depreciation expense was charged to governmental functions as follows:

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

Note 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for Stafford County Public Schools' proprietary fund for the fiscal year ended June 30, 2018:

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

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

Note 5. LONG-TERM LIABILITIES

A. PRIMARY GOVERNMENT – GOVERNMENTAL ACTIVITIES

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

	Amounts Payable at June 30, 2017	Increases	Decreases	Amounts Payable at June 30, 2018	Amounts Due within One Year
Bonds Payable:					
General Obligation bonds	$ 337,758,148	$ 16,210,000	$ (20,618,499)	$ 333,349,649	$ 21,795,996
Lease Revenue Bonds	7,315,000	-	(6,815,000)	500,000	40,000
Plus amounts for bond premiums	28,124,783	2,572,452	(1,954,516)	28,742,719	1,952,012
Bonds payable including amounts for bond premiums	373,197,931	18,782,452	(29,388,015)	362,592,368	23,788,008
Literary loans	1,330,739	-	(466,149)	864,590	216,149
VRA loan	74,634,850	9,975,000	(2,263,106)	82,346,744	5,114,050
Capital leases	11,186,218		(2,548,836)	8,637,382	2,242,668
Net Pension Liability	25,809,901	11,762,358	(20,714,787)	16,857,472	
*Net OPEB Liability	93,137,139		(8,284,940)	84,852,199	
**Compensated absences	7,469,686	5,971,107	(5,676,530)	7,764,263	3,123,457
Governmental activities long-term liabilities	$ 586,766,464	$ 46,490,917	$ (69,342,363)	$ 563,915,018	$ 34,484,332

* Restated for implementation of GASB 75, see note 18.

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

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2019	$ 21,795,996	$ 13,767,342	$ 40,000	$ 24,051
2020	21,641,214	12,718,709	40,000	22,175
2021	20,920,408	11,689,524	40,000	20,350
2022	21,050,176	10,664,597	45,000	18,322
2023	20,365,183	9,646,039	45,000	16,016
2024-2028	109,861,672	33,080,767	235,000	44,972
2029-2033	102,760,000	9,915,398	55,000	1,409
2034-2038	14,955,000	1,349,888	-	-
Total	$ 333,349,649	$ 102,832,264	$ 500,000	$ 147,295

Year Ending June 30,	Literary Loans	
	Principal	Interest
2019	$ 216,149	$ 25,938
2020	216,149	19,453
2021	216,149	12,969
2022	216,143	6,484
2023	-	-
Total	$ 864,590	$ 64,844

Note 5. LONG-TERM LIABILITIES (Continued)

Year Ending June 30,	Capital Leases Principal	Capital Leases Interest	VRA Loan Principal	VRA Loan Interest
2019	$ 2,242,668	$ 188,606	$ 5,114,050	$ 3,420,517
2020	1,801,826	138,450	5,300,247	3,212,322
2021	1,847,255	93,021	5,406,703	2,971,526
2022	691,881	58,030	5,528,424	2,715,761
2023	708,196	41,715	5,665,416	2,444,828
2024-2028	1,345,555	39,750	20,951,904	9,168,914
2029-2033	-	-	18,740,000	4,703,272
2034-2038	-	-	15,640,000	1,064,716
Total	$ 8,637,381	$ 559,572	$ 82,346,744	$ 29,701,856

Total Debt Service Payments by year

Year Ending June 30,	Principal	Interest
2019	$ 29,408,863	$ 17,426,454
2020	28,999,436	16,111,109
2021	28,430,515	14,787,390
2022	27,531,624	13,463,194
2023	26,783,795	12,148,598
2024-2028	132,394,131	42,334,403
2029-2033	121,555,000	14,620,079
2034-2038	30,595,000	2,414,604
Total	$ 425,698,364	$ 133,305,831

Note 5. LONG-TERM LIABILITIES (Continued)

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
Governmental Activities					
General Obligation Bonds					
County:					
Public Improvements (Refunding)	6/13/2012	10/1/2021	3.43 – 5.13%	$ 4,810,000	$ 1,920,000
Public Improvements	6/27/2013	7/1/2033	3.13%	24,075,000	19,275,000
Parks and Transportation	8/11/2015	6/30/2036	3.00-5.00%	28,885,000	9,275,000
Parks and Transportation	5/24/2017	6/30/2037	3.00-5.00%	12,060,000	12,060,000
Total General Obligation – County					$42,530,000
Schools:					
VPSA Series 1998A	4/30/1998	7/15/2018	4.35 – 5.30%	11,560,000	575,000
VPSA Series 1998B-1	11/19/1998	7/15/2018	4.35 – 5.10%	4,345,729	247,440
VPSA Series 1998B-2	11/19/1998	7/15/2018	4.35 – 5.10%	9,845,000	490,000
VPSA Series 1999A	5/13/1999	7/15/2019	4.10 – 5.23%	18,000,000	1,800,000
VPSA Series 1999B	11/18/1999	7/15/2019	5.10 – 6.10%	9,805,170	1,097,772
VPSA Series 2000A	5/18/2000	7/15/2020	5.10 – 5.60%	9,240,000	1,380,000
VPSA Series 2000B	11/16/2000	7/15/2020	4.98 – 5.85%	4,260,000	630,000
VPSA Series 2001A	5/17/2001	7/15/2021	4.85 – 5.60%	10,135,000	2,020,000
VPSA Series 2001B	11/15/2001	7/15/2021	3.10 – 5.35%	9,257,513	1,998,385
VPSA Series 2002A	5/16/2002	7/15/2022	5.10 – 5.60%	2,685,000	660,000
VPSA Series 2002B	11/7/2002	7/15/2022	4.10 – 5.10%	1,815,000	450,000
VPSA Series 2003A	5/15/2003	7/15/2023	3.10 – 5.35%	6,905,000	2,070,000
VPSA Series 2003B	11/1/2003	7/15/2028	3.10 – 5.35%	54,070,000	32,195,000
VPSA Series 2003C	11/1/2003	7/15/2023	3.10 – 5.35%	5,494,768	1,841,052
VPSA Series 2004A	5/13/2004	7/15/2029	4.85 – 5.10%	8,470,000	5,375,000
VPSA Series 2004B	11/10/2004	7/15/2029	4.10 – 5.6%	9,700,000	6,110,000
VPSA Series 2005A	5/12/2005	7/15/2030	4.10 – 5.1%	17,895,000	11,930,000
VPSA Series 2005B	11/10/2005	7/15/2030	4.35 – 5.1%	9,810,000	6,555,000
VPSA Series 2006A	5/12/2006	7/15/2031	4.10 – 5.1%	41,035,000	28,845,000
VPSA Series 2006B	11/9/2006	7/15/2032	4.225 – 5.1%	6,310,000	4,390,000
VPSA Series 2007A	5/10/2007	7/15/2032	4.10 – 5.1%	13,620,000	10,035,000
VPSA Series 2007B	11/8/2007	1/15/2033	4.40 – 5.1%	10,600,000	7,845,000
VPSA Series 2008A	5/19/2008	7/15/2033	4.10 – 5.1%	11,500,000	8,875,000
VPSA Series 2008B	12/11/2008	7/15/2033	4.10 – 5.4%	1,700,000	1,315,000
VPSA Series 2010A	5/13/2010	7/15/2025	3.05 – 5.05%	5,740,000	3,490,000
Qualified School Construction Bonds	7/8/2010	7/15/2031	5.31%	1,305,000	705,000
VPSA Series 2010C	11/10/2010	7/15/2030	2.05 – 3.55%	2,305,000	1,675,000
VPSA Series 2011A	5/5/2011	7/15/2031	2.05 – 4.30%	5,625,000	4,445,000
VPSA Series 2011B	11/9/2011	7/15/2031	2.05 – 5.05%	9,845,000	7,685,000
VPSA Series 2012A	5/10/2012	7/15/2032	2.55 – 5.05%	11,860,000	9,330,000
VPSA Series 2012B	11/15/2012	7/15/2032	2.15 – 5.05%	16,220,000	13,175,000
VPSA Series 2013A	5/9/2013	7/15/2033	3.05 – 5.05%	13,820,000	11,845,000
VPSA Series 2013B	11/15/2013	7/15/2033	2.30 – 5.05%	12,575,000	10,920,000
VPSA Series 2014A	5/15/2014	7/15/2034	2.67 – 5.05%	16,380,000	14,430,000
VPSA Series 2014B	11/15/2014	7/15/2034	2.05 – 5.05%	15,250,000	13,655,000
VPSA Series 2015A	5/15/2015	7/15/2035	2.05 – 5.05%	6,870,000	6,435,000
VPSA Series 2015B	11/3/2015	7/15/2035	2.05 – 5.05%	18,910,000	17,805,000
VPSA Series 2016A	5/17/2016	7/15/2036	3.00 – 5.05%	1,720,000	1,640,000
VPSA Series 2016B	10/25/2016	7/15/2036	2.8 – 5.05%	8,480,000	8,275,000
VPSA Series 2017A	5/17/2017	7/15/2037	3.05 – 5.05%	10,370,000	10,370,000
VPSA Series 2017B	10/01/2017	7/15/2037	2.05 – 5.05%	7,585,000	7,585,000
VPSA Series 2018A	5/11/2018	7/15/2032	3.05 – 5.05%	8,625,000	8,625,000
Total General Obligation – Schools					$290,819,649

Note 5. LONG-TERM LIABILITIES (Continued)

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
State Literary Fund Loans					
Rocky Run Elementary School	8/15/2001	8/15/2021	3.0%	$4,322,974	$864,590
Total State Literary Fund Loans					$864,590
VRA Loans					
Crows Nest 2008	04/18/2008	04/01/2028	3.0%	9,500,000	5,376,744
Refunding LRBs 06/08	08/15/2014	10/01/2036	3.1%	64,335,000	60,300,000
Solid Waste 2015	11/04/2015	10/01/2023	3.12 – 5.13%	1,855,000	1,455,000
Animal Shelter	05/24/2017	10/01/2036	2.99 – 5.43%	5,430,000	5,240,000
Fire Station 14 & refunding	11/1/2017	10/01/2037	2.86 – 5.13%	9,975,000	9,975,000
Total VRA Loans					82,346,744
Lease Revenue Bonds:					
Hidden Lake Dam	6/19/2008	10/1/2028	3.00 – 4.93%	800,000	40,000
Hidden Lake Dam Refunding	11/02/2016	10/1/2028	4.38 – 5.13%	460,000	460,000
Total Lease Revenue Bonds					500,000
Total Bonds Payable					$ 417,060,983

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Land	$ 59,386
Equipment	16,725,723
Vehicles	3,128,339
Less: Accumulated depreciation	(11,358,216)
Total	$ 8,555,232

In June, 2008, the County obtained $800,000 Lease Revenue financing on behalf of the homeowners of the Hidden Lake Subdivision for dam renovations through the Virginia Resources Authority. Homeowners are assessed an ad valorem tax of $0.22 per $100 of assessed valuation, with collections designated for debt service on the financing. These bonds sold at a premium, yielding an additional $35,348 for project purposes.

NOTE 5. LONG-TERM LIABILITIES (Continued)

The County's 2006 and 2008 Lease Revenue Bonds were defeased and the liability for those bonds have been removed from the government-wide statement of net position. As of June 30, 2018, the remaining value of outstanding defeased bonds is $ 54,330,000.

In November of 2015, the County and the City of Fredericksburg obtained a loan through the Virginia Resources Authority (VRA) to fund the Rappahannock Regional Solid Waste Management Board's (R-Board) construction of a new landfill cell, cell F2. These loans are secured by the proportion financed and letters of credit and are payable principally from payments received from the R-Board. As of June 30, 2018, the principle balance of the County's share of the loan is $1,455,000.

On November 2, 2016, the County issued $460,000 in bonds through the VRA Virginia Pooled Financing Program with an interest rate ranging between 4.375% to 5.125% to advance refund $485,000 of outstanding 2008 lease revenue bonds for the Hidden Lake Dam with an interest rate ranging between 3.00% to 4.93%. The net proceeds of $523,800 (after premium of $102,188 and payment of $38,388 of bond issuance costs) were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 lease revenue bonds. As a result, the 2008 lease revenue bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. As of June 30, 2018, the remaining value of the outstanding defeased bonds is $485,000. The result of this transaction reduced interest expense of $ 31,041 of the County's fund activities.

On November 1, 2017 the County issued $9,975,000 in bonds through the VRA Virginia Pooled Financing Program with an interest rate ranging between 2.286% to 5.125%. $4,085,000 of the issue was to advance refund $4,280,000 of outstanding 2008 lease revenue bonds with an interest rate ranging between 4.00% to 5.00%. The net proceeds of $4,367,492 (after premium of $353,100 and payment of $52,887 of bond issuance costs) were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 lease revenue bonds. As a result, the 2008 lease revenue bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. As of June 30, 2018, the remaining value of the outstanding defeased bonds is $1,780,000. The remaining $5,890,000 of the bonds was used for the construction of a fire station.

The County has moral obligation pledges as follows:

- $2,030,000 for three Virginia Resources Authority loans secured by the Stafford Regional Airport to fund various site improvements;

- $1,660,000 over the next eight years to the Rappahannock Regional Solid Waste Management Board.

NOTE 5. LONG-TERM LIABILITIES (Continued)

B. PRIMARY GOVERNMENT – BUSINESS-TYPE ACTIVITIES

	Amounts Payable at June 30, 2017	Increases	Decreases	Amounts Payable at June 30, 2018	Amounts Due within One Year
Bonds Payable:					
Revenue bonds	$ 75,960,000	$ -	$ (1,920,000)	$ 74,040,000	$ 2,010,000
VRA loan	24,529,853	-	(1,592,042)	22,937,811	1,614,851
Plus amounts for bond premiums	8,826,538	-	(417,499)	8,409,039	417,499
Total Bonds payable including amounts for bond premiums/(discounts)	109,316,391	-	(3,929,541)	105,386,850	4,042,350
Net Pension Liability	4,554,005	1,941,550	(3,419,280)	3,076,275	-
*Net OBEB Liability	17,768,445	-	(1,583,465)	16,184,980	-
Compensated absences	1,237,273	1,006,415	(1,023,001)	1,220,687	496,668
Business-type activities long-term liabilities	$ 132,876,114	$ 2,947,965	$ (9,955,287)	$ 125,868,792	$ 4,539,018

* Restated for implementation of GASB 75, see note 18.

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

Year Ending June 30,	Revenue Bonds Principal	Revenue Bonds Interest	VRA Loans Principal	VRA Loans Interest
2019	$ 2,010,000	$ 3,124,588	$ 1,614,851	$ 331,805
2020	2,105,000	3,032,591	1,638,087	308,569
2021	2,200,000	2,935,725	1,661,759	284,897
2022	2,300,000	2,837,113	1,685,878	260,778
2023	2,405,000	2,730,372	1,710,454	236,203
2024-2028	13,950,000	11,724,725	8,937,644	795,640
2029-2033	17,450,000	8,228,091	5,689,138	150,831
2034-2038	16,475,000	4,472,447	-	-
2039-2043	15,145,000	1,590,291	-	-
Total	$ 74,040,000	$ 40,675,943	$ 22,937,811	$ 2,368,723

Year Ending June 30,	Principal	Interest
2019	$ 3,624,851	$ 3,456,393
2020	3,743,087	3,341,160
2021	3,861,759	3,220,622
2022	3,985,878	3,097,891
2023	4,115,454	2,966,575
2024-2028	22,887,644	12,520,365
2029-2033	23,139,138	8,378,922
2034-2038	16,475,000	4,472,447
2039-2043	15,145,000	1,590,291
Total	$ 96,977,811	$ 43,044,666

NOTE 5. LONG-TERM LIABILITIES (Continued)

	Sale Date	Final Maturity	Interest Rates	Original Borrowing	Principal Outstanding
Business Type Activities					
Revenue Bonds:					
Public Improvements	6/3/2012	10/1/2042	3.43-5.13%	$ 53,355,000	$ 10,555,000
Public Improvements	6/27/2014	10/1/2035	3.12-4.83%	$ 16,010,000	14,370,000
Public Improvements	11/4/2015	10/1/2035	3.22%	$ 8,620,000	8,070,000
Refunding	11/2/2016	10/1/2042	2.125-5.125%	$ 41,140,000	41,045,000
Total Revenue Bonds					$ 74,040,000
Virginia Resources Authority Loans:					
Public Improvements	7/8/2009	3/1/2031	3.35%	$ 23,681,363	$ 16,177,858
Public Improvements	7/27/2009	3/1/2031	2.34-4.20%	$ 9,606,478	6,759,953
Total Virginia Resources Authority					$ 22,937,811

The County has pledged future water and sewer customer revenues, net of specified operating expenses, to repay $75.9 million in water system revenue bonds issued at various times. Proceeds from the bonds provided financing for the construction and rehabilitation of the water-sewer system. The bonds are payable solely from water customer net revenues and are payable through 2042. Annual principal and interest payments on the bonds are expected to require less than 23 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $114,715,941. Principal and interest paid on revenue bonds for the current year and total customer net revenues were $5,137,244 and $35,826,615, respectively. In addition to pledged revenues, the County must meet certain debt service ratio requirements in accordance with the bond indentures. At June 30, 2018, the County was in compliance with all ratio requirements.

On November 2, 2016, the County issued $41,140,000 in bonds through the VRA Pooled Financing Program with interest rate ranging between 2.125% to 5.125% to advance refund $38,355,000 of outstanding 2012 lease revenue bonds interest rates ranging between 3.43% to 5.13%. The net proceeds of $46,347,632 (after premium of $5,528,297 and payment of $320,665 of bond issuance costs) were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2012 lease revenue bonds. As a result, the 2012 lease revenue bonds are considered to be defeased and the liability for those bonds have been removed from the government-wide statement of net position. As of June 30, 2018, the remaining value of the outstanding defeased bonds is $38,355,000. The result of the refunding saved the County $2,027,634 in future debt service and resulted in $1,393,401 economic gain.

C. Net Investment in Capital Assets

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

	Governmental Activities	Business-Type Activities
Capital Assets, Net	$ 268,138,293	$ 441,113,128
Less: Long-term debt related to capital assets	(425,698,364)	(96,977,811)
Less: Unamortized Premiums	(28,742,720)	(8,409,039)
Add: Unamortized loss	3,552,753	2,377,019
Add: Long term debt and premiums relation to SCPS' assets	307,394,047	-
Add: Unspent bond proceeds from non-SCPS' debt	15,441,885	-
Net Investment in Capital Assets	$ 140,085,894	$ 338,103,297

NOTE 5. LONG-TERM LIABILITIES (Continued)

D. COMPONENT UNIT – Stafford County Public Schools

	Amounts Payable at June 30, 2017	Increases	Decreases	Amounts Payable at June 30, 2018	Amounts Due within One Year
Governmental Activities:					
General Long-Term Debt:					
Capital Leases	$ 1,547,901	$ -	$ 297,323	$ 1,250,578	$ 303,329
Compensated Absences*	6,625,020	-	410,873	6,214,147	534,486
Note Payable-Stafford County	780,000	-	75,000	705,000	75,000
Total	8,952,921	-	783,196	8,169,725	912,815
Internal Service Funds:					
Capital Lease	160,693	-	30,374	130,319	31,232
Compensated Absences	156,952	-	1,666	155,286	13,956
Total	317,645	-	32,040	285,605	45,188
Total	$ 9,270,566	$ -	$ 815,236	$8,455,330	$ 958,003

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

Note 6. DEFINED BENEFIT PENSION PLAN

A. PLAN DESCRIPTION

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

All full-time, salaried permanent (professional) employees of Political Subdivisions participating employers are automatically covered by VRS upon employment. 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 public 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 duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/pdf/publications/2017-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

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

	County Number	School Board Non Professional Number
Inactive members or their beneficiaries currently receiving benefits	387	177
Inactive members:		
Vested	133	34
Non-vested	192	119
Active elsewhere in VRS	185	52
Total inactive members	510	205
Active members	860	302
Total covered employees	1,757	684

B. Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2018 was 9.55% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan by the County were $5,135,417 for the year ended June 30, 2018.

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

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

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

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

The School Board's professional contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015, 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 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 $24,089,528 for the year ended June 30, 2018.

C. Net Pension Liability

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

At June 30, 2017, the County and the County's Rappahannock Regional Solid Waste Management Board (RBoard) reported a collective pension liability of $20,418,784 for its proportionate share of the net pension liability (collectively the County). This amount is comprised of $19,933,746 for the County and $485,037 for the RBoard. The net pension liability was measured as of June 30, 2017.

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions – General Employees

The total pension liability for the VRS retirement plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods including in the measurement and rolled forward to the measurement date as of June 30, 2017.

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:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the County's retirement plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2017.

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related
Pre-Retirement:
RP-2014Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) –Hazardous Duty: 45% of deaths are assumed to be service related
Pre-Retirement:
RP-2014Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%

NOTE 6. BENEFIT PENSION PLAN (Continued)

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

Long-Term Expected Rate of Return

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

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

NOTE 6. BENEFIT PENSION PLAN (Continued)

Discount Rate

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

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

Change in the net pension liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	$ 182,387,062	$151,296,178	$31,090,884
Changes for the Year:			
Service Cost	5,550,497	-	5,550,497
Interest	12,508,742	-	12,508,742
Change of Assumptions	(1,002,770)	-	(1,002,770)
Difference between expected & actual experience	(2,070,636)	-	(2,070,636)
Contributions-employer	-	4,721,720	(4,721,720)
Contributions-employee	-	2,515,641	(2,515,641)
Net investment income	-	18,542,305	(1,854,305)
Benefit payments, including refunds of employee contributions	(7,381,507)	(7,381,507)	-
Administrative charges	-	(105,161)	105,161
Other charges	-	(16,572)	16,572
Net changes	9,317,775	18,276,426	(10,672,100)
Balances at June 30, 2017	$189,991,388	$169,572,604	$20,418,784

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

The Net Pension Liability:

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

	Net Pension Liability
Governmental Activities	$ 16,857,472
Business type Activities	3,076,274
Rappahannock Regional Solid Waste Management Board	485,038
	$ 20,418,784

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

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

	1% Decrease (6.00%)	**Current Discount Rate (7.00%)**	**1% Increase (8.00%)**
County net pension liability	47,052,083	20,418,784	(1,543,914)

Detailed information about the pension plans' fiduciary net position are available in the separately issued VRS financial report. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

COMPONENT UNIT – Stafford County Public Schools

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

At June 30, 2018, the School Board reported a liability for the professional plan of $235,676,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion was 1.91638% as compared to 1.88465% at June 30, 2016.

NOTE 6. BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions – School Board Non-Professional Plan

The total pension liability for non-professionals in the School Board's retirement plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 %
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment 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:	15% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

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

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2017.

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions – School Board Professional Plan

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

Mortality Rates:

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

The actuarial assumptions used in the June 30, 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:

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

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

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

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

NOTE 6. BENEFIT PENSION PLAN (Continued)

C. <u>CHANGES IN THE NET PENSION LIABILITY</u>

School Board Non-Professional

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

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:

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

Detailed information about the pension plans' Fiduciary Net Position 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 CAFR. A copy of the 2016 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-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.

NOTE 6. BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2018, the County recognized pension expense of $2,522,361. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 5,973,656	$ 8,480,828
Net difference between expected and actual experience	-	2,534,546
Change of Assumptions	-	769,024
County contributions subsequent to the measurement date	5,135,417	-
Total	$ 11,109,073	$ 11,784,398

$5,135,417 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	$ (2,561,542)
2020	(443,964)
2021	(1,005,040)
2022	(1,799,933)
2023	-
Thereafter	-
	$ (5,810,479)

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

	Deferred Outflows	Deferred Infows
Governmental Activities	$ 8,411,158	$ 8,993,777
Business type Activities	2,459,164	2,540,412
Rappahannock Regional Solid Waste Management Board	238,751	250,209
Total	$ 11,109,073	$ 11,784,398

NOTE 6. BENEFIT PENSION PLAN (Continued)

School Board Non-Professional

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

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

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

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 8,562,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,654,000	5,218,000
Change in assumptions	3,439,000	-
Difference between expected and actual experience	-	16,688,000
Employer contributions subsequent to the measurement date	24,089,528	-
Total	$ 32,182,528	$ 30,468,000

NOTE 6. BENEFIT PENSION PLAN (Continued)

The $24,089,528 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions for the professional plan subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

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

Note 7. OTHER POST EMPLOYMENT BENEFITS

Primary Government:

A. Plan Description

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

The County provides post employment healthcare insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. **The employees receiving benefits under this plan include employees of Stafford County, employees of the Rappahannock Regional Solid Waste Management Board (R-Board) and employees of the George Washington Regional Commission (GWRC). Stafford County has an operating agreement to manage the R-Board landfill effectively giving the R-Board employees the same benefits as Stafford County employees. Stafford County also has a memorandum of understanding with the GWRC to provide payroll and benefit services to its employees.** The benefits, employee/retiree contributions and employer contributions are determined by the County through its personnel compensation plan. They may be amended by action of the governing body – the Board of Supervisors. The plan does not issue a separate financial report. The plan is managed by an OPEB Committee consisting of three members – the Treasurer, the Chief Financial Officer and a member of the Board of Supervisors.

