

Spotsylvania VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30

2017

FOR FISCAL YEAR ENDED





County of Spotsylvania, Virginia

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year Ending June 30, 2017

Mark B. Taylor, County Administrator
Mark L. Cole, Deputy County Administrator
Edward Petrovitch, Deputy County Administrator
Mary S. Sorrell, Director of Finance
Rebecca R. Forry, Controller

Published by the Accounting Division
of the Department of Finance

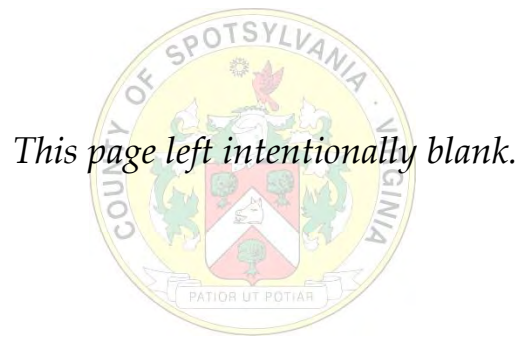


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PART I: INTRODUCTORY SECTION

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County of Spotsylvania

Founded 1721

Board of Supervisors
GREG BENTON
GREG CEBULA
TIMOTHY J. McLAUGHLIN
DAVID ROSS
GARY F. SKINNER
PAUL D. TRAMPE
CHRIS YAKABOUSKI



Service, Integrity, Pride

County Administrator
MARK B. TAYLOR
Deputy County Administrators
MARK L. COLE
ED PETROVITCH
P.O. BOX 99, SPOTSYLVANIA, VA 22553
Voice: (540) 507-7010
Fax: (540) 507-7019

November 27, 2017

Mr. Chairman, Members of the Board of County Supervisors,
and Citizens of the County of Spotsylvania, Virginia:

We are pleased to present the *Comprehensive Annual Financial Report* (CAFR) of the County of Spotsylvania, Virginia, (the County) for the fiscal year ended June 30, 2017. The *Code of Virginia* requires that all general-purpose local governments publish, within five months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with governmental auditing standards generally accepted in the United States of America.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework. The framework is designed to protect the County's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We believe the information presented is accurate in all material respects.

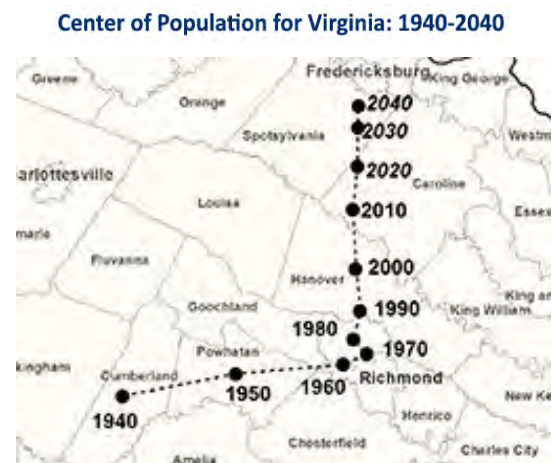
The County's financial statements have been audited by Cherry Bekaert, LLP. An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Our independent auditors have issued an unqualified ("clean") opinion on Spotsylvania County's financial statements for the year ended June 30, 2017, which is presented on pages 15 – 17 of this report.

The audit of the financial statements was part of a broader, federally mandated “Single Audit” designed to meet the needs of federal agencies that provide aid to the County. The standards governing single audit engagements require the auditor to report on the County’s internal controls and compliance with legal requirements, particularly as they relate to federal awards. This information, also audited by Cherry Bekaert, LLP, will be available in a separately issued report prior to December 31, 2017.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A should be read in conjunction with the letter of transmittal.

SPOTSYLVANIA COUNTY AND ITS SERVICES

Located in the northeastern section of Virginia, Spotsylvania County is bordered on the north by the Rappahannock and Rapidan Rivers, on the south by the North Anna River, on the west by Orange County, and on the east by Caroline County. The City of Fredericksburg borders the County to the northeast. The County is approximately 55 miles north of Richmond and 55 miles south of Washington, D.C. Spotsylvania’s unique heritage began in 1721, and was named for Alexander Spotswood, who was Royal Colonial Governor of Virginia from 1710 to 1722. Spotsylvania County’s 407 square miles contain a mix of beautiful rural landscape alongside an energetic, growing community. As of June 30, 2017, the County’s population was estimated at 133,330 and continues to grow, on average, by 1.1% annually. While growth has been relatively stable over the last ten years, projections released by the Weldon Cooper Center in June 2017, reflect a potential 44.4% growth in population by 2045 to 192,503. In fact, over the past few decades, Virginia’s center of population has gradually moved up interstate 95 and based on current projections, by 2040, will be located in Spotsylvania County just outside of the City of Fredericksburg.



Credit: Weldon Cooper Center

The County is governed by a Board of Supervisors, comprised of seven members, who are each elected from one of seven districts to serve four-year staggered terms. The Board appoints a County Administrator, who serves at the pleasure of the Board, to act as the Board’s agent in the administration and operation of its departments and agencies. The Board appoints a County Attorney to provide legal counsel to the Board of Supervisors, the County Administrator and all County offices, departments, agencies, commissions and boards. All other departments report to the County Administrator except for the School Board and the Constitutional Offices - Clerk of the Circuit Court, Commissioner of

Revenue, Commonwealth's Attorney, Sheriff, and Treasurer - who are elected by the citizens. In addition, the Social Services Advisory Board is appointed by the Board of Supervisors and reports directly to them. The Health Department and Court System are under the control of the Commonwealth of Virginia.

The County provides a full range of governmental services including law enforcement, fire and rescue, court services, education, health and social services, parks and recreation, solid waste disposal, and community development. The County also operates a water and sewer utility system serving over 30,000 customers, and participates in a regional jail and juvenile detention center, library, community services board, and juvenile group home. Education services are provided through the Spotsylvania County School Board, a legally separate entity, which is governed by seven members elected by district, and reported as a discretely presented component unit within the County's financial statements. See Note 1 to the basic financial statements for a more detailed discussion of the reporting entity.

LOCAL ECONOMY

The County's economy continues to be strong. Its proximity to two strong economic and employment hubs, Washington, DC and the City of Richmond, connected by rail, interstate and local highways, attributes to positive workforce and commercial development. Due to its desirable location, a majority of residents continue to commute outside of the County for work. However, the County's strengthening economy and targeted economic development efforts continue to drive increases in local employment. New jobs in the County rose 2.5% in 2017, up from 2.1% in the prior year, and exceeds new job growth across the State of 1.4%. The warehouse and real estate industries led the increase with over 10% gains in employment. Employment in the real estate industry continues to be strong as inventory is turning over faster and the number of new housing units rise. Manufacturing jobs dropped 6.1% but is expected to recover in the near future through an economic development agreement with idX to purchase a vacant manufacturing facility and bring 150 new jobs to the area. In response to the overall growth in the County, the unemployment rate dropped for the sixth consecutive year to 3.8%, from a peak of 7.0% in 2010, and remains competitive within the Commonwealth and below the national rate of 4.5%.

Growth in the County's major revenue streams reflects a healthy and thriving community. Real property values, used to generate real estate tax revenues, rose for the fifth straight year, up 2.4% from the previous year and 15.6% from five years ago. Personal property values also rose, reporting a strong 3.1% increase for the year and 11.7% from five years ago. Retail sales were up 3.7% in calendar year 2016, outpacing projections of 3.1% and the Commonwealth's reported increase of only 1.9%.

As previously mentioned, combined with local economic incentives, a skilled workforce and available undeveloped property, local industry continues to expand and diversify. Below are some of the more notable economic development highlights from our 2017 credit rating presentation:



- Lidl, part of the Germany-based Schwarz Group, the largest retailer in Europe and one of the largest in the world, chose Spotsylvania as the location for its first distribution center in the U.S. market. The company constructed a 921,565 square foot distribution center estimated to cost \$125.1 million and is expected to create 200 jobs. Spotsylvania will also be home to two of Lidl's first U.S. based retail stores; with one currently under construction at a cost of \$2.0 million.



- Universal Dynamic, Inc., a designer, manufacturer and installer of auxiliary products for the plastics industry is expanding and moving its headquarters from Woodbridge, Virginia to Spotsylvania County. The company will occupy an existing 88,000 square foot vacant manufacturing plant and is expected to make \$4.0 million in capital improvements to the facility, add \$1.0 million in personal property investments and add at least 50 new full-time jobs.



- idX, a manufacturer of consumer environments for the retail, financial, hospitality, restaurant and point-of-sale markets, has purchased and intends to relocate its business operations from Baltimore, Maryland to the 250,000 square foot former General Motors plant which has been vacant since 2010. The company expects to invest \$7.2 million in capital expenditures and hire 150 full-time employees.



- Flatter & Associates, a government contractor, is relocating its corporate headquarters from the City of Fredericksburg to a new 3,500 square foot, \$790,000 office building and adding 10 new employees by 2019.



- Publix Supermarket, a privately-owned company that has been named to Fortune Magazine's list of 100 best companies to work for in America 19 years in a row, announced plans to open a new 49,000 square foot store in 2018 and add 140 new employees.

Despite news of retail chain store closures nationwide, the local retail market is healthy with a low vacancy rate and continued construction activity. Across many of the County's more populated areas, hubs of retail and mixed use development continue to mature and expand in line with consumer demands.

The Spotsylvania Courthouse Village is a relatively new and elegant hometown combining commercial and residential streetscape. The project developer envisions that the Village could eventually include 500,000 square feet of office, retail and civic uses, as well as 1,500 residential units. Construction was recently completed on five retail buildings and a third phase of the project under construction includes a five-story mixed-use building (Hanover House), with four floors of apartments over retail space. After the completion of Hanover House, the developer has future plans to build another mixed-use building and hotel.



Hanover House under construction

Located in one of the fastest growing corridors in Virginia at Exit 126, Southpoint covers 335 acres and is home to three retail developments, Southpoint I & II and Southpoint Landing. Southpoint



Abberly at Southpoint

I & II consists of 1.2 million square feet of mixed use retail/commercial space offering a variety of retail, restaurants, and professional office space. Southpoint Landing is the final area to be developed with construction started on a 48,000 square foot, three-story office building and the recent completion of Abberly at Southpoint Apartment Homes, a 280-unit apartment complex which opened in June 2017.

Located a few miles south of Southpoint is Cosner's Corner, a 980,000 square foot retail and office development located one mile from I-95. The development features major national retailers, banks, and a full palette of restaurants. Cosner's Corner is also home to the County's largest private employer, the Spotsylvania Regional Medical Center, as well as two luxury apartment home complexes. The newest \$75.0 million complex, located directly across from the hospital, contains 274 apartments, a clubhouse, and 10,000 square feet of indoor amenity space.

Harrison Crossing, a relatively young development, is a unique, 70-acre, 600,000 square foot development located on Rt.3 and home to a variety of services, shops and restaurants. In 2017, a newly constructed Lidl grocery store was added and is currently being used as a prototype store to test which details appeal to American shoppers.



Lidl prototype store in Spotsylvania County

RELEVANT FINANCIAL POLICIES

The County continues to meet all adopted fiscal policy guidelines necessary to maintain fiscal stability and accountability in the use of its resources to provide services to citizens. The County's unrestricted fund balance (*committed, assigned, and unassigned*) grew 5.7% to \$106.2 million, equating to over four months of 2017 governmental expenditures, well above industry minimum

recommendations of two months. Of the County's unrestricted fund balance, \$60.3 million has not been assigned to a specific purpose and includes \$45.2 million in committed fiscal stability reserve and \$3.1 million in budget stabilization reserve, a minimum unassigned fund balance set by the Board. The remaining \$12.0 million in unassigned grew by \$8.6 million as a result of greater than expected excess of revenues over expenditures in the current year.

The County's credit rating continues to be very strong, with a moderately low debt profile, reporting net overall debt of \$3,140 per capita, a 2.2% decrease from the previous year. Although the County has no legal limitations on the amount of debt it can issue, the County has created self-imposed limits. Debt service as a percentage of governmental and school spending was 9.4%, well within the County's adopted policy of 12% and below the County's 2025 target of 10%.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

Despite the fact the economy is improving and the economic indicators are all trending positive, similar to many other Virginia localities, the County still faces challenges. As the number of County retirees increase and healthcare costs continue to rise, the County is faced with how to fund its other postemployment benefit plans (OPEB). Effective in fiscal year 2016, the Board kicked off a phased-in funding plan to reserve 100% of the General Fund's annual required contribution within eight years. In addition to determining how to fund the phase-in, the County will explore how best to invest these long-term assets to maximize investment returns and help offset future costs.

Transportation issues continue to be demanding, as these projects tend to be complex and costly. The Commonwealth owns and maintains the roads and bridges within the County, funding for improvements is handled at the state level and subject to prioritization across many infrastructure needs within the Commonwealth. In an attempt to bridge this gap the Board has continued to expand transportation related work in its five-year Capital Improvement Plan (CIP). In the most recent plan, the County has allocated \$23.8 million of County funds, in combination with additional Federal and State funding, to continue its efforts to help address these concerns.

Capital Projects

Each year the County's CIP, which is adopted by the Board and published concurrently with the annual adopted budget, serves as a significant tool to assist in long range planning for municipal capital needs. Capital improvement projects over the next five years, excluding transportation projects, total \$262.5 million, of which, a majority is expected to cover improvements or replacements of various assets currently owned by the County. However, there are many new facilities in the pipeline to address anticipated growth in the region, such as a new regional library branch and fire and rescue station in the Massaponax area, a new park next to the Ni River Middle School, and a new fire and training logistic center.

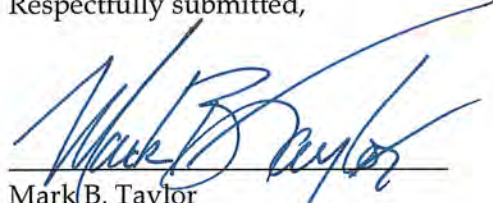
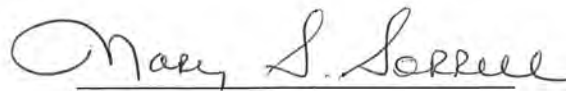
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This was the twenty-second consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to both generally accepted accounting principles and applicable program requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The County also received the GFOA's Distinguished Budget Presentation Award to the County for its annual budget for the fiscal year ended June 30, 2017. This is the twenty-first award in as many years. In order to achieve this award, the County's budget document must meet program criteria as a policy document, a financial plan, an operations guide, and as a communications device.

The preparation of this report would not be possible without the skill, effort, and dedication of the County and School Board Finance staff, and our Treasurer's office. We wish to thank all our County's departments and agencies for their cooperation and assistance in providing the critical data necessary to compile an accurate and timely financial report.

Respectfully submitted,


Mark B. Taylor
County Administrator
Mary S. Sorrell
Director of Finance

Principal Officials

Board of Supervisors



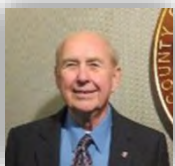
David L. Ross
Courtland District
Chair



Greg Benton
Livingston District
Vice-Chair



Chris J. Yakabouski
Battlefield District



Greg L. Cebula
Berkeley District



Timothy J. McLaughlin
Chancellor District



Gary F. Skinner
Lee Hill District



Paul D. Trampe
Salem District

County of Spotsylvania

Constitutional Officers

Christalyn M. Jett	Clerk of Circuit Court
Travis D. Bird	Commonwealth Attorney
Larry K. Pritchett	Treasurer
Roger L. Harris	Sheriff
Deborah F. Williams	Commissioner of Revenue

County Administrative Officers

Mark B. Taylor	County Administrator
Mark L. Cole	Deputy County Administrator
Edward Petrovitch	Deputy County Administrator
Karl R. Holsten	County Attorney
Mary S. Sorrell	Director of Finance
Rebecca R. Forry	Controller

Spotsylvania School Board

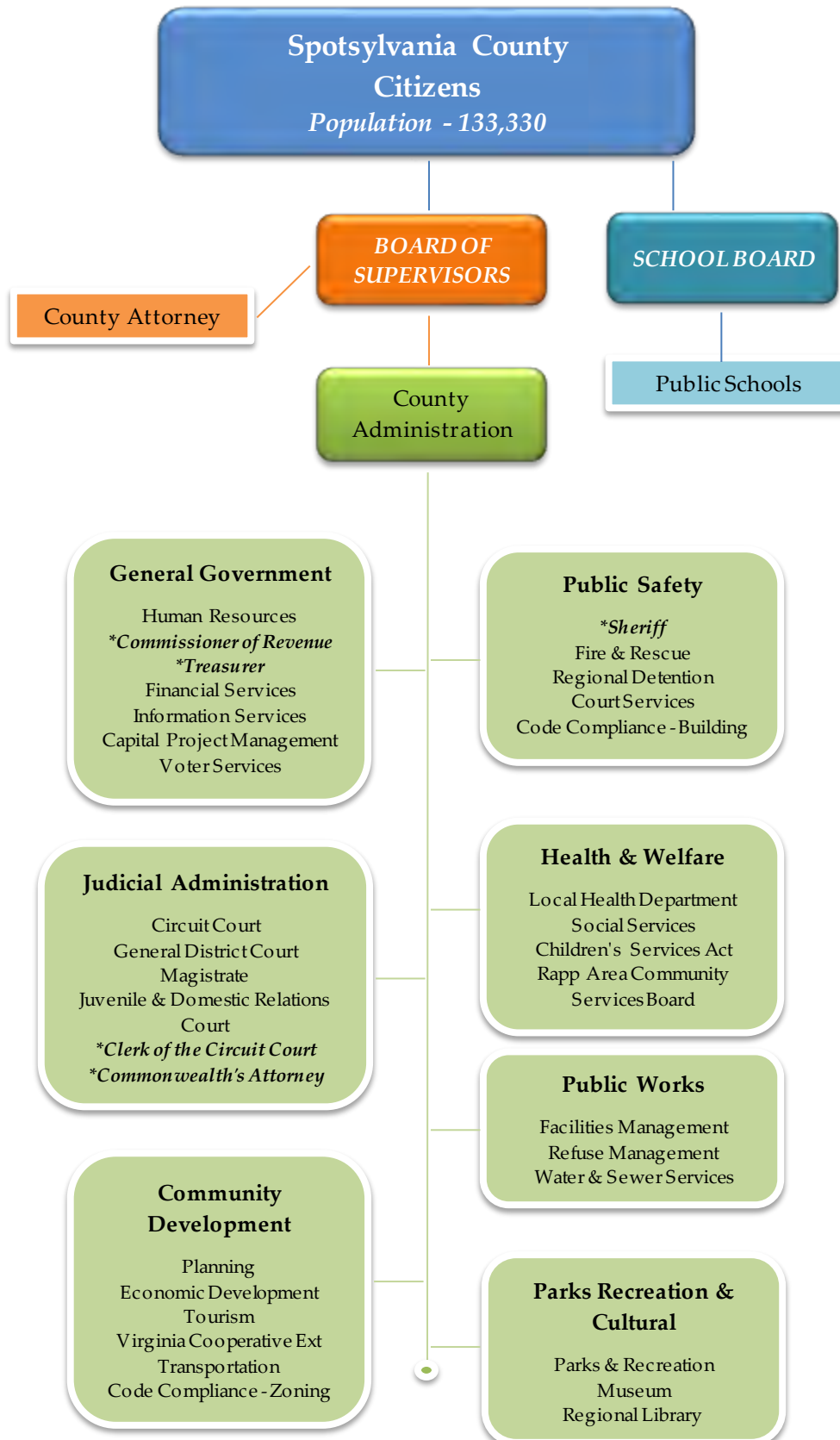
School Board

Erin K. Grampp	Berkeley District
William M. Blaine, Jr.	Salem District
Vacant	Lee Hill District
Dr. James A. Meyer	Courtland District
Kirk Twigg	Livingston District
Baron P. Braswell	Battlefield District
Dawn Shelley	Chancellor District

School Administrative Officers

Dr. S. Scott Baker	Superintendent
Carol E. Flenard	Assistant Superintendent of Instruction
LaShahn Gaines	Chief Financial Officer
Phillip Trayer	Director of Finance
Marcia S. Stevens	Director of Budget & Payroll

Spotsylvania County Organizational Chart



* denotes Constitutional Officer

Spotsylvania County Certificate of Achievement



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**County of Spotsylvania
Virginia**

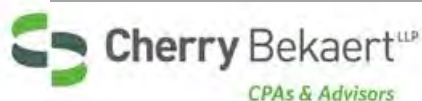
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

PART II: FINANCIAL SECTION

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Report of Independent Auditor

To the Honorable Members of the Board of Supervisors
County of Spotsylvania, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 of Spotsylvania, Virginia, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 22 to the financial statements, the net position of the discretely presented component unit as of June 30, 2016 has been restated from the previously issued financial statements to reflect the correction of an error. Our opinions are not modified with respect to this matter.

As discussed in Note 22 to the financial statements, the County adopted new accounting guidance, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective July 1, 2016. As a result, related net position and fund balance as of June 30, 2016 have been restated. 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 ("MD&A") and the required supplementary information other than MD&A, 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 Other Supplementary Information is the responsibility of management and was derived from and relates 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 is 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 November 27, 2017 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Cheryl Behrnt CP

Richmond, Virginia
November 27, 2017

Management's Discussion & Analysis (MD&A)

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

Financial Highlights

Selected high-level results of the County can be found in the section below. More detailed information regarding factors driving these changes is discussed under the applicable financial analysis sections of this MD&A.

Government-wide financials

- The County's total net position increased by \$13.4 million. Growth in the County's business-type activity (Water and Sewer) rose by \$9.3 million to \$262.1 million. Governmental Activities continue to report increases in net position, reducing its net deficit by \$4.1 million to a deficit of \$68.9 million.
- The County issued \$28.0 million in General Obligation (GO) Public Improvement Bonds Series 2016 with fixed interest rates ranging from 2 to 5% and a final maturity date of June 1, 2036.
- Effective with the implementation of GASB Standard No. 73, Length of Service Award Program (LOSAP) pension benefits totaling \$1.7 million in revocable trust assets and \$3.6 million in related total pension liability for volunteer fire & rescue staff were added within Governmental Activities.
- During the year, governmental expenses of \$265.4 million grew 0.8% faster than the \$269.6 million (Table 3) generated in supporting taxes and other revenues for governmental programs.
- The County's business-type activity revenues increased 4.1% to \$43.0 million with expenses remaining relatively unchanged at \$33.8 million.

Fund financials

- The General Fund balance increased by \$3.6 million, or 4.8%. The County met all its fiscal policy requirements with \$9.7 million remaining, increasing unassigned fund balance to \$15.1 million, of which \$3.1 million is held for budget stabilization.
- The fund balance of the Capital Projects Fund increased by \$0.8 million to \$52.5 million. The remaining non-major funds reported a decrease of \$0.4 million in accumulated fund balance related to a planned use of fund balance in the Transportation Fund.

Overview of the Financial Statements

This annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information (RSI)*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the County government, reporting the County's operations in *more detail* than the government-wide statements.
 - The *governmental funds'* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.
 - *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The basic financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The basic financial statements are followed by a section of RSI that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide the details about our non-major governmental funds and Component unit – School Board, each of which are added together and presented in their respective single columns in the basic financial statements.

Table 1 below summarizes the major features of the County’s financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section explains the structure and contents of each of the statements.

Table 1 Major Features of County’s Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and the County’s Component unit – School Board	The activities of the County that are not proprietary or fiduciary (e.g. public safety)	Activities the County operates similar to private businesses such as the water and sewer system	Instances in which the County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the County's *net position* and how it has changed. Net position is the difference between the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources. *Statement of Activities* presents information showing how the County's net position changed during the most recent fiscal year. The government-wide financial statements of the County are divided into three categories:

- *Governmental activities* – Most of the County's basic services are included here, such as sheriff, fire, public works, and parks. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* – The County charges fees to customers to help cover the costs of certain services it provides. The County's water and sewer services are included here.
- *Component units* – The County includes the Spotsylvania County School System here. Although legally separate, inclusion is important because the County is financially accountable for the School Board.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the County's most significant *funds* – not the County as a whole. Funds are accounting devices that

the County uses to keep track of specific sources of funding and spending for particular purposes. The County has three kinds of funds:

- *Governmental funds* – Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page of the governmental funds statement that explains the relationship between them.
- *Proprietary funds* are used to report the same functions presented as business-type activities in the government-wide financial statements, in this case, water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.
- *Fiduciary funds* – Resources held for other governments, individuals, or agencies not part of the County are reported as fiduciary funds. The County is responsible for ensuring that the assets reported are used for their intended purposes. The County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

Government-wide Overall Financial Analysis

Net Position

At the close of the current fiscal year, the County's combined net position increased by \$13.4 million to \$193.2 million. In comparison, the County's Component unit – School Board reported a decrease of \$12.6 million bringing the School Board into a deficit net position of \$11.3 million. A summary presentation of net position is provided in Table 2 below:

Table 2 Summary of Net Position (amounts in millions)								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit School Board	
	2017	2016*	2017	2016	2017	2016*	2017	2016*
Current and other assets*	\$ 269.3	\$ 260.1	\$ 93.8	\$ 91.5	\$ 363.1	\$ 351.6	\$ 54.2	\$ 54.8
Capital assets, net*	137.2	131.5	304.8	300.8	442.0	432.3	310.9	306.1
Total assets	406.5	391.6	398.6	392.3	805.1	783.9	365.1	360.9
Total deferred outflows	11.2	6.9	3.2	2.6	14.4	9.5	33.3	19.0
Other liabilities	40.5	41.6	4.8	2.9	45.3	44.5	34.2	31.6
Long-term liabilities	365.4	348.7	134.8	138.6	500.2	487.3	363.7	325.7
Total liabilities	405.9	390.3	139.6	141.5	545.5	531.8	397.9	357.3
Total deferred inflows	80.7	81.2	0.1	0.5	80.8	81.7	11.8	21.3
Net position:								
Net investment in capital assets*	71.0	60.1	187.2	178.8	258.2	238.9	310.8	306.1
Restricted	8.8	10.9	2.7	0.9	11.5	11.8	0.7	4.8
Unrestricted*	(148.7)	(144.0)	72.2	73.1	(76.5)	(70.9)	(322.8)	(309.6)
Total net position*	\$ (68.9)	\$ (73.0)	\$ 262.1	\$ 252.8	\$ 193.2	\$ 179.8	\$ (11.3)	\$ 1.3

*Amounts restated. Details available within Note 22 of the financial statements.

The County's governmental activities net position increased by \$4.1 million, reducing its deficit to \$68.9 million. However, all of the components of this increase are either restricted as to the purposes they can be used for or are invested in capital assets (e.g. buildings, equipment, and so on). Consequently, the *unrestricted* component of net position is a deficit of \$148.7 million. Of this deficit, \$154.5 represents net bonded debt the County has incurred on-behalf of the School Board. Without this debt, the County would report a positive unrestricted net position of \$5.8 million, revealing its ability to meet its long-term commitments.

Nevertheless, due to the financial dependencies between the County and the School Board, the net position of the School Board is of critical importance to the County.

While the *unrestricted* net position does reflect a deficit of \$322.8 million this doesn't mean the School Board will be unable to pay its bills next year. Rather, it is the result of having *long-term* commitments that are greater than currently available resources. With the exception of its health insurance reserves the School Board does not maintain a fund balance in its operating fund to meet its long-term commitments (e.g. pensions), but instead funds on either a contractual or pay-as-you go basis.

The County's business-type activities continue to report a healthy net position of \$262.1 million, up from \$252.8 million or 3.7%. This marks the relatively steady improvement resulting from planned rate increases needed to fund critical overhauls of aging infrastructure as it comes due.