B. Benefits Provided

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

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

C. Membership

At June 30, 2017 membership consisted of:

Retirees and beneficiaries currently receiving benefits	167
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	754
Total	**921**

D. Contributions

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

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

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

E. Investment Policy

The County's assets are invested in the VML/VACo Financial Pooled OPEB Trust Fund. The investment objective of the fund is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection.

The fund is segregated and managed as two distinct portfolios that are referred to as Portfolio I and Portfolio II. The County's OPEB funds are in invested in Portfolio I, which is structured to achieve a compound annualized total expected rate of return over a market cycle, including current income and capital appreciation, of 7.5%. The investment performance of each Portfolio will be reviewed quarterly and compared on a rolling three year basis and over other relevant time periods to the following: (a) a composite benchmark comprised of each asset classes' market index benchmarks, weighted by each Portfolio's long-term policy allocations, and (b) a peer group of other similar size fund sponsors.

The performance of each investment manager within each portfolio will be reviewed quarterly and compared on a rolling three year basis and over other relevant time periods to each individual manager's agreed upon style specific benchmarks and peer group universes as specified in the Appendix. Active managers are expected to lead their respective benchmarks and perform consistently above median, net of fees, annually over a three-year rolling period.

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Forecasts of the arithmetic long-term(LT) real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are included in the table below. The LT rates of return in the table are arithmetic; they are used as inputs for the model to arrive at the median returns for the portfolio which are geometric. When calculating the median rates, which are used to set the target rates, the intermediate term rates are used for the first 10 years and the LT rates for all years thereafter.

There are no investments in any one organization that represent 5% or more of the OPEB Trust's fiduciary net position.

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was +9.52 percent for Portfolio I. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Listed below is the target allocation.

VML/VACo Pooled OPEB Trust FY2018 Portfolio 1	Target Allocation	Expected LT Return (Nominal)	Expected LT Inflation	Expected LT Return (Real)
Total Equity	**59%**	**11.85**	**3.48**	**8.37**
Large Cap Equity (Domestic)	26%	11.01	**3.48**	7.53
Small Cap Equity (Domestic)	10%	12.27	**3.48**	8.79
International Equity (Develeoped)	13%	11.99	**3.48**	8.51
Emerging Markets	5%	13.28	**3.48**	9.80
Private Equity	5%	13.64	**3.48**	10.16
Fixed Income	**21%**	**6.40**	**3.48**	2.92
Core Bonds	7%	6.22	**3.48**	**2.74**
Core Plus	14%	6.49	**3.48**	3.01
Diversified Hedge Funds	**10%**	**8.77**	**3.48**	5.29
Real Assets	**10%**	**8.52**	**3.48**	**5.04**
Real Estate	7%	9.74	**3.48**	6.26
Private Core RE	5%	9.39	**3.48**	5.91
Private Value Add RE	2%	10.63	**3.48**	7.15
Commodities	3%	5.66	**3.48**	2.18

F. Actuarial Methods and Assumptions

An actuarial valuation was performed as of June 30, 2017 and updated procedures were used to roll forward the total OPEB liability to the OPEB plan's year end of June 30, 2018.

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

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

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

Inflation	2.30%
Salary increases	*General employees:* 5.35% initially, decreasing to 3.50% over 20 year period, including inflation; depends on service *Sheriff/Fire:* 4.75% initially, decreasing to 3.50% over 20 year period, including inflation; depends on service
Investment rate of return	7.00%, including inflation
Discount rate	3.58% as of 6/30/2017, 3.62% as of 6/30/2018
Bond rate	3.58% as of 6/30/2017
Healthcare cost trend rate	Pre medicare 4.05%-6.48% - Post medicare 3.96% -5.90%

Mortality rates for general employees and healthy retirees were based on a RP 2000 Combined Healthy Table, sex distinct fully generational using Scale AA, while Sheriff and Fire and Rescue employee rates were based on RP 2000 Combined Healthy Table with Blue Collar adjustment, sex distinct, fully generational using Scale AA. Mortality rates for disabled retirees were based on RP 2000 Combined Disabled Table, sex distinct.

Because Stafford County did not make any contributions to plan assets in FY2017, the plan is treated like an unfunded plan so there are no assumptions for projected cash flows and a long-term expected rate of return.

The municipal bond rated used as of June 30, 2017 is 3.58%. This rate is based on the Bond Buyer General Obligation 20-year Bond Municipal Bond Index.

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

G. Plan Statements for the Fiscal Year Ended June 30, 2018

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2017	$ 106,393,000	$ 6,158,000	$ 100,235,000
Changes for the Year:			
Service Cost	5,083,380	-	5,083,380
Interest	3,784,739	-	3,784,739
Experience Losses	(104,742)	-	(104,742)
Employer Trust Contributions	-	1,713,424	(1,713,424)
Net Investment Income	-	582,422	(582,422)
Changes in Assumptions	(906,877)	-	(906,877)
Total Benefit Payments	(1,243,304)	(1,243,304)	-
Net Changes	6,613,196	1,052,542	5,560,654
Balance as of June 30, 2018	$ 113,006,196	$ 7,210,542	$ 105,795,654

The Fiduciary Net Position is 6.38 % of the total OPEB Liability.

Sensitivity of the Net OPEB Liability to changes in the Discount Rate

The following table presents the plan's Net OPEB Liability and the effects of using a discount rate that is 1 percentage point lower or 1 percentage point higher than the discount rate of 3.62%.

	1% Decrease	Discount Rate	1% Increase
Discount Rate	2.62%	3.62%	4.62%
Net OPEB Liability	$ 130,849,266	$ 105,795,654	$ 86,427,492

Sensitivity of the Net OPEB Liability to changes in the Healthcare Costs Rate

The following table presents the plan's Net OPEB Liability and the effects of using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the medical trend rate of 3.90%.

	1% Decrease	Medical Trend	1% Increase
Healthcare Costs Rate	2.90%	3.90%	4.90%
Net OPEB Liability	$ 83,021,671	$ 105,795,654	$ 136,441,335

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

H. Change in Net OPEB Liability of the County

The measurement date was June 30, 2017 as the actuarial valuation was performed as of June 30, 2017, the net OPEB Liability per the valuation was $100,235,000 to be recognized on June 30, 2018. Of this amount, the General Fund and Water and Sewer Fund recognized $96,885,147 on June 30, 2018. The difference of $3,349,853 consists of $2,445,734 pertaining to the R-Board and $904,119 pertaining to GWRC.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2016	$ 115,155,000	$ 4,987,000	$ 110,168,000
Changes for the Year:			
Service Cost	6,108,000		6,108,000
Interest	3,270,000		3,270,000
Employer Trust Contributions		1,340,000	(1,340,000)
Net Investment Income		642,000	(642,000)
Chagnes in Assumptions	(17,335,000)		(17,335,000)
Expenses		(6,000)	6,000
Total Benefit Payments	(805,000)	(805,000)	
Net Changes	(8,762,000)	1,171,000	(9,933,000)
Balance as of June 30, 2017	$ 106,393,000	$ 6,158,000	$ 100,235,000

I. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the plan's Net OPEB Liability and the effects of using a discount rate that is 1 percentage point lower or 1 percentage point higher than the discount rate of 3.58%.

	1% Decrease *2.58%*	*Discount Rate* *3.58%*	*1% Increase* *4.58%*
Net OPEB Liability	$119,994,142	$96,885,147	$79,046,913

J. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trends Rate

The following table presents the plan's Net OPEB Liability and the effects of using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the medical trend rate of 3.90%.

	1% Decrease *2.90%*	*Medical Trend* *3.90%*	*1% Increase* *4.90%*
Net OPEB Liability	$76,659,460	$96,885,147	$124,005,449

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

K. OPEB Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2018, the County will recognized OPEB expense in the amount of $6,561,459. At June 30, 2018, the county reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 14,661,207
Net difference between projected and actual earnings on OPEB plan investments	-	211,874
Employer contribution made after measurement date	470,120	-
	$ 470,120	$ 14,873,081

$470,120 reported as deferred outflows of resources related to OPEB resulting from the County's contributions subsequent to the measurement date (June 30, 2017) will be recognized as a reduction of the Net OPEB Liability in the fiscal year ending June 30, 2019. Amounts reported as deferred inflows of resources will be recognized in OPEB expense in the future fiscal years and noted below:

Fiscal Year Ending June 30th	Balance
2019	$ (2,147,426)
2020	(2,147,426)
2021	(2,147,426)
2022	(2,147,426)
2023	(2,094,458)
Thereafter	(4,188,918)
	$ (14,873,081)

Additional disclosures on changes in the Net OPEB Liability, related rations, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Virginia Retirement System Group Life Insurance OPEB

Plan Description

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

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

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: City of Richmond City of Portsmouth City of Roanoke City of Norfolk Roanoke City Schools Board Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit. **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option
Reduction in benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $ 8,111.

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. The County elects to pay both the employer and employer's share. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the County were $272,772 and $262,596 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the County and the RBoard reported a combined liability of $4,120,000 for its proportionate share of the Net GLI OPEB Liability. The County reported $4,026,476 while the RBoard reported $93,524. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The County's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the County's proportion was .27380 % as compared to .26415 % at June 30, 2016.

For the year ended June 30, 2018, the County and RBoard recognized GLI OPEB expense of $72,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 92,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	155,000
Change in assumptions	-	212,000
Changes in proportion	143,000	-
Employer contributions subsequent to the measurement date	272,772	-
Total	$ 415,772	$ 459,000

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

$272,772 reported as deferred outflows of resources related to the GLI OPEB resulting from the county's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30	
FY 2019	$ (68,000)
FY 2020	$ (68,000)
FY 2021	$ (68,000)
FY 2022	$ (68,000)
FY 2023	$ (30,000)
Thereafter	$ (14,000)
	$ (316,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation 2.5 percent	
Investment rate of return	7.0 Percent, net of investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%.

However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

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

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Net GLI OPEB Liability

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

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
* Expected arithmetic nominal			7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
County's proportionate share share of Group Life Insurance Net OPEB Liability	$ 5,329,000	$ 4,120,000	$ 3,140,000

General Information about the Political Subdivision Health Insurance Credit Program

Plan Description

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

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

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

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees of participating are enrolled automatically upon employment. They include: Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees: **At Retirement** – For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month. **Disability Retirement** – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.
Health Insurance Credit Program Notes: The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	95
Inactive members:	
Vested inactive members	9
Non-vested Inactive	0
members	0
	104
Inactive members active elsewhere in	
VRS Total inactive members	493
Total covered employees	597

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County's contractually required employer contribution rate for the year ended June 30, 2018 was .13% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the Political Subdivision Health Insurance Credit Program were $39,175 and $37,726 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net HIC OPEB liability

The County's net Health Insurance Credit OPEB liability was measured as of June 30, 2017. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation 2.5 percent

Salary increases, including inflation –
Locality – General employees 3.5 percent – 5.35 percent Locality – Hazardous Duty employees 3.5 percent – 4.75 percent

Investment rate of return 7.0 Percent, net of investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for 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 the OPEB liabilities.

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP- 2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
* Expected arithmetic			7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Changes in Net HIC OPEB Liability:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2016	$ 873,138	$ 677,364	$ 195,774
Changes for the Year:			
Service Cost	23,793	-	23,793
Interest	60,120	-	60,120
Assumption Changes	(31,628)	-	(31,628)
Contricitions Employer	-	37,726	(37,726)
Net investment income	-	79,178	(79,178)
Benefit payments	(28,536)	(28,536)	-
Administration Expense	-	(1,294)	1,294
Other Changes	-	3,977	(3,977)
Net Changes	23,749	91,051	(67,302)
Balance as of June 30, 2017	$ 896,887	$ 768,415	$ 128,472

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Sensitivity of the County's Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

The following presents the County's Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the County's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's Net HIC OPEB Liability	$224,952	$128,472	$46,415

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2018, the County recognized Health Insurance Credit Program OPEB expense $22,650. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program from the following sources:

	Deferred Outflows of of Resources	Deferred Inflows Resources
Differences between expected and actual experience	$ -	$ -
Change in assumptions	-	27,148
Net difference between projected and actual earnings on HIC OPEB plan investments		25,078
Employer contributions subsequent to the Measurement date	39,175	-
Total	$ 39,175	$ 52,226

$39,175 reported as deferred outflows of resources related to the HIC OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year ended June 30

Year 1 (2019)	$ (10,749)
Year 2 (2020)	$ (10,749)
Year 3 (2021)	$ (10,749)
Year 4 (2022)	$ (10,751)
Year 5 (2023)	$ (4,480)
Thereafter	$ (4,748)
	$ (52,226)

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2017 CAFR). A copy of the 2017VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit – Stafford County Public Schools:

A. PLAN DESCRIPTION

SCPS' postemployment 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 and has no separate financial report.

B. PROVIDED BENEFITS

Plan participants are eligible for coverage based upon the following, in accordance with the eligibility provisions of the VRS retirement plan:

- Normal retirement at age 65 with 5 years of service
- Normal retirement at age 50 with 30 years of service
- Early retirement at age 50 with 10 years of service
- Early retirement at age 55 with 5 years of service

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

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

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

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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.

NET OPEB LIABILITY

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

- Discount rate 3.61%
- Inflation 2.3%
- Medical Trend Society of Actuaries Long Term Trend with 2016 baseline assumptions

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA to 2020, with males set back 2 years and females set back 3 years. Other assumptions were those used by VRS to value the School Board - Professional Pension Plan (see Note 14).

Discount Rate
The discount rate on the measurement date of June 30, 2017, was 3.61%. The new benefit payment stream was discounted based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher for years when the projected benefit payouts are expected to be unfunded and 7.00% for years when the projected benefit payouts are expected to be funded. A long-term expected rate of return on assets of 7.00% and a long-term expected rate of return on internal fund rate of 3.62% as of June 30, 2017, was used in the calculations.

C. MEMBERSHIP

At June 30, 2018 membership consisted of:

Retirees and beneficiaries currently receiving benefits	555
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	4,133
Total	4,688

The School Board establishes employer contribution rates for plan participants as part of the annual budget process. The School Board also determines whether to partially or fully fund the plan during the annual budget process. Funding for these benefits is currently made on a pay-as-you-go basis. Contributions from the School Board to program were $2,658,722 and $1,397,982 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

The contribution requirements of plan members are established and may be amended by the School Board. Dental insurance for retirees is paid 100% by the retiree. Life insurance for retirees is covered by the Virginia Retirement System.

D. INVESTMENT POLICY

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

VML/VACo Pooled OPEB Trust Portfolio I	Target Allocation	Expected LT Return	Expected LT Inflation	Expected LT Return
Total Equity	59%	11.85%	3.48%	8.37%
Large Cap Equity (Domestic)	26%	11.01%	3.48%	7.53%
Small Cap Equity (Domestic)	10%	12.27%	3.48%	8.79%
International Equity (Developed)	13%	11.99%	3.48%	8.51%
Emerging Markets	5%	13.28%	3.48%	9.8%
Private Equity	5%	13.64%	3.48%	10.16%
Fixed Income	21%	6.58%	3.48%	2.92%
Core Bonds	7%	6.40%	3.48%	2.74%
Core Plus	14%	6.67%	3.48%	3.01%
Diversified Hedge Funds	10%	9.92%	3.48%	5.29%
Real Assets	10%	8.86%	3.48%	5.04%
Real Estate	7%	9.44%	3.48%	6.26%
Private Core RE	5%	9.11%	3.48%	5.91%
Private Value Add RE	2%	10.28%	3.48%	7.15%
Commodities	3%	7.50%	3.48%	2.18%

Concentrations
For the OPEB Medical plan, the Trust does not hold investments in any one organization that represent five percent or more of the OPEB Trust's Fiduciary Net Position.

Rate of Return
For the year ended June 30, 2018 the annual money weighted rate of return on investments, net of investment expense, was 9.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

E. CHANGES IN THE NET OPEB LIABILITY

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2016	$ 170,465,662	$ 18,369,240	$ 152,096,422
Changes for the Year:			
Service cost	9,898,436	-	9,898,436
Interest	4,889,280	-	4,889,280
Experience Losses/(Gains)	(5,614,431)	-	(5,614,431)
Assumption changes	(19,337,174)	-	(19,337,174)
Contributions – employer	-	1,397,982	(1,397,982)
Net investment income	-	2,355,594	(2,355,594)
Benefit payments	(1,397,982)	(1,397,982)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	(11,561,871)	2,355,594	(13,917,465)
Balances at June 30, 2017	$ 158,903,791	$ 20,724,834	$ 138,178,957
Funded status		13.04%	

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

The following presents the Total and Net OPEB liabilities, using the discount rate of 3.61%, as well as what the Total and Net OPEB liabilities would be if they were calculated using a discount rate that is one percentage point lower (2.61%) or one percentage point higher (4.61%) than the current rate:

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

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the Total and Net OPEB liabilities, using the ultimate health care cost trend rate of 3.94%, as well as what the Total and Net OPEB liabilities would be if they were calculated using a ultimate health care cost trend rate that is one percentage point lower (2.94%) or one percentage point higher (4.94%) than the current rate:

	1% Decrease (2.94%)	Current Trend Rate (3.94%)	1% Increase (4.94%)
Total OPEB Liability	$128,865,689	$158,903,791	$202,172,819
Net OPEB Liability	$108,140,855	$138,178,957	$181,447,985

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2018, the School Board recognized OPEB expense of $10,515,519. The School Board also reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ -	$ 4,990,605
Change in assumptions	-	17,188,599
Net difference between projected and actual earnings on OPEB plan investments	-	855,798
Employer contributions subsequent to the measurement date	2,658,722	-
Total	$ 2,658,722	$ 23,035,002

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

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

Note 7. OTHER POST EMPLOYMENT BENEFITS (Continued)

Reconciliation of OPEB Plans to Financial Statements

As there are three OPEB plans for the County and they are allocated amongst various funds, a summary is provided below to reconcile the net OPEB liability, the deferred inflows and deferred outflows to the financial statements:

Net OPEB Liability

		Program		
	OPEB	OPEB - GLI	OPEB - HIC	Total by Fund
General	$ 81,288,581	$ 3,455,856	$ 107,762	$ 84,852,199
Utilities	15,596,566	570,620	17,794	16,184,980
Rboard	2,445,734	93,524	2,916	2,542,174
GWRC	904,119	-	-	904,119
Total	$ 100,235,000	$ 4,120,000	$ 128,472	$ 104,483,472

Deferred Outflows

		Program		
	OPEB	OPEB - GLI	OPEB - HIC	Total by Fund
General	$ 470,120	$ 348,749	$ 32,860	$ 851,729
Utilities	-	57,585	5,426	63,011
Rboard	-	9,438	889	10,327
Total	$ 470,120	$ 415,772	$ 39,175	$ 925,067

Deferred Inflows

		Program		
	OPEB	OPEB - GLI	OPEB - HIC	Total by Fund
General	$ 12,478,813	$ 385,009	$ 43,807	$ 12,907,629
Utilities	2,394,268	63,572	7,233	2,465,073
Rboard	375,451	10,419	1,186	387,056
GWRC	138,794	-	-	$ 138,794
Total	$ 15,387,326	$ 459,000	$ 52,226	$ 15,898,552

Note 8. INTERFUND AND COMPONENT UNIT RECEIVABLE / PAYABLE

Individual fund receivable and payable balances at June 30, 2018 are summarized as follows:

	Receivable Fund				
Payable Fund	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Component Unit Stafford County Public Schools	Total Payable
Primary Government					
General Fund	$ -	$ -	$ 418,536	$ 27,073,130	$ 27,491,666
George Washington Regional Commission	53,931				53,931
Water and Sewer Fund	-			-	-
Total Receivable	$ 53,931	$ -	$ 418,536	$ 27,073,130	$ 27,545,597

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

The interfund payable from the general fund to the Water and Sewer Fund represents a loan to fund start up storm water utility.

The interfund payable from the George Washington Regional Commission (GWRC) fund is a reclassification of cash balance to fund FY18 payroll processed by Stafford County not reimbursed by GWRC until FY19.

Note 9. Deferred Inflows

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

	Unavailable Revenue	Deferred Revenue
Property tax receivable (net)(General Fund)	$ 4,109,105	$ 1,914,719
Property tax receivable (net)(Nonmajor Governmental Funds)	34,833	
	$ 4,143,938	$ 1,914,719

Note 10. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the County and Schools totaled $ 213,520,697 for fiscal year 2018. Sources of these revenues were as follows:

	Commonwealth	Federal
Primary Government		
Governmental Funds:		
General Fund	$ 26,279,913	$ 4,554,473
Transportation Fund	1,933,510	309,933
Garrisonville Fund	3,455,490	31,474
Capital Projects Fund	433,000	-
Warrenton Road Fund	232,568	-
Tourism	4,500	-
Asset Forfeiture Fund	47,800	484,978
Total Governmental Funds	32,386,781	5,380,858
Proprietary Fund:		
Water and Sewer Fund	-	5,218
Total Primary Government	$ 32,386,781	$ 5,386,076
Component Unit - Stafford County Public Schools		
Government Funds:		
School Operating Fund	155,807,954	2,190,829
School Nutrition Fund	244,440	6,547,743
School Grants Fund	237,481	10,719,393
Total Component Unit	$ 156,289,875	$ 19,457,965
Total	$ 188,676,656	$ 24,844,041

Note 11. INTERFUND TRANSFERS

A summary of interfund transfer activity for the year ended June 30, 2018 is presented as follows:

	Transfer from Fund				
Transfer to Fund:	General Fund	Transportation Fund	Other Govt'l Funds	Water and Sewer Fund	Total Transferred In
General Fund	$ -	$ 41,000	$ 150,253	$ 24,000	$ 215,253
Transportation Fund	225,726	-	325,000	-	550,726
General Capital Projects Fund	1,196,287	-	-	700,000	1,896,287
Other Funds	1,160,500	-	-	-	1,160,500
Total Transferred	$ 2,582,513	$ 41,000	$ 475,253	$ 724,000	$ 3,822,766

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

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

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

Note 12. COMMITMENTS, CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

At June 30, 2018 the County had contractual commitments of $10.9 million for the construction of additions, enhancements, upgrades and design to the water and sewer system.

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

The County is named as defendant in several cases for which the outcome of such claims is currently not predictable. It is the opinion of County management, based on the advice of the County Attorney, that any losses incurred related to claims existing at June 30, 2018 will not be material to the County's financial position.

In November 2018 the County participated in the Fall 2018 Virginia Public School Authority issuance and sale of General Obligation School Bonds, in a principal amount of $7,435,000. Proceeds of these issues will be used to finance the purchase of a private school and building additions and renovations for an elementary school.

At June 30, 2018, the Component Unit – Stafford County Public Schools had contractual commitments of $23.2 million for construction of various projects.

Note 13. JOINT VENTURES

A. <u>RAPPAHANNOCK REGIONAL SOLID WASTE MANAGEMENT BOARD</u>

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

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

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

The County's equity interest as of June 30, 2018 was $6,239,657. During fiscal year 2018, the R-Board paid $ 252,929 in management fees to the County.

Note 13. JOINT VENTURES (Continued)

State and federal laws and regulations require the Board to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting the waste, the Board reports a portion of these closure and post closure costs as an operating expense in each period based on landfill capacity used as of each financial statement date. The $7.5 million amount reported by the Board as landfill closure and post-closure liability at June 30, 2018 represents the cumulative amount reported to date based on the percentage of use method for the estimated capacity of the landfill. One-hundred percent of the liability has been recorded for the cells that are currently closed. These amounts are based on the estimated cost to perform all closure and post-closure care in 2017. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Both Stafford County and the City of Fredericksburg have demonstrated financial assurance for these costs.