Changes in Net Position

As reflected in Table 3 below, the Primary Government's net position increased \$13.4 million, \$1.4 million or 11.7% more than the prior year's increase of \$12.0 million. Both revenues and expenses of the Primary Government reported growth of 2.8% and 3.0% respectively. The Component unit – School Board's decrease in net position remains relatively unchanged from the previous year at \$12.6 million, reflecting the continued growth in long-term pension and other postemployment benefit obligations.

Table 3 Changes in Net Position (amounts in millions)								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit School Board	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues								
Program Revenues:								
Charges for services	\$ 12.8	\$ 12.5	\$ 32.5	\$ 31.8	\$ 45.3	\$ 44.3	\$ 8.5	\$ 8.5
Operating grants and contributions	20.5	19.3	0.5	0.5	21.0	19.8	145.8	143.7
Capital grants and contributions	2.8	4.2	9.5	8.1	12.3	12.3	0.9	0.9
General Revenues:								
General property taxes	166.8	161.8	-	-	166.8	161.8	-	-
Other taxes	45.6	43.5	-	-	45.6	43.5	-	-
Payments from Primary Government	-	-	-	-	-	-	120.2	114.5
Other general revenues	21.1	21.6	0.5	0.9	21.6	22.5	0.4	0.5
Total Revenues	269.6	262.9	43.0	41.3	312.6	304.2	275.8	268.1
Expenses								
General government	17.1	15.3	-	-	17.1	15.3	-	-
Judicial administration	9.1	8.7	-	-	9.1	8.7	-	-
Public safety	56.9	49.0	-	-	56.9	49.0	-	-
Public works	10.0	12.3	-	-	10.0	12.3	-	-
Health and welfare	21.3	19.8	-	-	21.3	19.8	-	-
Education	120.5	114.7	-	-	120.5	114.7	288.4	281.6
Parks and recreation	8.2	7.9	-	-	8.2	7.9	-	-
Community development	12.2	18.8	-	-	12.2	18.8	-	-
Water and sewer	-	-	33.8	33.3	33.8	33.3	-	-
Interest on long-term debt	10.1	10.4	-	-	10.1	10.4	-	-
Total Expenses	265.4	256.9	33.8	33.3	299.2	290.2	288.4	281.6
Excess (deficiency) before transfers and special items	4.2	6.0	9.2	8.0	13.4	14.0	(12.6)	(13.5)
Transfers	(0.1)	0.2	0.1	(0.2)	-	-	-	-
Special items	-	(2.0)	-	-	-	(2.0)	-	-
Increase (decrease) in net position	4.1	4.2	9.3	7.8	13.4	12.0	(12.6)	(13.5)
Net position - beginning, unadjusted	(71.7)	(73.0)	252.8	245.0	181.1	172.0	(3.0)	8.1
Less prior period adjustment	(1.3)	(2.9)	-	-	(1.3)	(2.9)	4.3	2.4
Net position - beginning, as restated	(73.0)	(75.9)	252.8	245.0	179.8	169.1	1.3	10.5
Net position - ending	\$ (68.9)	\$ (71.7)	\$ 262.1	\$ 252.8	\$ 193.2	\$ 181.1	\$ (11.3)	\$ (3.0)

Details of prior period adjustments can be found within Note 22 of the financial statements.

GOVERNMENTAL ACTIVITIES

Revenues for fiscal year 2017 were \$269.6 million, an overall increase of \$6.7 million or 2.5%. Property taxes represented the most significant rise in revenues increasing \$5.0 million or 3.1% as a result of higher assessment values and growth in the County. Real property assessed values increased overall by 2.4%, and personal and business property assessed values rose by 2.8%, resulting in property taxes, as a percentage of total governmental activity revenue, to be 61.9%, up from 61.5% in the previous year.

Local tax revenues (e.g. sales, meals) also increased overall by \$2.1 million, or 4.8%. Local sales and meals taxes continue to grow at consistent rates of 3.4% and 4.2% respectively. However, the most notable change was the County's upturn in its recordation taxes of \$0.6 million, up 31.8% from the prior year, an indicator that the County's local housing market continues to recover from its recession lows.

Lastly, operating grants rose \$1.2 million, or 6.2%, the majority of which resulted from an increase in Social Service and CSA mandated costs that drove increased reimbursements from federal and state allocations. In contrast, the County's capital grant revenue dropped by a third of its previous year's reported revenue as work on the County's first Virginia Rail Express (VRE) station completed.

The County provides various services to its citizens (e.g. public safety, education), at a total cost of \$265.4 million, an increase of \$8.5 million or 3.3%. Of this amount, \$36.1 million was paid by program revenues consisting of \$12.8 million in service charges and \$23.3 million in funds subsidized by other governments and organizations through various grants and contributions. The remaining \$229.3 million in expenses was funded through general revenues such as taxes, interest, and unrestricted aid from the Commonwealth.

Chart 1

Governmental Activities - Revenues by Source

For Years ending June 30, 2017 and 2016

(amounts in millions)

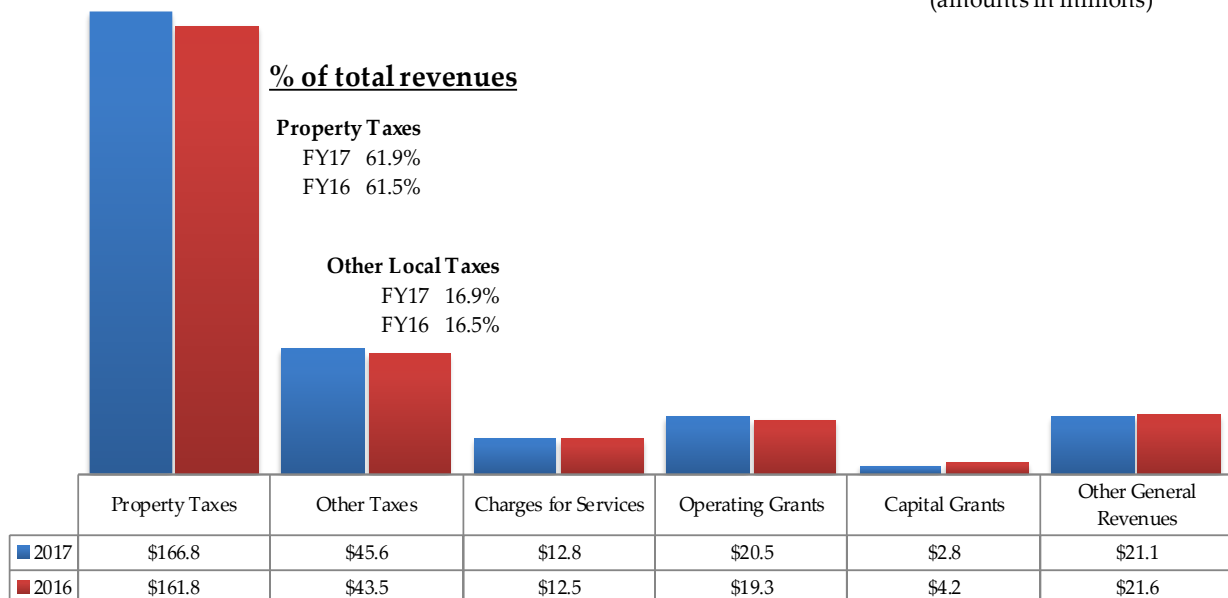


Chart 3, at the bottom of this page, presents the \$265.4 million in governmental activity expenses broken down by function and their year over year changes. For the 2017 budget, the County focused on maintaining all fiscal policies and its priority services of education, public safety and transportation.

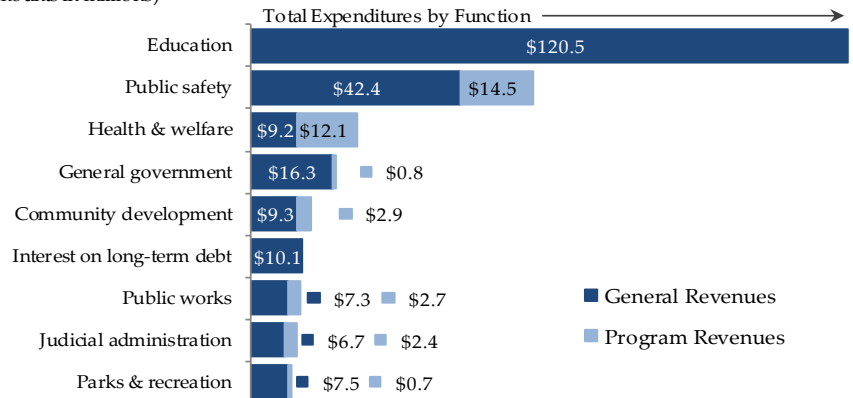
The County's education expense represents a transfer of funding to the School Board that includes required funding per state guidelines, debt service and any additional local transfer elected by the Board.

An adjustment is then made to account for any debt proceeds and associated debt service incurred by the School Board but is required by law to be reported by the County. This reporting adjustment of \$5.7 million represented the majority of the \$5.8 million increase for the year.

Public safety expense rose \$7.9 million, or 16.0% mainly related to growth in personnel costs. As part of the 2017 budget, the Board approved 3 new firefighter/medic positions, and full funding for 15 positions only approved for 5 months of funding in the previous year. The Board also elected to convert 10 firefighter positions to firefighter/medics and provide pay parity with equivalent Sheriff's staff for Fire and Rescue Captains and Battalion Chiefs. In addition, the Sheriff's Office received funding for their career ladder program and two DARE positions.

Chart 2

Governmental Activities - Funding of Net Functional Costs
For the Year ended June 30, 2017
(amounts in millions)



Long-term fringe benefits such as retiree healthcare (OPEB) and pension (VRS) reported a combined increase of \$3.3 million. A result of differences between projected and actual results in experience and earnings within the VRS Plan, as well as, OPEB actuarial valuation changes in the Plan's interest rate assumption and projected age-related healthcare costs.

The County continues to address shortfalls in transportation improvements at state and federal levels through local funding. Transportation related costs, reported within community development, did decrease by \$5.5 million or 53% from the previous year. However, this decrease represents a temporary lull in spending as certain higher cost projects, such as the new VRE Station, are completed and new projects like the I-95 exits 118 and 126 improvements begin.

Governmental Activities - Expenses by Function

For Years ending June 30, 2017 and 2016
(amounts in millions)

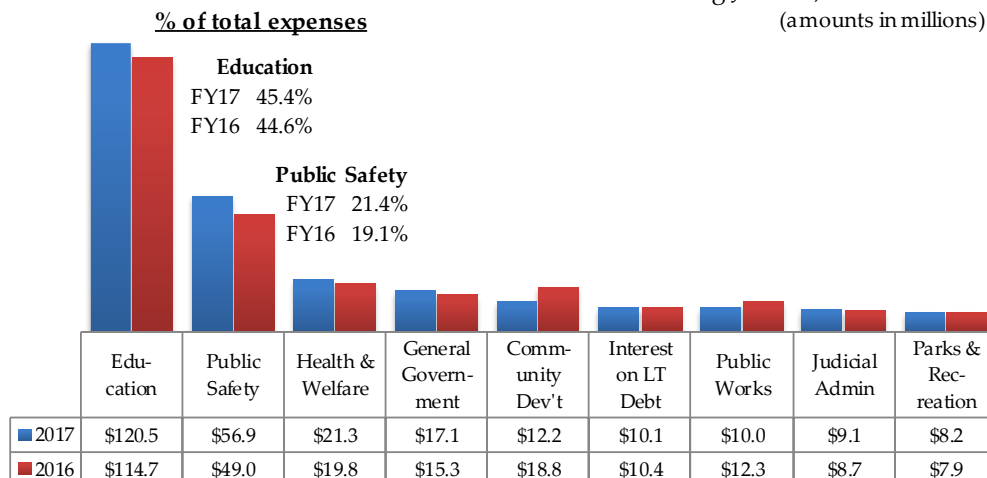


Chart 3

BUSINESS-TYPE ACTIVITIES

The County's water and sewer service revenues rose modestly by 2.2% to \$32.5 million, in line with the System's customer growth of 2.0%. Donated water and sewer line infrastructure represented the largest revenue increase of \$1.4 million, up 17.3%, as a result of a one-time donation by the County of a newly constructed water line valued at \$0.8 million, and a higher number of developer donated lines from completed commercial and residential developments. Operating costs remain fairly level at \$33.8 million, up slightly from \$33.3 million in the previous year due to increases in pension service costs and retiree healthcare.

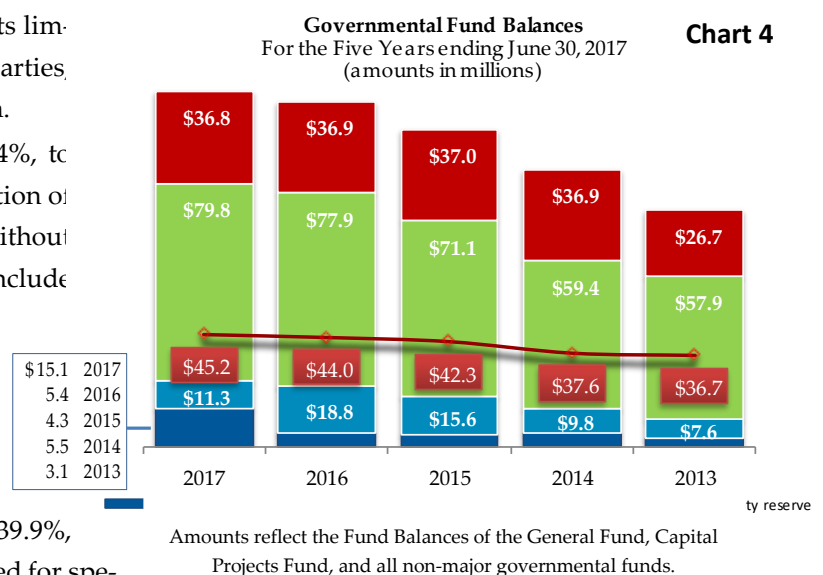
COMPONENT UNIT - SCHOOL BOARD

For fiscal year 2017, the School Board reported a decrease in net position of \$12.6 million, slightly lower than the \$13.5 million shortfall of the previous year. Revenues increased \$7.7 million, or 2.9%, predominantly from increased revenues from the County (details provided under the education expense section on the previous page), and almost \$2.0 million more in Basic School Aid received from the State. Expenditures increased by \$6.8 million or 2.4%, with overall instructional costs increasing \$4.5 million due to a 2% pay increase, insurance and other fringe benefits rate increases, as well as the addition of 12 instructional positions.

Financial Analysis of Governmental Funds

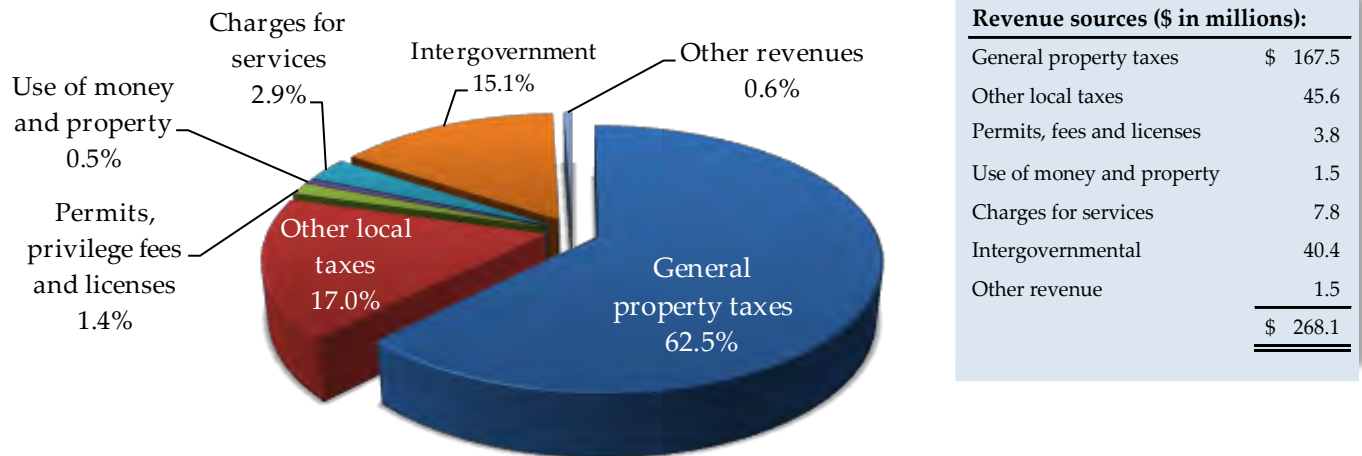
Combined governmental fund balances at year-end equaled \$143.0 million, an increase of \$4.0 million or 2.9%. As the County's available fund balance is of critical importance to its overall financial health, the Board has established fiscal policies to govern its required balances and allowable uses. Detailed information on these minimum required balances can be found under section 1.13 in the Notes to the Financial Statements. The following chart also provides a snapshot of the combined governmental fund balances at each year-end and their categorical allocations reported from the highest level of constraint of Restricted down to the lowest level of constraint of Unassigned.

- **Restricted** fund balance, which represents amounts limited to specific purposes imposed by external parties, decreased slightly by \$0.1 million to \$36.8 million.
- **Committed** fund balance rose \$1.9 million, or 2.4%, to \$79.8 million. These funds are reserved by resolution of the Board and may not be changed or removed without equal action by the Board. Major commitments include \$45.2 in fiscal stability reserve, \$4.0 in health insurance reserve, \$22.9 million in cash funded capital projects, and \$1.7 million in funds held in a revocable trust for future LOSAP pension benefits.
- **Assigned** fund balance decreased \$7.5 million, or 39.9%, to \$11.3 million. Assigned amounts are constrained for specific purposes and are normally temporary in nature. The majority of the current year's decrease is from a reduction in the planned use of fund balance in the 2018 budget of \$6.2 million.
- **Unassigned** fund balance includes all remaining amounts considered available for any purpose. After funding of the County's Budget Stabilization Reserve of \$3.1 million, previously \$2.0 million in 2016, the remaining unassigned fund balance rose \$8.6 million to \$12.0 million as a result of greater than expected excess of revenues over expenditures.



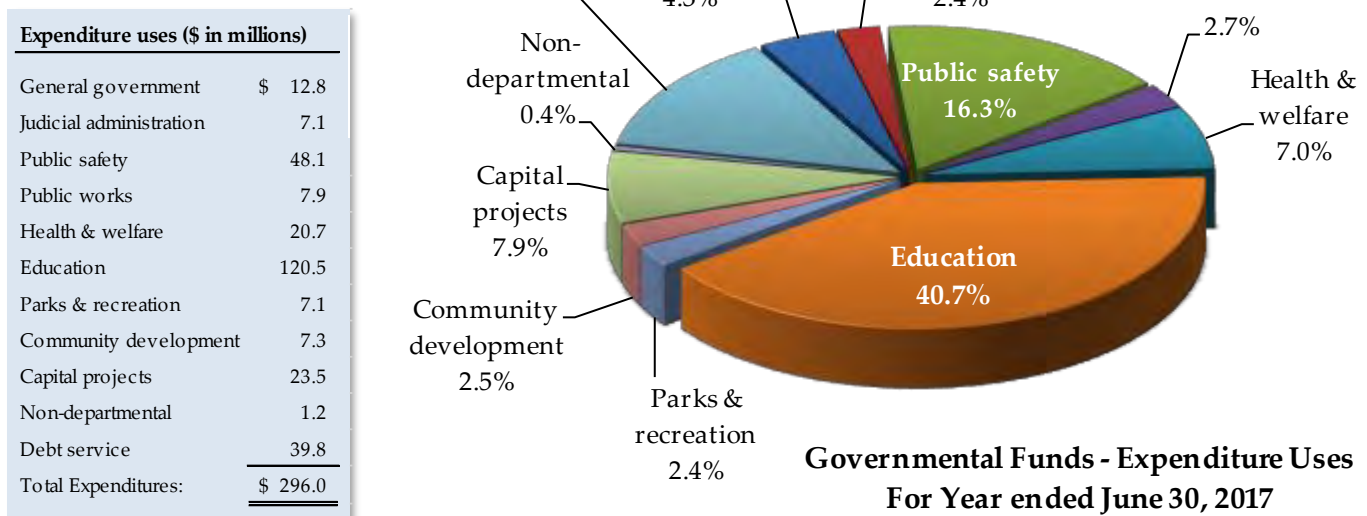
At June 30, 2017, the County reported a net change in fund balance of \$4.0 million; the majority of this increase (\$3.6 million) was generated within the General Fund. The charts below provide useful information on the percentage and amounts of consolidated revenues received by source and how these funds were used by function. While not reflected below, the County's net other financing sources included \$32.0 million in funds related to a new bond issue during the year. Additional information, not previously disclosed under the analysis of governmental activities, can be found on the following page.

Chart 5



**Governmental Funds - Revenue Sources
For the Year ended June 30, 2017**

Chart 6



Overall revenues increased by \$5.0 million or 1.9% with the percentages of revenue sources shown in (Chart 5) remaining relatively the same. Total property tax collections, including both current and delinquent collections, rose \$5.8 million, or 3.6%. Current tax revenues rose \$6.8 million, or 4.5%, as a result of a half a percent increase in the collection rate and rising property assessments. Delinquent tax collections, including related penalties, interest and collection fees, dropped by \$1.0 million, or 10.8%, a reflection of the continuous improvement in on-time payments as the economy improves.

Additional revenue changes include other local taxes and intergovernmental revenue. Other local taxes increased \$2.1 million, a 4.8% increase from growth in sales, meals and local recordation taxes. Details of these increases can be found under the Governmental Activities section of this MD&A. As a result of the conclusion to the Virginia Railway Express (VRE) station project, intergovernmental revenue dropped \$2.5 million from reduced state revenue sharing funds; the majority of the total \$2.6 million or 6.0% drop in intergovernmental revenues.

Expenditure growth slightly outpaced revenues, increasing by \$7.8 million to \$296.0 million for the year. General government spending rose 9.4%, driven by an additional one million in information service maintenance contract costs. The County's policy is to record prepaid expenditures when paid, without amortization, resulting in potential swings year over year based on the timing of such payments. As previously mentioned under the analysis of governmental activity expenses, public safety expenditures rose significantly (\$2.4 million) mainly due to new and fully funded positions added through the 2017 budget. Debt service also rose by \$2.9 million or 7.9% from the issuance of new bonds and related fees.

Not all functions reported increases in 2017. Judicial administration, public works, community development and capital projects all reported decreases. Community development expenditures dropped \$1.1 million due to the one-time Commonwealth Opportunity Fund grant received in fiscal year 2016. Corresponding with the County's drop in intergovernmental revenues, related capital project costs also decreased by \$4.0 million, of

which \$3.3 million represented the completion of the VRE station in fiscal year 2017.

General Fund Budgetary Highlights

ORIGINAL BUDGET TO FINAL BUDGET

Over the course of the year, the Board revised the County budget several times. Most of these adjustments consisted of reallocations of funds between funding sources and departments, with the exception of the following amendments:

- \$3.2 million in "carryover" of obligated or approved fiscal year 2016 funding not yet expended.
- Re-appropriation of \$0.5 million in unexpended 2016 educational expenditures, and \$2.1 million in one-time funding to the School Board.
- Appropriation of \$9.5 million for the projects, debt service and cost of issuance associated with the 2016 sale of General Obligation (GO) bonds to be expended for public safety projects.
- Appropriation of \$1.8 million for payment of the Rt.3 widening project settlement agreement.

FINAL BUDGET TO ACTUAL

As of June 30, the County's General Fund reported a positive budget variance of \$12.6 million consisting of \$3.6 million in additional revenues and \$7.5 million in unexpended budgeted expenditures.

- General property tax revenues exceeded budget by \$2.5 million as a result of higher than anticipated growth in taxable property values.
- General government expenditures were \$1.8 million below budget, down from \$2.6 million in the previous year, primarily from savings in Information Services of \$0.8 million related to turnovers and vacancies, and the timing of payments on maintenance contracts. Public safety also reported savings of \$2.5 million, down from \$3.4 million in the previous year and consisting mainly of unexpended grant funding.

Additional information on the County's General Fund budget compliance can be found in Exhibit IX, *Budgetary Comparison Schedule – General Fund*.

Capital Assets and Debt Administration

CAPITAL ASSETS

The County's total net investment in capital assets was approximately \$442.0 million at June 30, 2017, a net increase of \$9.7 million, or 2.2%, over last year. County capital assets consist of land, buildings, equipment, vehicles and water and sewer infrastructure which are used for operations.

During 2017, the County completed several large scale projects, including the opening of two new fire and rescue stations totaling \$8.5 million, the replacement of the County's public safety 800MHz radio system totaling \$16.9 million, and the expansion of the Livingston Landfill totaling \$2.5 million. In addition, \$6.1 million in water and sewer distribution improvements were capitalized. Of the remaining \$14.1 million in construction in progress reported in Table 4 below, \$8.9 million represent costs accumulated for the expansion and improvement of the Ni River Water Treatment Plant.

Additional information on the County's capital assets can be found in Note 4 to the financial statements.

Major capital asset additions in 2017 include:

- The purchase of 48 new or replacement general purpose vehicles totaling \$1.4 million.
- \$5.5 million in new fire and rescue apparatus.
- \$0.8 million in donated heavy duty tactical public safety vehicles from the Federal Surplus Personal Property Donation Program.
- The completion of the County's public safety 800MHz radio system.
- Completion of two new fire & rescue stations.
- Expansion of the Livingston Landfill.

Table 4

Capital Assets

	(net of depreciation, amounts in millions)					
	Governmental Activities	Business-type Activities	Total Primary Government		\$ Change	% Change
			2017	2016		
Land & land improvements	\$ 13.2	\$ 7.6	\$ 20.8	\$ 20.8	-	- %
Land improvements, depreciable	11.4	0.9	12.3	10.3	2.0	19.4
Buildings & improvements	69.7	104.6	174.3	168.2	6.1	3.6
Furniture, equipment & vehicles	40.3	11.5	51.8	35.7	16.1	45.1
Water & sewer systems	-	168.7	168.7	164.1	4.6	2.8
Construction in progress	2.6	11.5	14.1	33.2	(19.1)	(57.5)
Total capital assets	\$ 137.2	\$ 304.8	\$ 442.0	\$ 432.3	9.7	2.2 %

DEBT ADMINISTRATION

At year-end the County had \$418.2 million in bonds outstanding, less than a 1% decrease over the previous year, as shown in Table 5.

New debt consisted of \$28.0 million in general obligation public improvement bonds, the majority of which is intended to finance school, public safety and transportation related capital projects. A ten-year trend of bonded debt by purpose is provided in Chart 7 below.

Although the County has no legal limitations on the amount of debt it can issue, the County has adopted certain financial policies limiting the amount of tax supported debt it may issue. The County continues to meet its self-imposed debt limits as reflected in Table 6.

Outstanding Debt

(amounts in millions)

Table 5

	Primary Government		%
	2017	2016	Change
Governmental activities:			
General obligation bonds - County	\$ 116.8	\$ 116.1	0.6%
General obligation bonds - School Board	80.9	68.8	17.6%
Virginia public school authority bonds	18.3	23.7	-22.8%
Lease revenue bonds - County	13.8	15.2	-9.2%
Lease revenue bonds - School Board	62.3	66.2	-5.9%
Total governmental activities debt:	292.1	290.0	0.7%
Business-type activities - revenue bonds	126.1	131.9	-4.4%
Total outstanding debt:	418.2	421.9	-0.9%

In early July 2017, County representatives met with Fitch, Moody's and Standard & Poor's to present current economic and financial information pertaining to the County. In response to this meeting, the County's credit ratings were affirmed by Fitch, Moody's, and Standards & Poor's.

Debt Position Indicators

For Fiscal Years 2017 and 2016

	Ratio of debt service to expenditures	Ratio of debt to assessed value
2017	9.4%	1.78%
2016	9.2%	1.81%
Adopted Policy	Not to exceed 12%	Not to exceed 3%

Table 6

Rating Agency	General Obligation Bonds	EDA Revenue Bonds	Utilities Revenue Bonds
Fitch	AAA	AA+	AA-
Moody's	Aa1	Aa2	Aa3
Standard & Poor's	AA+	AA	AA

Detailed information regarding bonded debt and other long-term liabilities of the County can be found in Note 9 to the financial statements.

Bonded Debt Levels

(amounts in millions)

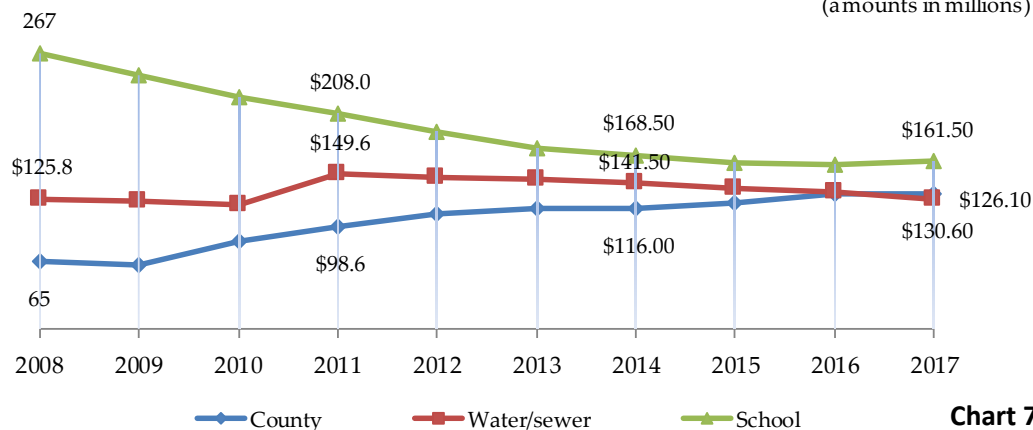


Chart 7

Economic Factors

The following economic factors currently affect the County and were considered in the development of the 2018 fiscal year budget.

- Total assessed property values rose 2.7% as of January 1, 2017.
- No change in adopted tax rates and the business license threshold is assumed to increase from \$0.8 to \$1.0 million.
- A compensation study was completed for employees of the County and School Board recommending various changes to compensation and certain benefits. Per the study, the estimated cost excluding any related benefits, to transition the County and School Board to the recommended plan totaled \$1.8 and \$4.4 million, respectively.

- Unemployment rates continue to improve dropping to 3.8% at June 30, 2017 from 4.2% one year ago. The County's population increased by slightly less than a percent with student populations remaining relatively the same.
- As of February 2017 the County had 14,968 units in approved developments not yet constructed.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be sent by email to finance@spotsylvania.va.us or can be addressed to the Office of the Finance Director at 8800 Courthouse Road, Spotsylvania Virginia, 22553.

BASIC FINANCIAL STATEMENTS

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COUNTY OF SPOTSYLVANIA, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2017

Exhibit I

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and investments - pooled equity (Note 2)	\$ 124,141,700	\$ 79,313,236	\$ 203,454,936	\$ 4,377,943
Receivables, net (Note 3)	109,255,762	7,710,656	116,966,418	7,720,162
Prepaid items	981,152	-	981,152	1,268,316
Inventory	-	666,860	666,860	335,746
Due from Primary Government (Note 6)	-	-	-	22,565,125
Restricted cash and investments (Note 2)	34,869,649	6,180,121	41,049,770	6,670,732
Claim reserves held by others (Note 17)	-	-	-	11,316,235
Capital assets, net (Note 4):				
Non-depreciable assets	15,865,086	19,097,428	34,962,514	14,478,162
Depreciable assets	121,360,422	285,686,434	407,046,856	296,375,443
Total assets	<u>\$ 406,473,771</u>	<u>\$ 398,654,735</u>	<u>\$ 805,128,506</u>	<u>\$ 365,107,864</u>
DEFERRED OUTFLOWS				
Deferred charge on debt refunding	\$ 2,286,306	\$ 1,942,230	\$ 4,228,536	\$ -
Pension contributions (Note 8)	3,859,840	576,133	4,435,973	18,745,914
Pension actuarial differences (Note 8)	4,523,080	651,007	5,174,087	14,509,995
LOSAP pension benefit payments (Note 13)	107,637	-	107,637	-
LOSAP actuarial differences (Note 13)	399,028	-	399,028	-
Total deferred outflows	<u>\$ 11,175,891</u>	<u>\$ 3,169,370</u>	<u>\$ 14,345,261</u>	<u>\$ 33,255,909</u>
LIABILITIES				
Accounts payable	\$ 2,838,644	\$ 1,492,699	\$ 4,331,343	\$ 8,478,896
Retainage payable	56,551	339,490	396,041	75,377
Accrued salaries and benefits	1,595,239	219,347	1,814,586	25,649,115
Accrued bond interest	3,564,145	427,549	3,991,694	-
Other accrued liabilities	2,346,261	2,276,990	4,623,251	-
Due to component unit (Note 6)	22,565,125	-	22,565,125	-
Deposits	7,566,760	113,209	7,679,969	-
Noncurrent liabilities (Note 9):				
Due within one year	28,354,249	5,635,901	33,990,150	6,331,106
Due in more than one year	337,010,167	129,122,272	466,132,439	357,327,046
Total liabilities	<u>\$ 405,897,141</u>	<u>\$ 139,627,457</u>	<u>\$ 545,524,598</u>	<u>\$ 397,861,540</u>
DEFERRED INFLOWS				
Deferred revenues:				
Property taxes (Note 3)	\$ 79,915,846	\$ -	\$ 79,915,846	\$ -
Special assessments	361,818	-	361,818	-
Pension actuarial differences (Note 8)	404,831	66,197	471,028	11,793,060
Total deferred inflows	<u>\$ 80,682,495</u>	<u>\$ 66,197</u>	<u>\$ 80,748,692</u>	<u>\$ 11,793,060</u>
NET POSITION				
Net investment in capital assets	\$ 71,005,210	\$ 187,215,326	258,220,536	\$ 310,853,605
Restricted for:				
Grant programs	2,011,987	-	2,011,987	-
Debt service	-	2,684,802	2,684,802	-
Transportation	5,383,789	-	5,383,789	-
Capital projects	1,409,552	-	1,409,552	663,877
Unrestricted	(148,740,512)	72,230,323	(76,510,189)	(322,808,309)
Total net position (deficit)	<u>\$ (68,929,974)</u>	<u>\$ 262,130,451</u>	<u>\$ 193,200,477</u>	<u>\$ (11,290,827)</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SPOTSYLVANIA, VIRGINIA
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2017

Exhibit II

Page 1

Functions/Programs	Expenses	Program Revenues			Primary Government
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contribution	Governmental Activities
Primary Government:					
General government	\$ 17,114,273	\$ 291,960	\$ 555,288	\$ 1,144	\$ (16,265,881)
Judicial administration	9,072,357	852,412	1,545,128	-	(6,674,817)
Public safety	56,877,784	7,495,171	5,822,211	1,213,416	(42,346,986)
Public works	9,997,890	2,654,520	20,270	-	(7,323,100)
Health and welfare	21,297,878	57,633	11,974,827	-	(9,265,418)
Education	120,472,661	-	-	-	(120,472,661)
Parks, recreation and cultural	8,218,027	722,606	-	-	(7,495,421)
Community development	12,255,736	751,514	597,661	1,591,456	(9,315,105)
Interest on long-term debt	10,096,284	-	-	-	(10,096,284)
Total governmental activities	\$ 265,402,890	\$ 12,825,816	\$ 20,515,385	\$ 2,806,016	\$ (229,255,673)
Business-type activities:					
Water and sewer	33,886,283	32,545,738	501,861	9,545,771	
Total Primary Government	<u>\$ 299,289,173</u>	<u>\$ 45,371,554</u>	<u>\$ 21,017,246</u>	<u>\$ 12,351,787</u>	
Component unit:					
School Board	<u>\$ 288,429,938</u>	<u>\$ 8,528,655</u>	<u>\$ 145,824,993</u>	<u>\$ 925,132</u>	
General revenues:					
Taxes					
Property taxes					\$ 166,782,433
Sales taxes					17,707,867
Utility taxes					3,236,124
Business licenses					4,372,885
Rental taxes					1,515,659
Motor vehicle licenses					3,126,291
Bank stock taxes					745,785
Recordation taxes					2,288,954
Meal taxes					8,836,806
Fuel taxes					3,750,596
Grants and contributions not restricted to specific programs					20,195,724
Payments from Primary Government					-
Interest and investment earnings					614,670
Miscellaneous					310,673
Transfers					(137,365)
Total general revenues and transfers					<u>\$ 233,347,102</u>
Change in net position					\$ 4,091,429
Net position (deficit), beginning, as restated (Note 22)					(73,021,403)
Net position (deficit), ending					<u>\$ (68,929,974)</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2017

Exhibit II

Page 2

Functions/Programs	Net (Expense) Revenue & Changes in Net Position		
	Primary Government		Component Unit
	Business-type Activities	Total	School Board
Primary Government:			
General government		\$ (16,265,881)	
Judicial		(6,674,817)	
Public safety		(42,346,986)	
Public works		(7,323,100)	
Health and welfare		(9,265,418)	
Education		(120,472,661)	
Parks, recreation and cultural		(7,495,421)	
Community development		(9,315,105)	
Interest on long-term debt		(10,096,284)	
Total governmental activities		\$ (229,255,673)	
Business-type activities:			
Water and sewer	8,707,087	8,707,087	
Total Primary Government	\$ 8,707,087	\$ (220,548,586)	
Component unit:			
School Board			\$ (133,151,158)
General revenues:			
Taxes			
Property taxes	\$ -	\$ 166,782,433	\$ -
Sales taxes	-	17,707,867	-
Utility taxes	-	3,236,124	-
Business licenses	-	4,372,885	-
Rental taxes	-	1,515,659	-
Motor vehicle licenses	-	3,126,291	-
Bank stock taxes	-	745,785	-
Recordation taxes	-	2,288,954	-
Meals taxes	-	8,836,806	-
Fuel taxes	-	3,750,596	-
Grants and contributions not restricted to specific programs	-	20,195,724	-
Payments from Primary Government	-	-	120,243,266
Interest and investment earnings	318,441	933,111	97,061
Miscellaneous	170,268	480,941	221,094
Transfers	137,365	-	-
Total general revenues and transfers	\$ 626,074	\$ 233,973,176	\$ 120,561,421
Change in net position	\$ 9,333,161	\$ 13,424,590	\$ (12,589,737)
Net position (deficit), beginning, as restated (Note 22)	252,797,290	179,775,887	1,298,910
Net position (deficit), ending	\$ 262,130,451	\$ 193,200,477	\$ (11,290,827)

The notes to financial statements are an integral part of this statement.

COUNTY OF SPOTSYLVANIA, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2017

Exhibit III

Page 1

	Governmental Funds			
	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments - pooled equity	\$ 94,197,237	\$ 22,479,042	\$ 7,465,421	\$ 124,141,700
Receivables, net	102,995,118	524,431	5,736,213	109,255,762
Restricted cash and investments	1,711,703	32,295,379	862,567	34,869,649
Total assets	<u>\$ 198,904,058</u>	<u>\$ 55,298,852</u>	<u>\$ 14,064,201</u>	<u>\$ 268,267,111</u>
LIABILITIES				
Accounts payable	\$ 2,118,645	\$ 627,118	\$ 92,881	\$ 2,838,644
Retainage payable	-	56,551	-	56,551
Accrued salaries and benefits	1,722,622	1,730	85,395	1,809,747
Other accrued liabilities	1,228,075	968,246	31,673	2,227,994
Due to component unit	22,565,125	-	-	22,565,125
Deposits	5,379,380	732,589	1,454,791	7,566,760
Total liabilities	<u>\$ 33,013,847</u>	<u>\$ 2,386,234</u>	<u>\$ 1,664,740</u>	<u>\$ 37,064,821</u>
DEFERRED INFLOWS				
Deferred revenues:				
Property taxes	\$ 82,839,995	\$ -	\$ 484,284	\$ 83,324,279
Special assessments	-	361,818	-	361,818
Other revenues	4,197,769	84,990	286,150	4,568,909
Total deferred inflows	<u>\$ 87,037,764</u>	<u>\$ 446,808</u>	<u>\$ 770,434</u>	<u>\$ 88,255,006</u>
FUND BALANCES				
Restricted	\$ 2,646,547	\$ 29,568,939	\$ 4,555,167	\$ 36,770,653
Committed	52,027,293	22,857,271	4,949,032	79,833,596
Assigned	9,096,986	39,600	2,124,828	11,261,414
Unassigned	15,081,621	-	-	15,081,621
Total fund balances	<u>\$ 78,852,447</u>	<u>\$ 52,465,810</u>	<u>\$ 11,629,027</u>	<u>\$ 142,947,284</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 198,904,058</u>	<u>\$ 55,298,852</u>	<u>\$ 14,064,201</u>	<u>\$ 268,267,111</u>

The notes to financial statements are an integral part of this statement.

COUNTY OF SPOTSYLVANIA, VIRGINIA

**Reconciliation of the Governmental Funds' Balance Sheet
to the Statement of Net Position**

June 30, 2017

Page 2

Total fund balances - governmental funds (Exhibit III)		\$ 142,947,284	
<i>Amounts reported for governmental activities in the Statement of Net Position (Exhibit I) are different because:</i>			
Prepaid expenses used current resources and, therefore, are not reported in the governmental funds.			981,152
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			
Non-depreciable assets	\$ 15,865,086		
Depreciable assets	<u>121,360,422</u>		
			137,225,508
Deferred outflows of resources that represent a consumption of net position applying to future periods and therefore, are not reported in the governmental funds.			
Deferred loss on debt refunding	\$ 2,286,306		
Deferred pension contributions	3,859,840		
Deferred pension actuarial differences	4,523,080		
Deferred LOSAP pension benefit payments	107,637		
Deferred LOSAP pension actuarial differences	<u>399,028</u>		
			11,175,891
Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due.			(3,564,145)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Bonds payable, net of related costs	\$ (292,136,302)		
Net pension liability	(19,163,776)		
LOSAP pension benefits	(3,627,705)		
Other postemployment benefits	(36,928,609)		
Compensated absences	(4,173,077)		
Landfill closure obligation	(8,099,096)		
Insurance claims (excludes \$214,508 already recorded in the General Fund)	<u>(1,021,343)</u>		
			(365,149,908)
Revenue not considered available in governmental funds is susceptible to full accrual on the entity-wide statements.			
Property taxes	\$ 3,408,433		
Grant revenues	1,892,391		
Sales tax	1,630,239		
Other revenues	<u>1,045,890</u>		
			7,976,953
Deferred inflows of pension actuarial differences represent an acquisition of net position that is applicable to a future reporting period.			(404,831)
Expenses not due and payable in the current period and, therefore, are not reported in the governmental funds.			<u>(117,878)</u>
Total net position - governmental activities (Exhibit I)		\$ <u>(68,929,974)</u>	

COUNTY OF SPOTSYLVANIA, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2017

Exhibit IV

Page 1

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 166,388,967	\$ 49,783	\$ 1,082,385	\$ 167,521,135
Other local taxes	41,830,371	-	3,743,790	45,574,161
Permits, fees and regulatory licenses	315,939	-	3,465,855	3,781,794
Fines and forfeitures	558,004	-	-	558,004
From use of money and property	1,059,254	442,834	32,054	1,534,142
Charges for services	4,781,097	-	3,049,518	7,830,615
Gifts and donations	133,646	163,475	477,567	774,688
Miscellaneous	109,632	42,112	50	151,794
Intergovernmental	39,286,317	1,075,992	-	40,362,309
Total revenues	<u>\$ 254,463,227</u>	<u>\$ 1,774,196</u>	<u>\$ 11,851,219</u>	<u>\$ 268,088,642</u>
EXPENDITURES				
Current:				
General government	\$ 12,740,875	\$ 69,293	\$ -	\$ 12,810,168
Judicial administration	7,059,536	-	-	7,059,536
Public safety	46,197,038	-	1,881,568	48,078,606
Public works	7,871,561	-	-	7,871,561
Health and welfare	20,692,124	-	-	20,692,124
Education	120,472,661	-	-	120,472,661
Parks, recreation and cultural	7,077,085	-	-	7,077,085
Community development	3,479,867	-	3,774,494	7,254,361
Non-departmental	1,206,801	-	-	1,206,801
Capital projects	-	23,497,005	-	23,497,005
Debt service:				
Principal retirement	24,910,099	-	2,928,741	27,838,840
Interest and other fiscal charges	10,005,010	-	1,790,433	11,795,443
Bond issuance costs	216,123	91,886	-	308,009
Total expenditures	<u>\$ 261,928,780</u>	<u>\$ 23,658,184</u>	<u>\$ 10,375,236</u>	<u>\$ 295,962,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (7,465,553)</u>	<u>\$ (21,883,988)</u>	<u>\$ 1,475,983</u>	<u>\$ (27,873,558)</u>
Other financing sources (uses):				
Transfers in (out)	\$ (11,472,491)	\$ 13,236,513	\$ (1,901,387)	\$ (137,365)
Proceeds from sale of bonds	19,615,000	8,370,000	-	27,985,000
Premium on sale of bonds	2,898,821	1,092,964	-	3,991,785
Total other financing sources (uses), net	<u>\$ 11,041,330</u>	<u>\$ 22,699,477</u>	<u>\$ (1,901,387)</u>	<u>\$ 31,839,420</u>
Net change in fund balances	\$ 3,575,777	\$ 815,489	\$ (425,404)	\$ 3,965,862
Fund balance, beginning, as restated (Note 22)	<u>75,276,670</u>	<u>51,650,321</u>	<u>12,054,431</u>	<u>138,981,422</u>
Fund balance, ending	<u><u>\$ 78,852,447</u></u>	<u><u>\$ 52,465,810</u></u>	<u><u>\$ 11,629,027</u></u>	<u><u>\$ 142,947,284</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SPOTSYLVANIA, VIRGINIA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2017

Page 2

Net changes in governmental fund balances (Exhibit IV): \$ 3,965,862

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report prepaids as expenditures. However, in the Statement of Activities, the cost is allocated over its service life and reported against the applicable functional expense. 599,291

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.

Capital outlay	\$ 15,693,972	
Depreciation expense	<u>(9,927,286)</u>	
		5,766,686

The issuance of long-term debt provides current resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Debt issued or incurred:

Issuance of general obligation bonds	\$ (31,976,785)	
Debt reductions:		
Principal payments on bonds	<u>27,838,840</u>	
		(4,137,945)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements.

Property taxes	\$ (738,702)	
Intergovernmental and other revenues	<u>1,473,744</u>	
		735,042

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.

Other postemployment benefits obligation	\$ (6,579,192)	
Pension benefits	15,699	
LOSAP pension benefits	168,774	
Amortization of bond related costs	1,697,112	
Accrued interest	310,056	
Landfill closure obligation	315,825	
Compensated absences	(295,485)	
Contingency accrual	1,950,000	
Insurance claims	<u>(82,748)</u>	
		(2,837,507)

Change in net position - governmental activities (Exhibit II) \$ 4,091,429

COUNTY OF SPOTSYLVANIA, VIRGINIA

STATEMENT OF FUND NET POSITION - PROPRIETARY FUND

June 30, 2017

Exhibit V

	Water & Sewer Fund
ASSETS	
Current assets:	
Cash and investments - pooled equity	\$ 79,313,236
Receivables, net	7,710,656
Inventory	666,860
Restricted cash and investments	<u>6,180,121</u>
Total current assets	<u>\$ 93,870,873</u>
Noncurrent assets:	
Capital assets, net:	
Non-depreciable assets	\$ 19,097,428
Depreciable assets	<u>285,686,434</u>
Total noncurrent assets	<u>\$ 304,783,862</u>
Total assets	<u>\$ 398,654,735</u>
DEFERRED OUTFLOWS	
Deferred charge on debt refunding	\$ 1,942,230
Pension contributions	576,133
Pension actuarial differences	<u>651,007</u>
Total deferred outflows	<u>\$ 3,169,370</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,492,699
Retainage payable	339,490
Accrued salaries and benefits	219,347
Accrued bond interest	427,549
Other accrued liabilities	2,276,990
Deposits	113,209
Current portion of long-term debt	<u>5,635,901</u>
Total current liabilities	<u>\$ 10,505,185</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>\$ 129,122,272</u>
Total noncurrent liabilities	<u>\$ 129,122,272</u>
Total liabilities	<u>\$ 139,627,457</u>
DEFERRED INFLOWS	
Pension actuarial differences	<u>\$ 66,197</u>
NET POSITION	
Net investment in capital assets	\$ 187,215,326
Restricted for:	
Debt service	2,684,802
Unrestricted	<u>72,230,323</u>
Total net position	<u>\$ 262,130,451</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SPOTSYLVANIA, VIRGINIA
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET
 POSITION - PROPRIETARY FUND**

For the Year Ended June 30, 2017

Exhibit VI

	Water & Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 30,999,078
Other operating revenues	<u>1,546,660</u>
Total operating revenues	<u>\$ 32,545,738</u>
OPERATING EXPENSES	
Personnel	\$ 6,625,246
Fringe benefits	3,362,633
Contractual services	2,513,499
Materials and supplies	1,912,684
Depreciation	11,297,870
Other services and charges	<u>3,859,498</u>
Total operating expenses	<u>\$ 29,571,430</u>
Operating income	<u>\$ 2,974,308</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and fiscal charges	\$ (4,314,853)
Interest income	318,441
Intergovernmental revenues	501,861
Miscellaneous income	<u>170,268</u>
Total non-operating expenses, net	<u>\$ (3,324,283)</u>
Loss before contributions and transfers	<u>\$ (349,975)</u>
Capital contributions:	
Availability fees	\$ 5,706,980
Other capital contributions	<u>3,838,791</u>
Total capital contributions	<u>\$ 9,545,771</u>
Transfers from other funds, net	<u>137,365</u>
Total capital contributions and transfers	<u>\$ 9,683,136</u>
Change in net position	<u>\$ 9,333,161</u>
Net position, beginning	<u>252,797,290</u>
Net position, ending	<u><u>\$ 262,130,451</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SPOTSYLVANIA, VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
 For the Year Ended June 30, 2017

Exhibit VII

Page 1

	<u>Water & Sewer Fund</u>
Cash flows from operating activities:	
Receipts from water and sewer customers	\$ 30,899,038
Receipts from other operating revenues	670,669
Receipt of customer deposits	12,110
Payments to suppliers and service providers	(6,369,588)
Payments to employees for salaries and benefits	(9,122,650)
Return of customer deposits	(19,905)
Net cash provided by operating activities	<u>\$ 16,069,674</u>
Cash flows from noncapital financing activities:	
Receipt of intergovernmental revenue	\$ 501,861
Transfers in	137,365
Net cash provided by noncapital financing activities	<u>\$ 639,226</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (11,100,040)
Principal paid on capital debt	(5,242,000)
Interest paid on capital debt	(5,347,654)
Capital contributions and grants	213,187
Receipt of availability fees	5,671,111
Net cash used in capital and related financing activities	<u>\$ (15,805,396)</u>
Cash flows from investing activities:	
Purchase of investment securities	\$ (60,490,976)
Sale of investment securities	59,882,819
Interest on investments	781,240
Net cash provided by investing activities	<u>\$ 173,083</u>
Net increase in cash and cash equivalents	\$ 1,076,587
Cash and cash equivalents:	
Beginning	19,520,959
Ending	<u><u>\$ 20,597,546</u></u>
Shown on the combined balance sheet as:	
Cash and investments - pooled equity	\$ 79,313,236
Restricted cash and investments	6,180,121
	<u>\$ 85,493,357</u>
Less investments	64,895,811
Cash and cash equivalents, unrestricted and restricted	<u><u>\$ 20,597,546</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
 For the Year Ended June 30, 2017

Exhibit VII

Page 2

	<u>Water & Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,974,308
Depreciation	11,297,870
Changes in assets and liabilities:	
Increase in accounts receivable (net of capital related financing)	(976,031)
Increase in inventory	(7,756)
Increase in accounts payable	1,923,849
Increase in salary and benefits payable	865,229
Decrease in customer deposits payable	<u>(7,795)</u>
Net cash provided by operating activities	<u><u>\$ 16,069,674</u></u>
Noncash investing, capital and financing activities:	
Developer donated capital assets	\$ 3,665,947
Net change in fair value of investments	(408,710)

Notes to the financial statements are an integral part of this statement.

COUNTY OF SPOTSYLVANIA, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

Exhibit VIII

	<u>Agency Funds</u>
ASSETS	
Cash and investments - pooled equity	\$ 430,703
Total assets	<u>\$ 430,703</u>
LIABILITIES	
Amounts held for others	\$ 430,703
Total liabilities	<u>\$ 430,703</u>

The notes to financial statements are an integral part of this statement.

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Note 1

Summary of Significant Accounting Policies

1.01 REPORTING ENTITY

The County is a local government, governed by a Board of Supervisors (Board) comprised of seven members elected to a four-year term by the voters of the district in which the member resides. The Board appoints a County Administrator charged with the execution of the Board's policies and programs.

The County offers a full range of services for its citizens funded through various revenue streams such as taxes, charges for services, grants and contributions.

- Law enforcement
- Public education
- Court services
- Water supply
- Parks and recreation
- Fire and rescue
- Health and welfare
- Refuse Disposal
- Water sanitation
- Transportation

The accompanying financial statements present the County and its component unit, an entity for which the County is considered to be financially accountable. Blended component units are, in substance, part of the Primary Government's operations, even though they are legally separate entities. The County has no component units that meet the requirements for blending and the County's only discretely presented component unit is reported in a separate column in the government-wide statements to emphasize it is legally separate from the Primary Government.

Discretely Presented Component Unit:

The Spotsylvania County Public School System (School Board) is responsible for elementary and secondary education within the County's jurisdiction. School Board members are elected to four-year terms by the voters of the district in which the member resides. The School Board functions independently of the County Board and County Administration, but is considered fiscally de-

pendent based on the County's budgetary approval authority. In addition, the County Board must levy taxes to finance School Board operations and issue debt on its behalf as the School Board can neither levy taxes nor incur bonded indebtedness under Virginia law. The School Board's fund financial statements are included in the other supplementary information section of this report. No separate financial report is issued.

1.02 BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for its fiduciary activities. Financial activities are categorized as either governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are for charges between the County's Water and Sewer Fund and various

other functions of the government. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. In addition, the water and sewer fund recognizes a portion of its availability fees intended to recover the cost of connecting new customers to the system as operating revenue. Operating expenses for the water and sewer fund include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

County's Major Governmental Funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenue is derived primarily from property taxes, utility taxes, state and federal distributions and other intergovernmental revenue. The general operating expenditures, fixed charges and capital outlay costs that are not paid through other funds are paid from the General Fund.

The **Capital Projects Fund** is used to account for the development, modernization and replacement of County infrastructure not financed by the proprietary fund. Financing is provided through general tax revenue, bond proceeds, state and federal aid, and investment income.

County's Major Enterprise Fund:

The **Water and Sewer Fund** is responsible for providing water, wastewater and reclaimed water services to residential, commercial, industrial, irrigation and wholesale customers. Operations are financed through a rate structure based on the amount of service used. Debt is issued, as needed, for large capital projects.

County's Fiduciary Funds:

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds consist of the Special Welfare Fund and the Contribution Fund.

County's Non-major Special Revenue Funds:

The **Fire and EMS Service Fee Fund** was created to account for the revenue recovery program established by County code section 9-39. The program authorizes charges for services to cover emergency medical transport provided by the County.

The **Code Compliance Fund** was established to account for the revenues and expenditures associated with the enforcement of building and zoning codes enacted by authority of the Commonwealth of Virginia. Fees are restricted by the Commonwealth to defray the cost of code enforcement functions.