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

B. RAPPAHANNOCK REGIONAL JAIL AUTHORITY

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

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

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

In accordance with the Authority Agreement, member jurisdictions pay operating (per diem) and debt service costs based on percentage of inmate population. The County retains an ongoing financial responsibility for this joint venture due to this requirement of the agreement. The County's payments for the year ended June 30, 2018 totaled $7,399,552.

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

C. CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

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

Note 13. JOINT VENTURES (Continued)

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

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

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

of the Library's operating revenues are derived from annual appropriations by the participating jurisdictions. The remaining twenty percent is derived from fines, fees, donations and State grants. For the year ended June 30, 2018, Stafford County's appropriation to the Regional Library was $5,238,040.

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

Note 14. RISK MANAGEMENT

PRIMARY GOVERNMENT

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

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

The County has chosen to partially retain the risk associated with the employees' health and dental insurance plan. Risk is retained up to the limits based on monthly claims paid per employee and a 115% aggregate stop loss for total claims paid during the year. The risk financing is accounted for in the General Fund. Premiums are paid for all full-time employees of the County to a claims administrator, which processes all claims. Any excess funds at the end of the year are deposited in a reserve account with the claims administrator. This reserve account is used to fund losses in future years. At June 30, 2018, the account had a balance of $ 2,669,404.

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

	2018	2017
Unpaid claims, beginning	$ 1,398,577	$ 1,326,702
Incurred claims (including IBNR)	11,195,874	10,875,105
Claim payments	(11,146,322)	(10,803,230)
Unpaid claims, ending	$ 1,448,129	$ 1,398,577

Note 14. RISK MANAGEMENT (Continued)

COMPONENT UNIT – Stafford County Public Schools

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

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

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

	2018	2017
Unpaid claims, beginning	$ 4,374,900	$ 4,258,304
Incurred claims (including IBNR)	25,687,492	24,383,185
Claim payments	(25,424,492)	(23,666,589)
Unpaid claims, ending	$ 5,237,900	$ 4,974,900

Note 15. OPERATING LEASES

Stafford County leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases were $1,183,415 for the year ended June 30, 2018. The future minimum lease payments for these leases are as follows:

Year Ending June 30	General Government	Water and Sewer Fund
2019	$ 546,312	$ 146,952
2020	317,458	148,149
2021	247,200	149,358
2022	139,029	37,415
2023	137,991	-
	$ 1,387,990	$ 481,874

Note 16. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

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

Also In FY18, the County adopted GASB 75 for all VRS multiple-employer cost-sharing OPEB plans in which it participates as well the County's Retired Employee Health Insurance Plan. The resulting financial reporting impact from this included a restatement of the FY2017 net position, see note 18 for detail of the restatement. Additional disclosures are included in Note 7 and in the RSI following the notes to the financial statements.

Note 16. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS (Continued)

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

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

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

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

Note 17. PENDING GASB STATEMENTS

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

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

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

Note 17. PENDING GASB STATEMENTS (Continued)

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

In April 2018, GASB issued Statement No. 88 “Certain Disclosures Related to Debt, including direct borrowings and direct placements”. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods after June 15, 2018. The County will implement Statement No. 88 in FY2019.

In June 2018, GASB issued Statement No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period”. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The County implemented Statement No. 89 in FY2018.

In September 2018, GASB issued Statement No. 90, “Majority Equity Interest”. The objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The County will implement Statement No. 90 in FY2019.

Note 18. Restatement of beginning net position

The following adjustments were made to the beginning net position of the Governmental Activities, Business-type Activities and Component Unit at July 1, 2017:

	Governmental Activities	Business-type Activities	Component Unit School Board
Net position, beginning of year as previously reported	$ (140,963,581)	$ 386,483,640	$ 216,227,601
Removal of GASB 45 OPEB obligations	33,152,736	1,665,757	-
FY2017 OPEB liability per GASB 75	(93,137,138)	(17,768,445)	(145,374,397)
Deferred Outflow - FY17 contributions	1,086,713	208,504	-
Net position, restated	$ (199,861,270)	$ 370,589,456	$ 70,853,204

COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues				
General property taxes	$ 203,614,974	$ 203,614,974	$ 206,557,038	$ 2,942,064
Other local taxes	38,204,292	38,204,292	40,257,473	2,053,181
Permits, privilege fees and regulatory licenses	3,914,024	3,974,730	4,640,366	665,636
Fines and forfeitures	980,000	980,000	878,756	(101,244)
Use of money and property	676,286	676,286	1,328,959	652,673
Charges for services	6,169,392	6,169,392	6,904,346	734,954
Miscellaneous	4,145,958	4,216,155	4,657,906	441,751
Intergovernmental	28,670,233	31,989,332	30,834,386	(1,154,946)
Total revenues	286,375,159	289,825,161	296,059,230	6,234,069
Expenditures				
Current operating:				
General government:				
Board of Supervisors	690,417	716,638	632,688	83,950
Clerk of the Board	174,948	175,329	175,318	11
County Administrator	968,818	951,232	912,682	38,550
Public Information	352,042	323,244	273,024	50,220
County Attorney	1,080,975	1,538,816	1,085,796	453,020
Human Resources	920,804	986,732	779,293	207,439
Commissioner of the Revenue	2,756,875	2,743,709	2,614,252	129,457
Treasurer	2,123,839	2,241,173	1,959,621	281,552
Finance	2,141,600	2,467,997	2,067,565	400,432
Budget	403,807	409,802	408,637	1,165
Computer Services	1,943,045	1,909,361	1,802,770	106,591
Geographic Information Systems	620,801	653,855	637,656	16,199
Electoral Board and Registrar	513,996	544,757	540,878	3,879
	14,691,967	15,662,645	13,890,180	1,772,465
Judicial administration:				
Circuit Court	373,092	342,291	328,374	13,917
General District Court	117,250	122,076	65,503	56,573
Juvenile and Domestic Relations District Court	114,700	115,271	91,366	23,905
Clerk of the Circuit Court	1,562,602	1,861,475	1,541,283	320,192
Magistrate	8,830	8,830	7,899	931
Commonwealth's Attorney	3,197,741	3,160,811	3,153,651	7,160
Court Deputies	2,397,995	2,672,048	2,661,557	10,491
	7,772,210	8,282,802	7,849,633	433,169
Public safety:				
Policing and investigating	23,978,469	24,524,086	24,041,741	482,345
Emergency management	18,852,297	21,045,829	18,954,522	2,091,307
Volunteer rescue squads	116,800	130,660	109,689	20,971
Volunteer fire departments	430,547	399,221	346,193	53,028
Care and confinement of prisoners	7,399,552	7,399,552	7,399,552	-
15th District Court Unit	371,136	369,496	342,583	26,913
Rappahannock Juvenile Detention	1,282,739	1,424,479	1,424,476	3
Code compliance	4,199,980	4,662,001	4,149,497	512,504
Animal control	931,067	890,688	849,400	41,288
	57,562,587	60,846,012	57,617,653	3,228,359
Public works:				
Engineering	647,193	644,654	615,682	28,972
Maintenance of general buildings and grounds and general properties	4,455,949	4,604,868	4,461,510	143,358
	5,103,142	5,249,522	5,077,192	172,330

COUNTY OF STAFFORD, VIRGINIA

Exhibit XII

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Health and social services:				
Local health department	$ 535,937	$ 535,937	$ 535,937	$ -
Public assistance	13,583,804	14,411,117	14,103,967	307,150
Other	2,491,162	4,436,978	2,471,528	1,965,450
	16,610,903	19,384,032	17,111,432	2,272,600
Parks, recreation and cultural:				
Administration	4,755,774	4,899,200	4,828,565	70,635
Community programs	620,337	634,596	633,891	705
Sports programs	440,601	694,531	694,469	62
Gymnastics program	878,167	919,202	914,287	4,915
Pool program	979,209	726,967	629,422	97,545
Cultural programs	226,070	226,071	226,070	1
Regional library	5,238,040	5,238,042	5,238,040	2
	13,138,198	13,338,609	13,164,744	173,865
Community development:				
Planning and community development	2,403,773	2,409,835	2,260,906	148,929
Planning commission	96,250	121,250	115,234	6,016
Zoning board	-	8,661	4,085	4,576
Economic development	939,762	675,510	548,595	126,915
Other	614,670	379,151	379,150	1
Cooperative extension program	186,057	185,197	171,492	13,705
	4,240,512	3,779,604	3,479,462	300,142
Appropriation to School Board:				
School operating	115,726,560	117,366,560	116,440,953	925,607
School capital projects	46,879	896,177	849,298	46,879
	115,773,439	118,262,737	117,290,251	972,486
Capital outlay	4,877,885	10,588,858	5,036,566	5,552,292
Debt service:				
Principal	28,809,930	28,032,345	27,785,690	246,655
Interest and fiscal charges	17,719,079	17,405,823	17,113,586	292,237
	46,529,009	45,438,168	44,899,276	538,892
Total expenditures	286,299,852	300,832,989	285,416,389	15,416,600
Excess (deficiency) of revenues over (under) expenditures	75,307	(11,007,828)	10,642,841	21,650,669
Other Financing Sources (Uses)				
Transfers in	40,000	55,000	215,253	160,253
Transfers out	(115,307)	(2,936,921)	(2,582,513)	354,408
Total other financing uses, net	(75,307)	(2,881,921)	(2,367,260)	514,661
Net change in fund balance	-	(13,889,749)	8,275,581	22,165,330
Fund balance, beginning	-	13,889,749	70,812,475	56,922,726
Fund balance, ending	$ -	$ -	$ 79,088,056	$ 79,088,056

COUNTY OF STAFFORD, VIRGINIA Exhibit XIII

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL TRANSPORTATION FUND YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive(Negative)
Revenues				
Other local taxes - fuel sales tax	$ 3,217,641	$ 3,217,641	$ 3,806,666	$ 589,025
Use of money	5,000	5,000	105,952	100,952
Miscellaneous	-	-	41,142	41,142
Intergovernmental	5,559,737	10,534,825	2,243,443	(8,291,382)
Total revenues	8,782,378	13,757,466	6,197,203	(7,560,263)
Expenditures				
Current operating:				
Transportation	3,475,272	3,382,598	3,076,652	305,946
Capital outlay	5,762,260	26,064,072	11,655,470	14,408,602
Debt service:				
Principal	608,734	345,901	345,901	-
Interest and fiscal charges	-	501,934	501,934	-
Total expenditures	9,846,266	30,294,505	15,579,957	14,714,548
Excess (deficiency) of revenues over (under) expenditures	(1,063,888)	(16,537,039)	(9,382,754)	7,154,285
Other Financing Sources (Uses)				
Transfers in	325,000	550,726	550,726	-
Transfers out	(40,000)	(55,000)	(41,000)	14,000
Total other financing sources, net	285,000	495,726	509,726	14,000
Net change in fund balance	(778,888)	(16,041,313)	(8,873,028)	7,168,285
Fund balance, beginning	778,888	17,090,643	18,828,106	1,737,463
Fund balance, ending	$ -	$ 1,049,330	$ 9,955,078	$ 8,905,748

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Supervisors annually adopts budgets for the General Fund, and Special Revenue Funds of the Primary Government. All appropriations are legally controlled at the department level for the General Fund and Special Revenue Funds. On April 18, 2017, the Board of Supervisors approved the original budget reflected in the financial statements.

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

Note 2. MATERIAL VIOLATIONS

There were no material violations of the annual appropriated budget for the General Fund or Transportation Fund for the fiscal year ended June 30, 2018.

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

	As of June 30, 2018*	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Total Pension Liability				
Service cost	$ 5,550,497	$ 5,473,158	$ 5,483,794	$ 5,461,428
Interest	12,508,742	11,888,063	11,160,637	10,443,292
Changes in assumptions	(1,002,770)	-	-	-
Differences between expected and actual experience	(2,070,636)	(1,563,825)	(118,543)	-
Benefit payments, including refunds of employee contributions	(7,381,507)	(6,479,621)	(5,788,531)	(5,525,348)
Net change in total pension liability	7,604,326	9,317,775	10,737,357	10,379,372
Total pension liability - beginning	182,387,062	173,069,287	162,331,930	151,952,558
Total pension liability - ending (a)	$ 189,991,388	$ 182,387,062	$ 173,069,287	$ 162,331,930
Plan Fiduciary Net Position				
Contributions - employer	$ 4,721,720	$ 5,062,191	$ 5,063,741	$ 5,291,891
Contributions - employee	2,515,641	2,360,151	2,363,363	2,344,409
Net investment income	18,542,305	2,650,884	6,489,652	18,945,438
Benefit payments, including refunds of employee contributions	(7,381,507)	(6,479,621)	(5,788,531)	(5,525,348)
Administrative expense	(105,161)	(90,725)	(85,858)	(99,431)
Other	(16,572)	(1,108)	(1,378)	999
Net change in plan fiduciary net position	18,276,426	3,501,772	8,040,989	20,957,958
Plan fiduciary net position - beginning	151,296,178	147,794,406	139,753,417	118,795,459
Plan fiduciary net position - ending (b)	$ 169,572,604	$ 151,296,178	$ 147,794,406	$ 139,753,417
Net pension liability - ending (a) - (b)	$ 20,418,784	$ 31,090,884	$ 25,274,881	$ 22,578,513
Plan fiduciary net position as a percentage of the total pension liability	89.25%	82.95%	85.40%	86.09%
Employer's covered payroll	$ 47,936,244	$ 51,368,053	$ 49,442,402	$ 48,461,394
Net pension liability as a percentage of covered payroll	42.60%	60.53%	51.12%	46.59%

Notes to Schedule:

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

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

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

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

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

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

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

	As of June 30, 2018*	As of June 30, 2017*	As of June 30, 2016*	As of June 30, 2015*
Total Pension Liability				
Service cost	$ 811,596	$ 853,719	$ 917,801	$ 931,365
Interest	1,893,932	1,856,844	1,773,289	1,679,630
Changes of benefit terms	-	(868,215)	-	-
Differences between expected and actual experience	(466,649)	-	(171,518)	-
Changes of assumptions	(230,348)	-	-	-
Benefit payments, including refunds of employee contributions	(1,290,317)	(1,334,723)	(1,317,128)	(1,228,897)
Net change in total pension liability	718,214	507,625	1,202,444	1,382,098
Total pension liability - beginning	27,701,333	27,193,708	25,991,264	24,609,166
Total pension liability - ending (a)	$ 28,419,547	$ 27,701,333	$ 27,193,708	$ 25,991,264
Plan Fiduciary Net Position				
Contributions - employer	$ 505,800	$ 687,268	$ 700,475	$ 828,505
Contributions - employee	409,474	406,077	412,685	433,951
Net investment income	3,015,642	436,457	1,081,570	3,247,485
Benefit payments, including refunds of employee contributions	(1,290,317)	(1,334,723)	(1,317,128)	(1,228,897)
Administrative expense	(17,420)	(15,244)	(14,788)	(17,281)
Other	(2,684)	(182)	(227)	171
Net change in plan fiduciary net position	2,620,495	179,653	862,587	3,263,934
Plan fiduciary net position - beginning	24,846,943	24,667,290	23,804,703	20,540,769
Plan fiduciary net position - ending (b)	$ 27,467,438	$ 24,846,943	$ 24,667,290	$ 23,804,703
School Board non-professional net pension liability - ending (a) - (b)	$ 952,109	$ 2,854,390	$ 2,526,418	$ 2,186,561
Plan fiduciary net position as a percentage of the total pension liability	96.65%	89.70%	90.71%	91.59%
Employer's covered payroll	$ 8,450,346	$ 8,163,550	$ 8,451,460	$ 8,577,515
School Board's non-professional net pension liability as a percentage of covered payroll	11.27%	34.97%	29.89%	25.49%

Notes to Schedule:

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

(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, 2017 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

a. Update to a more current mortality table
b. Lowered retirement rates at older ages and changed final retirement from 70 to 75
c. Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
d. Decrease in disability rates
e. Increased line of duty diability rate from 14% to 15%

(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.

	As of June 30, 2018*	As of June 30, 2017*	As of June 30, 2016*	As of June 30, 2015*
Employer's proportionate of the net pension liability	1.91638%	1.88465%	1.87703%	1.96028%
Employer's proportionate share of the net pension liability	$ 235,676,000	$ 264,117,000	$ 236,250,000	$ 236,893,000
Employer's covered payroll	$ 148,882,433	$ 143,696,984	$ 139,553,874	$ 143,355,995
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	158.30%	183.80%	169.29%	165.25%
Plan fiduciary net position as a percentage of the total pension liability	72.92%	68.28%	70.68%	70.88%

Notes to Schedule:

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

(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, 2017 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

a. Update to a more current mortality table
b. Lowered retirement rates at older ages and changed final retirement from 70 to 75
c. Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
d. Decrease in disability rates
e. Increased line of duty diability rate from 14% to 15%

(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.

SCHEDULE OF CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30, 2018	Fiscal Year June 30, 2017	Fiscal Year June 30, 2016	Fiscal Year June 30, 2015	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	$ 5,135,417	$ 4,721,720	$ 5,062,191	$ 5,063,741	$ 5,291,891
Contributions in relation to the CRC	5,135,417	4,721,720	5,062,191	5,063,741	5,291,891
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 52,419,661	$ 47,936,244	$ 51,368,053	$ 49,442,402	$ 48,461,394
Contributions as a percentage of covered payroll	9.80%	9.85%	9.85%	10.24%	10.92%

Notes to Schedule:

(1) Valuation date: June 30, 2016

(2) Measurement date: June 30, 2017

(3) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are

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

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27, 20, 19, & 18 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%

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

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

Notes to Schedule:

(1) Valuation date: June 30, 2015

(2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

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

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27, 20, 19, 18, and 6 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Payroll growth	3.0%
Projected salary increases, including inl	3.50% - 5.35%
Investment rate of return	7.0%, net of investment expenses

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

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

	Fiscal Year June 30, 2018	Fiscal Year June 30, 2017	Fiscal Year June 30, 2016	Fiscal Year June 30, 2015	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	$ 24,089,529	$ 21,808,528	$ 20,203,796	$ 20,235,599	$ 16,715,309
Contributions in relation to the CRC	24,089,529	21,808,528	20,203,796	20,235,599	16,715,309
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 153,228,530	$ 148,882,433	$ 143,696,984	$ 139,553,875	$ 143,355,995
Contributions as a percentage of covered payroll	15.72%	14.65%	14.06%	14.50%	11.66%

Notes to Schedule:

(1) Valuation date: June 30, 2015

(2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

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

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27, 20, 19, 18, and 6 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Payroll growth	3.0%
Projected salary increases, including inl	3.50% - 5.35%
Investment rate of return	7.0%, net of investment expenses

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

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY and RELATED RATIOS - RETIREE HEALTH INSURANCE

	As of June 30, 2018	As of June 30, 2017
Total OPEB Liability		
Service cost	$ 5,083,380	$ 6,108,000
Interest	3,784,739	3,270,000
Differences between expected and actual experience	(104,742)	-
Changes of Assumptions	(906,877)	(17,335,000)
Benefit payments, including refunds of employee contributions	(1,243,304)	(805,000)
Net change in total OPEB liability	6,613,196	(8,762,000)
Total OPEB liability - beginning	106,393,000	115,155,000
Total OPEB liability - ending (a)	$ 113,006,196	$ 106,393,000
Plan Fiduciary Net Position		
Contributions - employer	$ 1,713,424	$ 1,340,000
Net investment income	582,422	642,000
Benefit payments, including refunds of employee contributions	(1,243,304)	(805,000)
Administrative expense	-	(6,000)
Other	-	-
Net change in plan fiduciary net position	1,052,542	1,171,000
Plan fiduciary net position - beginning	6,158,000	4,987,000
Plan fiduciary net position - ending (b)	$ 7,210,542	$ 6,158,000
Net pension liability - ending (a) - (b)	$ 105,795,654	$ 100,235,000
Plan fiduciary net position as a percentage of the total pension liability	6.38%	5.79%

The plan does not make contributions based on payroll, therefore a Schedule of Contributions is not required or is included.

Notes to Schedule:

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

(2) **Actuarial Assumptions:** The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of January 1, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified

Inflation	2.30%
Salary Increases	*General employees:* 5.35% initially, decreasing to 3.50% over 20 year period, including inflation; depends on service
	Sheriff/Fire: 4.75% initially, decreasing to 3.50% over 20 year period, including inflation; depends on service
Investment rate of return	7.0%, including inflation
Discount rate	3.62% as of 6/30/2018, 3.58% as of 6/30/2017
Bond rate	3.58%

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

Notes to Schedule: (Continued)

Healthcare cost trend rate	Rate of Inflation	2.30%
	Rate of Growth in Real Income/GDP per capita	1.60%
	Extra Trend due to Technology and other factors	1.40%
	Health Share of GDP Resistance Point	25.00%
	Year for Limiting Cost Growth to GDP Growth	2075
Mortality	*General employees:* RP 2000 Combined Healthy Table, sex distinct, generational with Scale AA	
	Sheriff/Fire: RP 2000 Combined Healthy Table with Blue Collar adjustment, sex distinct, generational with Scale AA	
	Disabled: RP2000 Combined Disabled Table, sex distinct	

COMPONENT UNIT
SCHEDULE OF CHANGES IN THE SCHOOL BOARD NET OPEB LIABILITY and RELATED RATIOS - RETIREE HEALTH INSURANCE

	As of June 30, 2018	As of June 30, 2017
Total OPEB Liability		
Service cost	$ 8,503,360	$ 9,898,436
Interest	5,698,104	4,889,280
Differences between expected and actual experience	(3,477,196)	(5,614,431)
Changes of assumptions	(4,390,470)	(19,337,174)
Benefit payments	(2,658,722)	(1,397,982)
Net change in total OPEB liability	3,675,076	(11,561,871)
Total OPEB liability - beginning	158,903,791	170,465,662
Total OPEB liability - ending (a)	$ 162,578,867	$ 158,903,791
Plan Fiduciary Net Position		
Contributions - employer	$ 2,658,722	$ 1,397,982
Net investment income	1,960,214	2,355,594
Benefit payments (net of retiree contributions)	(2,658,722)	(1,397,982)
Net change in plan fiduciary net position	1,960,214	2,355,594
Plan fiduciary net position - beginning	20,724,834	18,369,240
Plan fiduciary net position - ending (b)	$ 22,685,048	$ 20,724,834
Net pension liability - ending (a) - (b)	$ 139,893,819	$ 138,178,957
Plan fiduciary net position as a percentage of the total pension liability	13.95%	13.04%

The plan does not make contributions based on payroll, therefore a Schedule of Contributions is not required or is included.

Notes to Schedule:

(1) **Benefit Changes:** None

(2) **Changes of Assumptions:** The discount rate was changed as follows

Discount Rate:

6/30/2017	2.88%
6/30/2018	3.61%

SCHEDULE OF COUNTY'S SHARE OF NET OPEB LIABILITY GROUP LIFE INSURANCE PROGRAM - VIRGINIA RETIREMENT SYSTEM

	As of 6/30/2018*
Employer's Proportion of the Net GLI OPEB Liability	0.27380%
Employer's Proportionate share of the Net GLI OPEB Liability (includes County and Rboard)	$4,120,000
Employer's Covered Payroll	$50,502,679
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

A COMPONENT UNIT OF STAFFORD COUNTY
SCHOOL BOARD NON-PROFESSIONAL - GROUP LIFE INSURANCE PROGRAM

	As of 6/30/2018*
Employer's Proportion of the Net GLI OPEB Liability	0.045860%
Employer's Proportionate share of the Net GLI OPEB Liability	$690,000
Employer's Covered Payroll	$8,459,382
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.16%
OPEB Liability	48.86%

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

A COMPONENT UNIT OF STAFFORD COUNTY
SCHOOL BOARD PROFESSIONAL - GROUP LIFE INSURANCE PROGRAM

	As of 6/30/2018*
Employer's Proportion of the Net GLI OPEB Liability	0.824420%
Employer's Proportionate share of the Net GLI OPEB Liability	$12,406,000
Employer's Covered Payroll	$152,067,324
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County and School Board will present information as available.

SCHEDULE OF CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM GROUP LIFE INSURANCE

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as of % of Covered Payroll
2018	$ 272,772	$ 272,771	$ 1	$ 52,455,993	0.52%
2017	$ 262,614	$ 262,614	$ -	$ 50,502,679	0.52%
2016	$ 251,585	$ 227,851	$ 23,734	$ 47,468,856	0.48%
2015	$ 249,572	$ 226,028	$ 23,544	$ 47,089,177	0.48%
2014	$ 246,884	$ 223,593	$ 23,291	$ 46,581,848	0.48%
2013	$ 239,688	$ 217,076	$ 22,612	$ 45,224,182	0.48%
2012	$ 186,595	$ 118,743	$ 67,852	$ 42,408,054	0.28%
2011	$ 185,051	$ 117,761	$ 67,290	$ 42,057,233	0.28%
2010	$ 153,879	$ 87,028	$ 66,851	$ 32,232,706	0.27%
2009	$ 156,139	$ 117,104	$ 39,035	$ 43,371,811	0.27%

A COMPONENT UNIT OF STAFFORD COUNTY
SCHOOL BOARD NON-PROFESSIONAL - GROUP LIFE INSURANCE PROGRAM

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as of % of Covered Payroll
2018	$ 45,365	$ 45,365	$ -	$ 8,724,051	0.52%
2017	$ 43,989	$ 43,989	$ -	$ 8,459,382	0.52%
2016	$ 39,562	$ 39,562	$ -	$ 8,242,052	0.48%
2015	$ 40,121	$ 40,121	$ -	$ 8,358,626	0.48%
2014	$ 41,423	$ 41,423	$ -	$ 8,629,723	0.48%
2013	$ 40,058	$ 40,058	$ -	$ 8,345,360	0.48%
2012	$ 24,229	$ 24,229	$ -	$ 8,653,225	0.28%
2011	$ 24,562	$ 24,562	$ -	$ 8,772,319	0.28%
2010	$ 17,911	$ 17,911	$ -	$ 6,633,831	0.27%
2009	$ 25,077	$ 25,077	$ -	$ 9,287,894	0.27%

A COMPONENT UNIT OF STAFFORD COUNTY
SCHOOL BOARD PROFESSIONAL - GROUP LIFE INSURANCE PROGRAM

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as of % of Covered Payroll
2018	$ 797,564	$ 797,564	$ -	$ 153,377,599	0.52%
2017	$ 790,750	$ 790,750	$ -	$ 152,067,324	0.52%
2016	$ 690,132	$ 690,132	$ -	$ 143,777,585	0.48%
2015	$ 670,263	$ 670,263	$ -	$ 139,638,173	0.48%
2014	$ 688,808	$ 688,808	$ -	$ 143,501,617	0.48%
2013	$ 673,367	$ 673,367	$ -	$ 140,284,867	0.48%
2012	$ 394,562	$ 394,562	$ -	$ 140,915,085	0.28%
2011	$ 393,021	$ 393,021	$ -	$ 140,364,792	0.28%
2010	$ 266,872	$ 266,872	$ -	$ 98,841,644	0.27%
2009	$ 371,057	$ 371,057	$ -	$ 137,428,371	0.27%

Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Teachers

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

Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

SCHEDULE OF CHANGES IN COUNTY'S NET VIRGINIA RETIREMENT SYSTEM NET HIC OPEB LIABILITY AND RELATED RATIOS

	June 30, 2018*
Total OPEB Liability	
Service cost	$ 23,793
Interest on the total OPEB liability	60,120
Changes of assumptions and other inputs	(31,628)
Benefit payments, including refunds of employee contributions	(28,536)
Net change in total HIC OPEB liability	23,749
Total HIC OPEB liability - beginning	873,138
Total HIC OPEB liability - ending (a)	$ 896,887
Plan Fiduciary Net Position	
Contributions - employer	$ 37,726
Net investment income	79,178
Benefit payments, including refunds of employee contributions	(28,536)
Administrative expense	(1,294)
Other Changes	3,977
Net change in plan fiduciary net position	91,051
Plan fiduciary net position - beginning	677,364
Plan fiduciary net position - ending (b)	$ 768,415
Net HIC OPEB liability - ending (a) - (b)	$ 128,472
Plan fiduciary net position as a percentage of the total net HIC OPEB liability	85.68%
Covered Payroll	$ 29,021,854
Net OPEB liability as a percentage of covered payroll	0.44%

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

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

(2) **Actuarial Assumptions:** The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of January

Inflation	2.30%	
Salary Increases	*General employees:* 5.35% initially, decreasing to *Sheriff/Fire:* 4.75% initially, decreasing to 3.50% over	
Investment rate of return	7.0%, including inflation	
Discount rate	3.62% as of 6/30/2018, 3.58% as of 6/30/2017	
Bond rate	3.58%	
Healthcare cost trend rate	Rate of Inflation	2.30%
	Rate of Growth in Real Income/GDP per capita	1.60%
	Extra Trend due to Technology and other factors	1.40%
	Health Share of GDP Resistance Point	25.00%
	Year for Limiting Cost Growth to GDP Growth	2075

(2) **Actuarial Assumptions:** (Continued)

Mortality	*General employees:* RP 2000 Combined Healthy *Sheriff/Fire:* RP 2000 Combined Healthy Table with *Disabled:* RP2000 Combined Disabled Table, sex

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

A COMPONENT UNIT OF STAFFORD COUNTY

SCHEDULE OF CHANGES IN SCHOOL BOARD NON-PROFESSIONAL VIRGINIA RETIREMENT SYSTEM NET HIC OPEB LIABILITY AND RELATED RATIOS

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

Notes to Schedule:

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

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

A COMPONENT UNIT OF STAFFORD COUNTY

Exhibit XIX
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SCHEDULE OF SCHOOL BOARD SHARE OF NET OPEB LIABILITY PROFESSIONAL - HEALTH INSURANCE CREDIT (HIC) PROGRAM

	As of 6/30/2018*
Employer's Proportion of the Net HIC OPEB Liability	1.92437%
Employer's Proportionate share of the Net HIC OPEB Liability (Asset)	$24,413,000
Employer's Covered Payroll	$151,871,436
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	16.07%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	7.04%

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

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

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

COUNTY OF STAFFORD, VIRGINIA Exhibit XX

SCHEDULE OF CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM HEALTH INSURANCE CREDIT PROGRAM

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as of % of Covered Payroll
2018	$ 39,177	$ 39,177	$ -	$ 30,135,840	0.13%
2017	$ 37,728	$ 37,728	$ -	$ 29,021,854	0.13%
2016	$ 29,867	$ 29,867	$ -	$ 27,151,925	0.11%
2015	$ 29,396	$ 29,396	$ -	$ 26,723,255	0.11%
2014	$ 21,415	$ 21,415	$ -	$ 26,768,139	0.08%
2013	$ 35,970	$ 35,970	$ -	$ 44,962,236	0.08%
2012	$ 42,207	$ 42,207	$ -	$ 42,207,271	0.10%
2011	$ 42,030	$ 42,030	$ -	$ 42,029,666	0.10%
2010	$ 59,835	$ 59,835	$ -	$ 42,739,645	0.14%
2009	$ 60,569	$ 60,569	$ -	$ 43,263,797	0.14%

A COMPONENT UNIT OF STAFFORD COUNTY
NON-PROFESSIONAL - HEALTH INSURANCE CREDIT PROGRAM

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as of % of Covered Payroll
2018	$ 19,150	$ 19,150	$ -	$ 8,704,683	0.22%
2017	$ 18,590	$ 18,590	$ -	$ 8,450,387	0.22%
2016	$ 18,945	$ 18,945	$ -	$ 8,237,042	0.23%
2015	$ 19,168	$ 19,168	$ -	$ 8,333,781	0.23%
2014	$ 24,145	$ 24,145	$ -	$ 8,623,160	0.28%
2013	$ 23,392	$ 23,392	$ -	$ 8,354,374	0.28%
2012	$ 22,421	$ 22,421	$ -	$ 8,623,393	0.26%
2011	$ 22,750	$ 22,750	$ -	$ 8,749,842	0.26%
2010	$ 37,330	$ 37,330	$ -	$ 9,104,944	0.41%
2009	$ 38,058	$ 38,058	$ -	$ 9,282,327	0.41%

A COMPONENT UNIT OF STAFFORD COUNTY
PROFESSIONAL - HEALTH INSURANCE CREDIT PROGRAM

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as of % of Covered Payroll
2018	$ 1,884,866	$ 1,884,866	$ -	$ 153,241,128	1.23%
2017	$ 1,685,773	$ 1,685,773	$ -	$ 151,871,436	1.11%
2016	$ 1,523,188	$ 1,523,188	$ -	$ 143,696,986	1.06%
2015	$ 1,479,292	$ 1,479,292	$ -	$ 139,555,858	1.06%
2014	$ 1,591,451	$ 1,591,451	$ -	$ 143,373,972	1.11%
2013	$ 1,554,883	$ 1,554,883	$ -	$ 140,079,529	1.11%
2012	$ 844,081	$ 844,081	$ -	$ 140,680,230	0.60%
2011	$ 841,342	$ 841,342	$ -	$ 140,223,697	0.60%
2010	$ 1,027,697	$ 1,027,697	$ -	$ 98,817,060	1.04%
2009	$ 1,482,793	$ 1,482,793	$ -	$ 137,295,613	1.08%

Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year

Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

COMBINING SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Road Impact Fee – West Fund

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

Road Impact Fee – South East Fund

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

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

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

Lake Carroll Service District Fund
Accounts for ad valorem tax receipts from property owners in the Lake Carroll subdivision to repay loan for dam repair.

Lake Arrowhead Service District Fund
Accounts for ad valorem tax receipts from property owners in the Lake Arrowhead subdivision to repay loan for dam repair.

Asset Forfeiture Fund

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

Tourism Fund

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

Wetlands Fund
Accounts for wetlands mitigation fees and associated disbursements.

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

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

Transportation Impact Fee

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

COUNTY OF STAFFORD, VIRGINIA

Schedule I
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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue						
	Road Impact Fee - West Fund	Road Impact Fee - SE Fund	Garrisonville Rd Service District Fund	Warrenton Rd Service District Fund	Lake Carroll Service District Fund	Lake Arrowhead Service District Fund	Asset Forfeiture Fund
ASSETS							
Equity in pooled cash and investments	$ 296	$ 1,398,229	$ 97,486	$ 3,364,892	$ -	$ -	$ -
Restricted assets:							
Cash	-	-	-	-	535,620	448,902	620,466
Receivables, net of allowance for uncollectibles:							
Property taxes	-	-	22,388	-	102	2,343	-
Accounts	-	-	-	-	-	-	953
Intergovernmental			517,643	30,531			
Prepaid expenditures	-	-	-	-	-	-	-
Total assets	$ 296	$ 1,398,229	$ 637,517	$ 3,395,423	$ 535,722	$ 451,245	$ 621,419
LIABILITIES							
Liabilities:							
Accounts payable	$ -	$ -	$ 23,175	$ 24,357	$ 13,081	$ -	$ 45,538
Retainage payable	-	-	504,751	-	-	-	-
Accrued salaries and benefits	-	-	1,402	364	-	-	-
Unearned revenue	-	-	-	-	-	-	408,694
Total liabilities	-	-	529,328	24,721	13,081	-	454,232
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	-	-	29,305	-	-	1,735	-
Total deferred inflows of resources	-	-	29,305	-	-	1,735	-
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	
Restricted	296	1,398,229	78,884	3,370,702	522,641	449,510	167,187
Committed	-	-	-	-	-	-	-
Total fund balances	296	1,398,229	78,884	3,370,702	522,641	449,510	167,187
Total liabilities deferred inflows of resources and fund balances	$ 296	$ 1,398,229	$ 637,517	$ 3,395,423	$ 535,722	$ 451,245	$ 621,419

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue					
	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	Armed Services Memorial Fund	Transportation Impact Fee Fund	Total Nonmajor Governmental Funds
ASSETS						
Equity in pooled cash and investments	$ 823,664	$ 101,889	$ 92,625	$ 11,978	$ 1,863,029	$ 7,754,088
Restricted assets:						
Cash	-	-	-	-	-	1,604,988
Receivables, net of allowance for uncollectibles:						
Property taxes	-	-	6,135	-	-	30,968
Accounts	289,647	-	-	40,500	-	331,100
Intergovernmental						548,174
Prepaid expenditures	12,500	-	-	-	-	12,500
Total assets	$ 1,125,811	$ 101,889	$ 98,760	$ 52,478	$ 1,863,029	$ 10,281,818
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 66,114	$ -	$ -	$ 34,922	$ -	$ 207,187
Retainage payable	-	-	-	3,453	-	508,204
Accrued salaries and benefits	3,708	-	-	-	-	5,474
Unearned revenue	-	-	-	-	-	408,694
Total liabilities	69,822	-	-	38,375	-	1,129,559
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	-	-	3,793	-	-	34,833
Total deferred inflows of resources	-	-	3,793	-	-	34,833
FUND BALANCES						
Nonspendable	12,500	-	-	-	-	12,500
Restricted	1,043,489	-	-	-	1,863,029	8,893,967
Committed	-	101,889	94,967	14,103	-	210,959
Total fund balances	1,055,989	101,889	94,967	14,103	1,863,029	9,117,426
Total liabilities deferred inflows of resources and fund balances	$ 1,125,811	$ 101,889	$ 98,760	$ 52,478	$ 1,863,029	$ 10,281,818

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Special Revenue					
	Road Impact Fee - West Fund	Road Impact Fee - SE Fund	Garrisonville Rd Service District Fund	Warrenton Rd Service District Fund	Lake Carroll Service District Fund	Lake Arrowhead Service District Fund
REVENUES						
General property taxes	$ -	$ -	$ 570,237	$ -	$ 6,032	$ 53,791
Other local taxes	-	-	-	-	-	
Use of money and property	1	20,631	8,753	50,690	3,420	2,813
Miscellaneous	-	-	679,099	-	-	-
Intergovernmental	-	-	3,486,964	232,568	-	-
Total revenues	1	20,631	4,745,053	283,258	9,452	56,604
EXPENDITURES						
Current operating:						
Judicial administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Parks, recreation and cultural	-	-	-	-	-	-
Community development	-	-	-	-	30,958	127,694
Capital outlay	-	-	7,846,336	439,767	-	-
Debt service						
Principal	-	-	265,000	-	-	-
Interest and fiscal charges	-	-	202,725	-	-	-
Total expenditures	-	-	8,314,061	439,767	30,958	127,694
Excess (deficiency) of revenues over (under) expenditures	1	20,631	(3,569,008)	(156,509)	(21,506)	(71,090)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	550,000	548,000
Transfers out	-	-	-	-	(5,853)	(27,400)
Total other financing sources (uses), net	-	-	-	-	544,147	520,600
Net change in fund balances	1	20,631	(3,569,008)	(156,509)	522,641	449,510
Fund balance, beginning	295	1,377,598	3,647,892	3,527,211	-	-
Fund balance, ending	$ 296	$ 1,398,229	$ 78,884	$ 3,370,702	$ 522,641	$ 449,510

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Special Revenue						
	Asset Forfeiture Fund	Tourism Fund	Wetlands Fund	Hidden Lake Dam Fund	Armed Services Memorial Fund	Transportation Impact Fee Fund	Total Nonmajor Governmental Funds
REVENUES							
General property taxes	$ -	$ -	$ -	$ 116,859	$ -	$ -	$ 746,919
Other local taxes	-	1,146,299	-	-	-	1,194,430	2,340,729
Use of money and property	10,561	-	-	716	-	23,938	121,523
Miscellaneous	2,337	-	-	-	92,450	-	773,886
Intergovernmental	532,778	4,500	-	-	-	-	4,256,810
Total revenues	545,676	1,150,799	-	117,575	92,450	1,218,368	8,239,867
EXPENDITURES							
Current operating:							
Judicial administration	23,615	-	-	-	-	-	23,615
Public safety	530,292	-	-	-	-	-	530,292
Parks, recreation and cultural	-	-	-	-	411,167	-	411,167
Community development	-	1,043,237	-	56,196	-	-	1,258,085
Capital outlay	-	-	-	-	-	-	8,286,103
Debt service							
Principal	-	-	-	35,000	-	-	300,000
Interest and fiscal charges	-	-	-	25,801	-	-	228,526
Total expenditures	553,907	1,043,237	-	116,997	411,167	-	11,037,788
Excess (deficiency) of revenues over (under) expenditures	(8,231)	107,562	-	578	(318,717)	1,218,368	(2,797,921)
OTHER FINANCING SOURCES (USES)							
Transfers in	-		-	-	62,500	-	1,160,500
Transfers out	-	-	-	-	(117,000)	(325,000)	(475,253)
Total other financing sources (uses), net	-	-	-	-	(54,500)	(325,000)	685,247
Net change in fund balances	(8,231)	107,562	-	578	(373,217)	893,368	(2,112,674)
Fund balance, beginning	175,418	948,427	101,889	94,389	387,320	969,661	11,230,100
Fund balance, ending	$ 167,187	$ 1,055,989	$ 101,889	$ 94,967	$ 14,103	$ 1,863,029	$ 9,117,426

COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget
PRIMARY GOVERNMENT	Original	Final	Actual Amounts	Positive(Negative)
Special Revenue Funds:				
Road Impact Fee - West				
Revenues				
Other local taxes	$ -	$ -	$ -	$ -
Use of money	-	-	1	1
Total revenues	-	-	1	1
Expenditures				
Current operating:				
Capital outlay	-	5	-	5
Total expenditures	-	5	- -	5
Excess (deficiency) of revenues over (under) expenditures	-	(5)	1	6
Net change in fund balance	-	(5)	1	6
Fund balance, beginning	-	5	295	290
Fund balance, ending	$ -	$ -	$ 296	$ 296
Road Impact Fee - South East				
Revenues				
Use of money	$ -	$ -	$ 20,631	$ 20,631
Total revenues	-	-	20,631	20,631
Expenditures				
Current operating:				
Capital outlay	-	549,856	-	549,856
Total expenditures	-	549,856	- -	549,856
Excess (deficiency) of revenues over (under) expenditures	-	(549,856)	20,631	(529,225)
Net change in fund balances	-	(549,856)	20,631	(529,225)
Fund balance, beginning	-	549,856	1,377,598	1,927,454
Fund balance, ending	$ -	$ -	$ 1,398,229	$ 1,398,229

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2018

PRIMARY GOVERNMENT	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive(Negative)
Special Revenue Funds:				
Garrisonville Road Service District Fund:				
Revenues				
General property taxes	$ 530,000	$ 530,000	$ 570,237	$ 40,237
Use of money	-	-	8,753	8,753
Miscellaneous	-	-	679,099	679,099
Intergovernmental	-	129,484	3,486,964	3,357,480
Total revenues	530,000	659,484	4,745,053	4,085,569
Expenditures				
Current operating:				
Capital outlay	-	8,328,711	7,846,336	482,375
Debt service				
Principal	265,000	265,000	265,000	-
Interest and other fiscal charges	202,725	202,725	202,725	-
Total expenditures	467,725	8,796,436	8,314,061	482,375
Excess (deficiency) of revenues over (under) expenditures	62,275	(8,136,952)	(3,569,008)	4,567,944
Net change in fund balance	62,275	(8,136,952)	(3,569,008)	4,567,944
Fund balance, beginning	-	8,199,227	3,647,892	(4,551,335)
Fund balance, ending	$ 62,275	$ 62,275	$ 78,884	$ 16,609
Warrenton Road Service District Fund:				
Revenues				
Use of money	$ -	$ -	$ 50,690	$ 50,690
Intergovernmental	-	-	232,568	232,568
Total revenues	-	-	283,258	283,258
Expenditures				
Current operating:				
Capital outlay	-	765,632	439,767	325,865
Total expenditures	-	765,632	439,767	325,865
Excess (deficiency) of revenues over (under) expenditures	-	(765,632)	(156,509)	(42,607)
Other Financing Sources (Uses)				
Transfers-In	-	-	-	-
Total other financing sources (uses) net	-	-	-	-
Net change in fund balances	-	(765,632)	(156,509)	609,123
Fund balance, beginning	-	765,632	3,527,211	2,761,579
Fund balance, ending	$ -	$ -	$ 3,370,702	$ 3,370,702

COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			
PRIMARY GOVERNMENT	Original	Final	Actual Amounts	Variance with Final Budget Positive(Negative)
Special Revenue Funds:				
Lake Carroll Service District				
Revenues				
Property taxes	$ -	$ -	$ 6,032	$ 6,032
Use of money and property	-	-	3,420	3,420
Total revenues	-	-	9,452	9,452
Expenditures				
Current operating:				
Community Development	-	550,000	30,958	519,042
Total expenditures	-	550,000	30,958	519,042
Excess (deficiency) of revenues over (under) expenditures	-	(550,000)	(21,506)	528,494
Other Financing Sources (Uses)				
Transfers-In	-	550,000	550,000	-
Transfers-Out	-	-	(5,853)	(5,853)
Total other financing sources (uses) net	-	550,000	544,147	(5,853)
Net change in fund balance	-	-	522,641	522,641
Fund balance, beginning	-	-	-	-
Fund balance, ending	$ -	$ -	$ 522,641	$ 522,641
Lake Arrowhead Service District:				
Revenues				
Property taxes	$ -	$ -	$ 53,791	$ 53,791
Use of money and property	-	-	2,813	2,813
Total revenues	-	-	56,604	56,604
Expenditures				
Current operating:				
Community Development	-	548,000	127,694	420,306
Total expenditures	-	548,000	127,694	420,306
Excess (deficiency) of revenues over (under) expenditures	- -	(548,000)	(71,090)	476,910
Other Financing Sources (Uses)				
Transfers-In	-	548,000	548,000	-
Transfers-Out	-	-	(27,400)	(27,400)
Total other financing sources (uses) net	-	548,000	520,600	(27,400)
Net change in fund balance	- -	-	449,510 -	449,510
Fund balance, beginning	-	-	-	-
Fund balance, ending	$ -	$ -	$ 449,510	$ 449,510

COUNTY OF STAFFORD, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with
PRIMARY GOVERNMENT	Original	Final	Actual Amounts	Final Budget Positive(Negative)
Special Revenue Funds:				
Asset Forfeiture Fund:				
Revenues				
Use of money and property	$ -	$ -	$ 10,561	$ 10,561
Miscellaneous	-	-	2,337	2,337
Intergovernmental	620,000	669,405	532,778	136,627
Total revenues	620,000	669,405	545,676	149,525
Current operating:				
Judicial administration	-	50,000	23,615	26,385
Public safety	670,000	734,996	530,292	204,704
Total expenditures	670,000	784,996	553,907	231,089
Excess (deficiency) of revenues over (under) expenditures	(50,000)	(115,591)	(8,231)	(107,360)
Net change in fund balance	(50,000)	(115,591)	(8,231)	107,360
Fund balance, beginning	50,000	115,591	175,418	59,827
Fund balance, ending	$ -	$ -	$ 167,187	$ 167,187
Tourism Fund:				
Revenues				
Other local taxes	$ 1,102,500	$ 1,102,500	$ 1,146,299	$ 43,799
Intergovernmental	-	-	4,500	4,500
Total revenues	1,102,500	1,102,500	1,150,799	48,299
Expenditures				
Current operating:				
Community development	1,102,500	1,473,632	1,043,237	430,395
Total expenditures	1,102,500	1,473,632	1,043,237	430,395
Excess (deficiency) of revenues over (under) expenditures	-	(371,132)	107,562	478,694
Other financing sources (uses)				
Transfers out	-	-	-	-
Total other financing sources (uses) net	-	-	-	-
Net change in fund balance	-	(371,132)	107,562 -	478,694
Fund balance, beginning	-	371,132	948,427	577,295
Fund balance, ending	$ -	$ -	$ 1,055,989	$ 1,055,989