The **Transportation Fund** is used to cover costs associated with planning and oversight of transportation projects, funding for the Fredericksburg Regional Transit (FRED) local bus system, and debt service. Funding is

provided through a 2.1% tax on fuel distribution costs and real estate taxes generated from special service districts.

1.03 MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of the transactions or events for recognition in the financial statements.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Property taxes, sales taxes, franchise taxes, various charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the

current fiscal period if received within a 45-day availability period, with the exception of local sales and use tax that follows a 30-day availability window. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received within 45 days after the end of the fiscal year. Revenues from reimbursement based grants of the Component unit – School Board are recognized when earned. All other revenue items are considered to be measurable and available only when cash is received.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

1.04 BUDGET INFORMATION

Budgetary Basis of Accounting

Budgets for all funds are adopted on a budgetary basis. Budgeted amounts reflected in the basic financial statements are as originally adopted and amended by the County Board, School Board, County Administrator or the School Superintendent.

The appropriated budget is prepared by fund, function, and department. County department heads may transfer funding between accounts within their adopted operating budgets. County Administration has the authority to transfer funding between all categories of an adopted departmental budget and up to \$100,000 between adopted departmental budgets. All other revisions to the budget must be approved by the Board of Supervisors. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year for all funds except the capital projects funds, which are appropriated on a project-length basis.

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 one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments. The County and many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedule presents the original budget, the final budget, and the actual activity of the major governmental funds. Reconciliations of the budgetary basis to the GAAP basis are presented as required supplementary information with explanations of the reconciling items. Budgetary information for non-major governmental funds is presented as other supplementary information.

1.05 CASH AND INVESTMENTS

The County maintains a single cash and investment pool for use by all funds except for its Length of Service Awards Program - pension trust and the Component unit – School Board's OPEB Trust. Investment income is allocated only when contractually or legally required based on its average daily balances. Investment earnings not required to be allocated are reported in the General Fund.

Cash equivalents:

For the purpose of the Statement of Cash Flows, the County considers cash and all highly liquid investments, including restricted assets with a maturity of three months or less when purchased, as cash and cash equivalents.

For fair value disclosure requirements, cash equivalents represent money market investments reported at amortized cost and defined as short-term, highly liquid debt

instruments. These instruments include commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations that have a remaining maturity at time of purchase of one year or less, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

The County holds negotiable certificates of deposit with varying maturities. For ease of presentation, these investments are reported in their entirety at fair value.

Net Asset Value (NAV):

Positions in external investment pools meeting certain provisions of GAAP are reported at their net asset value per share (which approximates fair value).

1.06 RECEIVABLES

Receivables consist of general accounts for services, intergovernmental revenues, property taxes, water and sewer fees and any necessary accruals needed for amounts due to the County as of June 30, 2017 and are reported net of allowance for uncollectibles. The property tax receivable allowance is calculated consistent with criteria established by the Auditor of Public Accounts of the Commonwealth of Virginia, which uses historical collection data, specific account analysis and management's judgment. All remaining accounts receivable utilize the aging analysis method in determining its allowance.

1.07 PROPERTY TAXES

Real property is assessed biennially at estimated fair market value on January 1. Real estate and personal property taxes are payable in two installments on June 5th and December 5th. The second installment due December 5th is included as a deferred inflow – unearned revenue as these taxes are restricted for use to the following fiscal year. Unpaid real estate taxes automatically constitute liens on real property, which must be satisfied prior to sale or transfer. Outstanding personal property

taxes do not create a lien; however, once reported to the Virginia Department of Motor Vehicles, a hold will be placed on any license plate requests until paid.

1.08 INVENTORIES

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and necessary repair and spare parts for vehicles, water and wastewater systems. The cost of such inventories are expensed when consumed rather than when purchased.

1.09 PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statements and recorded as an expense when consumed rather than when purchased.

1.10 CAPITAL ASSETS

Capital assets, which include property, plant, equipment, utility infrastructure, and intangibles, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Individual capital items under \$5,000, purchased in bulk at an amount greater than \$50,000 with an estimated useful life in excess of two years, are also capitalized. The County does not capitalize any infrastructure, such as roads or bridges, where ownership is conveyed to the Commonwealth.

Intangible assets include purchased and internally developed software, easements and purchased capacity. Purchased capacity consists of payments made by the County under intergovernmental agreements for the County's allocated share of improvements to sewage treatment systems owned and operated by other jurisdictions.

All capital assets are capitalized at cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase for capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For fiscal year 2017, the Water & Sewer Fund incurred \$5.3 million in interest costs of which \$0.5 million was capitalized to construction in progress.

With the exception of land and construction in progress, assets are depreciated or amortized over their estimated useful life using the straight line method. Useful lives of the various major categories of capital assets are as follows:

Major Asset Type	Estimated Useful Life
Buildings and building improvements	10-50 years
Furniture and other equipment	3-20 years
Vehicles	5-15 years
Water and sewer systems	20-50 years
Software	3-10 years
Purchased sewer capacity	20-50 years

The term depreciation is used in the accompanying financial statements to describe both depreciation and amortization.

1.11 DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The Statement of Net Position reports a separate section for deferred outflows of resources in addition to assets. The County reports deferred outflows of resources for deferred charges on refunding and amounts related to pensions in the government-wide Statement of Net Position in this category. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. Deferred outflows for

pensions result from changes in actuarial proportions and pension contributions made subsequent to the measurement date. 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.

The County reports a separate section for deferred inflows of resources in addition to liabilities for both its governmental funds' Balance Sheet and its Statement of Net Position. Deferred inflows of resources in the governmental funds' Balance Sheet represent unavailable revenue for amounts billed and not collected. Deferred inflows of resources in the government-wide Statement of Net Position represent unearned revenues for amounts received in advance of meeting timing requirements or amounts collected in advance of the fiscal year to which they apply. Deferred inflows of resources are also reported for amounts related to pensions in the government-wide statement of net position. Actuarial losses resulting from a difference in actual experience and actuarial assumptions and changes in actuarial assumptions are deferred and amortized over the remaining service life of all participants. Deferred inflows resulting from pension investment returns lower than projected earnings are also deferred and amortized over a closed five-year period.

1.12 COMPENSATED ABSENCES

The County's policy permits employees to accumulate earned but unused annual and sick leave benefits, which are eligible for payment upon separation from service. Annual leave payouts are limited to a maximum of 288 hours for full-time employees. Any amounts exceeding the maximum allowable accumulation, is converted to sick leave. Sick leave obligations are compensated at 25% of accrued sick leave, up to a maximum dollar amount of \$3,000 determined by employee's length of service. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements.

1.13 FUND BALANCE

Fund Balance Classifications

In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned based on the extent to which the County is bound to observe constraints imposed on the use of resources.

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form (e.g., inventory), or are legally or contractually required to remain intact (e.g., endowment funds).

Restricted Fund Balance – amounts are limited to specific purposes imposed by external parties (e.g., grantors, creditors, contributors), or laws and regulations of other governments.

Committed Fund Balance – funds are reserved by resolution for specific purposes, using its highest level of decision making authority (i.e., the Board). Once reported as committed, amounts cannot be used for any other purpose unless the County takes equal action to remove or change the constraint.

Assigned Fund Balance – funds are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Unlike committed funds, the assignment generally is temporary and additional action is not required for their removal. The Board authorizes the County Administrator and the Finance Director as authorities permitted to designate funds as assigned.

Unassigned Fund Balance – includes amounts considered available for any purpose. Due to its capacity to account for financial resources not constrained through other Funds, the General Fund is the only fund that may report a positive unassigned fund balance.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed, assigned, and unassigned fund balance.

Reserves

The County's fiscal policy requires the maintenance of fund balance reservations in the following priority order:

Fiscal Stability Reserve – The County commits within its General Fund at the close of each fiscal year a reserve equal to no less than 11% of the General Fund and School Operating Fund revenues projected for the subsequent fiscal year budget. Appropriations from the Reserve may be made only by a majority vote of the Board of Supervisors to meet a critical, unexpected financial need costing at least \$1.0 million and resulting from a natural disaster, declared emergency, or from a local catastrophe that cannot be resolved through other less extraordinary budgetary action. The \$1.0 million cost requirement is met when the County incurs a loss in revenue, an increase in expenditures, or a combination of each stemming from eligible events. Any use of the reserve will be replenished within three fiscal years.

Self-insured Health Insurance Reserve – The County will maintain a committed self-funded health insurance reserve equal to the total claims incurred but not reported (IBNR) plus three months of claim payments based on the previous three years' experiences. Any use of such reserve will be limited to payment of IBNR in the event the County changes to a new vendor for health insurance and to the payment of claims that exceed applied premiums. Any use of the reserve will be replenished within one year.

Budget Stabilization Reserve – The County maintains a reserve to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. The purpose of the reserve is to provide budgetary stabilization and not serve as an alternative funding source for new programs. The reserve equal to \$3.1 million is a component of unassigned fund balance at June 30, 2017.

Economic Opportunities Reserve - The County maintains an Economic Opportunities Reserve for the purpose of providing incentives to substantial economic develop-

ment opportunities. At the end of each fiscal year, the *assigned* reserve will be replenished to the \$2.0 million level in the event that unassigned fund balance remains after full funding of the fiscal stability, self-insured health insurance, and budget stabilization reserves.

1.14 NET POSITION

Net position is comprised of three categories: Net investments in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets reflect the portion of net position associated with non-liquid, capital assets, less the outstanding debt related to these capital assets. The related debt is the debt less the unspent bond proceeds and any associated unamortized costs. Restricted net position consists of assets whose use is subject to constraints that is either externally imposed by creditors or by law. Net position, which is neither restricted nor related to capital assets, is reported as unrestricted net position.

Component unit – School Board Bonded Debt

The *Code of Virginia* (Code) establishes the School Board as a legal entity holding title to all school assets but having no taxing authority. The County must issue debt through bond referendum, Virginia Public School Authority or Literary Fund to finance the School Board's capital asset program. GAAP provides specific guidance that requires localities to separate internal activities (within the Primary Government) from intra-entity activities (between the Primary Government and its component units). This guidance prevents local governments from allocating debt incurred "on-behalf" of school boards to the Component unit – School Board column. Therefore, the School Board assets are included in the component unit column while the debts related to those assets are included in the Primary Government - Governmental Activities column on Exhibit I.

As of June 30, 2017, the County reported \$154.5 million of "on-behalf" net school bonded debt with a corresponding reduction to the County's unrestricted net

position. To assist readers in understanding this relationship and to more accurately reflect the respective financial conditions of the Primary Government and the component unit – School Board the following table provides the associated net position before and after the allocation of “on-be-half” school bonded debt.

Note 2

Cash and Investments

2.01 DEPOSITS

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code. 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 amount from 50% to 130% of excess deposits. Accordingly, all deposits reported in Table 4 are considered fully collateralized as of June 30, 2017.

2.02 INVESTMENTS

In accordance with Sec. 2.2-4500 of the Code, the County is authorized 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, the Asian Development Bank, the African Development Bank, "prime quality" commercial paper, negotiable bank and certain corporate notes, bankers' acceptances; repurchase agreements, and the State Treasurer's Local Governmental Investment Pool, and the Virginia State Non-Arbitrage Program.

Table 1 Allocation of County Issued "on-behalf" Bonded Debt of the School Board			
	Net Position Exhibit I	Allocation of "on-behalf" debt	Net Position after allocation
<i>Primary Government - Governmental Activities:</i>			
Net investment in capital assets	\$ 71,005,210	\$ -	\$ 71,005,210
Restricted	8,805,328	-	8,805,328
Unrestricted	(148,740,512)	154,523,115	5,782,603
Total net position at June 30, 2017	\$ (68,929,974)	\$ 154,523,115	\$ 85,593,141
<i>Component unit - School Board:</i>			
Net investment in capital assets	\$ 310,853,605	\$ (153,859,238)	\$ 156,994,367
Restricted	663,877	(663,877)	-
Unrestricted	(322,808,309)	-	(322,808,309)
Total net position at June 30, 2017	\$ (11,290,827)	\$ (154,523,115)	\$ (165,813,942)

Fair Value Hierarchy

The County categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The County's investments are valued using a matrix pricing model considered a Level 2 input and reports the following recurring fair value measurements as of June 30, 2017:

Table 2 Investments Measured at Fair Value	
Investments by fair value level	Level 2
Debt securities	
Repurchase agreements	\$ 3,379,883
U.S. Treasury obligations	30,856,052
Federal agency obligations	39,746,517
Supra-national agency notes	8,147,164
Corporate notes	18,091,017
Certificates of deposit	22,566,100
Total debt securities	\$ 122,786,733

External Investment Pools

The County maintains investments in the following qualified external investment pools at June 30, 2017:

Table 3 Investments Measured at Net Asset Value (NAV)	
Local Government Investment Pool	\$ 45,421,633
Virginia State Non-arbitrage Program	41,395,822
	<u>\$ 86,817,455</u>

Virginia Local Government Investment Pool (LGIP)

The County invests in an externally managed investment pool, the LGIP, which is not SEC-registered. Pursuant to Section 2.2-4605 of the Code, the Treasury Board of the Commonwealth sponsors the LGIP and regulatory oversight of the pool rests with the Virginia State Treasury. It is the policy of the LGIP management to investment funds in accordance with Sections 2.2-4500, et seq. of the Code with the primary objectives (in priority order) of safety, liquidity and return on investment. The LGIP maintains a stable net asset value per share of \$1.00 using the amortized cost method of valuation. Redemptions of shares are not subject to redemption fees or withdrawal penalties and can be made on any banking day without limitation.

Virginia State Non-Arbitrage Program (SNAP)

The County participates in SNAP (the Program) for the investment of and accounting for bond proceeds and related funds in compliance with rebate requirements of the Internal Revenue Code of 1986, as amended. The Program invests in the PFM Funds Prime Series-SNAP Fund Class. Registered under the Investment Act of 1940, as amended, the SNAP Fund Class is a diversified, open-end fund with the primary objective to see as high a rate of current income as is consistent with maintaining liquidity and stability of principal, and to maintain a stable net asset value (NAV) of \$1.00 per share. Redemp-

tions of shares are not subject to redemption fees or withdrawal penalties and can be made on any banking day without limitation.

Restricted Cash and Investments

As of June 30, 2017, the County and its Component-unit School Board maintained restricted cash and investments totaling \$41.1 million and \$6.7 million, respectively with the following restrictions:

Governmental activities:

General Fund:

LOSAP pension benefits \$ 1,711,703

Capital Projects Fund:

Project bond proceeds (SNAP) 32,295,379

Non-Major Governmental Funds:

Transportation special service districts 862,567

Total restricted cash & investments: \$ 34,869,649

Business-type activities:

Water & Sewer Fund:

Debt service \$ 6,180,121

Total restricted cash & investments: \$ 6,180,121

Total Primary Government

restricted cash & investments: \$ 41,049,770

Component Unit-School Board:

Capital Projects Fund:

Project bond proceeds (SNAP) \$ 6,670,732

Total restricted cash & investments: \$ 6,670,732

The Primary Government maintains a revocable, non-contributory, single member, defined benefit Length of Service Award Program (LOSAP). The Plan was established and is maintained to provide retirement benefits to vested participants in the Plan at the time of their retirement from fire and rescue volunteer services. Investments are held in nonparticipating interest-earning annuity contracts and valued at contract value.

Interest Rate Risk

In accordance with the County's investment policy, to the extent possible, the investment portfolio is structured to ensure sufficient cash is available to meet anticipated liquidity needs. Investments are limited to a maximum maturity of five years; however, debt service reserve funds with longer term investment horizons may be invested in securities exceeding five years if the maturity of such investment is made to coincide with the expected use of funds. The County manages its exposure to declines in fair values by limiting the weighted average maturity (WAM) of its investment portfolio to less than 3 years as shown in Table 4 below. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type. For purposes of this WAM calculation, the County assumes all of its investments will be held to maturity.

Table 4 Weighted Average Maturity of Investments			
Pooled Cash & Investments by Type	Valuation	Fair Value	Weighted Average Maturity (in years)
LGIP	NAV	\$ 45,421,633	0.0014
SNAP	NAV	41,395,822	0.0013
Other money markets & mm mutual funds	Amortized cost	1,339,755	0.0001
Commercial paper	Amortized cost	20,210,496	0.3015
Repurchase agreements	Fair	3,379,883	0.0028
U.S. Treasury obligations	Fair	30,856,052	2.2157
Federal agency obligations	Fair	39,746,517	1.7965
Supra-national agency note	Fair	8,147,164	1.8695
Corporate notes	Fair	18,091,017	1.9411
Certificates of deposit	Fair	22,566,100	0.6304
Total investments:		\$ 231,154,439	
Portfolio weighted average maturity:			0.9115
Cash on hand		2,885	
Deposits		23,115,057	
LOSAP pension benefit Trust funds		1,711,703	
Total pooled cash and investments:		\$ 255,984,084	
Reconciliation of pooled cash and investments:			
Exh I: Total primary government cash and investments - pooled equity		\$ 203,454,936	
Exh I: Total primary government restricted cash and investments		41,049,770	
Exh I: Component unit cash and investments - pooled equity		4,377,943	
Exh I: Component unit restricted cash and investments		6,670,732	
Exh VIII: Agency Funds' cash and investments - pooled equity		430,703	
		\$ 255,984,084	

Credit Risk

All investments and practices must meet or exceed state statutes and shall be diversified by security type and institution. Tables 5 and 6 below reflect the level of quality acceptable by investment type and pooled investments reported by credit quality and expose as of June 30, 2017:

Table 5 Maximum Credit Exposure for Investments			
Authorized Investment	Minimum Credit Quality Rating	Maximum Credit Exposure	
		Sector Limit	Issuer Limit
U.S. Treasury obligations	AA or equivalent	100%	100%
Federal agency obligations	AA or equivalent	100%	35%
Municipal obligations	AA or equivalent	20%	5%
Commercial paper	Short-term debt rating of A-1 or equivalent	25%	5%
Corporate notes	AA or equivalent	20%	5%
Certificate of deposit	A-1 for maturities ≤ 1 year and AA for maturities > than one year	20%	5%
Money market mutual funds	AAA or equivalent and complies with Rule 2a7	100%	50%
Repurchase agreements	AA or equivalent	35%	35%

Table 6 Pooled Investments Reported by Credit Quality and Exposure			
Investments by Type	Fair Value	Credit Quality Rating	Credit Exposure
LGIP	\$ 45,421,633	AAAm	19.65%
SNAP	41,395,822	AAAm	17.91%
Other money market mutual funds	1,339,755	AAAm	0.59%
Commercial paper	20,210,496	A-1	8.74%
Repurchase agreements	3,379,883	AAA	1.46%
U.S. Treasury obligations	30,856,052	AA	13.35%
Federal agency obligations	39,746,517	AA	17.19%
Supra-national agency note	8,147,164	AAA	3.52%
Corporate notes	18,091,017	AAA(14%)/ AA(86%)	7.83%
Certificates of Deposit	22,566,100	AA(47%)/ A(53%)	9.76%
Total investments:	\$ 231,154,439		100.00%

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss associated to the amount of the County's investment in a single issuer. No more than five percent of the pooled investment portfolio will be invested in securities of any single issuer with the exception of mutual funds and investments issued or explicitly guaranteed by the United States government. As of June 30, 2017, investments from the following issuer exceeded five percent of the pooled investments.

Issuer	
Federal National Mortgage Association	6.90%
Federal Home Loan Banks	5.92%

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counter party, the County will not be able to recover the value of its investments or collateral securities that are in possession of any outside party. The County's investment policy requires all securities shall be held by the County or by the County's designated custodian. The designated custodian must be a third party, not a counterparty to the investment transaction, and all securities held must be identifiable on the custodian's books as belonging to the County. Therefore, the County has no custodial credit risk.

Note 3 Receivables

Receivables at June 30, 2017 consist of the following:

Table 7 Receivables					
	Primary Government - Governmental Activities				Component Unit
	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	School Board
Special assessments	\$ -	\$ 361,818	\$ -	\$ 361,818	\$ -
Property taxes					
Delinquent	8,740,510	-	9,947	8,750,457	-
Not yet due	79,441,509	-	474,337	79,915,846	-
Fuel taxes	-	-	4,674,202	4,674,202	-
EMS Transport fees	-	-	1,735,328	1,735,328	-
Accounts - other	6,926,206	-	39	6,926,245	312,556
Intergovernmental - Federal	862,365	41,948	-	904,313	2,425,445
Intergovernmental - State	9,942,545	120,665	-	10,063,210	4,982,161
Gross receivables	105,913,135	524,431	6,893,853	113,331,419	7,720,162
Allowance for uncollectibles	(2,918,017)	-	(1,157,640)	(4,075,657)	-
Net receivables at June 30, 2017	\$ 102,995,118	\$ 524,431	\$ 5,736,213	\$ 109,255,762	\$ 7,720,162
Primary Government - Business-type activities				Water & Sewer	
Water & sewer services				\$ 6,059,637	
Notes - connection & availability fees				238,641	
Accounts - other				837,844	
Intergovernmental - State				839,429	
Gross receivables				7,975,551	
Allowance for uncollectibles				(264,895)	
Net receivables at June 30, 2017				\$ 7,710,656	
Total Primary Government net receivables at June 30, 2017				\$ 116,966,418	

Special assessments of \$312,035 in the Capital Projects Fund and \$151,886 of connection and availability fees in the Water and Sewer Fund are not expected to be collected within one year.

Note 4

Capital Assets

Capital asset activity from governmental activities for the year ended June 30, 2017 was as follows:

Table 8 Capital Assets - Governmental Activities				
	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land & land improvements	\$ 13,168,435	\$ 69,138	\$ -	\$ 13,237,573
Construction in progress	24,527,740	6,221,032	28,121,259	2,627,513
Total capital assets, not being depreciated	\$ 37,696,175	\$ 6,290,170	\$ 28,121,259	\$ 15,865,086
Capital assets being depreciated:				
Land improvements	\$ 19,171,272	\$ 3,540,264	\$ -	\$ 22,711,536
Buildings & improvements	90,685,448	13,600,916	-	104,286,364
Furniture, equipment & vehicles	65,210,980	20,383,881	7,701,221	77,893,640
Total capital assets, being depreciated	175,067,700	37,525,061	7,701,221	204,891,540
Less accumulated depreciation for:				
Land improvements	9,762,095	1,594,135	-	11,356,230
Buildings & improvements	31,725,343	2,828,640	-	34,553,983
Furniture, equipment & vehicles	39,814,003	5,504,511	7,697,609	37,620,905
Total accumulated depreciation	81,301,441	9,927,286	7,697,609	83,531,118
Total capital assets being depreciated, net	\$ 93,766,259	\$ 27,597,775	\$ 3,612	\$ 121,360,422
Governmental activities capital assets, net	\$ 131,462,434	\$ 33,887,945	\$ 28,124,871	\$ 137,225,508
Depreciation expense was charged to the functions of the governmental activities of the Primary Government as follows:				
General government	\$	2,207,633		
Judicial administration		1,273,745		
Public safety		4,198,497		
Public works		1,206,432		
Health and welfare		50,970		
Parks and recreation		937,629		
Community development		52,380		
		<u>\$ 9,927,286</u>		

Construction in progress from governmental activities for the year ended June 30, 2017 was as follows:

Table 9 Construction in Progress - Governmental Activities			
	Project Authorization	Spent to Date	Committed Funding
<i>Governmental Activity Projects</i>			
Telephony system	\$ 329,338	\$ 213,763	\$ 115,575
Post Oak Convenience Center improvements	710,645	33,510	677,135
Enterprise-wide fiber network	483,633	326,765	156,868
Land assessment & tax systems	2,218,183	1,071,500	1,146,683
Computer aided dispatch system	3,100,000	197,293	2,902,707
Financial system upgrade	883,403	405,854	477,549
Animal shelter expansion	3,772,455	76,752	3,695,703
Courthouse area streetscape project	1,573,816	283,457	1,290,359
Marshall Park upgrades	553,682	12,398	541,284
Other projects	40,000	6,221	33,779
	<u>\$ 13,665,155</u>	<u>\$ 2,627,513</u>	<u>\$ 11,037,642</u>

Capital asset activity of the Water and Sewer Fund for the year ended June 30, 2017 was as follows:

Table 10 Capital Assets - Business-type Activities				
	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land & land improvements	\$ 7,604,517	\$ 18,450	\$ -	\$ 7,622,967
Construction in progress	8,706,773	10,544,619	7,776,931	11,474,461
Total capital assets, not being depreciated	<u>\$ 16,311,290</u>	<u>\$ 10,563,069</u>	<u>\$ 7,776,931</u>	<u>\$ 19,097,428</u>
Capital assets being depreciated:				
Land improvements	\$ 2,288,142	\$ 70,200	\$ -	\$ 2,358,342
Buildings & improvements	170,541,389	45,445	231,870	170,354,964
Furniture, equipment & vehicles	18,277,561	2,710,379	321,508	20,666,432
Water & sewer systems	238,521,983	9,716,445	-	248,238,428
Purchased sewer capacity	2,073,958	-	-	2,073,958
Total capital assets, being depreciated	<u>431,703,033</u>	<u>12,542,469</u>	<u>553,378</u>	<u>443,692,124</u>
Less accumulated depreciation for:				
Land improvements	1,350,208	96,233	-	1,446,441
Buildings & improvements	61,377,796	4,640,502	231,870	65,786,428
Furniture, equipment & vehicles	7,962,047	1,511,111	321,327	9,151,831
Water & sewer systems	76,342,831	5,008,545	-	81,351,376
Purchased sewer capacity	228,135	41,479	-	269,614
Total accumulated depreciation	<u>147,261,017</u>	<u>11,297,870</u>	<u>553,197</u>	<u>158,005,690</u>
Total capital assets being depreciated, net	<u>\$ 284,442,016</u>	<u>\$ 1,244,599</u>	<u>\$ 181</u>	<u>\$ 285,686,434</u>
Business-type activities capital assets, net	<u>\$ 300,753,306</u>	<u>\$ 11,807,668</u>	<u>\$ 7,777,112</u>	<u>\$ 304,783,862</u>

Capital asset activity of the Component unit – School Board for the year ended June 30, 2017 was as follows:

Table 11				
Capital Assets - Component unit - School Board				
	Balance July 1, 2016 as restated (Note 22)	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 9,664,322	\$ -	\$ 35,252	\$ 9,629,070
Construction in progress	515,595	4,849,092	515,595	4,849,092
Total capital assets, not being depreciated	\$ 10,179,917	\$ 4,849,092	\$ 550,847	\$ 14,478,162
Capital assets being depreciated:				
Buildings & improvements	\$ 430,499,989	\$ 5,921,444	\$ -	\$ 436,421,433
Furniture, equipment & vehicles	91,355,905	9,563,774	1,409,636	99,510,043
Total capital assets, being depreciated	521,855,894	15,485,218	1,409,636	535,931,476
Less accumulated depreciation for:				
Buildings & improvements	169,748,771	10,121,224	-	179,869,995
Furniture, equipment & vehicles	56,265,946	4,766,578	1,346,486	59,686,038
Total accumulated depreciation	226,014,717	14,887,802	1,346,486	239,556,033
Total capital assets being depreciated, net	\$ 295,841,177	\$ 597,416	\$ 63,150	\$ 296,375,443
Component unit-School Board				
capital assets, net	\$ 306,021,094	\$ 5,446,508	\$ 613,997	\$ 310,853,605

All depreciation of the component unit – School Board was charged to education.

Construction in progress activity for the Component unit – School Board for the year ended June 30, 2017 was as follows:

Table 12				
Construction in Progress - Component unit - School Board				
	Project Authorization	Spent to Date	Committed Funding	Required Future Financing
<i>Component unit - School Board</i>				
Financial system upgrade - Tyler Munis	\$ 1,343,462	\$ 1,141,040	\$ 202,422	\$ -
Courtland High school project	2,581,613	897,718	1,683,895	-
Family resource center	898,429	700,734	197,695	-
Well project	2,071,258	1,427,110	644,148	-
Other projects	1,285,421	682,490	602,931	
	<u>\$ 8,180,183</u>	<u>\$ 4,849,092</u>	<u>\$ 3,331,091</u>	<u>\$ -</u>

Note 5

Interfund Transfers

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following table summarizes the transfers between funds of the Primary Government.