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget
PRIMARY GOVERNMENT	Original	Final	Actual Amounts	Positive(Negative)
Special Revenue Funds:				
Hidden Lake Dam Fund:				
Revenues:				
General property taxes	$ 110,700	$ 110,700	$ 116,859	$ 6,159
Use of money	400	400	716	316
Total revenues	111,100	111,100	117,575	6,475
Expenditures				
Current operating:				
Community development	49,832	69,832	56,196	13,636
Debt service				
Principal	35,000	35,000	35,000	-
Interest and fiscal charges	26,268	26,268	25,801	467
Total expenditures	111,100	131,100	116,997	14,103
Excess (deficiency) of revenues over (under) expenditures	-	(20,000)	578	20,578
Net change in fund balance	-	(20,000)	578	20,578
Fund balance, beginning	-	20,000	94,389	74,389
Fund balance, ending	$ -	$ -	$ 94,967	$ 94,967
Armed Services Memorial Fund:				
Revenues:				
Miscellaneous	$ -	$ -	$ 92,450	$ 92,450
Intergovernmental	-	-	-	-
Total revenues	-	-	92,450	92,450
Expenditures				
Current operating:				
Parks, recreation and cultural	-	413,388	411,167	(2,221)
Total expenditures	-	413,388	411,167	(2,221)
Excess (deficiency) of revenues over (under) expenditures	-	(413,388)	(318,717)	94,671
Other Financing Sources				
Transfers-In	-	-	62,500	62,500
Transfers-Out	-	-	(117,000)	(117,000)
Total other financing sources	-	-	(54,500)	(54,500)
Net change in fund balance	-	(413,388)	(373,217)	40,171
Fund balance, beginning	-	413,388	387,320	(26,068)
Fund balance, ending	$ -	$ -	$ 14,103	$ 14,103

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS OF THE PRIMARY GOVERNMENT YEAR ENDED JUNE 30, 2018

PRIMARY GOVERNMENT	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive(Negative)
Special Revenue Funds:				
Transportation Impact Fee:				
Revenues:				
Use of money and property	$ -	$ -	$ 23,938	$ 23,938
Other local taxes	325,000	325,000	1,194,430	869,430
Total revenues	325,000	325,000	1,218,368	893,368
Expenditures				
Current operating:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	325,000	325,000	1,218,368	893,368
Other Financing Sources				
Transfers-Out	(325,000)	(325,000)	(325,000)	-
Total other financing sources	(325,000)	(325,000)	(325,000)	-
Net change in fund balance	-	-	893,368	893,368
Fund balance, beginning	-	-	969,661	969,661
Fund balance, ending	$ -	$ -	$ 1,863,029	$ 1,863,029

COUNTY OF STAFFORD, VIRGINIA Schedule IV

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL CAPITAL PROJECTS FUND YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive(Negative)
PRIMARY GOVERNMENT				
Capital Projects Funds:				
General Capital Projects Fund:				
Revenues				
Use of money	$ 20,000	$ 20,000	$ 191,311	$ 171,311
Miscellaneous	-	400,000	391,262	(8,738)
Intergovernmental	-	433,000	433,000	-
Total revenues	20,000	853,000	1,015,573	162,573
Expenditures				
Current operating:				
Public safety	6,540,670	7,539,934	4,457,436	3,082,498
Public works	-	-	521	(521)
Parks, recreation and cultural	239,760	3,819,375	1,604,788	2,214,587
Capital Outlay	700,000	10,104,356	230,342	9,874,014
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	104,776	87,056	17,720
Bond Issuance Costs	-	-	70,608	(70,608)
Appropriation to School Board:				
School capital projects	-	20,484,959	17,652,031	2,832,928
Total expenditures	7,480,430	42,053,400	24,102,782	17,950,618
Deficiency of revenues under expenditures	(7,460,430)	(41,200,400)	(23,087,209)	18,113,191
Other financing sources (uses)				
Transfers in	700,000	1,896,287	1,896,287	-
Transfers out to component unit	-	-	-	-
Payment to refunding bond escrow agent			(4,367,492)	(4,367,492)
Issuance of debt:				
Bonds	6,540,670	27,152,279	26,538,100	(614,179)
Premiums	-	-	2,219,352	2,219,352
Capital leases	-	3,438,073	-	(3,438,073)
Total other financing sources (uses), net	7,240,670	32,486,639	26,286,247	(6,200,392)
Net change in fund balance	(219,760)	(8,713,761)	3,199,038	11,912,799
Fund balance, beginning	219,760	8,713,761	9,692,399	978,638
Fund balance, ending	$ -	$ -	$ 12,891,437	$ 12,891,437

FIDUCIARY FUNDS:

Agency Funds:

Celebrate Virginia North Fund

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

Lake Arrowhead Sanitary District Fund

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

George Washington Regional Commission Fund

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

Embrey Mill

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

COUNTY OF STAFFORD, VIRGINIA Schedule V

COMBINING STATEMENT OF ASSETS & LIABILITIES
AGENCY FUNDS
JUNE 30, 2018

	Agency Funds				
	Celebrate Virginia North	Lake Arrowhead Sanitary District	George Washington Regional Commission	Embrey Mill	Totals
ASSETS					
Current assets:					
Cash and short-term investments	$ 664,765	$ 88,427	$ -	$ 1,269,593	$ 2,022,785
Receivables:					
Property taxes	6,662,220	45,034	-	-	6,707,254
Accounts	-	-	100,870	-	100,870
Total assets	$ 7,326,985	$ 133,461	$ 100,870	$ 1,269,593	$ 8,830,909
LIABILITIES					
Accounts payable	$ -	$ 561	$ -	$ -	$ 561
Accrued salaries and benefits	-	-	46,939	-	46,939
Other liabilities	640,411	-	53,931	-	694,342
Reserve for future expenditures	-	132,900	-	-	132,900
Reserve for bondholders	6,686,574	-	-	1,269,593	7,956,167
Total liabilities	$ 7,326,985	$ 133,461	$ 100,870	$ 1,269,593	$ 8,830,909

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS & LIABILITIES
YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Celebrate Virginia North Fund				
ASSETS				
Cash and short-term investments	$ 622,200	$1,112,302	$(1,069,737)	$ 664,765
Property taxes receivable	5,732,277	1,468,039	(538,096)	6,662,220
Total assets	$ 6,354,477	$2,580,341	$(1,607,833)	$ 7,326,985
LIABILITIES				
Other liabilities	$ 2,510	$1,069,737	$ (431,836)	$ 640,411
Reserve for bondholders	6,351,967	334,607	-	6,686,574
Total liabilities	$ 6,354,477	$1,404,344	$ (431,836)	$ 7,326,985
Lake Arrowhead Sanitary District Fund				
ASSETS				
Cash and short-term investments	$ 154,351	$ 647,551	$ (713,475)	$ 88,427
Property taxes receivable	59,734	-	(14,700)	45,034
Total assets	$ 214,085	$ 647,551	$ (728,175)	$ 133,461
LIABILITIES				
Accounts Payable	$ 550	$ -	$ 11	$ 561
Reserve for future expenditures	213,535	-	(80,635)	132,900
Total liabilities	$ 214,085	$ -	$ (80,624)	$ 133,461
George Washington Regional Commission				
ASSETS				
Accounts receivable	$ 79,957	$ 20,913	$ -	$ 100,870
Total assets	$ 79,957	$ 20,913	$ -	$ 100,870
LIABILITIES				
Accrued salaries and benefits	$ 32,750	$ -	$ 14,189	$ 46,939
Other Liabilities	47,207	-	6,724	53,931
Other Total liabilities	$ 79,957	$ -	$ 20,913	$ 100,870
Embrey Mill Agency Fund				
ASSETS				
Cash and short-term investments	$ 1,262,843	$2,575,993	$(2,569,243)	$ 1,269,593
Property taxes receivable	-	-	-	-
	$ 1,262,843	$2,575,993	$(2,569,243)	$ 1,269,593
LIABILITIES				
Reserve for bondholders	$ 1,262,843	$ -	$ 6,750	$ 1,269,593
Totals - All Fiduciary Agency Funds				
ASSETS				
Cash and short-term investments	$ 2,039,394	$4,335,846	$(4,352,455)	$ 2,022,785
Property taxes receivable	5,792,011	1,468,039	(552,796)	6,707,254
Accounts receivable	79,957	20,913	-	100,870
	$ 7,956,723	$5,824,798	$(4,905,251)	$ 8,830,909
Total assets				
LIABILITIES				
Accrued salaries and benefits	32,750	-	14,189	46,939
Accounts payable	550	-	11	561
Other liabilities	49,717	1,069,737	(425,112)	694,342
Reserve for future expenditures	213,535	-	(80,635)	132,900
Reserve for bondholders	7,614,810	334,607	6,750	7,956,167
	$ 7,956,723	$1,404,344	$ (484,797)	$ 8,830,909
Total liabilities				

Working To Be The Best Local Government In Virginia

Balance Empowerment Service Teamwork

STATISTICAL SECTION
(unaudited)

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

Contents

Sources: Unless otherwise noted, the information in these tables is derived from the CAFR for the relevant year.

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

NET POSITION BY COMPONENT
Fiscal Years 2009 - 2018
(accrual basis of accounting)
(unaudited) (1)

	2009	2010	2011	2012	2013	2014	2015	2016	2017 (3)	2018
Primary Government:										
Governmental activities:										
Net investment in capital assets	$ 29,631,901	$ 63,339,727	$ 73,303,969	$ 81,905,153	$ 83,012,683	$ 94,214,362	$ 98,292,334	$ 125,608,019	$ 137,144,534	$ 140,085,894
Restricted (2)	256,965	777,238	2,540,231	2,585,376	2,563,552	3,127,912	2,682,185	861,102	42,442,927	36,387,289
Unrestricted (deficit) (2)	(211,061,627)	(210,589,191)	(192,423,702)	(192,972,219)	(217,209,926)	(236,728,731)	(261,870,499)	(276,183,484)	(379,448,731)	(367,558,775)
Total governmental activities net position	$ (181,172,761)	$ (146,472,226)	$ (116,579,502)	$ (108,481,690)	$ (131,633,691)	$ (139,386,457)	$ (160,895,980)	$ (149,714,363)	$(199,861,270)	$ (191,085,592)
Business-type activities:										
Net investment in capital assets	$ 224,899,611	$ 214,291,000	$ 243,840,540	$ 215,975,340	$ 263,389,309	$ 314,276,234	$ 308,716,780	$ 322,691,679	$ 327,610,514	$ 338,103,297
Restricted	12,002,547	12,165,547	14,293,655	51,224,071	14,008,268	-	9,617,314	10,673,889	6,252,110	10,990,332
Unrestricted (2)	39,658,707	54,892,613	32,052,353	34,373,851	41,136,662	24,506,342	29,366,937	32,584,518	36,726,832	46,656,505
Total business-type activities net position	$ 276,560,865	$ 281,349,160	$ 290,186,548	$ 301,573,262	$ 318,534,239	$ 338,782,576	$ 347,701,031	$ 365,950,086	$ 370,589,456	$ 395,750,134
Total Primary Government										
Net investment in capital assets	$ 254,531,512	$ 277,630,727	$ 317,144,509	$ 297,880,493	$ 346,401,992	$ 408,490,596	$ 407,009,114	$ 448,299,698	$ 464,755,048	$ 478,189,191
Restricted	12,259,512	12,942,785	16,833,886	53,809,447	16,571,820	3,127,912	12,299,499	11,534,991	48,695,037	47,377,621
Unrestricted (deficit)	(171,402,920)	(155,696,578)	(160,371,349)	(158,598,368)	(176,073,264)	(212,222,389)	(232,503,562)	(243,598,966)	(342,721,899)	(320,902,270)
Total Primary Government net position	$ 95,388,104	$ 134,876,934	$ 173,607,046	$ 193,091,572	$ 186,900,548	$ 199,396,119	$ 186,805,051	$ 216,235,723	$ 170,728,186	$ 204,664,542

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) In FY17 the FY16 amounts were revised to coincide with Exhibit I
(3) 2017 fund balance has been restated to reflect GASB 75.

CHANGES IN NET POSITION
Fiscal Years 2009-2018
(accrual basis of accounting)
(unaudited) (1)

Primary Government:	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016 (8)**	**2017**	**2018**
Expenses										
Governmental activities:										
General government	$ 13,641,852	$ 12,261,364	$ 12,719,415	$ 12,623,568	$ 12,734,773	$ 13,533,596	$ 14,757,363	$ 14,362,591	$ 14,559,295	$ 18,839,600
Judicial administration	7,087,591	6,703,566	6,735,964	6,839,212	6,105,930	7,606,669	6,370,324	6,918,104	8,482,351	8,306,197
Public safety	44,273,261	45,897,812	45,474,144	49,986,737	55,435,338	57,699,254	52,314,985	57,976,361	61,276,611	63,986,551
Public works	7,437,815	7,326,583	7,674,038	7,851,234	9,554,439	8,694,821	8,243,611	8,232,226	9,657,053	7,575,241
Health and social services	13,527,646	13,664,321	13,783,282	14,070,334	13,856,403	13,479,255	12,448,947	13,905,298	15,961,005	17,445,345
Parks, recreation and cultural	10,750,553	10,096,206	9,659,082	12,034,049	12,784,641	14,321,722	25,408,604	16,142,774	14,761,609	16,539,452
Community development	5,241,060	4,603,445	5,472,934	4,837,754	4,921,864	5,159,874	4,377,659	4,993,035	4,249,540	5,004,066
Appropriation to School Board	101,194,329	109,379,789	107,730,081	123,139,836	142,751,306	141,597,936	131,273,166	133,974,547	139,074,307	135,017,282
Transportation	4,405,170	3,770,803	3,124,991	3,988,075	4,829,573	3,322,814	3,019,659	3,227,877	3,723,774	13,854,155
Interest	19,486,762	16,617,439	13,427,364	16,147,660	16,736,309	13,807,460	17,050,475	17,260,538	16,208,762	16,388,405
Total governmental activities expenses	227,046,039	230,321,328	225,801,295	251,518,459	279,710,576	279,223,401	275,264,793	276,993,351	287,954,307	302,956,294
Total business-type activities expenses	30,617,305	31,035,605	30,216,044	31,324,423	30,473,842	31,904,381	34,817,632	34,526,713	35,208,525	41,099,002
Total Primary Government expenses	$ 257,663,344	$ 261,356,933	$ 256,017,339	$ 282,842,882	$ 310,184,418	$ 311,127,782	$ 310,082,425	$ 311,520,064	$ 323,162,832	$ 344,055,296
Program revenues										
Governmental activities:										
Charges for services:										
General government	$ 965	$ 1,108	$ 25,964	$ 225,028	$ 242,505	$ 266,157	$ 281,000	$ 641,721	$ 844,646	$ 277,761
Judicial administration	388,935	277,479	335,598	304,592	371,234	258,636	249,493	269,789	276,435	373,817
Public safety	6,143,041	6,691,261	6,549,245	6,693,587	7,926,496	7,672,339	7,267,651	7,562,952	6,913,255	7,934,736
Public works	67,927	70,097	71,817	68,888	72,680	54,814	66,868	38,912	43,210	204,629
Health and social services	310,308	292,027	175,902	140,145	195,762	247,335	75,819	135,963	144,916	53,475
Parks, recreation and cultural	1,642,351	1,754,006	1,806,643	1,840,751	1,900,427	1,888,993	2,441,178	2,213,931	1,723,461	1,767,047
Community development	1,550,465	1,077,860	1,343,065	1,237,301	1,796,945	1,835,090	2,321,592	1,689,645	1,795,183	1,776,963
Transportation	500	28,890	37,455	36,450	44,650	51,785	67,320	49,708	41,803	35,040
Operating grants and contributions										
General government	659,751	591,090	563,978	571,979	593,732	591,531	716,671	643,329	615,479	1,111,753
Judicial administration	1,959,943	1,697,023	1,890,125	1,619,250	1,775,749	1,765,593	1,713,319	1,909,899	2,117,745	2,190,237
Public safety	5,109,088	5,795,343	6,940,239	6,341,182	6,247,021	5,549,949	5,163,714	5,367,744	5,604,834	6,772,215
Public works	-	-	-	-	-	-	-	-	-	
Health and social services	7,742,158	7,752,214	7,472,568	7,246,818	6,126,643	6,300,225	6,383,766	7,019,454	7,931,317	8,683,077
Parks, recreation and cultural	2,220	-	-	39,496	-	-	-	-	-	-
Community development	448,890	579,847	1,111,018	75,348	101,161	250,254	-	50	308,657	6,414
Transportation	41,940	10,729	139,175	1,031,384	82,849	918,886	836,333	-	-	109,931
Capital grants and contributions										
Public Safety	-	-	-	-	-	-	6,945	-	-	-
Community development	-	-	-	-	-	-	-	-	-	433,000
Public works	-	601,983	49,327	-	-	-	-	-	-	-
Parks, recreation and cultural	-	16,453,700	-	-	-	-	-	-	-	-
Transportation	-	-	-	685,812	898,290	1,602,859	1,165,321	5,376,640	4,321,120	5,918,751
Total governmental program revenues	$ 26,068,482	$ 43,674,657	$ 28,512,119	$ 28,158,011	$ 28,376,144	$ 29,254,446	$ 28,756,990	$ 32,919,737	$ 32,682,061	$ 37,648,846

CHANGES IN NET POSITION
Fiscal Years 2009-2018
(accrual basis of accounting)
(unaudited) (1)

	2009	2010	2011	2012	2013	2014	2015	2016 (8)	2017	2018
Business-type activities:										
Charges for services	$ 21,816,692	$ 22,675,662	$ 23,348,476	$ 24,085,502	$ 26,115,323	$ 27,444,874	$ 30,660,729	$ 32,449,975	$ 35,852,460	$ 38,997,356
Operating grants and contributions	-	3,496,906	2,914,691	1,037,356	276,145	-	-	-	-	-
Capital grants and contributions	10,434,253	8,644,800	11,958,913	17,037,061	21,404,272	24,410,978	16,888,941	19,716,714	19,319,750	27,095,667
Total business-type activities program revenues	32,250,945	34,817,368	38,222,080	42,159,919	47,795,740	51,855,852	47,549,670	52,166,689	55,172,210	66,093,023
Total Primary Government program revenues	$ 75,925,602	$ 63,329,487	$ 66,380,091	$ 70,536,063	$ 76,171,884	$ 80,612,842	$ 80,469,407	$ 85,086,426	$ 87,854,271	$ 103,741,869
Net (expense)/revenue (2)										
Governmental activities	$ (186,646,671)	$ (197,289,176)	$ (223,360,448)	$ (251,334,432)	$ (251,334,432)	$ (246,507,803)	$ (244,622,808)	$ (244,073,614)	$ (255,272,246)	$ (265,307,448)
Business activities	1,215,340	4,601,324	6,897,657	11,686,077	17,321,898	17,038,220	47,549,670	17,639,976	19,963,685	24,994,021
Total Primary Government net expense	$ (185,431,331)	$ (192,687,852)	$ (216,462,791)	$ (239,648,355)	$ (234,012,534)	$ (229,469,583)	$ (197,073,138)	$ (226,433,638)	$ (235,308,561)	$ (240,313,427)
General revenues and other changes in net assets										
Governmental activities:										
Taxes										
General property taxes	$ 165,287,706	$ 168,106,174	$ 172,389,860	$ 175,603,509	$ 176,261,594	$ 183,480,382	$ 185,302,231	$ 192,132,277	$ 199,376,130	$ 206,800,056
Other local taxes	35,845,372	36,866,175	38,933,477	40,345,254	41,711,420	39,281,476	40,503,669	42,531,750	43,974,287	46,404,868
Unrestricted grants and contributions	14,707,388	15,599,795	15,019,020	14,911,207	14,941,367	14,591,241	15,584,842	15,978,707	12,748,800	12,542,261
Investment earnings	1,449,560	205,052	116,813	46,162	38,656	206,821	106,796	448,174	840,815	1,747,745
Miscellaneous	709,672	570,010	722,730	552,128	884,870	4,656,269	6,616,292	4,088,986	6,677,921	5,864,196
Gain on sale of property	-	-	-	-	-	-	-	75,337	33,673	-
Transfers	282,448	-	-	-	121,100	-	10,000	-	371,402	724,000
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Total governmental activities	$ 218,282,146	$ 221,347,206	$ 227,181,900	$ 231,458,260	$ 233,959,007	$ 242,216,189	$ 248,123,830	$ 255,255,231	$ 264,023,028	$ 274,083,126
Business-type activities										
Investment earnings	$ 2,473,329	$ 964,691	$ 514,145	$ 377,663	$ 282,527	$ 235,995	$ 203,909	$ 449,208	$ 371,330	$ 680,907
Gain on disposal of capital assets	-	-	-	5,122	13,000	12,882	43,365	23,560	23,440	-
Miscellaneous	80,250	41,841	317,207	168,433	159,109	47,989	35,920	136,311	175,099	209,750
Transfers	(282,448)	-	-	-	(121,100)	-	(10,000)	-	-	(724,000)
Total business-type activities	2,271,131	1,006,532	831,352	551,218	333,536	296,866	273,194	609,079	569,869	166,657
Total Primary Government	$ 220,553,277	$ 222,353,738	$ 228,013,252	$ 232,009,478	$ 234,292,543	$ 242,513,055	$ 248,397,024	$ 255,864,310	$ 264,592,897	$ 274,249,783
Change in net position										
Primary government:										
Governmental activities	$ 17,304,588	$ 34,700,535	$ 29,892,724	$ 8,097,812	$ (17,375,425)	$ (7,752,766)	$ 1,616,027	$ 11,181,617	$ 8,750,782	$ 8,775,678
Business-type activities	3,904,771	4,788,295	8,837,388	11,386,714	17,655,434	20,248,337	13,005,232	18,249,055	20,533,554	25,160,678
Total primary government	$ 21,209,359	$ 39,488,830	$ 38,730,113	$ 19,484,526	$ 280,009	$ 12,495,571	$ 14,621,259	$ 29,430,672	$ 29,284,336	$ 33,936,356
Total primary government										
Net position, beginning (3) - (7) & (9)	$ 74,178,745	$ 95,388,104	$ 134,876,934	$ 173,507,046	$ 186,620,539	$ 186,900,548	$ 172,183,792	$ 186,805,051	$ 216,235,723	$ 170,728,186
Net position, ending	$ 95,388,104	$ 134,876,934	$ 173,607,047	$ 192,991,572	$ 186,900,548	$ 199,396,119	$ 186,805,051	$ 216,235,723	$ 245,520,059	$ 204,664,542

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) Net (expense) revenue is the difference between the expenses and program revenues. A positive number indicates that the program can be supported by program revenues. A negative number indicates that general revenues are needed to support or supplement the program.
(3) In fiscal year 2006, the beginning net position balance was restated to exclude road construction projects from the County's fixed asset balance.These road projects will eventually be turned over to the State to maintain.
(4) In fiscal year 2009, the beginning net position balance for the General Government was restated to reflect an adjusted prior year transfer from the Component Unit-School Board.
(5) In fiscal year 2012, the beginning net position balance for the governmental activities was restated to reflect an adjusted prior year transfer of a land asset to the Component Unit - School Board.
(6) In fiscal year 2013, the beginning net position balance for the governmental activities was restated to reflect a change in accounting principle and a restatement of an error.
(7) In fiscal year 2015, the beginning net position balance for the governmental activities was restated to reflect a change in accounting for pensions per GASB 68.
(8) In fiscal year 2017, FY2016 amounts were revised to coincide with Exhibit II.
(9) In fiscal year 2018, the beginning net position balance for the governmental activities and business-type activitites was restated to reflect a change in accounting for OPEB per GASB 75.

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

FUNDS BALANCES, GOVERNMENTAL FUNDS

Fiscal Years 2009-2018

(modified accrual basis of accounting)

(unaudited) (1)

Pre-GASB 54 (2)
Fiscal Year

General Fund	2009	2010
Reserved		
Unreserved	$ 926,214	$ 1,237,328
Designated		
Undesignated (4)	3,813,606	9,514,224
Total General Fund	30,538,661	26,268,217
	35,278,481	37,019,769
All Other Governmental Funds		
Reserved		
Unreserved	315,533	810,531
Designated		
Special revenue funds		
Capital projects funds	5,419,558	12,813,595
Undesignated	21,744,145	10,852,158
Special revenue funds		
Capital projects funds	7,173,911	1,919,703
Total all other government funds	1,670,369	-
Total fund balances	36,323,516	26,395,987
	$ 71,601,997	$ 63,415,756

Post-GASB 54 (3)
Fiscal Year

	2011	2012	2013	2014	2015	2016	2017	2018
General Fund								
Nonspendable	$ 38,977	$ 39,554	$ 27,813	$ 326,168	$ 220,609	$ 181,993	$ 691,811	$ 432,115
Restricted	569,745	652,293	879,437	3,373,807	3,306,455	3,189,177	3,276,037	4,646,807
Committed	9,588,558	11,846,432	13,937,000	8,413,076	5,164,702	10,672,838	6,949,499	25,028,902
Assigned	10,219,883	13,496,185	11,883,767	18,539,638	24,541,606	23,332,365	25,525,307	12,364,759
Unassigned	29,129,794	29,590,639	30,376,952	30,969,982	32,909,983	32,901,993	34,369,821	36,615,473
Total General Fund	49,546,957	55,625,103	57,104,969	61,622,671	66,143,355	70,278,366	70,812,475	79,088,056
All Other Governmental Funds								
Nonspendable	-	-	-	-	-	-	117	12,500
Restricted								
Special Revenue	740,486	-	-	-	-	610,499	610,499	8,893,967
Capital Projects	1,230,000	1,155,000	1,080,000	-	-	-	-	12,891,437
Other Governmental Funds	-	778,082	604,115	689,251	622,351	250,238	175,418	9,955,078
Committed								
Special Revenue	7,648,876	6,220,896	10,765,215	11,642,718	8,422,525	6,795,956	18,217,607	210,959
Capital Projects	8,946,013	9,874,269	16,903,871	11,476,554	9,996,099	6,200,789	9,692,399	-
Other Governmental Funds	-	1,152,847	7,123,925	8,844,875	9,596,848	5,757,073	7,138,126	-
Assigned								
Special Revenue	10,027,309	4,330,167	3,798,204	721,863	-	-	-	-
Other Governmental Funds	-	8,618,960	8,726,946	7,677,381	5,423,842	6,513,216	3,916,439	-
Total all other government funds	28,592,684	32,130,221	49,002,276	41,052,642	34,061,665	26,127,771	39,750,605	31,963,941
Total fund balances	$ 78,139,641	$ 87,755,324	$ 106,107,245	$ 102,675,313	$ 100,205,020	$ 96,406,137	$ 110,563,080	$ 111,051,997

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

(2) Fiscal year 2003 through fiscal year 2010 were in compliance with GASB 34.

(3) GASB 54 was adopted in fiscal year 2011 and fiscal year 2010 data was restated for GASB 54 comparable presentation.

(4) The General Fund Undesignated fund balance was re-stated in fiscal year 2009 for fiscal year 2007 and fiscal year 2008.

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
FISCAL YEARS 2009-2018
(modified accrual basis of accounting)
(unaudited) (1)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
General property taxes	$ 164,927,068	$ 168,767,569	$ 172,389,860	$ 175,603,509	$ 178,881,369	$ 183,606,999	$ 186,177,201	$ 191,531,969	$ 200,177,097	$ 207,303,957
Other local taxes	33,933,856	34,883,967	38,218,971	39,638,192	41,017,797	38,426,342	40,503,669	41,686,287	43,974,287	46,404,868
Permits, privilege fees and	4,646,243	4,058,796	3,368,355	3,165,460	4,342,575	4,312,561	3,723,699	4,203,746	4,600,431	4,640,366
Fines and forfeitures	691,102	729,490	904,319	730,433	784,514	1,057,819	1,071,872	1,034,714	791,570	878,756
Use of money and property	1,668,970	465,207	429,386	334,240	347,769	432,444	462,759	872,914	840,813	1,747,745
Charges for services	5,362,710	4,993,840	5,218,433	5,817,807	6,193,509	6,326,343	6,920,303	6,657,657	6,390,908	6,904,346
Miscellaneous	2,992,369	4,777,219	3,456,531	3,139,690	3,883,714	7,402,475	6,616,291	5,229,929	6,745,267	5,864,196
Intergovernmental	29,485,490	30,386,436	31,783,161	31,186,940	29,382,578	30,032,267	32,269,995	36,357,443	33,647,952	37,767,639
Total revenues	243,707,808	249,062,524	255,769,016	259,616,271	264,833,825	271,597,250	277,745,789	287,574,659	297,168,325	311,511,873
Expenditures										
Current operating:										
General government	17,131,984	15,796,367	15,118,921	16,048,880	12,083,734	12,585,414	13,324,624	13,311,548	13,178,287	13,890,180
Judicial administration	6,873,685	6,485,676	6,489,706	6,459,754	6,949,212	6,996,272	7,069,087	7,168,625	7,589,619	7,873,248
Public safety	41,799,586	44,816,171	45,841,713	48,822,682	53,421,921	51,822,442	52,124,684	58,166,109	57,866,940	62,605,381
Public works	3,988,036	4,382,841	5,221,699	7,167,438	7,124,172	9,728,759	5,387,823	7,993,681	7,918,462	5,077,713
Health and social services	13,302,169	13,564,781	13,597,282	13,684,536	13,435,827	13,141,477	12,331,075	13,647,667	15,778,608	17,111,432
Parks, recreation and cultural	11,865,961	10,079,702	10,875,709	11,314,097	14,444,997	22,263,174	28,875,822	25,508,295	13,860,112	15,180,699
Community development	5,861,420	4,521,530	5,272,457	4,723,822	4,795,928	4,708,570	4,580,033	4,937,518	4,865,208	4,737,547
Appropriation to school board:										
School operation	99,474,959	103,189,962	99,323,620	98,599,339	108,625,975	108,414,728	103,735,323	111,449,395	112,072,288	116,440,953
School capital projects	1,719,370	6,189,827	8,406,461	24,540,497	34,050,331	33,108,208	27,462,843	22,450,152	26,927,019	18,501,329
Transportation	-	-	-	-	2,781,761	3,347,968	3,662,264	3,651,700	3,377,104	3,076,652
Capital outlay	16,706,600	14,460,024	12,305,815	4,854,714	6,950,065	10,611,313	12,471,531	20,308,877	13,521,319	25,208,481
Debt service										
Principal	22,360,830	22,461,779	22,295,756	25,714,726	25,436,816	21,021,636	23,835,993	25,222,800	27,733,990	28,431,591
Interest and fiscal charges	19,168,869	17,839,981	17,604,636	16,932,891	16,780,980	14,233,335	19,014,887	18,523,042	18,328,443	17,931,102
Bond issuance costs	-	-	-	-	-	-	-	-	-	70,608
Total expenditures	260,253,469	263,788,641	262,353,775	278,863,376	306,881,719	311,983,296	313,875,989	332,339,409	323,017,399	336,136,916
Excess of revenues (under) expenditures	(16,545,661)	(14,726,117)	(6,584,759)	(19,247,105)	(42,047,894)	(40,386,046)	(36,130,200)	(44,764,750)	(25,849,074)	(24,625,043)
Other Financing Sources (Uses)										
Issuance of debt	1,704,853	6,189,827	9,585,984	26,515,000	54,115,000	30,973,208	97,984,907	32,800,001	36,029,020	22,100,000
Issuance of capital leases	649,060	350,054	8,707,998	-	-	5,980,906	-	5,128,339	-	
Bond premium	-	-	-	3,577,788	6,163,715	-	-	3,037,527	3,605,595	2,219,352
Refunding bonds issuance	-	-	-	-	-	-	-	-	-	4,085,000
Premium on refunding bonds issuance	-	-	-	-	-	-	-	-	-	353,100
Transfers in	4,854,932	2,060,019	1,710,869	4,011,416	4,603,625	12,031,878	6,586,311	5,547,969	5,932,652	3,822,766
Transfers out	(4,572,484)	(2,060,019)	(1,710,869)	(4,011,416)	(4,482,525)	(12,031,878)	(6,576,311)	(5,547,969)	(4,624,699)	(3,098,766)
Payment from Joint Venture									238,984	-
Payment to Joint Venture									(1,175,535)	
Refunding of debt (4)	-	-	-	-	-	-	(64,335,000)			(4,367,492)
Other miscellaneous non-operating revenue	-	-	3,089,662	-	-	-	-	-		
Loan to Component Unit	-	-	(1,305,000)	-	-	-	-	-		
Total other financing sources, net	2,636,361	6,539,881	20,078,644	30,092,788	60,399,815	36,954,114	33,659,907	40,965,867	40,006,017	25,113,960
Net change in fund balances	**(13,909,300)**	**(8,186,236)**	**13,493,885**	**10,845,683**	**18,351,921**	**(3,431,932)**	**(2,470,293)**	**(3,798,883)**	**14,156,943**	**488,917**
Fund balance, beginning (3)	85,511,292	71,601,992	63,415,756	76,909,641	87,755,324	106,107,245	102,675,313	100,205,020	96,406,137	110,563,080
Fund balance, ending (3)	$ 71,601,992	$ 63,415,756	$ 76,909,641	$ 87,755,324	$ 106,107,245	$ 102,675,313	$ 100,205,020	$ 96,406,137	$ 110,563,080	$ 111,051,997

COUNTY OF STAFFORD, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
FISCAL YEARS 2009-2018
(modified accrual basis of accounting)
(unaudited) (1)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total debt service	$ 41,529,699	$ 40,301,760	$ 39,900,392	$ 42,647,617	$ 42,217,796	$ 35,254,971	$ 42,850,880	$ 43,745,842	$ 46,062,433	$ 46,362,693
Total expenditures	$ 260,253,469	$ 263,788,641	$ 262,353,775	$ 278,863,376	$ 306,881,719	$ 311,983,296	$ 313,875,989	$ 332,339,409	$ 323,017,399	$ 336,136,916
Less: Capital outlay (2)	20,488,695	17,834,948	19,148,190	13,202,826	16,817,195	27,686,981	28,386,661	41,765,283	21,696,360	22,621,490
Non-capital expenditures	$ 239,764,774	$ 245,953,693	$ 243,205,585	$ 265,660,550	$ 290,064,524	$ 284,296,315	$ 285,489,328	$ 290,574,126	$ 301,321,039	$ 313,515,426
Debt service as a percentage of noncapital expenditures	**17.32%**	**16.39%**	**16.41%**	**16.05%**	**14.55%**	**12.40%**	**15.01%**	**15.05%**	**15.29%**	**14.79%**

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) The amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.
(3) In Fiscal Year 2009, the beginning fund balance was restated for fiscal year 2007-2008.
In Fiscal year 2009, the beginning fund balance was restated for fiscal 2007-2008. See Footnote 14 of the Financial Statements for fiscal year 2009.
(4) In Fiscal year 2015, the Fiscal year 2006 and part of Fiscal year 2008 lease revenue bonds were refunded.
In Fiscal year 2018, part of the Fiscal year 2008 lease revenue bonds were refunded.

Principal Tax Revenue by Source
Fiscal Year 2009-2018
(unaudited) (1)

Table S-5

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Restaurant Food Taxes	Taxes on Recordation and Wills	Vehicle License Taxes	Fuels Sales Tax	Garrisonville Rd Service District Property Taxes	Other Local Taxes(1)	Total
2009	$ 164,927,068	$ 10,288,383	$ 6,564,254	$ 5,203,051	$ 2,388,858	$ 2,239,127	$ 3,587,601	$ 507,849	$ 3,154,733	$ 198,860,924
2010	168,767,569	9,798,938	6,683,324	5,600,607	2,234,400	2,312,394	3,943,817	512,637	3,797,850	203,651,536
2011	172,389,860	10,318,717	10,086,911	5,949,285	2,242,017	2,450,070	5,181,825	534,239	1,455,907	210,608,831
2012	175,603,509	11,014,935	10,391,870	6,251,632	2,447,621	2,245,004	5,345,841	530,537	1,410,752	215,241,701
2013	176,261,594	11,800,992	10,018,017	6,400,869	3,600,473	2,344,309	5,616,151	533,358	703,628	217,279,391
2014	183,480,382	11,790,128	10,190,648	6,577,615	3,515,617	411,185	4,946,890	530,862	463,397	221,906,724
2015	185,302,231	12,376,768	11,094,684	7,102,018	2,967,321	2,019,185	3,828,615	541,721	573,357	225,805,900
2016	192,132,277	12,872,793	9,929,556	7,779,537	3,939,630	2,371,392	2,961,265	556,373	2,121,204	234,664,027
2017	199,376,130	13,641,300	6,448,823	8,022,545	6,142,390	2,522,370	3,363,483	562,865	2,944,965	243,024,871
2018	206,733,720	14,341,668	7,035,404	8,512,213	5,985,497	2,645,892	3,806,666	570,237	4,077,528	253,708,825

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

COUNTY OF STAFFORD, VIRGINIA **Table S-6**

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Calendar Years 2009 - 2018
(unaudited) (1)

	Real Property				Personal Property							
Calendar Year	Residential Real Property	Commercial and Industrial Real Property	Agricultural Real Property	Total Real Property (3)	Personal Property	Merchants Capital	Machinery & Tools	Mobile Homes	Recreational Vehicles/ Trailers; Watercraft & Business Property	Total Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate (4)
2009	$ 13,207,302,880	$ 2,806,328,239	$1,101,805,900	$ 16,313,534,929	$ 525,381,390	$ 175,881,250	$ 42,843,200	$ 22,562,060	$ 148,909,350	$ 915,577,250	$ 17,229,112,179	0.94
2010 (2)	9,850,345,400	2,514,103,100	634,355,800	12,555,580,113	585,711,380	174,917,430	35,020,440	21,025,020	156,031,145	972,705,415	13,528,285,528	1.21
2011	10,021,541,300	2,540,176,800	611,053,100	12,719,091,716	580,866,160	180,885,340	30,960,430	20,411,060	158,134,400	971,257,390	13,690,349,106	1.19
2012 (2)	10,236,576,300	2,623,917,176	517,222,800	13,002,326,118	608,786,840	196,387,420	30,495,880	19,280,860	177,549,360	1,032,500,360	14,034,826,478	1.19
2013	10,453,773,090	2,673,373,426	497,992,200	13,262,150,638	632,393,059	186,440,770	-	16,697,240	137,968,580	973,499,649	14,235,650,287	1.19
2014 (2)	11,453,237,050	2,765,187,000	510,902,000	14,389,795,201	646,424,160	198,206,730	-	15,648,640	132,954,700	993,234,230	15,383,029,431	1.12
2015	11,771,269,050	2,775,865,500	495,224,200	14,699,463,435	658,036,590	199,069,300	-	16,162,950	139,524,240	1,012,793,080	15,712,256,515	1.12
2016 (2)	12,745,166,500	2,946,159,700	473,016,900	15,857,245,779	694,942,180	195,895,430	-	16,622,020	147,308,220	1,054,767,850	16,912,013,629	1.09
2017	13,046,815,950	2,993,924,200	455,058,000	16,495,801,650	716,779,720	249,816,840	-	16,880,360	157,450,170	1,140,927,090	17,636,728,740	1.09
2018 (2)	13,855,938,651	3,183,115,300	459,242,200	17,498,296,151	755,575,220	206,150,400	-	17,017,230	168,845,320	1,147,588,170	18,645,884,321	1.09

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) The County reassesses real property every two years. Real property is assessed at 100% of the fair market value.
(3) The assessed value of real property does not include exempt values.
(4) Total Direct Tax Rates are calculated per $100 of assessed value, calculated on a weighted average basis. Refer to Table 7.
(4) FY17 Total Direct Tax Rates revised in FY18 to reflect correct rate.

Source: Office of the Commissioner of Revenue.

COUNTY OF STAFFORD, VIRGINIA **Table S-7**

DIRECT AND OVERLAPPING TAX RATES (1)
Calendar Years 2009 - 2018
(unaudited) (2)

Calendar Year		Real Estate		Personal Property (4)		Merchants Capital		Machinery and Tools		Mobile Homes (5)		Recreational Vehicles/ Trailers; Watercraft & Business Property (6)		Total Direct Tax Rate For each Fiscal Year (7)
		Tax Rate	Direct Rate Applied (7)	Tax Rate	Direct Rate Applied (7)	Tax Rate	Direct Rate Applied (7)	Tax Rate	Direct Rate Applied (7)	Tax Rate	Direct Rate Applied	Tax Rate	Direct Rate Applied	
2009		$0.84	$ 0.80	$6.89	$ 0.08	$0.50	$ 0.01	$0.75	$ -	$0.84	$ -	$ 5.49	$ 0.05	$ 0.94
2010	(3)	1.10	1.02	6.89	0.12	0.50	0.01	0.75	-	1.10	-	5.49	0.06	1.21
2011		1.08	1.00	6.89	0.12	0.50	0.01	0.75	-	1.08	-	5.49	0.06	1.19
2012	(3)	1.07	0.99	6.89	0.12	0.50	0.01	0.75	-	1.07	-	5.49	0.07	1.19
2013		1.07	0.99	6.89	0.12	0.50	0.01	-	-	1.07	-	5.49	0.05	1.19
2014	(3)	1.02	0.95	6.61	0.11	0.50	0.01	-	-	1.02	-	5.49	0.05	1.12
2015		1.02	0.95	6.61	0.11	0.50	0.01	-	-	1.02	-	5.49	0.05	1.12
2016	(3)	0.99	0.93	6.50	0.10	0.50	0.01	-	-	0.99	-	5.49	0.05	1.09
2017		0.99	0.93	6.46	0.11	0.50	0.01	-	-	0.99	-	5.49	0.05	1.09
2018	(3)	0.99	0.93	6.46	0.10	0.50	0.01	-	-	0.99	-	5.49	0.05	1.09

(1) All the rates listed on this page are direct rates, meaning the primary government has the authority to set, modify or approve.
Although the County does support some regional activities, there are no rates set or charged by any overlapping governmental bodies.
(2) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(3) Years of General Reassessments. Real estate is assessed at 100% of fair market value. Rates are charged per $100 of assessed value.
(4) Personal property is assessed at 40% of fair market value. Hence, the effective tax rate is approximately $2.58 per $100 of fair market value.
(5) Mobile homes are assessed at 100% of fair market value.
(6) Beginning in calendar year 2009, recreational vehicles / trailers, watercraft and business property have a separate rate set.
In years prior to 2009, they were taxed at the personal property rate. FY17 Direct Rate Applied was revised to correct rate in FY18.
(7) The Direct Tax Rates are calculated per $100 of assessed value, calculated on a weighted average basis based on assessed value. Refer to Table 6 for Assessed Values.
FY17 Total Direct Tax Rate revised to correct rate in FY18.

Source: Office of the Commissioner of Revenue.

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

PRINCIPAL PROPERTY TAX PAYERS
Calendar Years 2018 vs 2009
(unaudited) (1)

Tax Payer	Type of Business	Calendar Year 2018 Assessed Valuation	Calendar Year 2018 Rank	Calendar Year 2018 % Total Assessed Valuation	Calendar Year 2009 Assessed Valuation	Calendar Year 2009 Rank	Calendar Year 2009 % Total Assessed Valuation
Virginia Electric & Power Co	Utility	$ 263,115,710	1	1.4%			
Park Ridge Townhomes	Commercial	98,102,200	2	0.5%			
Silver Companies	Commercial	84,299,500	3	0.5%	$ 213,922,400	1	1.2%
Stafford Marketplace	Commercial	81,231,800	4	0.4%	77,710,700	6	0.5%
Government Insurance Employee Co	Commercial	77,806,500	5	0.4%	85,466,460	5	0.5%
Verizon	Utility	74,664,514	6	0.4%			
Kensington Crossing	Commercial	70,686,200	7	0.4%			
Aventine at Courthouse Square Apt.	Commercial	69,730,700	8	0.4%			
Walmart	Commercial	67,116,706	9	0.4%			
Washington Real Estate Investment Trust	Commercial	53,754,000	10	0.3%			
The Garrett Companies	Commercial				116,707,002	2	0.7%
Dominion Virginia Power	Utility				102,618,870	3	0.6%
Northern Stafford Associates LLC	Commercial				94,034,600	4	0.5%
McLane/Mid-Atlantic Inc, McLane Foods	Commercial				76,103,060	7	0.4%
ACPRE ACS Realty LLC	Commercial				68,574,600	8	0.4%
Pulte Home Corp	Commercial				60,900,900	9	0.4%
United Dominion Realty Trust	Commercial				60,294,600	10	0.3%
Totals		$ 940,507,830		5.1%	$ 956,333,192		5.5%
Total taxable assessed value		18,645,884,321			$ 17,229,112,179		

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

Source: Office of the Commissioner of Revenue.

REAL PROPERTY TAX LEVIES AND COLLECTIONS
Fiscal Years 2009 - 2018
(unaudited) (1)

Fiscal Year	Taxes Levied for the Fiscal Year (3) (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Original Levy	Subsequent Collections by Levy Years (4)	Total Collections to Date: Amount	Total Collections to Date: Percentage of Adjusted Levy
2009	$ 136,676,772	$ (1,077,503)	$ 135,599,269	$ 131,464,801	96.19%	$ 4,319,033	$ 135,772,070	100.13%
2010 (2)	138,276,717	(439,122)	137,837,595	133,418,693	96.49%	3,897,348	137,304,601	99.61%
2011	139,098,207	(477,378)	138,620,829	134,537,353	96.72%	3,175,670	137,691,909	99.33%
2012	138,195,291	(566,768)	137,628,524	134,446,756	97.29%	2,999,907	137,425,431	99.85%
2013	141,088,714	(628,046)	140,460,667	136,430,178	96.70%	2,822,224	139,227,302	99.12%
2014	144,738,631	(390,547)	144,348,083	140,322,929	96.95%	2,455,266	142,714,582	98.87%
2015	147,557,767	(395,963)	147,161,804	144,103,736	97.66%	2,308,062	146,253,725	99.38%
2016	152,915,361	(788,345)	152,127,016	148,989,753	97.43%	2,021,705	150,615,667	99.01%
2017	157,468,327	(848,373)	156,619,954	154,159,375	97.90%	1,425,313	154,159,375	98.43%
2018	163,675,360	(1,246,706)	162,428,654	159,946,093	97.72%	-	159,946,093	98.47%

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

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

RATIOS OF OUTSTANDING DEBT BY TYPE
Direct Debt Ratios
Fiscal Years 2009 - 2018
(unaudited) (1)

	Governmental Activities					Business-Type Activities	Total Direct Debt				
Fiscal Year	General Obligation Bonds (2)	Lease Revenue Bonds (2)	Literary Loans	Capital Leases	VRA Loan	Revenue Bonds (3)	Total Primary Government	Total Primary Government Including Premiums (4)	Percentage of Assessed Real Property Value (5)	Percentage of Personal Income (6)	Outstanding Debt Per Capita (7)
2009	$ 266,648,806	$ 91,890,000	$ 5,484,931	$ 10,601,729	$ 9,147,259	$ 12,240,000	$ 396,012,725	$ 403,967,799	2.31%	8.06%	3,225
2010	257,206,940	88,205,000	4,828,782	7,978,053	8,783,857	42,092,841	409,095,473	417,007,548	3.26%	7.77%	3,172
2011	251,459,634	84,470,000	4,172,633	14,138,137	8,409,471	38,017,841	400,667,716	408,575,132	3.15%	7.46%	3,107
2012	257,810,098	80,685,000	3,661,484	7,949,797	8,023,769	87,277,322	445,407,470	464,569,943	3.43%	7.97%	3,371
2013	297,085,268	77,195,000	3,195,335	7,026,320	7,626,409	85,002,056	477,130,388	501,455,917	3.60%	8.09%	3,526
2014	310,375,533	73,665,000	2,729,186	12,053,731	7,205,949	98,204,379	504,233,778	530,507,968	3.28%	8.38%	3,686
2015	314,821,489	12,415,000	2,263,037	10,339,667	71,099,213	95,339,840	506,278,246	540,065,412	3.22%	8.04%	3,558
2016	327,095,270	9,875,000	1,796,888	13,674,528	71,202,259	101,019,503	524,663,448	560,324,897	3.10%	8.17%	3,685
2017	337,758,148	7,315,000	1,330,739	11,186,218	74,634,850	100,489,853	532,714,808	569,666,129	3.23%	8.00%	3,684
2018	333,349,649	500,000	864,590	8,637,381	82,346,744	96,977,811	522,676,175	559,827,933	2.99%	7.64%	3,587

(1) The scope of the independent audit does not include the tables displayed in the Statistical section of the CAFR.
(2) Bond numbers shown do not include the impact of deferred amounts for premiums or discounts.
(3) In fiscal year 2010, Revenue Bonds for Business-Type Activities were included to show the total primary government's outstanding debt. Prior years were restated.
(4)In FY2016, Total Primary Government Including Premiums were added. However, percentage of assessed real property valued, percentage of personal income and outstanding debt per capita are calculated without the use of premiums.
In FY18, restated figures to include Business-Type Premiums .
(5) Percentage of Assessed Taxable Real Property = Total Direct Debt/Total Assessed Taxable Real Property Value (See Table S-14).
(6) Percentage of Personal Income = Outstanding Debt Per Capita/Total Per Capita Personal Income (See Table S-14).
(7) Percentage of Assessed Real Property = Total Direct Debt/Population (See Table S-14).