Table 13 Transfers - Primary Government					
Transfers in	Transfers out				Total
	General Fund	Capital Projects Fund	Other Governmental Funds	Water & Sewer Fund	
General Fund	\$ -	\$ 948,711	\$ 3,609,672	\$ -	\$ 4,558,383
Capital Projects Fund	14,381,048	-	40,000	56,791	14,477,839
Other governmental funds	1,649,826	175,945	-	-	1,825,771
Water and Sewer Fund	-	116,670	77,486	-	194,156
Total	\$ 16,030,874	\$ 1,241,326	\$ 3,727,158	\$ 56,791	

Note 6

Receivables/Payables with Component Units

Transactions between the Primary Government and its Component unit-School Board are made for the purpose of providing operational support. The remaining balance of \$23.0 million at June 30, 2017 resulted from a timing difference between the dates that (1) services are provided, (2) transactions are recorded in the accounting system, and (3) payments are made between funds.

Note 7

Lease Obligations

Operating leases

The County leases office space and other office equipment under various non-cancelable operating leases, subject to annual appropriation of funds. Total costs for such leases were \$183,571 and are expected to remain at similar levels in future fiscal years, as expiring leases are generally renewed. All current leases are due to expire within the next five years.

Note 8

Defined Benefit Pension Plan

8.01 GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan description

The County and School Board participate in the Virginia Retirement System's (VRS) Political Subdivision Retirement Plan, a multi-employer agent plan for County and School Board employees, and the VRS Teacher Employee Plan, a cost-sharing multiple-employer teacher retirement plan. For the purpose of future disclosure, the term Plan will incorporate both the agent and cost-sharing pension plans of both the County and School Board unless separately noted.

The Plan is administered by the Virginia Retirement System (System) along with plans for other employer groups in the Commonwealth of Virginia. Title 51.1, Article 2.1 of the *Code of Virginia* (1950)(Code), as amended, grants the authority to the VRS Board of Trustees for the general administration and operation the Plan. State

statutes governing the Plan administered by the System may be amended only by the General Assembly of Virginia.

All full-time, salaried permanent employees of the County and School Board are automatically covered by the Plan upon employment. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, based on specific criteria as defined in the *Code*. Eligible prior service that may be purchased includes prior public service, active military service, certain peri-

ods of leave, and previously refunded service.

Summary of significant accounting policies

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Plan, and the additions to/deductions from the Plan's net fiduciary position have been determined on the same basis as they were reported by 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.

Benefits Provided

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

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN	
		DEFINED BENEFIT	DEFINED CONTRIBUTION
ELIGIBILITY			
Membership date is before July 1, 2010 and they were vested as of January 1, 2013.	Membership date is after June 30, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	Membership date is on or after January 1, 2014 for school division and political subdivision employees, and any member opting in from VRS Plans 1 or 2 during the election window. Political subdivision employees who are covered by enhanced benefits for hazardous duty employees are ineligible.	
VESTING			
Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members are always 100% vested in the contributions that they make.		Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.	
CALCULATING THE BENEFIT			
The basic benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. An early retirement reduction factor is applied to the basic benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the basic benefit.		The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings.	

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN	
		DEFINED BENEFIT	DEFINED CONTRIBUTION
AVERAGE FINAL COMPENSATION			
Average of the 36 consecutive months of highest compensation as a covered employee.	A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.		Not applicable for defined contribution plans.
SERVICE RETIREMENT MULTIPLIER			
The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The multiplier for non-hazardous duty members and eligible political subdivision hazardous duty employees is 1.70%.	Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited.	Not applicable for defined contribution plans.
NORMAL RETIREMENT AGE			
Age 65	Normal Social Security retirement age.		Members are eligible to receive distributions upon leaving employment, subject to restrictions.
EARLIEST REDUCED RETIREMENT ELIGIBILITY			
Members may retire with a reduced benefit as early as age 55 with a least five years of creditable service or age 50 with at least 10 years of creditable service.	Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.		Members are eligible to receive distributions upon leaving employment, subject to restrictions.
NORMAL RETIREMENT AGE & EARLIEST REDUCED RETIREMENT ELIGIBILITY – HAZARDOUS DUTY			
Normal retirement age is 60. Hazardous duty members are eligible for unreduced early retirement at age 65 with at least five years of creditable service or at age 50 with at least 30 years of creditable service.		Not applicable for the Hybrid Retirement Plan.	
COST-OF-LIVING ADJUSTMENT (COLA) IN RETIREMENT			
COLA matches the first 3% increase in the CPI-U and half of any additional increase (up to 4%) up to a maximum COLA of 5%. The COLA will go into effect on July 1 after one calendar year from retirement or the unreduced retirement eligibility date as applicable, with some exceptions.	COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%) up to a maximum COLA of 3%. The COLA will go into effect on July 1 after one calendar year from retirement or the unreduced retirement eligibility date as applicable, with some exceptions.		Not applicable for defined contribution plans.
DISABILITY COVERAGE			
For Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service.	Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service.	Members participate in the Virginia Local Disability Program (VDLP) and are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	

Employees covered by benefit terms

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

	County	School Board*
Inactive employees or beneficiaries currently receiving benefits	268	242
Inactive employees entitled to but not yet receiving benefits	480	205
Active employees	856	430
	1,604	877

*Excludes employees reported under the Teacher's Cost Sharing Plan.

Contributions

Contribution rates are computed in accordance with title 51.1-145 of the *Code*, and equal the sum of the normal contribution and any unfunded accrued liability. Contractual rates are established based on an independent actuarial valuation using recognized actuarial principles, methods and assumptions approved by the VRS Board of Trustees.

Employees are required to contribute 5% of their creditable compensation for each pay period. The County has elected, as provided under title 51.1-144 of the *Code*, to phase-in this contribution, for all employees in service with the County on June 30, 2012, through a 1% incremental increase per year until the 5% is met in fiscal year 2017. Each employee receives an annual salary increase equal to the 1% through the phase-in period. The School Board elected the immediate adoption of the full 5% employee contribution and equivalent salary increase. All employees who commence or recommence employment on or after July 1, 2012 are required to contribute the full 5%.

The County and School Board are required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Details of the County and School Board's contractually required rates

for the year ended June 30, 2017, as a percentage of covered employee compensation, are provided in the table below.

	School Board		
	County	School Board	Teacher Plan*
Employee contribution rate	5.00%	5.00%	5.00%
Employer contribution rate	9.51%	6.62%	14.66%
	14.51%	11.62%	19.66%

*For the year ended June 30, 2017, section 51.1-145 of the *Code* establishes the School Board's contractual rate at 89.84% of the actuarially determined employer contribution rate of 16.32%.

8.02 FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS 2017 Annual Financial Report located at <http://www.varetire.org/pdf/publications/2017-annual-report.pdf>.

8.03 NET PENSION LIABILITY

Multi-Employer Agent Plan

The Plan's fiscal year 2017 net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. As of June 30, 2017, the County and School Board's net pension liability was \$22.1 million and \$2.0 million, respectively.

School Board's Teacher Retirement Cost-Sharing Plan

At June 30, 2017, the School Board reported a liability of \$227.9 million for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an

actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the Plan for the year ended June 30, 2016 rela-

tive to the total of the actuarially determined employer contributions for all participating employers. The School Board's proportion as of June 30, 2016 and June 30, 2015 was 1.63%.

Actuarial assumptions

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

Table 14 Plan Actuarial Assumptions			
	General Employees	Public Safety	Teacher Plan
Assumptions used in calculations:			
Investment rate of return*	7.00%	7.00%	7.00%
Projected salary increases*	3.50 – 5.35%	3.50 – 4.75%	3.50 – 5.95%
*Includes inflation at	2.50%	2.50%	2.50%
Mortality rates: % of deaths to be service related	14.00%	60.00%	Not available
Mortality tables:			
Pre-retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years.
Post-retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years.
Post-Disability	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.
Changes to assumptions:			
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.	<ul style="list-style-type: none"> • Updated mortality table • Decrease in rates of service retirement • Decrease in rates of disability retirement • Reduced rate of salary increase by 0.25% per year 	<ul style="list-style-type: none"> • Updated mortality table • Adjustments to rates of service retirement for females • Increase in rates of withdrawal • Decrease in male and female rates of disability 	<ul style="list-style-type: none"> • Updated mortality table • Adjustments to rates of service retirement • Decrease in rates of withdrawal for 3 through 9 years of service • Decrease in rates of disability • Reduced rate of salary increase by 0.25% per year

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which the best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 Table 15.

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member (employee) 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 and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Table 15**Long-term Expected Rate of Return**

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Average Long-term Expected Rate of Return
U.S. equity	19.50%	6.46%	1.26%
Developed non U.S. equity	16.50%	6.28%	1.04%
Emerging market equity	6.00%	10.00%	0.60%
Fixed income	15.00%	0.09%	0.01%
Emerging debt	3.00%	3.51%	0.11%
Rate sensitive credit	4.50%	3.51%	0.16%
Non rate sensitive credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public real estate	2.25%	6.12%	0.14%
Private real estate	12.75%	7.10%	0.91%
Private equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		Expected arithmetic nominal return*	8.33%

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

Changes in the net pension liability

The following tables represent the changes in net pension liability through the Plan's measurement date of June 30, 2016 for the County and School Board, respectively.

Table 16 County Pension Plan: Changes in the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2015	\$ 148,391,601	\$ 134,411,187	\$ 13,980,414
Changes for the year:			
Service cost	5,450,229	-	5,450,229
Interest	10,191,218	-	10,191,218
Difference between expected and actual experience	1,872,438	-	1,872,438
Contributions - employer	-	4,762,268	(4,762,268)
Contributions - employee	-	2,302,721	(2,302,721)
Net investment income	-	2,398,775	(2,398,775)
Benefit payments, including refunds of employee contributions	(5,605,557)	(5,605,557)	-
Administrative expense	-	(81,627)	81,627
Other changes	-	(1,009)	1,009
Net changes	11,908,328	3,775,571	8,132,757
Balances at June 30, 2016	\$ 160,299,929	\$ 138,186,758	\$ 22,113,171
		Governmental activities:	19,163,776
		Business-type activities:	2,949,395
			\$ 22,113,171

Table 17 School Board Pension Plan: Changes in the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2015	\$ 27,108,122	\$ 25,881,695	\$ 1,226,427
Changes for the year:			
Service cost	993,050	-	993,050
Interest	1,846,233	-	1,846,233
Difference between expected and actual experience	(454,075)	-	(454,075)
Contributions - employer	-	728,718	(728,718)
Contributions - employee	-	443,458	(443,458)
Net investment income	-	447,112	(447,112)
Benefit payments, including refunds of employee contributions	(1,466,718)	(1,466,718)	-
Administrative expense	-	(15,942)	15,942
Other changes	-	(190)	190
Net changes	918,490	136,438	782,052
Balances at June 30, 2016	\$ 28,026,612	\$ 26,018,133	\$ 2,008,479

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the net pension liability of the County and School Board's multi-employer agent plans and Teacher Retirement Plan, calculated using each Plan's current discount rate, as well as what the respective Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Table 18 Sensitivity Analysis of Net Pension Liability to Changes in Discount Rate			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County's calculated net pension liability	\$ 45,689,156	\$ 22,113,171	\$ 2,727,944
School Board's calculated net pension liability (asset)	\$ 5,366,551	\$ 2,008,479	\$ (806,542)
Teacher Retirement Plan's calculated net pension liability*	\$ 324,924,000	\$ 227,937,000	\$ 148,042,000

*Represents the School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability

8.04 PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

The following table summarizes the recognized pension expense at June 30, 2017, and the reported deferred outflows and inflows of resources related to pension by source as of the June 30, 2016 measurement date for the Primary Government and its Component unit – School Board.

Table 19 Pension Expense and Deferred Inflows and Outflows of Resources Related to Pensions						
	Primary Government		Component unit - School Board			
	Multi-Employer Agent Plan			Internal Service Fund Fleet Services	Teacher Retirement Cost-sharing Plan	Total Component unit School Board
	Governmental Activities	Business-type Activities	School Board			
Total pension expense:	\$ 3,844,141	\$ 577,465	\$ 430,610	\$ 30,972	\$ 18,205,000	\$ 18,666,582
Deferred outflows - pension contributions:						
Employer contributions subsequent to the measurement date	\$ 3,859,840	\$ 576,133	\$ 542,162	\$ 41,881	\$ 18,161,871	\$ 18,745,914
Deferred outflows - actuarial differences:						
Net difference between projected and actual earnings on pension plan	\$ 3,208,446	\$ 461,792	\$ 664,286	\$ 41,709	\$ 13,021,000	\$ 13,726,995
Difference between expected and actual experience	1,314,634	189,215	-	-	-	-
Changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-	-	-	783,000	783,000
Total deferred outflows - actuarial differences:	\$ 4,523,080	\$ 651,007	\$ 664,286	\$ 41,709	\$ 13,804,000	\$ 14,509,995

Table 19 Continued

Pension Expense and Deferred Inflows and Outflows of Resources Related to Pensions

	Primary Government		Component unit - School Board			
	Multi-Employer Agent Plan			Internal Service Fund Fleet Services	Teacher	Total
	Governmental Activities	Business-type Activities	School Board		Retirement	Component
					Cost-sharing	unit School
					Plan	Board
Deferred inflows						
Differences between expected and actual experience	\$ (404,831)	\$ (66,197)	\$ (368,465)	\$ (27,595)	\$ (7,387,000)	\$ (7,783,060)
Changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-	-	-	(4,010,000)	(4,010,000)
Total deferred inflows	\$ (404,831)	\$ (66,197)	\$ (368,465)	\$ (27,595)	\$ (11,397,000)	\$ (11,793,060)

Amortization of deferred outflows and inflows of resources

Employer contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized in pension expense as follows:

		Primary Government		Component unit - School Board			
		Multi-Employer Agent Plan			Teacher Retirement Cost-sharing Plan	Total Component unit School Board	
		Governmental Activities	Business-type Activities	School Board			Internal Service Fund Fleet Services
Fiscal year ended June 30,							
	2018	\$ 298,115	\$ 42,334	\$ (142,722)	\$ (6,809)	\$ (2,920,000)	\$ (3,069,531)
	2019	298,116	42,334	(128,501)	(6,131)	(2,920,000)	(3,054,632)
	2020	1,961,898	278,598	308,628	14,725	5,062,000	5,385,353
	2021	1,534,299	217,877	258,416	12,329	3,712,000	3,982,745
	2022	25,821	3,667	-	-	(527,000)	(527,000)
		<u>\$ 4,118,249</u>	<u>\$ 584,810</u>	<u>\$ 295,821</u>	<u>\$ 14,114</u>	<u>\$ 2,407,000</u>	<u>\$ 2,716,935</u>
Pension actuarial differences:							
	Total deferred outflows	\$ 4,523,080	\$ 651,007	\$ 664,286	\$ 41,709	\$ 13,804,000	\$ 14,509,995
	Total deferred inflows	(404,831)	(66,197)	(368,465)	(27,595)	(11,397,000)	(11,793,060)
		<u>\$ 4,118,249</u>	<u>\$ 584,810</u>	<u>\$ 295,821</u>	<u>\$ 14,114</u>	<u>\$ 2,407,000</u>	<u>\$ 2,716,935</u>

8.05 PAYABLES TO THE PENSION PLAN

The County and School Board reported payables of \$0.6 and \$3.3 million, respectively for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Note 9

Long-term Liabilities

Long-term liability activity for the year ended June 30, 2017 was as follows:

Table 20					
Long-term Liabilities - Primary Government					
	Balance July 1, 2016 Restated*	Increases	Decreases	Balance June 30, 2017	Due Within One Year
Governmental activities					
General obligation bonds payable:					
Principal of bonds payable	\$ 272,350,480	\$ 27,985,000	\$ 27,838,840	\$ 272,496,640	\$ 26,536,073
Unamortized premiums	17,578,363	3,991,785	1,930,486	19,639,662	-
Total bonds payable	289,928,843	31,976,785	29,769,326	292,136,302	26,536,073
Compensated absences	3,877,592	4,954,102	4,658,617	4,173,077	419,008
Landfill closure obligation	8,414,921	-	315,825	8,099,096	163,317
Insurance claims payable (Note 17)	1,023,263	10,619,365	10,406,777	1,235,851	1,235,851
LOSAP pension liability (Note 13)*	3,022,318	675,439	70,052	3,627,705	-
Net pension liability (Note 8)	12,093,025	13,601,295	6,530,544	19,163,776	-
Other postemployment benefits (Note 12)	30,349,417	7,798,851	1,219,659	36,928,609	-
Total governmental activities	\$ 348,709,379	\$ 69,625,837	\$ 52,970,800	\$ 365,364,416	\$ 28,354,249
Business-type activities					
Revenue bonds payable					
Principal of bonds payable	\$ 125,366,000	\$ -	\$ 5,242,000	\$ 120,124,000	\$ 5,471,000
Unamortized premiums	6,527,555	-	504,056	6,023,499	-
Total bonds payable	131,893,555	-	5,746,056	126,147,499	5,471,000
Compensated absences	618,165	695,113	673,121	640,157	25,323
Insurance claims payable (Note 17)	134,309	1,451,261	1,445,992	139,578	139,578
Net pension liability (Note 8)	1,887,389	2,122,788	1,060,782	2,949,395	-
Other postemployment benefits (Note 12)	4,069,735	1,045,795	233,986	4,881,544	-
Total business-type activities	\$ 138,603,153	\$ 5,314,957	\$ 9,159,937	\$ 134,758,173	\$ 5,635,901
Total Primary Government	\$ 487,312,532	\$ 74,940,794	\$ 62,130,737	\$ 500,122,589	\$ 33,990,150

*Details of restatement are located in Note 22 to the Financial Statements.

Table 21					
Long-term Liabilities - Component unit - School Board					
	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
Component unit - School Board					
Compensated absences	\$ 5,523,192	\$ 2,327,012	\$ 1,873,374	\$ 5,976,830	\$ 1,873,373
Insurance claims payable (Note 17)	3,718,769	40,849,076	40,110,112	4,457,733	4,457,733
Net pension liability (Note 8)	206,315,427	42,938,286	19,308,234	229,945,479	-
Other postemployment benefits (Note 12)	110,163,447	18,559,000	5,444,337	123,278,110	-
Total School Board	\$ 325,720,835	\$ 104,673,374	\$ 66,736,057	\$ 363,658,152	\$ 6,331,106

Long-term liabilities of governmental activities are generally liquidated by the General Fund with the exceptions of employee benefit related obligations, (e.g., insurance claims and postemployment benefits), of which approximately 5% is liquidated by other governmental funds; and general obligation bonds, which is normally liquidated 90% and 10% from the General Fund and Transportation Fund, respectively.

Under Virginia state law, School Boards may not incur debt. Rather, the local government incurs debt *on behalf* of the local school board creating a *tenancy in common*. Per 15.2-1800.1 of the Code, in 2002, the County Board of Supervisors adopted a resolution opting out of a tenancy in common. As a result, all school debt is reported as an

obligation of the Primary Government and the related assets are reported as assets of the Component unit - School Board.

New Debt Issuance

On September 8, 2016, the County issued \$28.0 million in General Obligation Public Improvement Bonds, Series 2016 with fixed interest rates ranging from 2 to 5%. Bond payments commenced December 1, 2016 and will continue semi-annually on June 1 and December 1 until final maturity on June 1, 2036. The net proceeds of \$31.7 million (including premium of \$4.0 million and payment of \$0.3 million in underwriting and issuance costs) will be used to finance school, public safety and transportation related capital projects.

Amortization of Debt Service

Principal and interest to maturity for the County's General Obligation Bonds and Water and Sewer Fund's Revenue Bonds outstanding at June 30, 2017 are as follows:

Table 22						
Future Debt Service - Primary Government						
Fiscal Year	Governmental Activities General		Business-type Activities Utility		Total Primary Government	
	Obligation Bonds		Revenue Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 26,536,073	\$ 10,992,875	\$ 5,471,000	\$ 5,130,574	\$ 32,007,073	\$ 16,123,449
2019	25,733,594	9,930,918	5,680,000	4,895,872	31,413,594	14,826,790
2020	24,261,459	8,868,820	5,903,000	4,665,387	30,164,459	13,534,207
2021	24,066,511	7,833,721	6,111,000	4,423,302	30,177,511	12,257,023
2022	23,826,000	6,760,844	6,383,000	4,149,217	30,209,000	10,910,061
2023 - 2027	97,152,001	20,116,480	33,612,000	16,166,294	130,764,001	36,282,774
2028 - 2032	43,220,999	5,118,262	29,283,000	9,575,538	72,503,999	14,693,800
2033 - 2037	7,700,003	505,893	22,236,000	4,204,140	29,936,003	4,710,033
2038 - 2042	-	-	5,445,000	618,442	5,445,000	618,442
Totals:	\$ 272,496,640	\$ 70,127,813	\$120,124,000	\$ 53,828,766	\$392,620,640	\$123,956,579

Schedule of Outstanding General Obligation Bonds

General obligation bonds payable at June 30, 2017, backed by the full faith and credit of the County, are comprised of the following individual issues:

Table 23 Outstanding General Obligation Debt - Governmental Activities						
	Sale Date	Final Maturity	Interest Rate to Maturity (%)	Annual Principal Requirements (in thousands)	Original Borrowing	Principal Outstanding
Spotsylvania County:						
EDO Lease Revenue Bonds	05/2001	05/2021	6.16	\$18 - \$60	\$ 700,000	\$ 218,168
Public Improvements (Series A)	07/2009	07/2019	1.40 - 3.00	\$260 - \$1,315	11,665,000	3,925,000
Public Improvements (Series B)	07/2009	07/2034	5.20 - 5.90	\$405 - \$1,425	15,905,000	15,905,000
Public Improvements (Series A)	07/2010	07/2020	2.07	\$845 - \$1,075	8,680,000	2,535,000
Public Improvements (Series B)	07/2010	07/2030	3.38	\$840 - \$845	8,435,000	8,435,000
Public Improvements (Series A)	07/2011	01/2031	3.00 - 4.00	\$333 - \$330	6,939,045	4,635,583
Public Improvements (Refunding)	07/2011	01/2024	3.00 - 4.00	\$10 - \$580	5,650,000	3,400,000
EDO Public Facility Revenue	10/2011	06/2032	2.00 - 4.00	\$790	11,275,000	6,715,000
Public Improvements (Series A)	07/2012	06/2032	2.00 - 3.00	\$630 - \$775	8,995,000	5,585,000
Qualified Energy Conservation	07/2012	06/2032	1.00 - 3.80	\$55 - \$70	1,240,000	945,000
Public Improvements	07/2013	06/2033	2.55	\$306	6,112,284	4,910,145
EDA Public Facility Revenue	08/2013	02/2030	2.61	\$98 - \$174	1,688,000	1,011,000
Public Improvements & Refunding	08/2014	01/2034	2.00 - 5.00	\$223 - \$3,923	38,110,410	35,030,490
EDA Revenue & Refunding	08/2014	06/2034	2.00 - 5.00	\$300 - \$360	6,305,000	5,290,000
Public Improvements	08/2015	01/2035	3.00 - 5.00	\$837 - \$910	17,769,115	16,041,086
Public Improvements	09/2016	06/2036	2.00 - 5.00	\$215 - \$680	8,370,000	7,825,000
Total General Obligation Bonds - Spotsylvania County						\$ 122,406,472
Component Unit - School Board						
Virginia Public School Authority	11/1997	07/2017	4.35 - 5.23	\$410 - \$490	8,940,000	410,000
Virginia Public School Authority	11/1997	07/2017	4.35 - 5.23	\$372 - \$495	8,422,232	494,580
Virginia Public School Authority	04/1998	07/2018	4.10 - 5.35	\$665 - \$990	14,975,000	1,340,000
Virginia Public School Authority	11/1998	07/2018	4.35 - 5.10	\$435 - \$650	10,795,000	870,000
Virginia Public School Authority	11/1998	07/2018	3.60 - 5.10	\$196 - \$247	4,345,729	489,888
Virginia Public School Authority	04/1999	07/2019	4.35 - 5.23	\$90 - \$265	3,570,000	270,000
Virginia Public School Authority	05/2000	07/2020	4.35 - 5.23	\$370 - \$375	7,740,000	1,480,000
Virginia Public School Authority	05/2001	07/2021	4.10 - 5.60	\$470 - \$545	10,170,000	2,360,000
Virginia Public School Authority	11/2001	07/2021	3.10 - 5.35	\$400 - \$555	9,500,000	2,000,000
Virginia Public School Authority	05/2002	07/2022	3.60 - 5.60	\$820 - \$915	17,315,000	4,920,000
Virginia Public School Authority	11/2002	07/2023	2.35 - 5.10	\$550 - \$645	11,885,000	3,300,000
Qualified School Construction	06/2010	06/2027	5.31	\$150 - \$155	2,630,000	1,550,000
Public Improvements (Series A)	07/2011	01/2031	3.00 - 4.00	\$130 - \$247	3,975,956	2,389,416
EDA Revenue (Refunding)	07/2012	06/2029	2.00 - 5.00	\$1,345 - \$2,650	33,785,000	26,000,000
Public Improvements (Refunding)	07/2012	06/2029	2.00 - 5.00	\$630 - \$710	7,210,000	3,840,000
Public Improvements	07/2013	06/2033	2.55	\$273 - \$979	11,802,716	7,968,856
EDA Revenue (Refunding)	08/2013	02/2030	2.61	\$597 - \$881	11,695,000	9,849,000
Public Improvements (Refunding)	08/2014	01/2034	2.00 - 5.00	\$225 - \$2,815	20,954,590	14,074,514
EDA Revenue (Refunding)	08/2014	06/2034	2.00 - 5.00	\$840 - \$2,035	26,445,000	23,095,000
Public Improvements (Refunding)	08/2015	01/2035	3.00 - 5.00	\$231 - \$2,924	27,765,885	25,343,914
Public Improvements	09/2016	06/2031	2.00 - 5.00	\$630 - \$1,925	19,615,000	18,045,000
Total General Obligation Bonds - Component Unit - School Board						\$ 150,090,168
Total Governmental Activities - General Obligation Bonds						\$ 272,496,640

Table 23 (continued)

Outstanding General Obligation Debt - Business-type Activities

	Sale Date	Final Maturity	Interest Rates to Maturity (%)	Annual Principal Requirements (in thousands)	Original Borrowing	Principal Outstanding
Business-type Activities						
Utility Revenue (Refunding)	08/2010	06/2032	3.15	\$335 - \$1,740	\$ 28,405,000	\$ 20,330,000
Utility Revenue Build America	08/2010	06/2040	3.15	\$950 - \$1,880	29,450,000	29,450,000
Utility Revenue (Refunding)	08/2013	06/2035	2.59	\$772 - \$1,292	21,330,000	18,829,000
Utility Revenue (Refunding)	08/2015	06/2037	3.00 - 5.00	\$1,650 - \$4,040	55,325,000	51,515,000
Total Business-type Activities						\$ 120,124,000
Total indebtedness - Primary Government:						\$ 392,620,640

Note 10

Conduit Debt Obligations

From time to time, the Economic Development Authority (EDA) has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. As of June 30, 2017, Industrial Revenue Bonds outstanding totaled \$3.6 million. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the EDA, nor the County is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Note 11

Closure and Post-Closure Care Costs

State and federal laws and regulations require the County to place final covers on its landfills when closed and to perform certain maintenance and monitoring functions at the landfill sites for ten years after final capping on the two landfills no longer accepting waste and thirty years after final capping on the currently operating

landfill. In addition to operating expenses related to current activities of the landfill, a liability is being recognized based on the future of closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of landfill use during the year.