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

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Fiscal Years 2009 - 2018
(unaudited) (1)

Fiscal Year	General Obligation Bonds (2)	Premiums on General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property (3)	Outstanding Debt Per Capita (4)
2009	$ 266,648,806	$ 7,656,768	1.95%	$ 2,171
2010	257,206,940	7,735,698	1.86%	1,994
2011	251,459,634	220,648	1.83%	1,950
2012	257,810,098	10,782,718	1.85%	1,951
2013	297,085,268	16,255,429	2.09%	2,196
2014	310,375,533	17,344,516	2.11%	2,242
2015	314,821,489	25,242,174	2.10%	2,212
2016	327,095,270	26,557,015	2.08%	2,297
2017	337,758,148	28,124,783	2.07%	2,336
2018	333,349,649	28,742,719	1.92%	2,288

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

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

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2018
(unaudited) (1)

	Debt Outstanding	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
Direct debt:			
General Government			
General obligation bonds (3)	$ 333,349,649	100.0%	$ 333,349,649
Lease revenue bonds (3)	500,000	100.0%	500,000
Literary loans	864,590	100.0%	864,590
Capital leases	8,637,381	100.0%	8,637,381
VRA	82,346,744	100.0%	82,346,744
Total general government direct debt	425,698,364		425,698,364
Bond premiums	28,742,719		
Total general government obligations including premiums	$ 454,441,083		
Overlapping Debt:			
Regional Joint Activities			
Rappahannock Regional Jail	63,980,000	47.6%	30,454,480
Juvenile Detention Center	625,505	33.6%	210,170
Total regional joint ventures	64,605,505		30,664,650
Total overlapping debt	64,605,505		30,664,650
Total direct and overlapping debt	$ 490,303,869		$ 456,363,014

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

COUNTY OF STAFFORD, VIRGINIA

DEBT MARGIN INFORMATION
Fiscal Years 2009 - 2018
(unaudited) (1)

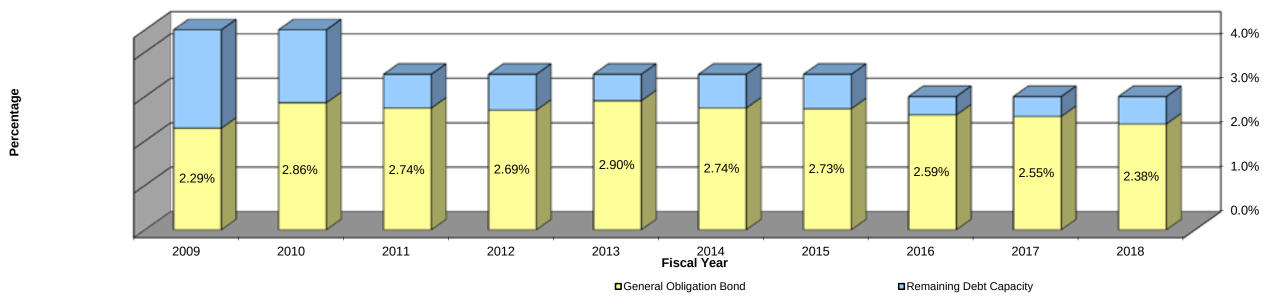
On November 17, 2015, the Board of Supervisors adopted new "Principles of High Performance Financial Management" as a means to strategically plan and account for the County's financial resources, ensure a balanced tax burden from residential and commercial resources and to maintain or upgrade the County's bond rating. The principles include three significant debt limitations as follows:

Debt Limitation 1:

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

	Fiscal Year									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Assessed value of taxable real property	$ 16,313,534,929	$ 12,555,580,113	$ 12,719,091,716	$ 13,002,326,118	$ 13,262,150,638	$ 14,372,802,061	$ 14,699,463,435	$ 15,857,245,779	$ 16,495,801,650	$ 17,498,296,151
Debt limit, 3.0% of assessed value (2)	$734,109,072	$565,001,105	$445,168,210	$455,081,414	$464,175,272	$503,048,072	$514,481,220	$475,717,373	$494,874,050	$524,948,885
Tax-supported general obligation debt (3)	$373,095,996.00	$359,024,579	$348,511,738	$350,180,351	$385,102,012	$393,975,668	$400,598,739	$409,969,416	$421,038,737	$417,060,984
% of assessed real property	**2.29%**	**2.86%**	**2.74%**	**2.69%**	**2.90%**	**2.74%**	**2.73%**	**2.59%**	**2.55%**	**2.38%**
Debt margin (4)	$361,013,076	$205,976,526	$96,656,472	$104,901,063	$79,073,260	$109,072,404	$113,882,481	$65,747,957.37	$ 73,835,313	$ 107,887,901

Total Debt to Assessed Value of Property
not to exceed 3.0%



(1) The scope of the independent audit does not include the tables/charts displayed in the Statistical section of the CAFR.
(2) Debt limit was 3% of assessed value prior to June 21, 2005; it changed to 4.5% of assessed value until July 6, 2010; at that time it was set at 3.5% of assessed value with a goal to reach 3% by July 1, 2015. On 11/17/15, the Debt limit was returned to returned to 3.0 % of assessed value. In FY18 CAFR, years FY 16 and FY17 have been revised to correctly reflect 3.0 % of assessed value.
(3) The tax-supported general obligation debt includes general obligation bonds (including VPSA), lease-revenue bonds (issued for the construction of public safety projects), literary loans, certificates of participation and VRS taxable refunding bonds. Any impact of premiums and/or losses on refunding are excluded from these numbers.
(4) Counties in Virginia are not subject to state imposed debt margins. The debt margin above represents a self-imposed debt limitation established by the Board of Supervisors.

COUNTY OF STAFFORD, VIRGINIA **Table S-13**
Page 2 of 3

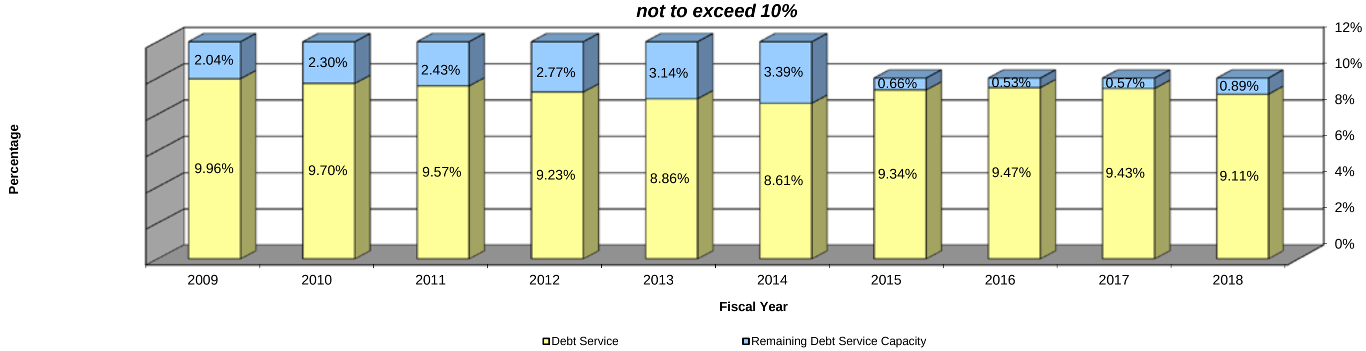
DEBT MARGIN INFORMATION
Fiscal Years 2009 - 2018
(unaudited) (1)

Debt Limitation 2:

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government budget (3)	$ 384,090,478	$ 381,759,337	$ 383,015,888	$ 387,213,980	$ 399,027,672	$ 409,450,896	$ 419,269,371	$ 426,175,667	$ 444,242,723	$ 462,388,414
Debt limit, 11% of general government budget, 10 % after 2015 (7)	$46,090,857	$45,811,120	$45,961,907	$42,593,538	$43,893,044	$45,039,599	$41,926,937	$42,617,567	$44,424,272	$46,238,841
Debt service expenditure (4) (5)	38,265,401	37,039,949	36,636,001	35,742,589	$35,348,244	35,254,971	39,169,081	40,370,084	41,870,495	42,103,993
Percentage of the general government budget	**9.96%**	**9.70%**	**9.57%**	**9.23%**	**8.86%**	**8.61%**	**9.34%**	**9.47%**	**9.43%**	**9.11%**
Debt service margin (6)	$ 7,825,456	$ 8,771,171	$ 9,325,906	$ 6,850,949	$ 8,544,800	$ 9,784,628	$ 2,757,856	$ 2,247,483	$ 2,553,777	$ 4,134,849

Debt Service to General Expenditures
not to exceed 10%



(1) The scope of the independent audit does not include the tables/charts displayed in the Statistical section of the CAFR.
(2) Debt service limit was 10% of general expenditures prior to June 21, 2005; it changed to 12% of general expenditures until July 6, 2010; at that time it was set at 11% of general expenditures with a goal to reach 10% by July 1, 2015.
(3) General government is defined in the adopted Principles of High Performance Financial Management as General Fund plus the School Operating Fund (including School Grant Funds) less the School transfer.
(4) Debt service expenditures = principal payments plus interest.
(5) The above schedule excludes debt service on master leases, the fiscal year 2007 through 2013 expenditures were revised in the 2014 CAFR.
(6) Counties in Virginia are not subject to state imposed debt margins. The debt margin above represents a self-imposed debt limitation established by the Board of Supervisors.
(7) In FY17 CAFR, The debit limits for 2015 and 2017 were restated to 10%.

COUNTY OF STAFFORD, VIRGINIA **Table S-13**
Page 3 of 3

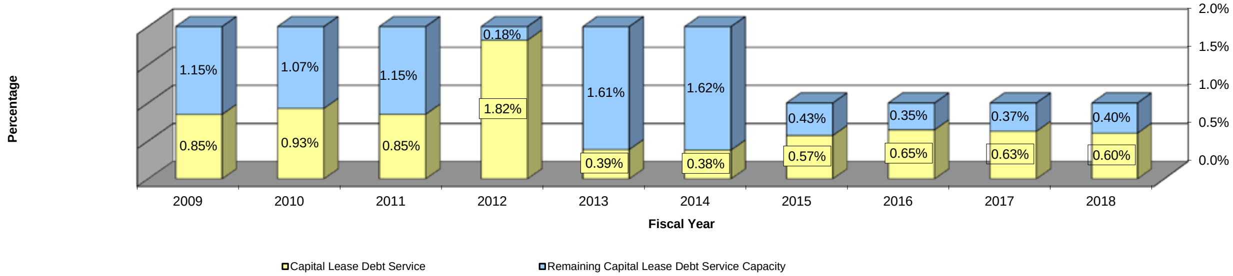
DEBT MARGIN INFORMATION
Fiscal Years 2009 - 2018
(unaudited) (1)

Debt Limitation 3:

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government budget	$ 384,090,478	$ 381,759,337	$ 383,015,888	$ 387,213,980	$ 399,027,672	$ 409,450,896	$ 419,269,371	$ 426,175,667	$ 444,242,723	$ 462,388,414
Capital lease debt service limit (2)										
Total debt service limitation	7,681,810	7,635,187	7,660,318	7,744,280	3,990,276	4,094,509	4,192,694	4,261,757	4,442,427	4,623,884
Amount of total debt service applicable to limit (3)	3,264,298	3,545,952	3,264,391	7,054,952	1,549,552	1,559,682	2,405,210	2,766,685	2,795,283	2,795,283
Capital lease debt service as a percentage of general government budget	**0.85%**	**0.93%**	**0.85%**	**1.82%**	**0.39%**	**0.38%**	**0.57%**	**0.65%**	**0.63%**	**0.60%**
Debt service margin (4)	$ 4,417,512	$ 4,089,235	$ 4,395,927	$ 689,327	$ 2,440,724	$ 2,534,827	$ 1,787,483	$ 1,495,072	$ 1,647,145	$ 1,828,602

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



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

PLEDGED REVENUE COVERAGE: WATER AND SEWER FUND
Fiscal Years 2009 - 2018
(unaudited) (1)

	Water and Sewer Fund						
Fiscal Year	Gross Revenue (2)	Less: Expenses (3)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage (Times) (4)
2009	$ 28,929,847	$ 20,302,405	$ 8,627,442	$ 3,350,000	$ 622,713	$ 3,972,713	2.17
2010	30,500,257	20,306,248	10,194,009	3,435,000	510,034	3,945,034	2.58
2011 (5)	28,805,551	19,454,526	9,351,025	6,270,000	759,468	7,029,468	1.33
2012	31,620,457	20,670,017	10,950,440	3,815,613	1,567,969	5,383,582	2.03
2013	37,586,122	20,577,533	17,008,589	1,975,883	3,174,914	5,150,797	3.30
2014	40,151,093	21,637,360	18,513,733	2,807,676	3,294,940	6,102,616	3.03
2015	39,480,956	24,423,982	15,056,974	2,864,536	3,777,812	6,642,348	2.27
2016	44,781,008	23,836,325	20,944,683	2,924,720	3,814,897	6,739,617	3.11
2017	49,965,359	27,155,536	22,809,823	3,314,650	3,663,117	6,977,767	3.27
2018	53,488,200	27,485,520	26,002,680	3,512,042	3,494,594	7,006,636	3.71

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

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

DEMOGRAPHIC AND ECONOMIC STATISTICS
Fiscal Years 2009 - 2018
(unaudited) (1)

Fiscal Year	Population (2)	Civilian Labor Force (3)	At Place Employment(4)	Unemployment Rate (5)	Personal Income (in thousands) (6)	Per Capita Personal Income (7)	Total Taxable Assessed Real Property (8)
2009	122,800	66,487	34,878	5.4%	$ 4,915,316	$ 40,027	$ 16,313,534,929
2010	128,961	67,677	35,064	5.7%	5,265,160	40,828	12,555,580,113
2011	129,772	68,039	35,484	5.2%	5,439,653	41,917	12,719,091,716
2012	132,719	72,993	37,508	4.9%	5,674,401	42,755	13,002,326,118
2013	135,311	71,569	38,039	5.1%	5,900,913	43,610	13,262,150,638
2014	138,423	71,229	39,672	5.2%	6,091,996	44,010	14,389,795,201
2015	142,299	70,828	40,341	5.2%	6,296,162	44,246	14,699,463,435
2016	142,380	67,413	41,939	4.0%	6,425,740	45,131	15,857,245,779
2017	144,612	69,913	42,399	3.6%	6,657,002	46,034	16,495,801,650
2018	145,699	70,284	43,130	3.3%	6,841,181	46,954	17,498,296,151

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

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

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

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

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

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

(7) Per capita Personal Income figures (fiscal year 2007-2009) provided by the U.S. Bureau of Economic Analysis.
Per capita personal income figures (fiscal year 2010-2011): Estimate provided by Stafford County Finance Department assuming a growth of 2%.
Per capita personal income figures (fiscal year 2012-2013): Provided by Stafford Economic Development. Fiscal year 2011 figure revised, fiscal year 2012 , 2013, 2016, 2017 & 2018 based on 2% increase. Fiscal Year 2014-2015 figures are from Stafford County Economic Development.

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

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

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

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

Source: US Census, 2000 & 2010.

COUNTY OF STAFFORD, VIRGINIA **Table S-17**

PRINCIPAL EMPLOYERS
Fiscal Years 2018 vs 2009
(unaudited) (1)

		Fiscal Year 2018			Fiscal Year 2009		
Employer	**Industry**	Employees	Rank	Percentage of Total County Employment (2)	Employees	Rank	Percentage of Total County Employment (2)
GEICO, Government Employees Insurance	Insurance	1000+	1	2.3%	1000+	2	2.9%
Stafford County School System	Education	4,031	2	9.1%	1000+	1	2.9%
U.S. Federal Bureau of Investigation	Government Services	1000+	3	2.3%	1000+	3	2.9%
U.S. Department of Defense	Government Services	1000+	4	2.3%			
Stafford County Government	County Government	896	5	2.0%	500-999	4	2.1%
Wal Mart	Retail Distribution	1000+	6	2.3%	250-499	7	1.1%
McLane Mid Atlantic	Retail Distribution	500-999	7	1.7%	500-999	6	2.1%
Stafford Hospital Center	Medical	500-999	8	1.7%	500-999	5	2.1%
Lowes' Home Centers, Inc	Building Material and Garden, Equipment, & Supplies Dealers	250-499	9	0.8%			
Hilldrup Transfer and Storage, Inc.	Van Line Services	250-499	10	0.8%			
Fredericksburg Auto Auction	Wholesale Electronic Markets & Agents				250-499	8	1.1%
Food Lion	Food and Beverage Stores				250-499	9	1.1%
Giant Food	Food and Beverage Stores				250-499	10	1.1%
Total 10 Largest Employers		10,427-11923+		26.9%	5,500-7,993+		19.3%
Total County Employment		44,206			35,031		

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

Source: Virginia Employment Commission.

COUNTY OF STAFFORD, VIRGINIA **Table S-18**

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
Fiscal Years 2009- 2018
(unaudited) (1)

	Full-time Equivalent Employees as of June 30									
Function/Program Employees:	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Primary Government:										
Governmental activities:										
General government	116	105	98	99	99	97	103	102	107	107
Judicial administration	48	47	44	46	48	46	44	48	52	53
Public safety (2)	302	314	319	332	338	358	355	379	378	415
Public services (3)	24	-	-	-	-	-	-	-	-	-
Health and welfare	53	51	49	54	51	51	54	52	51	64
Parks, recreation and community facilities (4)	34	56	53	53	51	53	54	58	56	62
Community development	68	67	63	62	67	69	66	62	63	72
Transportation (5)	5	-	-	-	-	-	-	-	-	-
Total governmental activities employees	650	640	626	646	654	674	676	701	707	773
Business-type activities:										
Utilities	141	135	134	136	132	134	137	137	133	140
Total business-type activities employees										
Total primary government employees	791	775	760	782	786	808	813	838	840	913
Volunteers:										
Public safety (6)	634	461	600	550	400	200	200	200	327	368

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

Source: Stafford Human Resources Department.

OPERATING INDICATORS BY FUNCTION
Fiscal Years 2009 - 2018
(unaudited) (1)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
General government										
Commissioner of Revenue										
Taxpayers assisted at real estate and personal property counters	14,890	12,765	12,645	11,262	9,748	8,841	11,546	12,744	13,230	8,786
Building permits reviewed	1,465	1,604	1,609	1,798	1,961	1,976	1,858	1,973	2,310	2,248
State income tax returns processed	12,984	11,160	5,096	2,504	5,570	6,838	7,027	5,741	5,739	5,317
Personal property records processed	61,539	71,453	83,746	87,541	86,054	77,632	80,419	92,063	79,169	74,828
Finance										
Landfill bills processed	348	293	310	351	352	369	407	421	479	661
Accounts payable transactions processed (2)	34,794	42,105	43,980	44,497	45,156	47,429	43,731	44,379	49,327	33,859
Department of Human Resources										
Number of new hires	187	206	225	214	249	242	272	310	367	346
Number of positions recruited	192	93	86	94	80	78	90	104	111	134
Public Services										
Total facilities maintained (sq ft) (3)	427,381	433,427	495,567	495,567	563,271	565,128	555,218	600,967	594,232	612,624
Registrar										
Voters served at polling places	58,493	50,000	35,162	32,965	63,431	36,479	45,043	53,212	81,911	50,515
Registered Voters Served (4)			77,053	80,572	81,765	82,630	81,394	86,603	90,645	93,755
Treasurer										
Real estate and personal property bills processed	255,801	265,003	267,955	267,546	271,311	277,174	283,455	291,455	293,468	307,064
Water and sewer bills processed	372,158	377,978	385,619	390,614	395,147	401,193	415,050	415,050	431,776	440,792
Judicial administration										
Victims' services (5)	1,182	1,345	785	856	957	914	929	973	1,335	1,434
Public safety										
Requests for law enforcement service (responded)	71,464	70,941	68,817	75,457	73,371	75,716	75,458	82,317	85,332	71,310
Number of arrests	7,530	7,216	6,764	6,851	6,194	6,084	5,341	5,029	5,297	5,465
Number of fire and EMS calls (6)	21,734	20,648	22,674	25,660	25,957	25,432	24,845	17,983	25,039	26,665

OPERATING INDICATORS BY FUNCTION
Fiscal Years 2009 - 2018
(unaudited) (1)

	Fiscal Year									
Function/Program	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Social Services										
Benefit applications received (12)	7,329	7,907	7,910	7,853	8,552	8,810	7,989	7,552	N/A	7,445
CPS complaints investigated (7)	515	521	542	603	546	542	695	704	755	780
Food stamp households served	2,203	2,942	3,363	3,701	4,024	4,032	3,718	3,379	3,201	3,106
Foster care children served	116	88	79	73	71	82	59	56	52	56
Parks, Recreational and Cultural										
Programs offered: gymnastics	1,630	2,000	2,042	2,230	2,056	1,610	2,532	2,689	3,312	3,339
Programs offered: senior citizens	308	376	412	377	260	495	564	801	834	838
Programs offered: sports/recreation	505	1,051	811	915	618	1,244	1,131	1,268	752	448
Programs offered: aquatics	598	550	549	550	630	507	635	903	704	1,685
Acres maintained (13)	1,162	1,432	1,432	1,432	1,476	1,476	1,476	2,072	2,072	2,072
Community Development										
Public Works										
Permits issued (8)	3,405	3,157	3,381	3,567	4,306	4,424	4,062	5,228	5,735	5,495
Chesapeake Bay building permits reviewed (9)	1,308	1,558	1,422	1,487	1,744	1,893	1,942	1,877	2,141	2,187
Building inspections performed	24,499	25,740	25,188	26,254	30,708	33,897	24,889	35,244	37,836	44,680
E&S control inspections performed (10)	9,926	7,256	6,276	5,765	6,584	6,576	7,504	6,973	7,055	6,646
Economic Development/Legislative Affairs										
At-place employment	34,878	35,064	35,484	37,508	38,039	39,443	40,341	41,939	42,399	43,130
Unemployment rate	5.4%	5.7%	5.2%	4.9%	5.1%	5.1%	5.2%	4.0%	3.6%	3.3%
Businesses in the County	2,231	2,217	2,234	2,257	2,272	2,329	2,377	2,639	2,618	2,674
Legislative bills reviewed for action/response (14)	2,577	2,964	2,693	2,876	2,575	2,942	2,925	3,009	2,959	3,722
Planning and Zoning										
Addresses issued (11)	1,369	486	308	760	1,666	633	716	417	1,626	1,040
Subdivision applications processed	415	205	343	316	442	652	482	460	365	602
Site plans processed	235	145	140	143	160	180	167	150	176	112
Zoning site development inspections	835	152	169	272	265	700	678	457	446	513
Zoning enforcement inspections performed	887	1,130	987	807	604	525	304	671	518	635

OPERATING INDICATORS BY FUNCTION
Fiscal Years 2009 - 2018
(unaudited) (1)

Function/Program	Fiscal Year 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-Type Activities:										
Water & Sewer Utilities										
Billions of gallons of water treated per year	3.825	3.504	3.418	3.400	3.944	3.305	3.328	3.160	3.185	3.173
Water storage (mg)	16.645	16.645	16.645	16.645	16.645	17.645	17.645	17.645	18.145	17.145
Billions of gallons of wastewater treated per year	3.079	3.418	2.951	2.994	2.844	3.066	2.486	2.948	3.047	3.204
Number of customer accounts served	32,296	32,803	32,289	32,650	33,240	33,768	34,518	35,427	36,268	37,035

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) Beginning with fiscal year 2008 the number of accounts payable transactions includes checks and purchasing cards.
(3) Beginning with fiscal year 2008 the total of sq ft maintained includes owned and rental property. In FY16, sq ft maintained includes county owned property only.
In FY17, Woodlands Pool's square footage decreased significantly because it became a seasonal facility (the pool is no longer enclosed by a dome). A few other structures were added to offset its decreased sq footage.
(4) The number of registered voters served was added to the schedule beginning with fiscal year 2011.
(5) The number of victims' services decreased in fiscal year 2011 due to an increase in Domestic Violence cases which require more time per case than other services.
(6) EMS = Emergency Medical Services-Number provided by the EnRoute report Fire Incidents by Time and Day of Week for Fiscal Year
(7) CPS = Child Protection Services
(8) Beginning with fiscal year 2009 Public Works modified the methodology for counting building permits from counting all fee categories as permits to just counting actual permits.
This change in methodology contributed to the unusually steep decline in the number of permits issued in fiscal year 2009.
(9) The number of permits reveiwed in fiscal year 2006 increased significantly due to applications for home additions now being reviewed, in addition to new construction.
(10) E&S = Erosion & Sediment
(11) The number of new addresses decreased in fiscal year 2010, which reflected an overall slow down in new home starts.
Fiscal year 2013 increased due to volume of residential applications. Beginning with FY17, all newly recorded lots were assigned addresses.
At the time of final plat review in coordination with GIS to enhance and expedite the address assignment process. Some addresses were assigned during building permit reviews not associated with final plats.
Included in these numbers were two major apartment complexes totaling 544 new address assignments.
(12) Due to the conversion of a new computer system, VDSS was unable to merge the data between two different systems and therefore, could not provide reliable reports to local departments for several months during FY17.
(13) Lake Mooney acreage was added in FY16. In the FY18 CAFR, the FY16 Parks, Recreational and Cultural "Acres Maintained" was revised to correctly reflect Lake Mooney acreage.
(14) Represents the total number of bills introduced into the General Assembly during the 2018 session.