The estimated liability for landfill closure and post-closure care costs is \$0.7 million and \$7.4 million for closed and operating landfills, respectively, which is based on 100% and 70.3% usage, respectively. It is estimated that an additional \$2.2 million will be recognized as closure and post-closure care expenses between the date of the Statement of Net Position and the date the operating landfill open cells are expected to be filled to capacity (2024).

The estimated total current cost of the landfill closure and post-closure care (\$8.1 million for all landfills) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2017. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The County is not currently required by State or Federal laws and regulations to set aside funds to finance closure and post-closure care. The County intends to finance these costs through operating budgets. These costs, as well as future inflation costs and additional costs that might arise from changes in post-closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers or both.

Note 12

Postemployment Health Care Benefits

12.01 PRIMARY GOVERNMENT

Plan description

The County administers a single-employer defined benefit plan that provides health and dental insurance during retirement for eligible retirees and their dependents. The retiree health plan provides subsidies, to the retiree only, for available coverage supported by the County for its active employees. A retiree's spouse or dependent may be covered by the County's Plan at the retiree's sole expense.

In order to be eligible for other postemployment benefits (OPEB) employees must meet VRS's retirement eligibility criteria. They also must retire directly from active employment and enroll in a medical plan offering at the time of retirement. In addition, employees must also meet certain County service requirements based on their County hire date. Employees hired prior to November 1, 2007 must complete ten consecutive years of regular full-time employment with the County immediately prior to full (unreduced) retirement under VRS to be fully subsidized by the County. Employees hired on or after November 1, 2007 must complete at least twenty consecutive years of regular fulltime employment with the County immediately prior to full retirement under VRS for the full subsidy.

For employees retiring with reduced VRS pension benefits, regardless of their hire date, will be required to complete 20 or more consecutive years of full-time County service at retirement to be eligible for a minimum 50% subsidy toward their coverage. For every additional consecutive year of service worked over twenty years the employee receives a 5% subsidy toward their coverage.

Retirees reaching the age of 65 must apply for and receive Medicare coverage and convert to a Medicare carve-out policy. Line of duty disabilities receive full subsidization of their coverage regardless of years of service or hire date with the County.

As of July 1, 2016, the most recent actuarial valuation date, membership in the Plan consisted of the following:

Number of Participants:	
Active Employees	747
Retirees and Spouses	<u>156</u>
	<u>903</u>

The terms of the Plan are governed by the Board of Supervisors and can be amended by action of the Board at any time. No separate financial report is issued.

Funding policy

Funding of OPEB liabilities are budgeted and reserved as funds are available and subject to annual appropriation by the Board. Currently, benefits are financed on a pay-as-you-go basis. Although the County does not hold assets in trust to fund its OPEB liabilities, as of June 30, 2017, the County has assigned fund balances of \$1,900,000, \$39,600 and \$592,500 in its General Fund, Capital Projects Fund and other governmental funds, respectively; and \$2,156,600 of its proprietary Water & Sewer Fund's unrestricted net position to fund future OPEB liabilities. Per County fiscal policy, funding of 100% of the annual required contribution is expected to be met in 2024.

Annual OPEB Cost and Net OPEB obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation.

Table 24	
Change in Net OPEB Obligation - Primary Government	
Annual required contribution	\$ 9,342,900
Interest on net OPEB obligation	1,204,670
Adjustment to ARC	(1,702,925)
Annual OPEB cost (expense)	\$ 8,844,645
Contributions made	(1,453,644)
Increase in net OPEB obligation	\$ 7,391,001
Net OPEB obligation - beginning of year	34,419,152
Net OPEB obligation - end of year	\$ 41,810,153
Governmental activities	\$ 36,928,609
Business-type activities	4,881,544
	\$ 41,810,153

Table 25
Annual OPEB Cost - Primary Government

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 8,844,645	16.4%	\$ 41,810,153
June 30, 2016	5,935,006	21.8%	34,419,152
June 30, 2015	5,582,664	21.5%	29,779,443

The County's annual OPEB cost, percentage of annual OPEB cost contributed to the Plan, and net OPEB obligation for the current and preceding two years can be found in table 25 below.

Actuarial methods and assumptions

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

In the July 1, 2016, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 7.2% initially, graded to 4.2% by 2091. Both rates include a 2.5% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2017 was twenty-two years.

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

During the July 1, 2016 valuation, the Plan's actuarially calculated liability grew by \$30.5 in response to various changes in actuarial methods and assumptions. The actuarial loss on the Plan's actuarial liability since the prior valuation is calculated below:

Actuarial liability at 4.0% as of July 1, 2014	\$56,439,000
Expected actuarial liability at 4.0% as of July 1, 2016	\$65,230,300
Actuarial liability at 3.5% as of July 1, 2016	<u>\$95,680,300</u>
Liability loss	<u>\$30,450,000</u>

The primary reasons for the net increase in the Plan's actuarial liability are:

- The interest rate assumption was decreased from 4.0% as of July 1, 2014 to 3.5% as of July 1, 2016. The 3.5% interest rate assumption is similar to yields implied by 20-year general obligation bond indices. This assumption change resulted in a \$9.7 million increase.
- The age-specific costs used to estimate the true underlying cost of coverage for retirees were updated based on an actual experience study of health claims incurring from July 1, 2015 to June 30, 2017. In addition, the healthcare trend assumption for pre-65 medical benefits was changed from 7.1% in 2014, then grading to an ultimate rate of 4.5% in 2073 to 7.2% in 2016, then grading to an ultimate rate of 4.2% in 2091. The combined impact of these assumption changes was a \$24.9 million increase.

Funding status and funding progress

As of July 1, 2016, the most recent actuarial valuation date, the Plan was 0.0% funded. The schedule of funding progress, presented as required supplementary information in Table 26 below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Table 26 Required Supplementary Information - Schedule of Funding Progress for the Primary Government						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2016	\$ -	\$ 95,680,300	\$ 95,680,300	0%	\$ 45,430,400	210.6%
July 1, 2014*	-	56,439,000	56,439,000	0%	43,941,400	128.4%
July 1, 2012*	-	51,888,000	51,888,000	0%	40,121,877	129.3%

* Required Supplementary Information is unaudited.

12.02 COMPONENT UNIT – SCHOOL BOARD

Plan description

Plan administration

The School Board provides post-retirement healthcare benefits through a single-employer defined benefit plan (the Plan) to all eligible permanent full-time employees. Pursuant to Code Section 15.2-1544, the School Board has joined the Virginia Pooled OPEB Trust Fund. This Trust, operating as the "VACo-VML Pooled OPEB Trust" (Pooled Trust), was established as an irrevocable trust to receive, invest, and disburse funds set aside by political subdivisions of the Commonwealth of Virginia to defray future expenses related to OPEB.

Management of the Plan is vested by the School Board to a Local Finance Board, which consists of eight members – two School Board members, the School Superintendent, CFO, finance management team and one citizen representative. The Local Finance Board has been empowered to establish and amend postemployment benefits, and to act as trustee for the Pooled Trust. The Virginia Local Government Finance Corporation (VLGFC) provides the day-to-day administration of the Trust.

Plan membership

At June 30, 2017, membership in consisted of the following:

Active employees	2,356
Retirees (pre-Medicare)	296
Retirees (Medicare age)	744
	<u>3,396</u>

Benefits provided

The Plan provides healthcare insurance for eligible retirees and their dependents through the School Board's group health insurance plan. Pre-Medicare retirees may remain in the group plan providing medical, prescription drug, dental and vision benefits. Once a retiree is Medicare eligible, they are moved to a Medicare Complementary Plan, which is secondary to Medicare.

Spouses of retired employees may continue medical coverage but will not receive any explicit subsidy from the School Board.

To be eligible for the Plan, employees must be entitled to full or reduced pension benefits through the Virginia Retirement System (VRS) and reach:

- ~ Age 55 with at least 5 consecutive years of service with Spotsylvania County Schools, or
- ~ Age 50 with at least 10 consecutive years of service with Spotsylvania County Schools

Individuals hired on or after July 1, 2007 must have a minimum of 15 years of consecutive service with Spotsylvania County Public Schools.

Contributions

State Code authorizes the School Board to establish and amend the Plan's contribution requirements. The School Board has adopted a resolution authorizing the appointed Local Finance Board to make funding recommendations to the Board, as determined appropriate based on periodic actuarial analysis of the Plan's future obligations. As of June 30, 2017, there are no Plan contribution requirements, benefits are financed on a pay-as-you-go basis. Contributions into the Trust are irrevocable; however, continued participation in the Pooled Trust is voluntary and any Local Finance Board may terminate future participation.

Investments

Investment policy

The Board of Trustees, consisting of nine members, establishes and maintains investment policies and objectives. It is the policy of the Board to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. The Trustees are responsible for setting the portfolio's long-term asset allocation, after taking into consideration expectations for asset class returns and volatility, risk tolerance and liquidity needs.

The following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
U.S. Large Cap equity	26%
U.S. Small Cap equity	10%
International Developed equity	13%
Emerging Market equity	5%
Private equity	5%
Fixed income	21%
Diversified hedge funds	10%
Real estate	7%
Commodities	3%
Total	100%

All assets of the Pooled Trust are commingled for investment purposes; however, contributions, investment gains and losses, and distributions for each participating Local Finance Board are accounted for separately. Audited financial statements of the Virginia Pooled OPEB Trust Fund are available through the VML/VACo Finance Program, Attn: Comptroller, 1108 E. Main St., Suite 801, Richmond, VA 23219.

Concentrations

As of June 30, 2017 there are no investments in any one organization that represent 5% or more of the Plan's fiduciary net position.

Rate of return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 13.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

GASB 45 OPEB Liability

The following presents information required under GASB Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, and applicable to the School Board's Statement of Net Position, Statement of Activities and related disclosures. Fiscal year 2017 represents the final year of reporting under the GASB 45 model, and will be replaced with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Annual OPEB cost

The School Board's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the School Board's annual OPEB cost for the year, amount actually contributed to the plan, and changes in the School Board's net OPEB obligation.

Table 27

Change in Net OPEB Obligation - Component Unit - School Board - GASB 45

Annual required contribution	\$ 19,891,000
Interest on net OPEB obligation	3,871,000
Adjustment to ARC	(5,203,000)
Annual OPEB cost (expense)	\$ 18,559,000
Contributions made	(5,444,337)
Increase in net OPEB obligation	\$ 13,114,663
Net OPEB obligation - beginning of year	110,163,447
Net OPEB obligation - end of year	\$ 123,278,110

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and net OPEB obligation for the current and preceding two years are shown below.

Table 28 Annual OPEB Cost - Component Unit - School Board - GASB 45			
Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 18,559,000	29.3%	\$123,278,110
June 30, 2016	17,963,000	28.9%	110,163,447
June 30, 2015	18,733,000	42.2%	97,397,237

Actuarial methods and assumptions

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

In the July 1, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of admin-

istrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4.5% initially, decreasing gradually to an ultimate rate of 3.9% by 2077. Both rates include a 2.5% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2017, was twenty-four years.

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

Funded status and funding progress

As of July 1, 2015, the most recent actuarial valuation date, the Plan was projected to be 0.86% funded. The schedule of funding progress, presented as required supplementary information below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Table 29 Required Supplementary Information - Schedule of Funding Progress for the Component Unit - School Board - GASB 45						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
July 1, 2015	1,848,000	214,367,000	212,519,000	0.86%	134,801,000	157.7%
July 1, 2014*	1,727,336	206,938,000	205,210,664	0.83%	126,974,000	161.6%
July 1, 2013*	1,439,000	196,279,000	194,840,000	0.73%	131,150,000	148.6%
July 1, 2012*	1,389,946	202,875,000	201,485,054	0.69%	122,189,000	164.9%
July 1, 2011*	1,400,000	154,091,000	152,691,000	0.91%	125,846,000	121.3%
July 1, 2009*	-	137,293,000	137,293,000	0.00%	132,534,000	103.6%

* Required Supplementary Information is unaudited.

GASB 74 OPEB Liability

The following presents information required under GASB Statement No. 74 (GASB 74), *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. Use of this information should be limited to the School Board's OPEB Trust Fund, a component unit of the School Board, as reported within Schedule F-1 School Board's Statement of Net Position – Fiduciary Funds, Schedule F-2 School Board's Statement of Changes in Net Position – Fiduciary Funds, and their related Schedules of Required Supplementary Information.

Net OPEB Liability

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

Total OPEB liability	\$ 238,804,663
Plan fiduciary net position	3,131,532
School Board's net OPEB liability	<u>\$ 235,673,131</u>
Plan fiduciary net position as a % of the total OPEB liability	1.31%

Actuarial assumptions

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

Investment rate of return, net*	7.0%
Salary increases*	3.5 – 5.95%
Blended discount rate	3.58%
*Includes inflation at	2.3%

Mortality rates are based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, based on Scale AA with the following adjustments:

Teachers	Males set back 2 years/ females set back 3 years
General	Males set forward 1 year

Healthcare cost trend rates are based on the Long-Run Medical Cost Trend Model with an initial rate of 5.8% for 2018, decreasing gradually to an ultimate rate of 4.0% for 2077 and later years.

Demographic assumptions mirror those used for the School Board's pension plan, with adjustments made for the actual experience of the School Board employees. The retirement, termination, disability, and mortality assumptions are based on the latest VRS Actuarial Valuation of Other Postemployment Benefits report.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in Table 30 below.

Table 30 Long-term Expected Rate of Return			
Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Real Rate of Return	Weighted Average Long-term Expected Real Rate of Return
U.S. Large Cap equity	26.00%	7.79%	2.03%
U.S. Small Cap equity	10.00%	9.08%	0.91%
International Developed equity	13.00%	8.79%	1.14%
Emerging Market equity	5.00%	10.14%	0.51%
Private equity	5.00%	10.43%	0.52%
Fixed income	21.00%	2.98%	0.63%
Diversified hedge funds	10.00%	6.32%	0.63%
Real estate	7.00%	5.84%	0.41%
Commodities	3.00%	3.90%	0.12%
Cash	0.00%	0.93%	0.00%
Total	<u>100.00%</u>		6.89%
		Inflation	3.60%
		Expected arithmetic nominal return	<u>10.49%</u>

Discount rate

The discount rate used to measure the total OPEB liability was 3.58%. The projection of cash flows used to determine the discount rate assumed that contributions from the School Board will be made at the same level as the subsequent years' adopted budget. Based on this assumption, the OPEB plan's fiduciary net position is expected to be exhausted in future years. Benefits that are paid prior to the estimated date that assets are exhausted are discounted at the expected rate of return of 7.0%. Benefits paid subsequent to this date are discounted based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA or higher as published by the Bond Buyer 20-Bond GO Index.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the School Board, as well as what the School Board's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

<u>Discount rate</u>	<u>Net OPEB liability</u>
1% Decrease (2.58%)	\$274,767,468
Discount Rate (3.58%)	\$235,673,131
1% Increase (4.58%)	\$204,113,468

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the net OPEB liability of the School Board, as well as what the School Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

<u>Discount rate</u>	<u>Net OPEB liability</u>
1% Decrease - rate in 2075 of 2.90%	\$199,048,468
Healthcare Cost Trend rate in 2075 of 3.90%	\$235,673,131
1% Increase - rate in 2075 of 4.90%	\$282,619,468

Note 13**Volunteer Fire & Rescue Length of Service Award Program****Plan description**

The County is the administrator of a revocable, noncontributory, single employer, defined benefit Length of Service Retirement Plan (the Plan). The Plan covers voluntary fire and rescue service members, who are not County employees, but who serve voluntarily with one of the County's volunteer fire and rescue companies. Members are eligible to participate in the Plan if they are 18 years of age and complete one year of active service.

Plan membership

As of June 30, 2016, the most recent actuarial valuation date, membership in the Plan was as follows:

Number of Participants:

Inactive members currently receiving benefits	57
Inactive members with deferred vested benefits	135
Active members	226
	<u>418</u>

Benefits provided

The Plan provides retirement, death and disability benefits. Retirement benefits vest within ten years of credited service. Normal commencement of retirement benefits is age 65, after which members are entitled to receive monthly benefit payments for life based on years of creditable service (minimum of 10 years) up to a maximum benefit of \$250 per month. The Board maintains the authority to establish, amend and revoke the benefit provisions of this Plan.

Contributions

The Plan's funding policy provides for annual contributions by the County at actuarially determined rates to accumulate sufficient assets to pay benefits when due. Plan members are not required to and do not contribute to the Plan. The Board maintains the authority to amend the Plan's funding policy at any time. Accumulated Plan assets are held in a revocable trust and, therefore, do not meet the definition of pension plan assets per GAAP.

Total pension liability

The Plan's total pension liability of \$3.6 million was determined and measured by an actuarial valuation performed as of June 30, 2016.

Changes in total pension liability

The following table represents the changes in the total pension liability through the Plan's measurement date of June 30, 2016.

Table 31 Changes in the Total LOSAP Pension Liability	
	LOSAP Total Pension Liability
Balance at June 30, 2015	\$ 3,022,318
Changes for the year:	
Service cost	109,125
Interest on total pension liability	113,517
Differences between expected and actual experience	6,547
Changes in assumptions	446,250
Benefit payments	(70,052)
Balance at June 30, 2016	\$ 3,627,705

Actuarial assumptions

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	2.0%
Salary scale	No salary, inflation used
Discount rate	2.85%

Mortality rates are based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, based on Scale AA.

Discount rate

The discount rate used to measure the total pension liability was 2.85%, based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA or higher as published by the Bond Buyer 20-Bond GO Index.

Sensitivity of the total pension liability to changes in the discount rate

The following presents the total LOSAP pension liability of the County, as well as what the County's liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

Discount rate	Total Pension Liability
1% Decrease (1.85%)	\$ 4,190,000
Discount Rate (2.85%)	\$ 3,627,705
1% Increase (3.85%)	\$ 3,160,000

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2017 the County recognized pension expense of \$0.3 million. During the year, the Plan made benefit payments that are subsequent to the Plan's measurement date. These payments of \$0.1 million are reported as a deferred outflow of resources as of June 30, 2017, and will be recognized as a reduction of the total pension liability in fiscal year ending June 30, 2018.

At June 30, 2017, the County reported actuarially determined deferred outflows of resources related to pension assumption changes of \$0.4 million that will be recognized as pension expense in future reporting periods as follows:

As of June 30,	2018	\$ 47,222
	2019	47,222
	2020	47,222
	2021	47,222
	2022 and thereafter	210,140
		\$ 399,028

Note 14

FUND BALANCE

The following table provides additional detail regarding the County's governmental fund balances as of June 30, 2017:

Table 32 Fund Balance Classification				
	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Special service district transportation	\$ -	\$ -	\$ 878,296	\$ 878,296
PRTC transportation funds	-	-	3,676,871	3,676,871
Transient occupancy - tourism	692,192	-	-	692,192
Available bond proceeds:				
Transportation	-	13,363,181	-	13,363,181
Facility maintenance & improvements	-	12,990,042	-	12,990,042
Other	-	3,158,084	-	3,158,084
Grants and other contributions:				
Forfeiture & seizure - drug enforcement	702,000	49,332	-	751,332
Fire & rescue equipment & personnel	967,389	-	-	967,389
Other	284,966	8,300	-	293,266
Total restricted fund balance:	\$ 2,646,547	\$ 29,568,939	\$ 4,555,167	\$ 36,770,653
Committed for:				
Fiscal stability reserve	\$ 45,243,039	\$ -	\$ -	\$ 45,243,039
Health insurance reserve	3,991,639	-	-	3,991,639
LOSAP Benefits	1,711,703	-	-	1,711,703
Public safety line of duty benefits	500,000	-	-	500,000
Information technology	-	10,837,373	-	10,837,373
Fire & rescue facilities, equipment & service	-	487,092	291,538	778,630
Facility maintenance & improvements	-	2,567,992	-	2,567,992
Transportation	-	2,288,618	4,657,494	6,946,112
Economic development initiatives	580,912	3,275,000	-	3,855,912
Other	-	3,401,196	-	3,401,196
Total committed fund balance:	\$ 52,027,293	\$ 22,857,271	\$ 4,949,032	\$ 79,833,596
Assigned to:				
2018 budget:				
Education	\$ 1,632,645	\$ -	\$ -	\$ 1,632,645
Various other functions	889,541	-	-	889,541
Other postemployment benefits	1,900,000	39,600	592,500	2,532,100
Stormwater maintenance	-	-	369,974	369,974
Economic development incentives	945,000	-	-	945,000
Loss contingencies	1,100,000	-	-	1,100,000
Future community center	629,800	-	-	629,800
Economic opportunities reserve	2,000,000	-	-	2,000,000
Code compliance services	-	-	1,162,354	1,162,354
Total assigned fund balance:	\$ 9,096,986	\$ 39,600	\$ 2,124,828	\$ 11,261,414
Unassigned*:	\$ 15,081,621	\$ -	\$ -	\$ 15,081,621
Total fund balance:	\$ 78,852,447	\$ 52,465,810	\$ 11,629,027	\$ 142,947,284

* includes \$3.1 million in budget stabilization funds, a minimum fund balance established by the Board.

Note 15

Commitments and Contingencies

15.01 COMMITMENTS

The County has various contracts for general government and utility capital projects approximating \$1.1 million and \$7.2 million, respectively, at June 30, 2017. The School Board has construction project commitments of \$1.7 million at June 30, 2017.

Bonds authorized at June 30, 2017 but not issued are as follows:

Public safety	\$	28,953,641
Schools		119,891,960
Transportation		62,373,950
	\$	<u>211,219,551</u>

15.02 CONTINGENCIES

Grants

The County participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the County's compliance with applicable grant requirements will be established at a future date. The amount of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time, although the County anticipates such amounts, if any, will be immaterial.

Litigation

The County is subject to a variety of pending and threatened litigation, claims, and assessments none of which are expected to have a material impact on the financial statements.

Note 16

Tax Incentives

In coordination with Economic Development Authority of the County of Spotsylvania, Virginia, the County enters into various tax incentive agreements, as authorized

by Section 15.2-953 of the Code, to attract, retain and facilitate expansion of high quality business and industry resulting in a stable, diverse local economy and an improved standard of living for the citizens of the County. All payments are subject to annual appropriation by the County's Board of Supervisors.

For fiscal year ended June 30, 2017, the County reimbursed various business taxes totaling \$224,516, including the following agreements that individually exceeded \$500,000 in total tax expected to be refunded over the life of the agreement:

- On January 26, 2017, the County entered into an incentive agreement with a local engineering firm to expand its operational footprint over the next 10 years by entering into a new facility lease and expanding its number of full-time employees. As part of this agreement, the County has committed to reimbursing the firm up to \$900,000 in personal property, and Business, Professional and Occupational License (BPOL) taxes in annual not to exceed installments of \$90,000. In the event of non-compliance, all payments are subject to recapture.
- On July 22, 2015, the County entered into an agreement to induce an international grocery chain to make a \$125.0 million capital investment and create 200 new jobs in the County to be maintained over a period of seventeen years. As part of this agreement, the County has committed to reimbursing the company up to \$7.5 million in personal property and local sales taxes. Various levels of non-compliance and recapture are in place to protect the County's investment.
- On June 8, 2006, the County entered into an agreement with a local developer to facilitate the development of an \$80.0 million first-class retail center. As part of this agreement the County has agreed to reimburse the developer up to \$17.1 million in new local sales tax generated over a twenty-year period.

Because taxes are abated after the qualifying spending has taken place, there are no provisions for recapturing abated taxes. For the year ending June 30, 2017, the reimbursement amounted to \$176,549.

Note 17

Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are mitigated through the purchase of commercial insurance and participation in public entity risk pools. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

Health Insurance Plan

Spotsylvania County

The County is self-insured for its medical and dental benefits for employees up to \$200,000 per employee, per year. Claims in excess of the limitation are covered by third-party insurance. Expenditures are charged to the fund to which the employees' payroll expenditure is charged. Claims processing and payments are made through a third-party administrator. The County provided funding, approximating one month of claims, in advance at the beginning of the contract. Actual claims are billed to and paid by the County monthly to reestablish available funds to draw down. No funds are held by the administrator at year-end.

The County has committed \$4.0 million of the General Fund's fund balance at June 30, 2017 to ensure adequate funds are available to cover unusual claim fluctuations and incurred but not reported claims (IBNR). The County uses infor-

mation provided by the third-party administrator to record self-insurance liabilities, including IBNR, at year-end. Amounts due in future years on claims as of June 30, 2017 are recognized as a long-term liability due within one year in the Statement of Net Position. Changes in the incurred but not reported claims for the past two fiscal years can be found in Table 33 below.

School Board

The School Board has chosen to partially retain the risk associated with the employees' health and dental insurance plans. Risk is retained up to an individual stop loss amount of \$200,000 during the contract year. Premiums are paid for participating employees to a third party administrator to cover actual claims processed and other related charges incurred. Any current year premium payments in excess of actual claims are combined with any prior year surpluses and held on deposit by the administrator to pay future healthcare premiums. To manage the risk of unexpected claim fluctuations and IBNR liabilities, the School Board has \$11.3 million held in reserve by the Plan administrator reported as Claim reserves – held by others on the Statement of Net Position. Changes in the incurred but not reported claims for the past two fiscal years can be found in Table 33 below.

Table 33
Change in Self-funded Health and Dental Insurance Claim Liabilities

Fiscal Year	Insurance Claim Liability July 1, 2016	Claims and Other Charges Processed	Claim Payments	Insurance Claim Liability June 30, 2017
<i>Primary Government</i>				
2017	\$ 1,157,572	\$ 12,070,626	\$ 11,852,769	\$ 1,375,429
2016	1,167,857	11,515,989	11,526,274	1,157,572
<i>Component unit - School Board</i>				
2017	\$ 3,718,769	\$ 40,849,076	\$ 40,110,112	\$ 4,457,733
2016	3,282,478	41,213,751	40,777,460	3,718,769

Primary Government:

Governmental	\$ 1,235,851
Business-type	139,578
	<u>\$ 1,375,429</u>

Property and Casualty

Spotsylvania County & School Board

The County and School Board participate in Virginia Group Self-Insurance Risk Pools providing coverage for commercial general liability, property, automobile and workers' compensation. In the case of a loss deficit and depletion of all assets and available insurance in the pool, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

Line of Duty Benefits

Spotsylvania County

The Line of Duty Act (LODA) provides important benefits to public safety officers and public safety volunteers and their beneficiaries due to death or disability resulting from performance of their duties. The County has contracted with VACoRP to administer the Plan and is charged a minimal premium to cover the risk of any claims above the \$500,000 deductible. The amount of the deductible has been allocated as committed fund balance in the General Fund as of June 30, 2017.

Note 18

Interjurisdictional Agreements

The County shares an agreement with the City of Fredericksburg, Virginia (City) for joint provisions of water and sewer services. Neither party to the agreement holds any influence to the counterpart's treatment systems.

Joint-Use Water Facilities

In 1995, an agreement between the City and the County provided for the development of a shared water treatment plant at the Motts Run Reservoir. The Motts Run Plant, which is operated by the County, has a treatment capacity of 15 MGD. The City has reserved capacity of 5 MGD. The City is obligated under the agreement to cover their share in the daily operational and maintenance costs associated with the production of potable

water. The County bills the City based on their proportionate share of water consumed and records as operating revenues in the County's Water and Sewer fund. In addition, as part of the agreement, any related capital improvement costs are to be shared based on proportionate reserved capacity. The City is billed for their share as costs are incurred. The County recognizes the City's share as capital contribution revenues in its Water and Sewer fund.

Joint-Use Wastewater Facilities

Through agreement, the County and City share the Hazel Run Interceptor Line (Line), a line extending from the County's existing Hazel Run Lift Station to the City's existing Hazel Run Gravity Line. The purpose of the Line, which is maintained by the City, is to provide the transportation of County and City sewage originating in the Hazel Run Watershed to the City Wastewater Treatment Facility, and/or the County's FMC Wastewater Treatment Facility. Costs of necessary capital improvements to the Line are borne between the County and City on a pro-rata basis, established using actual sewage flow. Any capital improvement costs paid by the County are reported as purchased capacity. Through these capital payments, the County maintains exclusive entitlement to flow capacities within the Line.

Furthermore, the County has agreed to provide wastewater treatment capacity to the City of 1.5 MGD at the FMC facility. City wastewater treated at the FMC facility is billed to the City based on their proportionate share of wastewater treated. Amounts received by the County are treated as operating revenues in the County's Water and Sewer fund. Similar to the joint water facility agreement, any related capital improvement costs to the FMC facility are to be shared based on proportionate reserved capacity. The City is billed for their share as costs are incurred. The County recognizes the City's share as capital contribution revenues in its Water and Sewer fund.

Note 19

Joint Ventures

19.01 POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

On August 18, 2009, the County of Spotsylvania entered into agreement with the Potomac and Rappahannock Transportation Commission (PRTC) effective February 15, 2010. The PRTC was created in fiscal year 1987 to levy a 2% Motor Fuel Tax authorized by the Commonwealth. The PRTC is a joint venture of the contiguous jurisdictions of Prince William, Stafford, Manassas, Manassas Park, Fredericksburg, and Spotsylvania and was established to improve transportation systems, composed of transit facilities, public highways and other modes of transport. While each jurisdiction effectively controls PRTC's use of motor fuel tax proceeds from that jurisdiction, they do not have an explicit, measurable equity interest in the PRTC.

The governing body of each member jurisdiction appoints, from among its members, its representatives to act as Commissioners. The Commission has fifteen members, including three from the General Assembly and one ex-officio representative from the Virginia Department of Transportation. Each Commission member, including the Virginia Department of Transportation, is entitled to one vote in all matters requiring action by the Commission. No jurisdiction holds more than 50% membership in the Commission.

The County is required to fund its share of administrative expenses and subsidies, which includes both the existing VRE related debt service and any new VRE related debt service as authorized by the County. For fiscal year 2017, the County received \$3.7 million in Motor Fuel Tax and paid \$1.5 million in subsidies. As of June 30, 2017, PRTC holds \$4.7 million in County fuel tax receipts available for future transportation project appropriations.

Copies of PRTC's financial statements may be obtained by writing to PRTC Finance Division, 14700 Potomac Mills Road, Woodbridge, Virginia 22192.

19.02 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 include the City of Fredericksburg, and the Counties of Spotsylvania, Stafford and King George. A twelve-member board consisting of three representatives from each of the member jurisdictions governs the Authority.

In accordance with the Authority agreement, member jurisdictions pay operating (per diem) and debt service costs based on the percentage of inmate population. Due to this requirement of the Agreement, the County retains an ongoing financial responsibility for the joint venture. The County's payments for the year ended June 30, 2017 totaled \$4.8 million.

Copies of Rappahannock Regional Jail Authority's financial statements may be obtained by writing to the Director of Support Services, Rappahannock Regional Jail, P.O. Box 3300, Stafford, VA 22554.

19.03 RAPPAHANNOCK JUVENILE CENTER

The Rappahannock Juvenile Center (RJC) operates under the direction of the Rappahannock Juvenile Detention Commission in accordance with Section 16.1-315 of the Code. The primary mission of RJC is to provide secure detention for youths found to be in need of such placement by a court within the participating jurisdictions. RJC originally opened in the fall of 1972 in Fredericksburg, Virginia. In the winter of 2000, located just 7 miles north in Stafford, a new facility was built covering

59,000 square feet with an 80 bed capacity; serving the City of Fredericksburg, and the Counties of Spotsylvania, Louisa, Madison, Orange, King George, and Stafford. The County retains an ongoing financial responsibility and made payments for the year ended June 30, 2017 of \$1.4 million.

Copies of Rappahannock Juvenile Center's financial statements may be obtained by writing to Finance, Rappahannock Juvenile Center, 275 Wyche Road, Stafford, VA 22555.

Note 20

Jointly Governed Organizations

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, as amended. Member jurisdictions are the City of Fredericksburg and the Counties of Spotsylvania, Stafford, and Westmoreland. It provides li-

brary and related services to the participating jurisdictions. The Library operates under the Regional Library Board consisting of one representative from the County of Westmoreland and two representatives each from the remaining jurisdictions. The Regional Library Board is empowered to budget and expend funds and to execute contracts. For the year ended June 30, 2017, the County's appropriation to the Library was \$4.2 million.

Note 21

Subsequent Events

On August 16, 2017, the County issued \$26.2 million in General Obligation (GO) Public Improvement Bonds, Series 2017A with fixed interest rates ranging from 2.4 to 5%. The Bonds will be payable semi-annually on January 15 and July 15 commencing January 15, 2018 until maturity on January 15, 2037. Proceeds will be used to finance school and public safety projects and related costs of issuing the bonds.

Note 22

Restatement of Beginning Balances

The County and School Board reported restatements to its previously reported June 30, 2016 net position (deficit) and fund balance as follows:

Table 34 Restatement of Beginning Balances			
	Governmental Activities	General Fund	Component- unit School Board
Net position/fund balance, June 30, 2016, as previously reported	\$ (71,690,572)	\$ 73,655,235	\$ (2,950,855)
Capital assets reported in error (22.01)	-	-	4,249,765
Adoption of GAAP (22.02)	(1,330,831)	1,621,435	-
Net position/fund balance, June 30, 2016, restated	\$ (73,021,403)	\$ 75,276,670	\$ 1,298,910

22.01 Capital Assets

During fiscal year 2017, the School Board identified during its financial system implementation, the inaccurate calculation and reporting of accumulated depreciation on its capital assets. Corrections to decrease accumulated depreciation and increase the net position of the component unit – School Board were recorded below, the impact on the change in net position for the year ended June 30, 2016 was immaterial:

	June 30, 2016		
	As Previously Reported	Restatement	June 30, 2016 As Restated
Total capital assets, not being depreciated	\$ 10,179,917	\$ -	\$ 10,179,917
Total capital assets, being depreciated	\$ 521,855,894	\$ -	\$ 521,855,894
Less accumulated depreciation for:			
Buildings & improvements	171,167,436	(1,418,665)	169,748,771
Furniture, equipment & vehicles	59,097,046	(2,831,100)	56,265,946
Total accumulated depreciation	230,264,482	(4,249,765)	226,014,717
Total capital assets being depreciated, net	\$ 291,591,412	\$ 4,249,765	\$ 295,841,177
Component unit-School Board capital assets, net	\$ 301,771,329	\$ 4,249,765	\$ 306,021,094

22.02 Implementation of GASB Statement No. 73

Effective for fiscal year 2017, the County implemented GASB Statement No. 73. As a result, the County's Length of Service Aware Program (LOSAP), which is not administered through a trust as defined under GAAP, is no longer reported within a fiduciary fund and must be incorporated into the County's governmental activities. The following adjustments to beginning balances were recorded:

- Under the current financial resources measurement focus and modified accrual basis of accounting, the balances of restricted cash and investment and committed fund balance within the General Fund were increased by \$1,621,435, respectively.
- Under the economic resources measurement focus and accrual basis of accounting:
 - Restricted cash and investments increased \$1,621,435.
 - Deferred outflows – LOSAP pension benefit payments increased \$70,052.
 - Noncurrent liabilities – due in more than one year increased \$3,022,318.
 - The net change of the above adjustments increased the County's deficit in net position from \$71,690,572 to \$73,021,403.

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REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF SPOTSYLVANIA, VIRGINIA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended June 30, 2017

Exhibit IX

Page 1

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
REVENUES				
General property taxes	\$ 162,149,479	\$ 163,916,393	\$ 166,388,967	\$ 2,472,574
Other local taxes	40,915,937	41,800,000	41,830,371	30,371
Permits, fees and regulatory licenses	288,825	302,825	315,939	13,114
Fines and forfeitures	556,300	557,000	558,004	1,004
From use of money and property	746,735	878,055	954,893	76,838
Charges for services	4,137,629	4,544,067	4,781,097	237,030
Gifts and donations	41,500	89,440	133,646	44,206
Miscellaneous	134,100	145,100	105,475	(39,625)
Intergovernmental	36,770,578	38,546,984	39,286,317	739,333
Total revenues	<u>\$ 245,741,083</u>	<u>\$ 250,779,864</u>	<u>\$ 254,354,709</u>	<u>\$ 3,574,845</u>
EXPENDITURES				
Current:				
General government	\$ 13,497,214	\$ 14,523,906	\$ 12,740,875	\$ 1,783,031
Judicial administration	7,320,027	7,606,928	7,059,536	547,392
Public safety	45,973,615	48,720,410	46,230,001	2,490,409
Public works	9,194,157	9,115,564	7,871,561	1,244,003
Health and welfare	19,965,068	20,348,874	20,692,124	(343,250)
Education	121,604,710	124,292,473	122,993,050	1,299,423
Parks, recreation and cultural	7,118,560	7,321,038	7,077,085	243,953
Community development	2,785,614	2,706,485	2,381,984	324,501
Non-departmental	1,018,940	1,018,940	1,206,801	(187,861)
Debt service:				
Principal retirement	6,716,878	6,649,319	6,530,891	118,428
Interest and other fiscal charges	3,527,001	3,527,001	3,504,384	22,617
Total expenditures	<u>\$ 238,721,784</u>	<u>\$ 245,830,938</u>	<u>\$ 238,288,292</u>	<u>\$ 7,542,646</u>
Excess of revenues over expenditures	<u>\$ 7,019,299</u>	<u>\$ 4,948,926</u>	<u>\$ 16,066,417</u>	<u>\$ 11,117,491</u>
Other financing uses:				
Transfers out	<u>\$ (10,063,044)</u>	<u>\$ (14,040,007)</u>	<u>\$ (12,525,558)</u>	<u>\$ 1,514,449</u>
Total other financing uses	<u>\$ (10,063,044)</u>	<u>\$ (14,040,007)</u>	<u>\$ (12,525,558)</u>	<u>\$ 1,514,449</u>
Net change in fund balances	\$ (3,043,745)	\$ (9,091,081)	\$ 3,540,859	\$ 12,631,940
Fund balance, beginning	3,043,745	9,091,081	73,018,973	63,927,892
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,559,832</u>	<u>\$ 76,559,832</u>

Notes to required supplementary information are an integral part of this schedule.

COUNTY OF SPOTSYLVANIA, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2017

Exhibit IX

Page 2

The General Fund Budget Comparison Schedule is prepared on the modified accrual basis of accounting , with the following exceptions:

1 - Under Virginia state law, school boards may not incur debt. Rather, the local government incurs debt on behalf of the local school board, resulting in any debt obligation and its associated debt service being reported under the Primary Government. In comparison, the County's legally adopted budget does not reflect this debt activity as these funds have already been budgeted and appropriated under the component unit - School Board.

2 - Adjustments are required to remove activity related to the Economic Development Opportunity Fund(EDO), which has been consolidated with the General Fund for financial reporting purposes. The EDO fund, a non-major special revenue fund for accounting purposes, does not meet the criteria for separate reporting in the County's external financial statements and is not part of the legally adopted budget of the General Fund.

3 - Adjustments are required to remove activity related to the County's Length of Service Award Program (LOSAP), which has been consolidated with the General Fund for financial reporting purposes. As a revocable trust, Plan assets of the LOSAP no longer meet the requirements to be reported separately within a fiduciary fund and are not part of the legally adopted budget of the General Fund.

	Budgetary Basis (Exh X)	School Debt Service (1)	EDO Fund Activity (2)	LOSAP Trust (3)	GAAP Basis (Exh IV)
REVENUES					
From use of money and property	\$ 954,893	\$ -	\$ 47,056	\$ 57,305	\$ 1,059,254
Miscellaneous	105,475	-	4,157	-	109,632
EXPENDITURES					
Current:					
Public safety	46,230,001	-	-	(32,963)	46,197,038
Education	122,993,050	(2,520,389)	-	-	120,472,661
Community development	2,381,984	-	1,097,883	-	3,479,867
Debt service:					
Principal retirement	6,530,891	18,333,944	45,264	-	24,910,099
Interest and other charges	3,504,384	6,484,143	16,483	-	10,005,010
Bond issuance costs	-	216,123	-	-	216,123
Other financing sources (uses):					
Transfers in (out)	(12,525,558)	-	1,053,067	-	(11,472,491)
Proceeds from sale of bonds	-	19,615,000	-	-	19,615,000
Premium on sale of bonds	-	2,898,821	-	-	2,898,821
Total reconciling adjustments:		\$ -	\$ (55,350)	\$ 90,268	-
Net change in fund balances (Exh IX & IV):	\$ 3,540,859	\$ -	\$ (55,350)	\$ 90,268	\$ 3,575,777
Fund balance, beginning (Exh IX & IV)	73,018,973	-	636,262	1,621,435	75,276,670
Fund balance, ending (Exh IX & IV)	<u>\$ 76,559,832</u>	<u>\$ -</u>	<u>\$ 580,912</u>	<u>\$ 1,711,703</u>	<u>\$ 78,852,447</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

EXHIBIT X

Schedule of Changes in Net Pension Liability and Related Ratios - County

Last Ten Fiscal Years

(Amounts in thousands)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total pension liability	2015 is the first year for presentation, no other data is available.									
Service cost	\$ 5,450	\$ 5,405	\$ 5,123							
Interest	10,191	9,544	8,849							
Differences between actual and expected experience	1,873	(766)	-							
Benefit payments, including refunds of employee contributions	(5,605)	(4,263)	(3,827)							
Net change in total pension liability	11,909	9,920	10,145							
Total pension liability - beginning	148,391	138,471	128,326							
Total pension liability - ending	<u>\$ 160,300</u>	<u>\$ 148,391</u>	<u>\$ 138,471</u>							
Plan fiduciary net position										
Contributions - employer	\$ 4,762	\$ 4,631	\$ 4,736							
Contributions - employee	2,303	2,246	2,165							
Net investment income	2,399	5,869	17,024							
Benefit payments, including refunds of employee contributions	(5,605)	(4,262)	(3,827)							
Administrative expense	(82)	(76)	(88)							
Other	(1)	(1)	1							
Net change in plan fiduciary net position	3,776	8,407	20,011							
Plan fiduciary net position - beginning	134,411	126,004	105,993							
Plan fiduciary net position - ending	<u>\$ 138,187</u>	<u>\$ 134,411</u>	<u>\$ 126,004</u>							
County's net pension liability-ending	<u>\$ 22,113</u>	<u>\$ 13,980</u>	<u>\$ 12,467</u>							
Plan fiduciary net position as a % of the total pension liability	86.2%	90.6%	91.0%							
Covered-employee payroll	\$ 45,430	\$ 43,942	\$ 43,592							
County's net pension liability as a % of covered-employee payroll	48.7%	31.8%	28.6%							

Notes to Schedule:

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

Benefit changes:

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

Changes in assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

General employees:

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

Public Safety employees:

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

COUNTY OF SPOTSYLVANIA, VIRGINIA

EXHIBIT XI

Schedule of Changes in Net Pension Liability and Related Ratios - School Board

Last Ten Fiscal Years

(Amounts in thousands)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total pension liability	2015 is the first year for presentation, no other data is available.									
Service cost	\$ 993	\$ 1,024	\$ 1,057							
Interest	1,846	1,760	1,662							
Difference between expected and actual experience	(454)	(156)	-							
Benefit payments, including refunds of employee contributions	(1,467)	(1,321)	(1,315)							
Net change in total pension liability	918	1,307	1,404							
Total pension liability - beginning	27,108	25,801	24,397							
Total pension liability - ending	<u>\$ 28,026</u>	<u>\$ 27,108</u>	<u>\$ 25,801</u>							
Plan fiduciary net position										
Contributions - employer	\$ 729	\$ 762	\$ 872							
Contributions - employee	443	448	444							
Net investment income	447	1,128	3,363							
Benefit payments, including refunds of employee contributions	(1,467)	(1,321)	(1,315)							
Administrative expense	(16)	(16)	(18)							
Net change in plan fiduciary net position	136	1,001	3,346							
Plan fiduciary net position - beginning	25,882	24,881	21,535							
Plan fiduciary net position - ending	<u>\$ 26,018</u>	<u>\$ 25,882</u>	<u>\$ 24,881</u>							
School Board's net pension liability-ending	<u>\$ 2,008</u>	<u>\$ 1,226</u>	<u>\$ 920</u>							
Plan fiduciary net position as a % of the total pension liability	92.84%	95.48%	96.43%							
Covered-employee payroll	\$ 9,075	\$ 9,042	\$ 8,922							
School Board's net pension liability as a % of covered-employee payroll	22.13%	13.56%	10.31%							

Notes to Schedule:

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

Benefit changes:

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, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement

COUNTY OF SPOTSYLVANIA, VIRGINIA

EXHIBIT XII

Schedule of Employer's Share of Net Pension Liability - Teacher Retirement Plan

Last Ten Fiscal Years

(Amounts in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
					2015 is the first year for presentation, no other data is available.					
Proportion of the net pension liability	1.62648%	1.62945%	1.62056%							
Proportionate share of the net pension liability	\$ 227,937	\$ 205,089	\$ 195,840							
Covered-employee payroll	\$ 123,993	\$ 121,089	\$ 118,052							
Proportionate share of the net pension liability as a % of its covered-employee payroll	183.83%	169.37%	165.89%							
Plan fiduciary net position as a % of the total pension liability	68.28%	70.68%	70.88%							

Notes to Schedule:

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

Benefit changes

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, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

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

COUNTY OF SPOTSYLVANIA, VIRGINIA

EXHIBIT XIII

Schedule of Employer Contributions - Pensions

Last Ten Fiscal Years

(Amounts in thousands)	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
County of Spotsylvania										
Contractually required contribution	\$ 4,436	\$ 4,762	\$ 4,631		2015 is the first year of presentation, no other data is available.					
Contributions in relation to the										
contractually required contribution	(4,436)	(4,762)	(4,631)							
Contribution excess	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 47,488	\$ 45,430	\$ 43,942							
Contributions as a percentage of										
covered-employee payroll	9.34%	10.48%	10.54%							
Spotsylvania County School Board										
Contractually required contribution	\$ 584	\$ 729	\$ 762							
Contributions in relation to the										
contractually required contribution	(584)	(729)	(762)							
Contribution excess	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 9,163	\$ 9,075	\$ 9,042							
Contributions as a percentage of										
covered-employee payroll	6.37%	8.03%	8.43%							
Spotsylvania County School Board - Teacher Plan										
Contractually required contribution	\$ 18,162	\$ 17,436	\$ 17,567							
Contributions in relation to the										
contractually required contribution	(18,162)	(17,436)	(17,567)							
Contribution excess	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 125,768	\$ 123,993	\$ 121,089							
Contributions as a percentage of										
covered-employee payroll	14.44%	14.06%	14.51%							

Notes to Schedule:

Amounts presented represent contractually determined contributions established by the System. Amounts are adjusted annually to address immaterial purchases of past services made by outside parties to allow for reconciliation to contributions reported in Exhibit X and XI.

COUNTY OF SPOTSYLVANIA, VIRGINIA

EXHIBIT XIV

Schedule of Changes in Net OPEB Liability and Related Ratios - School Board

Last Ten Fiscal Years

(Amounts in thousands)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	2017 is the first year for presentation, no other data is available.									
Service cost	\$ 10,523									
Interest	7,155									
Changes of assumptions	(27,679)									
Benefit payments	(4,496)									
Net change in total OPEB liability	(14,497)									
Total OPEB liability - beginning	253,302									
Total OPEB liability - ending	<u>\$ 238,805</u>									
Plan fiduciary net position										
Contributions - employer	\$ 4,496									
Net investment income	357									
Benefit payments	(4,496)									
Administrative expense	(3)									
Net change in plan fiduciary net position	354									
Plan fiduciary net position - beginning	2,778									
Plan fiduciary net position - ending	<u>\$ 3,132</u>									
School Board's net OPEB liability-ending	<u>\$ 235,673</u>									
Plan fiduciary net position as a % of the total OPEB liability	1.31%									
Covered-employee payroll	\$ 134,931									
School Board's net OPEB liability as a % of covered-employee payroll	174.66%									

Notes to Schedule:

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

There have been no actuarially significant changes to benefit provisions.

The discount rate used to determine the total pension liability increased in 2017 to 3.58% from 2.85% in 2016.

COUNTY OF SPOTSYLVANIA, VIRGINIA

EXHIBIT XV

Schedule of School Board Contributions to OPEB

Last Ten Fiscal Years

(Amounts in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	2017 is the first year for presentation, no other data is available.									
Actuarially determined contribution	\$ 19,891									
Contributions in relation to the actuarially determined contribution	<u>4,496</u>									
Contribution deficiency (excess)	<u>\$ 15,395</u>									
Covered-employee payroll	\$ 134,931									
Contributions as a percentage of covered- employee payroll	3.33%									

Notes to Schedule:

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.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Inflation	2.3%
Healthcare cost trend rates	Long-Run Medical Cost Trend Model with an initial rate of 5.8% for 2018, decreasing gradually to 4.0% for 2077 and later years.
Salary increases	3.5% - 5.95%, including inflation
Mortality	RP--2000 Combined Mortality Table for Males or Females, as appropriate, based on Scale AA
Blended discount rate	3.58%
Investment rate of return, net	7.0%, including inflation

COUNTY OF SPOTSYLVANIA, VIRGINIA

EXHIBIT XVI

Schedule of OPEB Investment Returns - School Board

Last Ten Fiscal Years

(Amounts in thousands)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	2017 is the first year for presentation, no other data is available.									
Annual money-weighted rate of return, net of investment expense	13.04%									

COUNTY OF SPOTSYLVANIA, VIRGINIA

EXHIBIT XVII

Schedule of Changes in Length of Service Award Program (LOSAP) Total Pension Liability and Related Ratios

Last Ten Fiscal Years

(Amounts in thousands)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total pension liability	2017 is the first year for presentation, no other data is available.									
Service cost	\$ 109									
Interest	114									
Differences between actual and expected experience	6									
Change in assumptions	446									
Benefit payments, including refunds of employee contributions	(70)									
Net change in total pension liability	605									
Total pension liability - beginning	3,022									
Total pension liability - ending	<u>\$ 3,627</u>									
Covered payroll	N/A									
Total pension liability as a % of covered-employee payroll	N/A									

Notes to Schedule:

There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

A discount rate of 3.58% used to measure the total pension liability was based on the Bond Buyer 20-Bond GO Index.

There is no covered employee payroll since this plan provides benefits for volunteers. Projected inflation is used in place of the projected rate of change in salary.

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

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OTHER SUPPLEMENTARY INFORMATION

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CAPITAL PROJECTS FUND

The *capital projects fund* is used to account for the development, modernization and replacement of County infrastructure not financed by the proprietary fund.

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COUNTY OF SPOTSYLVANIA, VIRGINIA

BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND

For the Year Ended June 30, 2017

Schedule A

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
REVENUES				
General property taxes	\$ 30,000	\$ 30,000	\$ 49,783	\$ 19,783
From use of money and property	145,000	145,000	442,834	297,834
Gifts and donations	77,331	634,239	163,475	(470,764)
Miscellaneous	-	(30)	42,112	42,142
Intergovernmental	608,648	4,493,707	1,075,992	(3,417,715)
Total revenues	<u>\$ 860,979</u>	<u>\$ 5,302,916</u>	<u>\$ 1,774,196</u>	<u>\$ (3,528,720)</u>
EXPENDITURES				
Current:				
General government	\$ 142,020	\$ 142,020	\$ 69,293	\$ 72,727
Capital projects	12,954,795	78,690,204	23,497,005	55,193,199
Debt service:				
Bond issuance costs	-	97,635	91,886	5,749
Total expenditures	<u>\$ 13,096,815</u>	<u>\$ 78,929,859</u>	<u>\$ 23,658,184</u>	<u>\$ 55,271,675</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (12,235,836)</u>	<u>\$ (73,626,943)</u>	<u>\$ (21,883,988)</u>	<u>\$ 51,742,955</u>
Other financing sources (uses):				
Transfers in	\$ 11,394,137	\$ 13,922,911	\$ 13,236,513	\$ (686,398)
Proceeds from sale of bonds	-	8,370,000	8,370,000	-
Premium on sale of bonds	-	1,092,964	1,092,964	-
Total other financing sources (uses), net	<u>\$ 11,394,137</u>	<u>\$ 23,385,875</u>	<u>\$ 22,699,477</u>	<u>\$ (686,398)</u>
Net change in fund balances	\$ (841,699)	\$ (50,241,068)	\$ 815,489	\$ 51,056,557
Fund balance, beginning	<u>841,699</u>	<u>50,241,068</u>	<u>51,650,321</u>	<u>1,409,253</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,465,810</u>	<u>\$ 52,465,810</u>

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OTHER GOVERNMENTAL FUNDS

Nonmajor funds:

The *fire/EMS service fee fund* is used to account for the revenue recovery program established by county code section 9-39, authorizing charges for services to cover emergency medical support provided by the County. Fees received are used to defray the cost of fire and emergency management services in the county.

The *code compliance fund* is used to account for revenues and expenditures associated with the enforcement of building and zoning codes enacted by authority of the Commonwealth of Virginia.

The *transportation fund* is used to cover costs associated with the planning and oversight of transportation projects, funding for the Fredericksburg Regional Transit (FRED) local bus system, and debt service.