Source: Various Stafford County Departments

COUNTY OF STAFFORD, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION
Fiscal Years 2009 - 2018
(unaudited) (1)

	Fiscal Year									
Function/Program	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Public services										
Total facilities maintained (sq ft) (2)	427,381	433,427	495,567	495,567	563,271	520,858	518,034	600,967	594,232	612,624
Public safety (3)										
Number of Fire & Rescue Stations	7	7	7	7	8	8	8	10	10	10
Number of Fire Stations	4	4	4	4	4	4	4	3	3	3
Number of Rescue Squads	5	5	5	5	4	4	4	3	3	3
Utilities										
Water Plant Capacity (mgd)	19	19	19	19	19	19	19	19	19	19
Water Lines (miles)	579	579	584	600	613	619	634	643	657	704
Wastewater Plant Capacity (mgd)	10.5	10.5	14.5	14.5	14.5	18	18	18	18	18
Sewer Lines (miles)	470	480	481	497	506	511	516	522	534	541
Pumping Stations	88	88	89	89	89	91	90	88	88	94
Parks, recreation and cultural										
Number of County parks (6)	10	13	13	13	18	18	18	19	19	19
Acreage of County parks	1025	1432	1432	1432	1476	1476	1476	2072	2072	2072
Number of Regional parks (4)	3	0	0	0	0	0	0	0	0	0
Acreage of Regional parks (4)	157	0	0	0	0	0	0	0	0	0
State and National parks (1,184 acres)	1	2	2	2	2	2	2	2	2	3
Playgrounds (County & Schools) (7)	25	25	25	25	25	25	25	27	27	43
Athletic fields (County & Schools) (7)	82	82	82	82	93	93	92	99	99	151
Tennis courts (County & Schools) (7)	19	19	19	19	19	19	19	19	19	18
Campgrounds (48 acres)	1	1	1	1	1	1	1	1	1	1
Private golf courses (9 holes)	1	1	1	1	1	1	1	1	1	2
Public golf courses (18 holes) (7)	3	3	3	3	3	3	3	3	3	3
National historic attractions	10	10	10	10	10	10	10	10	10	10
Public beaches/waterfront parks (48 acres)	2	2	2	2	2	2	2	2	2	2
Public swimming pools	2	2	2	2	2	2	2	5	5	5
Public fishing lakes	2	2	2	2	2	2	2	2	3	3
Public boat ramps	3	3	3	3	3	3	3	4	4	4

COUNTY OF STAFFORD, VIRGINIA

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CAPITAL ASSET STATISTICS BY FUNCTION
Fiscal Years 2009 - 2018
(unaudited) (1)

	Fiscal Year									
Function/Program	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Parks, recreation and cultural (cont.)										
Skateboard parks	2	2	2	2	2	2	2	2	2	2
Senior citizens centers	1	1	1	1	1	1	1	1	1	1
Gymnastics training centers	1	1	1	1	1	1	1	1	1	1
Community centers	3	3	2	2	2	2	2	4	4	4
Community development										
Libraries (5)	1	1	2	2	2	2	2	2	2	2

(1) The scope of the independent audit does not include the tables displayed within the Statistical section of the CAFR.
(2) County owned facilities only. FY2016 amount restated for FY2017 CAFR and thereafter. FY2014 and FY2015 amounts restated to exclude rental facilities for FY2018 CAFR and thereafter.
(3) Although the County supports the Fire and Rescue stations, not all stations are owned by the County. In FY18, FY16 and FY17 Rescue Squads were revised from 2 to 3.
(4) Regional parks & regional acreage was added to County parks & County acreage in fiscal year 2010.
(5) The Central Rappahannock Regional Library (CRRL) is a shared facility serving the Central Rappahannock area.
(6) Lake Mooney acreage was added in FY16. In the FY18 CAFR, the FY16 Parks, Recreational and Cultural "Acres Maintained" was revised to correctly reflect Lake Mooney acreage.
(7) The number of playgrounds, athletic fields and tennis courts were updated in FY18. Numbers were provided by County and Schools.

Source: Various Stafford County Departments

Cherry Bekaert LLP
CPAs & Advisors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 11, 2019. Our report recognizes that the County implemented a new accounting standard effective July 1, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Tysons Corner, Virginia
January 11, 2019

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Medical Assistance Program (Medicaid) and Temporary Assistance For Needy Families (TANF)

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the Medicaid and TANF programs as described in findings number 2018-001 and 2018-002 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

Qualified Opinion on Medicaid and TANF

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid and TANF programs for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-003 and 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-003 and 2018-004 to be significant deficiencies.

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Cherry Bekaert LLP

Tysons Corner, Virginia
January 11, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number		Expenditures	
U.S. DEPARTMENT OF AGRICULTURE					
Pass Through Payments:					
Department of Social Services					
State Administrative Matching Grants for Food Stamp Program	10.561	0010113-90103	$ 692,775		
		0010113-90223			
		0040113-90104			
		0040113-90224			
Total Supplemental Nutrition Assistance Program (SNAP) Cluster				$ 692,775	
TOTAL U.S. DEPARMENT OF AGRICULTURE					$ 692,775
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Pass Through Payments:					
Department of Social Services					
Social Services Block Grant	93.667	1000113-90648		311,228	
		1000113-90335			
		1000113-90340			
		1000113-90123			
		1000113-90124			
		1000113-90240			
		1000113-90242			
		1000113-90243			
		1000113-90244			
		1000113-90245			
		1000113-90246			
		1000113-90262			
		1000113-90351			
		1000113-90379			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760113-90116	70,451		
		0760113-90117			
		0760113-90118			
		0760113-90236			
		0760113-90237			
		0760113-90238			
		0760113-90529			
Child Care & Development Block	93.575		(409)		
Total Childcare Development Cluster				70,042	
Administration for Children and Families					
Chafee Education and Training Vouchers Program	93.599	9160112-90353		1,417	
Child Welfare Services - State Grants	93.645	0900113-90251		1,306	

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number		Expenditures	
DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)					
Pass Through Payments:					
Department of Social Services					
Temporary Assistance for Needy Families (TANF)	93.558	0400113-90109	$ 445,756		
		0400113-90110			
		0400113-90111			
		0400113-90112			
		0400113-90127			
		0400113-90229			
		0400113-90230			
		0400113-90231			
		0400113-90232			
		0400113-90247			
		0400113-90249			
		0400113-90365			
		0400113-90377			
Total TANF Cluster				$ 445,756	
Adoption & Legal Gaurdianship	93.603			3,000	
Promoting health and stable families	93.556	950113-91129		1,756	
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113-90623		9,194	
		0500113-90113			
		0500113-90233			
Low-Income Home Energy Assistance	93.568	0600413-90114		58,837	
		0600413-90115			
		0600413-90234			
		0600413-90235			
Foster Care Title IV-E	93.658	1100113-90639		391,713	
		1100113-90658			
		1100113-90105			
		1100113-90106			
		1100113-90147			
		1100113-90225			
		1100113-90226			
		1100113-90227			
		1100113-90253			
		1100113-90258			
		1100113-90267			
		1100113-90268			
Adoption Assistance	93.659	1120113-90606		442,132	
		1120113-90607			
		1120113-90228			
Chafee Foster Care Independence Program	93.674	9150113-90254		4,182	
		9150113-90356			
State Children's Insurance Program	93.767	0540113-90102		27,116	
		0540113-90222			
Medical Assistance Program (Medicaid; Title XIX)	93.778	1200113-90101	702,058		
		1200113-90146			
		1200113-90221			
		1200112-90266			
Total Medicaid Cluster				702,058	
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					$ 2,469,737

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/Recipient State Agency/Program Title	CFDA Number	Pass-through Agency Identifying Number		Expenditures	
U.S. DEPARTMENT OF JUSTICE					
Direct Payments:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	not applicable		2,813	
Pass Through Payments:					
Office for Victims of Crime	16.575			143,098	
Equitable Sharing Program	16.922			484,978	
TOTAL U.S. DEPARTMENT OF JUSTICE					630,889
U.S. DEPARTMENT OF TRANSPORTATION					
Direct Payments:					
Federal Highway Administration					
Highway Planning and Construction	20.205	not applicable		341,406	
Pass Through Payments:					
Department of Motor Vehicles					
State and Community Highway Safety (Section 402)	20.600	SC2014-54108-5356	7,054		
Selective Enforcement - Alcohol	20.601	K8-2013-53164-4879	35,155		
Selective Enforcement - Occupant Protection	20.602	K2-2013-53165-4880	9,783		
Speed Measurement Device	20.616	154AL-2018-584278-8436	10,260		
Total Highway Safety Cluster				62,252	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION					403,658
U.S. DEPARTMENT OF HOMELAND SECURITY					
Direct Payments:					
Department of Emergency Management					
Staffing for adequate Fire & Emergency Response	97.083	not applicable		1,048,562	
First Responder Credited Equipment	97.073			79,944	
Pass Through Payments:					
Department of Emergency Management					
Emergency Management Performance Grant	97.042	2010-EP-EO-0039		49,164	
Disaster Grants - Public Assistance	97.036	179-99179-00		6,656	
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY					1,184,326
U.S. DEPARTMENT OF TREASURY					
Direct Payments:					
QSCB Interest	Unknown	not applicable			64,722
GRAND TOTAL FEDERAL FINANCIAL ASSISTANCE					**$ 5,446,107**

See notes to the schedule of expenditures of federal awards

COUNTY OF STAFFORD, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Note 1. Significant Accounting Policies

A. BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

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

Note 4. Subrecipients

Stafford County does not pass through any federal funds to subrecipients.

Stafford County, Virginia
Schedule of Findings and Questioned Costs
June 30, 2018

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**

2. Significant deficiencies in internal control disclosed by the audit of the financial statements**:** **None reported**

3. Material weaknesses in internal control disclosed by the audit of financial statements: **None**

4. Noncompliance, which is material to the financial statements: **None**

5. Significant deficiencies in internal control over major programs: **Yes, Findings 2018-003 and 2018-004**

6. Material weaknesses in internal control over major programs: **Yes, Findings 2018-001 and 2018-002**

7. The type of report issued on compliance for major programs:

Major Program	CFDA Number	Type of Report Issued
State Administrative Matching Grants for Food Stamp Program (SNAP)	10.561	Unmodified
Temporary Assistance for Needy Families (TANF)	93.558	Qualified
Medical Assistance Program (Medicaid)	93.778	Qualified
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083	Unmodified

8. Any audit findings which are required to be reported under the Uniform Guidance: **Yes**

9. The programs tested as major programs were:

CFDA Number	Name of Federal Program and Cluster
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP)
93.558	Temporary Assistance for Needy Families (TANF)
93.778	Medical Assistance Program (Medicaid)
97.083	Staffing for Adequate Fire & Emergency Response (SAFER)

10. Dollar threshold used to distinguish between type A and type B programs: **$750,000**

11. Auditee qualified as low-risk auditee? **No**

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

None reported

C. Findings and Questioned Costs Relating to Federal Awards:

Finding 2018-001

Federal Awarding Agency: Department of Health and Human Services (HHS)

State Awarding Agency: Virginia Department of Social Services (VDSS)

Department: Stafford County Department of Social Services (DSS)

Program name: Medical Assistance Program (Medicaid) **CFDA#:** 93.778

Compliance Requirement: Eligibility

Type of Finding: Material Weakness, Material Non-Compliance

Prior Year Audit Finding Number: Not Applicable

Criteria:

Per *Title 2 Subpart §200.303*, "The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings."

Per *Subchapter M1520.001* of the *Virginia Medical Assistance Eligibility Manual*, "An annual review of all of the enrollee's eligibility requirements is called a "renewal." A renewal of the enrollee's eligibility must be completed at least once every 12 months. The renewal should be initiated in the 10th month to ensure timely completion of the renewal."

Per 42 *Code of Federal Regulation* section 435.910, the agency must verify the social security number furnished by the applicant to ensure the social security number was issued to that individual.

Per *Subchapter M0130.200* of the *Virginia Medical Assistance Eligibility Manual*, citizenship must be verified as an eligibility requirement.

Condition:

Of the sixty (60) beneficiaries that were enrolled in the Medical Assistance Program selected for testing, we noted the following:

- Five (5) beneficiaries that the renewal of eligibility was not performed within twelve (12) months.
- One (1) beneficiary whose citizenship was not properly verified.
- One (1) beneficiary whose social security number was not properly verified.

Cause:

DSS management informed us that the untimely completion of the eligibility renewals was due to a lack of resources available to handle the continuous increase in workload as a result of the implementation of the Virginia Case Management System (VaCMS). We did corroborate with the VDSS that there was a new case management system implemented prior to the fiscal year and that the untimely renewals is not an isolated event to the County. The audit finding does not appear to be an isolated instance, but rather a systemic condition as a result of the increase in workload and the County's lack of resources.

Effect:

The Medical Assistance Program as operated by the DSS was not in compliance with the eligibility compliance requirement as of June 30, 2018. Additionally, failure to timely perform renewals could result in medical assistance rendered to ineligible individuals.

Recommendation:

We recommend the DSS continue to assess their current staffing levels and implement a plan to address their staff shortage.

Questioned costs: Undeterminable.

Views of responsible officials and planned corrective actions:

The DSS concurs with the findings. The DSS recognizes the importance of completing timely renewals and will continue to strive to ensure all renewals are completed timely. While additional positions were approved for DSS in FY2019, as the caseload continues to grow, more positions will be needed to keep up with the demand. The new Training and Development Supervisor will provide ongoing refresher trainings for timely processing of Medicaid renewals and applications.

Staff will be retrained in uploading SVES and SAVES verifications into Document Management Information Systems (DMIS). This will correct the issue with the citizenship requirements and social security number requirement as these items are verified, but weren't filed in the electronic case record.

Finding 2018-002

Federal Awarding Agency: Department of Health and Human Services (HHS)

State Awarding Agency: Virginia Department of Social Services (VDSS)

Department: Stafford County Department of Social Services (DSS)

Program name: Temporary Assistance for the Needy Families (TANF) **CFDA#:** 93.558

Compliance Requirement: Eligibility

Type of Finding: Material Weakness, Material Non-Compliance

Prior Year Audit Finding Number: Not Applicable

Criteria:

Per *Title 2 Subpart §200.303*, "The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
(c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings."

Per *Subchapter 401.3* of the *TANF Manual*, eligibility for TANF recipients must be redetermined at least every 12 months.

Per 42 U.S. Code section 608(a)(8), a state may not use funds to provide cash assistance to an individual during the 10-year period that begins on the date the individual is convicted in Federal or State court of having made a fraudulent statement or representation with respect to place of residence in order to simultaneously receive assistance from two or more States under TANF.

Per 42 U.S. Code section 608(a)(9)(A), a state may not provide assistance to any individual who is fleeing to avoid prosecution, or custody or confinement after conviction, for a felony or attempt to commit a felony, or who is violating a condition of probation or parole imposed under Federal or State law.

Per *Subchapter 401.1* of the *TANF Manual*, the Request for Assistance or Application for Benefits must be signed. A signature must be obtained or the application must be denied.

Per *Subchapter 201.11* of the *TANF Manual*, the applicant must state, in writing, whether he or any other required member of the assistance unit has been convicted in a state or federal county of a felony offense for possession, use or distribution of a controlled substance.

Condition:

Of the forty (40) beneficiaries that were enrolled in the TANF program selected for testing, we noted the following:

- Fourteen (14) beneficiaries where the renewal of eligibility was not performed within twelve (12) months.
- Two (2) beneficiaries where it was not properly verified that the beneficiary had not been convicted in Federal or State Court having made a fraudulent statement in order to receive TANF assistance in two or more States.
- Two (2) beneficiaries where it was not properly verified that the beneficiary was not fleeing to avoid prosecution for a felony or was in violation of a condition of probation.
- One (1) beneficiary who did not have a signed application.
- One (1) beneficiary who did not have a written statement stating if the beneficiary had been convicted of a felony offense for possession of a controlled substance.

Cause:

DSS management informed us that the untimely completion of the eligibility renewals was due to a lack of resources available to handle the continuous increase in workload as a result of the implementation of the Virginia Case Management System (VaCMS). We did corroborate with the VDSS that there was a new case management system implemented prior to the fiscal year and that the untimely renewals is not an isolated event to the County. The audit finding does not appear to be an isolated instance, but rather a systemic condition as a result of the increase in workload and the County's lack of resources.

Effect:

The TANF program as operated by the DSS was not in compliance with the eligibility compliance requirement as of June 30, 2018.

Recommendation:

We recommend the DSS continue to assess their current staffing levels and implement a plan to address their staff shortage.

Questioned costs: Undeterminable.

Views of responsible officials and planned corrective actions:

The DSS concurs with this finding. The DSS has re-evaluated the TANF staffing ratios, and developed a plan of action to add additional workers to reduce caseload and minimize errors. The addition of the Training and Development Supervisor will provide ongoing refresher trainings to include timely processing and income verification requirements. The future new Benefit Programs Supervisor, approved as a part of Medicaid expansion, will assist to enhance supports for the ongoing supervision, training and documentation needs within the internal quality assurance initiative.

Finding 2018-003

Federal Awarding Agency: Department of Health and Human Services (HHS)

State Awarding Agency: Virginia Department of Social Services (VDSS)

Department: Stafford County Department of Social Services (DSS)

Program name: Temporary Assistance for the Needy Families (TANF) **CFDA#:** 93.558

Compliance Requirement: Special Tests and Provisions

Type of Finding: Significant Deficiency, Non-Material Non-Compliance

Prior Year Audit Finding Number: Not Applicable

Criteria:

Per *Title 2 Subpart §200.303*, "The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
(c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings."

Per 45 *Code of Federal Regulation* section 205.55, the agency will request through "the Income and Eligibility Verification System (IEVS)" wage information for all applicants, unemployment compensation information for the agency administering the State's unemployment compensation program, all available information maintained by the Social Security Administration for all applications, unearned income information from the Internal Revenue Services and any income or other information affecting eligibility.

Condition:

Of the forty (40) beneficiaries that were enrolled in the TANF program selected for testing, we noted one (1) beneficiary who was receiving benefits whose income was not properly verified.

Cause:

Internal controls are not operating effectively to ensure that income verification is being conducted with each eligibility determination or redetermination.

Effect:

The TANF program as operated by the DSS was not in compliance with the special test compliance requirement as of June 30, 2018. Additionally, failure to verify the individual's wages could result in TANF assistance rendered to ineligible individuals.

Recommendation:

We recommend the DSS implement a corrective action plan aimed at enhancing internal controls related to income verification to ensure that income is being verified for each eligibility determination or redetermination.

Questioned costs: Undeterminable.

Views of responsible officials and planned corrective actions:

The DSS concurs with this finding. The DSS has re-evaluated the TANF staffing ratios, and developed a plan of action to add additional workers to reduce caseload and minimize errors. The addition of the Training and Development Supervisor will provide ongoing refresher trainings to include timely processing and income verification requirements. The future new Benefit Programs Supervisor, approved as a part of Medicaid expansion, will assist to enhance supports for the ongoing supervision, training and documentation needs within the internal quality assurance initiative.

Finding 2018-004

Federal Awarding Agency: U.S. Department of Homeland Security (DHS)

Department: Stafford County Fire and Rescue Department

Program name: Staffing for Adequate Fire and Emergency Response Program (SAFER) **CFDA#:** 97.083

Compliance Requirement: Allowable Activities/Costs, Cash Management, Level of Effort, Reporting

Type of Finding: Significant Deficiency, Non-Material Noncompliance

Prior Year Audit Finding Number: Not Applicable

Criteria:

Per *Title 2 Subpart §200.303*, "The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
(c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings."

Per the SAFER Grant Agreement, performance reports are to be filed within 30 days of the end of the period.

Condition:

Of the one semiannual financial report and two performance reports selected for testing, we noted that there is no review being performed over these reports before submission. In the one semiannual financial report selected for testing, we identified $8,000 of employee overtime that was included for reimbursement, but is not an allowable expense of the grant. Of the two performance reports selected for testing, we noted that one was not filed within the 30 day required time period.

Cause:

Stafford County does not have an established review procedure over reporting to ensure that reimbursement is only for allowable items, that information provided in the reports is accurate and that the submission is timely filed.

Effect:

Stafford County could report inaccurate and untimely information, which could lead to reimbursement for unallowable expenses or action by the granting agency.

Recommendation:

We recommend the Stafford County Fire and Rescue Department implement a corrective action plan aimed at enhancing internal controls related to reviewing the financial and performance reports to ensure accurate amounts and timely submission.

Questioned costs: $8,000

Views of responsible officials and planned corrective actions:

Management concurs with the finding. The plan of action will be for Fire & Rescue to work up both the reimbursement requests and performance reports prior to submission, then forward to Finance for review, which will be documented by initialing and dating when the review was performed. The reviewed documents will then be sent back to Fire & Rescue to be submitted.

D. Status of Prior Year Findings

None noted

County of Stafford, VA

Corrective Action Plan
For the Year Ended June 30,2018

Section C – Findings and Questioned Costs Relating to Federal Awards

Finding 2018-001 – Medical Assistance Eligibility CFDA#93.778

Corrective Action: Staff will be retrained in uploading SVES and SAVES verifications into Document Management Information Systems (DMIS). This will correct the issue with the citizenship requirements and social security number requirement as these items are verified but were not filed in the electronic case record. The Training and Development Supervisor will provide ongoing refresher trainings for timely processing of Medicaid renewals and applications.

Finding 2018-002 – Temporary Assistance for Needy Families Eligibility CFDA#93.558

Corrective Action: Add additional workers to reduce caseload and minimize errors. The addition of the Training and Development Supervisor will provide ongoing refresher trainings to include timely processing and income verification requirements. Will add Benefit Programs Supervisor that will assist to enhance supports for ongoing supervision, training and documentation needs within the internal quality assurance initiative.

Finding 2018-003 – Temporary Assistance for Needy Families Special Tests & Provisions CFDA#93.558

Corrective Action: Add additional workers to reduce caseload and minimize errors. The addition of the Training and Development Supervisor will provide ongoing refresher trainings to include timely processing and income verification requirements. Will add Benefit Programs Supervisor that will assist to enhance supports for ongoing supervision, training and documentation needs within the internal quality assurance initiative.

Finding 2018-004 – Staffing for Adequate Fire & Emergency Response Allowable activities/Costs,Cash Management, Level of Effort, Reporting CFDA#97.083

Corrective Action: Fire and Rescue will work up both the reimbursement requests and the performance reports prior to submission, then forward to Finance for review which will be documented by initialing and dating the report. The reviewed documents will be sent back to Fire and Rescue to be submitted online.

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