COUNTY OF SPOTSYLVANIA, VIRGINIA

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS

June 30, 2017

Schedule B-1

	Fire/EMS Service Fee Fund	Code Compliance Fund	Transportation Fund	Total Other Governmental Funds
ASSETS				
Cash and investments - pooled equity	\$ -	\$ 2,356,728	\$ 5,108,693	\$ 7,465,421
Receivables, net	577,688	39	5,158,486	5,736,213
Restricted cash and investments	-	-	862,567	862,567
Total assets	<u>\$ 577,688</u>	<u>\$ 2,356,767</u>	<u>\$ 11,129,746</u>	<u>\$ 14,064,201</u>
LIABILITIES				
Accounts payable	\$ -	\$ 89,172	\$ 3,709	\$ 92,881
Accrued salaries and benefits	-	77,254	8,141	85,395
Other accrued liabilities	-	31,673	-	31,673
Deposits	-	81,440	1,373,351	1,454,791
Total liabilities	<u>\$ -</u>	<u>\$ 279,539</u>	<u>\$ 1,385,201</u>	<u>\$ 1,664,740</u>
DEFERRED INFLOWS				
Unavailable revenue:				
Property taxes	\$ -	\$ -	\$ 484,284	\$ 484,284
Other revenues	286,150	-	-	286,150
Total deferred inflows	<u>\$ 286,150</u>	<u>\$ -</u>	<u>\$ 484,284</u>	<u>\$ 770,434</u>
FUND BALANCE				
Restricted	\$ -	\$ -	\$ 4,555,167	\$ 4,555,167
Committed	291,538	-	4,657,494	4,949,032
Assigned	-	2,077,228	47,600	2,124,828
Total fund balances	<u>\$ 291,538</u>	<u>\$ 2,077,228</u>	<u>\$ 9,260,261</u>	<u>\$ 11,629,027</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 577,688</u>	<u>\$ 2,356,767</u>	<u>\$ 11,129,746</u>	<u>\$ 14,064,201</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2017

Schedule B-2

	Fire/EMS Service Fee Fund	Code Compliance Fund	Transportation Fund	Total Other Governmental Funds
REVENUES				
General property taxes	\$ -	\$ -	\$ 1,082,385	\$ 1,082,385
Other local taxes	-	-	3,743,790	3,743,790
Permits, privilege fees and regulatory licenses	-	3,448,555	17,300	3,465,855
From use of money and property	-	-	32,054	32,054
Charges for services	2,814,885	234,633	-	3,049,518
Gifts and donations	-	-	477,567	477,567
Miscellaneous	-	50	-	50
Total revenues	<u>\$ 2,814,885</u>	<u>\$ 3,683,238</u>	<u>\$ 5,353,096</u>	<u>\$ 11,851,219</u>
EXPENDITURES				
Current:				
Public safety	\$ -	\$ 1,881,568	\$ -	\$ 1,881,568
Community development	-	1,570,138	2,204,356	3,774,494
Debt service:				
Principal retirement	-	-	2,928,741	2,928,741
Interest and other fiscal charges	-	-	1,790,433	1,790,433
Total expenditures	<u>\$ -</u>	<u>\$ 3,451,706</u>	<u>\$ 6,923,530</u>	<u>\$ 10,375,236</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 2,814,885	\$ 231,532	\$ (1,570,434)	\$ 1,475,983
Other financing sources (uses):				
Transfers in (out)	<u>\$ (2,881,089)</u>	<u>\$ 181,243</u>	<u>\$ 798,459</u>	<u>\$ (1,901,387)</u>
Total other financing sources (uses), net	<u>\$ (2,881,089)</u>	<u>\$ 181,243</u>	<u>\$ 798,459</u>	<u>\$ (1,901,387)</u>
Net change in fund balances	\$ (66,204)	\$ 412,775	\$ (771,975)	\$ (425,404)
Fund balance, beginning	<u>357,742</u>	<u>1,664,453</u>	<u>10,032,236</u>	<u>12,054,431</u>
Fund balance, ending	<u><u>\$ 291,538</u></u>	<u><u>\$ 2,077,228</u></u>	<u><u>\$ 9,260,261</u></u>	<u><u>\$ 11,629,027</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

BUDGETARY COMPARISON SCHEDULE - FIRE/EMS SERVICE FEE FUND

For the Year Ended June 30, 2017

Schedule B-3.1

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
REVENUES				
Charges for services	\$ 2,750,000	\$ 2,750,000	\$ 2,814,885	\$ 64,885
Total revenues	<u>\$ 2,750,000</u>	<u>\$ 2,750,000</u>	<u>\$ 2,814,885</u>	<u>\$ 64,885</u>
 Other financing uses:				
Transfers out	\$ (2,903,846)	\$ (2,903,846)	\$ (2,881,089)	\$ 22,757
Total other financing uses	<u>\$ (2,903,846)</u>	<u>\$ (2,903,846)</u>	<u>\$ (2,881,089)</u>	<u>\$ 22,757</u>
 Net change in fund balances	\$ (153,846)	\$ (153,846)	\$ (66,204)	\$ 87,642
Fund balance, beginning	<u>153,846</u>	<u>153,846</u>	<u>357,742</u>	<u>\$ 203,896</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291,538</u>	<u>\$ 291,538</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

BUDGETARY COMPARISON SCHEDULE - CODE COMPLIANCE FUND

For the Year Ended June 30, 2017

Schedule B-3.2

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
REVENUES				
Permits, privilege fees and regulatory licenses	\$ 3,172,715	\$ 3,172,715	\$ 3,448,555	\$ 275,840
Charges for services	195,396	195,396	234,633	39,237
Miscellaneous	-	-	50	50
Total revenues	<u>\$ 3,368,111</u>	<u>\$ 3,368,111</u>	<u>\$ 3,683,238</u>	<u>\$ 315,127</u>
EXPENDITURES				
Public safety	\$ 2,065,590	\$ 2,065,590	\$ 1,881,568	\$ 184,022
Community development	1,675,489	1,675,489	1,570,138	105,351
Total expenditures	<u>\$ 3,741,079</u>	<u>\$ 3,741,079</u>	<u>\$ 3,451,706</u>	<u>\$ 289,373</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (372,968)</u>	<u>\$ (372,968)</u>	<u>\$ 231,532</u>	<u>\$ 604,500</u>
Other financing sources (uses):				
Transfers in (out)	<u>\$ 232,851</u>	<u>\$ 232,851</u>	<u>\$ 181,243</u>	<u>\$ (51,608)</u>
Total other financing sources (uses), net	<u>\$ 232,851</u>	<u>\$ 232,851</u>	<u>\$ 181,243</u>	<u>\$ (51,608)</u>
Net change in fund balances	\$ (140,117)	\$ (140,117)	\$ 412,775	\$ 552,892
Fund balance, beginning	<u>140,117</u>	<u>140,117</u>	<u>1,664,453</u>	<u>1,524,336</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,077,228</u></u>	<u><u>\$ 2,077,228</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

BUDGETARY COMPARISON SCHEDULE - TRANSPORTATION FUND

For the Year Ended June 30, 2017

Schedule B-3.3

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
REVENUES				
General property taxes	\$ 975,335	\$ 975,335	\$ 1,082,385	\$ 107,050
Other local taxes	3,672,032	3,672,032	3,743,790	71,758
Permits, privilege fees and regulatory licenses	15,315	15,315	17,300	1,985
From use of money and property	15,000	15,000	32,054	17,054
Gifts and donations	-	-	477,567	477,567
Total revenues	<u>\$ 4,677,682</u>	<u>\$ 4,677,682</u>	<u>\$ 5,353,096</u>	<u>\$ 675,414</u>
EXPENDITURES				
Current:				
Community development	\$ 2,214,731	\$ 2,214,731	\$ 2,204,356	\$ 10,375
Debt service:				
Principal retirement	2,939,741	2,928,741	2,928,741	-
Interest and other fiscal charges	1,811,411	1,797,631	1,790,433	7,198
Total expenditures	<u>\$ 6,965,883</u>	<u>\$ 6,941,103</u>	<u>\$ 6,923,530</u>	<u>\$ 17,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,288,201)</u>	<u>\$ (2,263,421)</u>	<u>\$ (1,570,434)</u>	<u>\$ 692,987</u>
Other financing sources (uses):				
Transfers out	<u>\$ 622,394</u>	<u>\$ 622,394</u>	<u>\$ 798,459</u>	<u>\$ 176,065</u>
Total other financing sources (uses), net	<u>\$ 622,394</u>	<u>\$ 622,394</u>	<u>\$ 798,459</u>	<u>\$ 176,065</u>
Net change in fund balances	\$ (1,665,807)	\$ (1,641,027)	\$ (771,975)	\$ 869,052
Fund balance, beginning	<u>1,665,807</u>	<u>1,641,027</u>	<u>10,032,236</u>	<u>8,391,209</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,260,261</u>	<u>\$ 9,260,261</u>

AGENCY FUNDS

Agency funds account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. The agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

The *special welfare fund* accounts for funds belonging to individuals in the custody of the local social service agency.

The *contribution fund* accounts for funds held by the County for various donation accounts.

COUNTY OF SPOTSYLVANIA, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS

June 30, 2017

Schedule C-1

	Special Welfare	Contribution Fund	Total
ASSETS			
Cash	\$ 9,490	\$ 421,213	\$ 430,703
Total assets	<u>\$ 9,490</u>	<u>\$ 421,213</u>	<u>\$ 430,703</u>
LIABILITIES			
Amounts held for others	\$ 9,490	\$ 421,213	\$ 430,703
Total liabilities	<u>\$ 9,490</u>	<u>\$ 421,213</u>	<u>\$ 430,703</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS**

For the Fiscal Year Ended June 30, 2017

Schedule C-2

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
SPECIAL WELFARE				
ASSETS				
Cash	\$ 12,086	\$ 60,859	\$ 63,455	\$ 9,490
Total assets	<u>\$ 12,086</u>	<u>\$ 60,859</u>	<u>\$ 63,455</u>	<u>\$ 9,490</u>
LIABILITIES				
Amounts held for others	\$ 12,086	\$ 60,859	\$ 63,455	\$ 9,490
Total liabilities	<u>\$ 12,086</u>	<u>\$ 60,859</u>	<u>\$ 63,455</u>	<u>\$ 9,490</u>
CONTRIBUTION FUND				
ASSETS				
Cash	\$ 323,063	\$ 619,955	\$ 521,805	\$ 421,213
Total assets	<u>\$ 323,063</u>	<u>\$ 619,955</u>	<u>\$ 521,805</u>	<u>\$ 421,213</u>
LIABILITIES				
Amounts held for others	\$ 323,063	\$ 1,039,328	\$ 941,178	\$ 421,213
Total liabilities	<u>\$ 323,063</u>	<u>\$ 1,039,328</u>	<u>\$ 941,178</u>	<u>\$ 421,213</u>
TOTAL - ALL FIDUCIARY FUNDS				
ASSETS				
Cash	\$ 335,149	\$ 680,814	\$ 585,260	\$ 430,703
Total assets	<u>\$ 335,149</u>	<u>\$ 680,814</u>	<u>\$ 585,260</u>	<u>\$ 430,703</u>
LIABILITIES				
Amounts held for others	\$ 335,149	\$ 1,100,187	\$ 1,004,633	\$ 430,703
Total liabilities	<u>\$ 335,149</u>	<u>\$ 1,100,187</u>	<u>\$ 1,004,633</u>	<u>\$ 430,703</u>

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DISCRETELY PRESENTED COMPONENT UNIT

The Spotsylvania County School Board has been included as a component unit of the County. While the County does not appoint members to the Board, the County does approve the School Board's budget and any debt issued, and provides significant funding.

Governmental funds:

The *school operating fund* is used to account for education activities, instructional and student support programs, general and administrative expenditures, normal operations and maintenance, and other approved expenditures not specifically designated to be accounted for in any other fund.

The *school cafeteria fund* is used to record the financial activities of the school's food service program. This includes reporting revenues and expenditures associated with school breakfast, lunch and snack programs.

The *school capital projects fund* accounts for the accumulation of funds to be used for constructing, acquiring, and rehabilitating capital assets.

Enterprise fund:

The *fleet services fund* is an internal service fund used to accumulate and charge costs of fleet management and maintenance to individual funds.

Fiduciary fund:

The *school opeb trust fund* is used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

COUNTY OF SPOTSYLVANIA, VIRGINIA

**COMBINING BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNIT -
SCHOOL BOARD**

June 30, 2017

Schedule D-1

	Operating	Cafeteria	Capital Projects	Total
ASSETS				
Cash and investments - pooled equity	\$ -	\$ 3,986,249	\$ -	\$ 3,986,249
Receivables, net	7,380,289	339,142	-	7,719,431
Prepaid items	11,316,235	-	-	11,316,235
Due from Primary Government	22,565,125	-	-	22,565,125
Restricted cash and investments	-	-	6,670,732	6,670,732
Total assets	<u>\$ 41,261,649</u>	<u>\$ 4,325,391</u>	<u>\$ 6,670,732</u>	<u>\$ 52,257,772</u>
LIABILITIES				
Accounts payable	\$ 2,073,139	\$ 434,488	\$ 5,931,478	\$ 8,439,105
Retainage payable	-	-	75,377	75,377
Accrued salaries and benefits	25,357,881	291,234	-	25,649,115
Total liabilities	<u>\$ 27,431,020</u>	<u>\$ 725,722</u>	<u>\$ 6,006,855</u>	<u>\$ 34,163,597</u>
DEFERRED INFLOWS				
Unavailable revenues	<u>\$ 2,514,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,514,394</u>
FUND BALANCE				
Restricted for:				
Capital projects	\$ -	\$ -	\$ 663,877	\$ 663,877
Committed for:				
Food service	-	3,599,669	-	3,599,669
Assigned to:				
Health insurance reserve	11,316,235	-	-	11,316,235
Total fund balance	<u>\$ 11,316,235</u>	<u>\$ 3,599,669</u>	<u>\$ 663,877</u>	<u>\$ 15,579,781</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 41,261,649</u>	<u>\$ 4,325,391</u>	<u>\$ 6,670,732</u>	<u>\$ 52,257,772</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**Reconciliation of the Combining Balance Sheet Discretely Presented
Component Unit - School Board to the Statement of Net Position**

June 30, 2017

Page 2

Total fund balances of the component unit - School Board (Schedule D-1)	\$	15,579,781
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*Amounts reported for the Component Unit - School Board in the
Statement of Net Position (Exhibit I) are different because:*

Prepaid expenses use current resources and, therefore, are not reported in the governmental funds.		1,268,316
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Non-depreciable assets	\$ 14,383,762		
Depreciable assets, net	<u>286,960,052</u>		
			301,343,814

Deferred outflows represent a consumption of net position that is applicable to a future reporting period.

Pension contributions	\$ 18,704,033		
Pension actuarial differences	<u>14,468,286</u>		
			33,172,319

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Other postemployment benefits	\$ (122,643,474)		
Net pension liability	(229,809,239)		
Insurance claims	(4,434,553)		
Compensated absences	<u>(5,852,276)</u>		
			(362,739,542)

Revenue not considered available in governmental funds is susceptible to full accrual on the entity-wide statements.		2,514,395
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Deferred inflows of pension actuarial differences represent an acquisition of net position that is applicable to a future reporting period.		(11,765,465)
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Internal service fund included in entity-wide statements (Sch E-1).		<u>9,335,555</u>
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Total net position of the component unit - School Board (Exhibit I)	\$	<u><u>(11,290,827)</u></u>
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COUNTY OF SPOTSYLVANIA, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

For the Year Ended June 30, 2017

Schedule D-2

	Operating	Cafeteria	Capital Projects	Total
REVENUES				
From use of money and property	\$ -	\$ -	\$ 97,061	\$ 97,061
Charges for services	3,356,726	4,683,160	-	8,039,886
Miscellaneous	249,412	31,997	2,837	284,246
Intergovernmental	141,239,779	5,444,880	-	146,684,659
Payments from Primary Government	97,945,568	-	22,297,698	120,243,266
Total revenues	<u>\$ 242,791,485</u>	<u>\$ 10,160,037</u>	<u>\$ 22,397,596</u>	<u>\$ 275,349,118</u>
EXPENDITURES				
Current:				
Education	\$ 242,866,152	\$ 9,845,132	\$ -	\$ 252,711,284
Capital projects	-	-	26,586,274	26,586,274
Total expenditures	<u>\$ 242,866,152</u>	<u>\$ 9,845,132</u>	<u>\$ 26,586,274</u>	<u>\$ 279,297,558</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (74,667)</u>	<u>\$ 314,905</u>	<u>\$ (4,188,678)</u>	<u>\$ (3,948,440)</u>
Other financing sources (uses):				
Transfers in (out)	\$ (63,870)	\$ 63,870	\$ -	\$ -
Total other financing sources (uses), net	<u>\$ (63,870)</u>	<u>\$ 63,870</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (138,537)	\$ 378,775	\$ (4,188,678)	\$ (3,948,440)
Fund balance, beginning	<u>11,454,772</u>	<u>3,220,894</u>	<u>4,852,555</u>	<u>19,528,221</u>
Fund balance, ending	<u><u>\$ 11,316,235</u></u>	<u><u>\$ 3,599,669</u></u>	<u><u>\$ 663,877</u></u>	<u><u>\$ 15,579,781</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Component Unit School Board to the Statement of Activities

For the Year Ended June 30, 2017

Page 2

Net change in fund balance of the component unit - School Board (Schedule D-2): \$ (3,948,440)

Amounts reported for the component unit - School Board in the Statement of Activities are different because:

Governmental funds report prepaids as expenditures. However, in the Statement of Activities, the cost is allocated over its service life and reported against the applicable functional expense. 697,635

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.

Capital outlay	\$ 19,770,573	
Depreciation expense	<u>(14,468,458)</u>	5,302,115

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements.

Other revenues	<u>2,314</u>	2,314
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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.

Other postemployment benefits	\$ (13,052,530)	
Pension benefits	37,127	
Insurance claims	(735,110)	
Compensated absences	<u>(434,648)</u>	(14,185,161)

Change in Internal Service Fund (Sch E-2) included in the entity-wide statements. (458,200)

Change in net position of the component unit - School Board (Exhibit II) \$ (12,589,737)

COUNTY OF SPOTSYLVANIA, VIRGINIA

**COMBINING BUDGETARY COMPARISON SCHEDULE - DISCRETELY PRESENTED COMPONENT UNIT -
SCHOOL BOARD**

For the Year Ended June 30, 2017

Schedule D-3

Page 1

	Operating				Cafeteria			
	Budgeted Amounts		Actual	Variance	Budgeted Amounts		Actual	Variance
	Original	Final			Original	Final		
Revenues								
From use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	3,929,315	4,086,905	3,356,726	(730,179)	4,695,988	4,695,988	4,683,160	(12,828)
Miscellaneous	839,389	1,276,497	249,412	(1,027,085)	103,348	103,348	31,997	(71,351)
Intergovernmental	142,252,858	142,394,735	141,239,779	(1,154,956)	4,652,320	5,113,320	5,444,880	331,560
Payments from Primary Government	<u>121,375,315</u>	<u>124,063,078</u>	<u>122,763,655</u>	<u>(1,299,423)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 268,396,877</u>	<u>\$ 271,821,215</u>	<u>\$ 267,609,572</u>	<u>\$ (4,211,643)</u>	<u>\$ 9,451,656</u>	<u>\$ 9,912,656</u>	<u>\$ 10,160,037</u>	<u>\$ 247,381</u>
Expenditures								
Current:								
Education	\$ 242,410,077	\$ 246,926,973	\$ 242,727,615	\$ 4,199,358	\$ 9,515,526	\$ 9,976,526	\$ 9,845,132	\$ 131,394
Capital projects	-	-	-	-	-	-	-	-
Debt service:								
Principal	19,202,442	18,333,944	18,333,944	-	-	-	-	-
Interest and fiscal charges	6,720,488	6,496,428	6,484,143	12,285	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	<u>\$ 268,333,007</u>	<u>\$ 271,757,345</u>	<u>\$ 267,545,702</u>	<u>\$ 4,211,643</u>	<u>\$ 9,515,526</u>	<u>\$ 9,976,526</u>	<u>\$ 9,845,132</u>	<u>\$ 131,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 63,870</u>	<u>\$ 63,870</u>	<u>\$ 63,870</u>	<u>\$ -</u>	<u>\$ (63,870)</u>	<u>\$ (63,870)</u>	<u>\$ 314,905</u>	<u>\$ 378,775</u>
Other financing sources (uses):								
Proceeds from sale of bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Premium on sale of bonds	-	-	-	-	-	-	-	-
Transfers	<u>(63,870)</u>	<u>(63,870)</u>	<u>(63,870)</u>	<u>-</u>	<u>63,870</u>	<u>63,870</u>	<u>63,870</u>	<u>-</u>
Total other financing sources (uses), net	<u>\$ (63,870)</u>	<u>\$ (63,870)</u>	<u>\$ (63,870)</u>	<u>\$ -</u>	<u>\$ 63,870</u>	<u>\$ 63,870</u>	<u>\$ 63,870</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 378,775	\$ 378,775
Fund balance, beginning	-	-	-	-	-	-	3,220,894	3,220,894
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,599,669</u>	<u>\$ 3,599,669</u>

Notes to schedule:

Budgets are prepared on a modified accrual basis with the exception of school debt service activity and self-funded insurance costs. The amounts presented here include net school debt service payments and school bonds issued of \$2,520,389 that are obligations of the Primary Government. Details may be found in Exhibit X, Notes to Required Supplementary Information. Insurance costs are budgeted and appropriated based on premiums established by the Plan and paid to the Plan Administrator. Actual claims above premiums paid equaling \$138,537 in fiscal year 2017 represent the use of previously appropriated funds held by the Plan Administrator and a reconciling item to Schedule D-2.

COUNTY OF SPOTSYLVANIA, VIRGINIA

**COMBINING BUDGETARY COMPARISON SCHEDULE - DISCRETELY PRESENTED COMPONENT UNIT -
SCHOOL BOARD**

For the Year Ended June 30, 2017

*Schedule D-3**Page 2*

	Capital Projects				Totals			
	Budgeted Amounts		Actual	Variance	Budgeted Amounts		Actual	Variance
	Original	Final			Original	Final		
Revenues								
From use of money and property	\$ -	\$ -	\$ 97,061	\$ 97,061	\$ -	\$ -	\$ 97,061	\$ 97,061
Charges for services	-	-	-	-	8,625,303	8,782,893	8,039,886	(743,007)
Miscellaneous	-	-	2,837	2,837	942,737	1,379,845	284,246	(1,095,599)
Intergovernmental	-	-	-	-	146,905,178	147,508,055	146,684,659	(823,396)
Payments from Primary Government	-	-	-	-	121,375,315	124,063,078	122,763,655	(1,299,423)
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,898</u>	<u>\$ 99,898</u>	<u>\$ 277,848,533</u>	<u>\$ 281,733,871</u>	<u>\$ 277,869,507</u>	<u>\$ (3,864,364)</u>
Expenditures								
Current:								
Education	\$ -	\$ -	\$ -	\$ -	\$ 251,925,603	\$ 256,903,499	\$ 252,572,747	\$ 4,330,752
Capital projects	27,611,024	27,130,927	26,586,274	544,653	27,611,024	27,130,927	26,586,274	544,653
Debt service:								
Principal	-	-	-	-	19,202,442	18,333,944	18,333,944	-
Interest and fiscal charges	-	-	-	-	6,720,488	6,496,428	6,484,143	12,285
Bond issuance costs	-	216,123	216,123	-	-	216,123	216,123	-
Total expenditures	<u>\$ 27,611,024</u>	<u>\$ 27,347,050</u>	<u>\$ 26,802,397</u>	<u>\$ 544,653</u>	<u>\$ 305,459,557</u>	<u>\$ 309,080,921</u>	<u>\$ 304,193,231</u>	<u>\$ 4,887,690</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (27,611,024)</u>	<u>\$ (27,347,050)</u>	<u>\$ (26,702,499)</u>	<u>\$ 644,551</u>	<u>\$ (27,611,024)</u>	<u>\$ (27,347,050)</u>	<u>\$ (26,323,724)</u>	<u>\$ 1,023,326</u>
Other financing sources (uses):								
Proceeds from sale of bonds	\$ 27,611,024	\$ 19,615,000	\$ 19,615,000	\$ -	\$ 27,611,024	\$ 19,615,000	\$ 19,615,000	\$ -
Premium on sale of bonds	-	2,898,821	2,898,821	-	-	2,898,821	2,898,821	-
Transfers	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	<u>\$ 27,611,024</u>	<u>\$ 22,513,821</u>	<u>\$ 22,513,821</u>	<u>\$ -</u>	<u>\$ 27,611,024</u>	<u>\$ 22,513,821</u>	<u>\$ 22,513,821</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (4,833,229)</u>	<u>\$ (4,188,678)</u>	<u>\$ 644,551</u>	<u>\$ -</u>	<u>\$ (4,833,229)</u>	<u>\$ (3,809,903)</u>	<u>\$ 1,023,326</u>
Fund balance, beginning	-	4,833,229	4,852,555	19,326	-	4,833,229	8,073,449	3,240,220
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 663,877</u>	<u>\$ 663,877</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,263,546</u>	<u>\$ 4,263,546</u>

Important information regarding differences between budgetary and GAAP basis reporting as detailed on the preceding page should be read in conjunction with this schedule.

COUNTY OF SPOTSYLVANIA, VIRGINIA

STATEMENT OF NET POSITION - INTERNAL SERVICE FUND - SCHOOL BOARD

June 30, 2017

Schedule E-1

	<u>Fleet Services Fund</u>
ASSETS	
Current assets:	
Cash and investments - pooled equity	\$ 391,694
Receivables, net	731
Inventory	<u>335,746</u>
Total current assets	<u>728,171</u>
Noncurrent assets:	
Capital assets, net:	
Non-depreciable assets	94,400
Depreciable assets	<u>9,415,391</u>
Total noncurrent assets	<u>9,509,791</u>
Total assets	<u>\$ 10,237,962</u>
DEFERRED OUTFLOWS	
Pension contributions	\$ 41,881
Pension actuarial differences	<u>41,709</u>
Total deferred outflows	<u>\$ 83,590</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 39,791
Accrued insurance claims	23,180
Current portion of accrued leave	<u>45,606</u>
Total current liabilities	<u>108,577</u>
Noncurrent liabilities:	
Other postemployment benefits	634,636
Noncurrent portion of accrued leave	78,949
Net pension liability	<u>136,240</u>
Total noncurrent liabilities	<u>849,825</u>
Total liabilities	<u>\$ 958,402</u>
DEFERRED INFLOWS	
Pension actuarial differences	<u>\$ 27,595</u>
NET POSITION	
Net investment in capital assets	\$ 9,509,791
Unrestricted	<u>(174,236)</u>
Total net position	<u><u>\$ 9,335,555</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
INTERNAL SERVICE FUND - SCHOOL BOARD**

For the Year Ended June 30, 2017

Schedule E-2

	<u>Fleet Services Fund</u>
OPERATING REVENUES	
Charges for services	\$ 2,440,705
OPERATING EXPENSES	
Personnel services	\$ 921,306
Fringe benefits	451,620
Contractual services	84,452
Materials and supplies	942,012
Depreciation	419,343
Other services and charges	80,172
Total operating expenses	<u>\$ 2,898,905</u>
Operating loss	<u>\$ (458,200)</u>
Change in net position	<u>\$ (458,200)</u>
Net position, beginning	<u>9,793,755</u>
Net position, ending	<u><u>\$ 9,335,555</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND - SCHOOL BOARD

For the Year Ended June 30, 2017

Schedule E-3

	<u>Fleet Services Fund</u>
Cash flows from operating activities:	
Receipts from internal customers	\$ 2,432,608
Receipts from external customers	6,130
Receipts from miscellaneous revenue	1,950
Payments to suppliers and service providers	(1,143,623)
Payments to employees for salaries and benefits	<u>(1,298,856)</u>
Net cash used in operating activities	<u>(1,791)</u>
 Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(12,891)</u>
Net cash used in capital and related financing activities	<u>(12,891)</u>
 Net decrease in cash and cash equivalents	(14,682)
 Cash and cash equivalents:	
Beginning	<u>406,376</u>
Ending	<u><u>\$ 391,694</u></u>
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (458,200)
Depreciation expense	419,343
Increase in receivables	(17)
Increase in inventory	(32,267)
Decrease in accounts payable	(4,720)
Increase in employment related benefits	<u>74,070</u>
Net cash used in operating activities	<u><u>\$ (1,791)</u></u>

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COUNTY OF SPOTSYLVANIA, VIRGINIA

STATEMENT OF NET POSITION - FIDUCIARY FUNDS - SCHOOL BOARD

June 30, 2017

Schedule F-1

	<u>OPEB Trust Fund</u>
ASSETS	
Investments:	
Common Trust Funds	<u>\$ 3,131,532</u>
Total assets	<u>\$ 3,131,532</u>
 NET POSITION	
Net position restricted for postemployment benefits other than pensions	<u>\$ 3,131,532</u>
Total net position	<u><u>\$ 3,131,532</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
- SCHOOL BOARD**

For the Year Ended June 30, 2017

Schedule F-2

	<u>OPEB Trust Fund</u>
ADDITIONS	
Contributions:	
Employer contributions	<u>\$ 4,496,337</u>
Investment income:	
Net increase in the fair value of investments	357,628
Less investment expense	<u>(500)</u>
Net investment income	<u>357,128</u>
Total additions	<u>\$ 4,853,465</u>
DEDUCTIONS	
Benefit payments	\$ 4,496,337
Administrative fees	<u>3,319</u>
Total deductions	<u>\$ 4,499,656</u>
Net increase in net position	\$ 353,809
Net position restricted for postemployment benefits other than pensions	
Net position, beginning	<u>2,777,723</u>
Net position, ending	<u><u>\$ 3,131,532</u></u>

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PART III: STATISTICAL SECTION

STATISTICAL SECTION

This part of the County of Spotsylvania's comprehensive annual financial report 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	Tables
Financial Trends Information These schedules contain trend information to help the reader understand how the County's financial performance has changed over time.	S-1 to S-6
Revenue Capacity Information These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	S-7 to S-10
Debt Capacity Information These schedules present information to help the reader assess the affordability of the County's current level of outstanding debt and its ability to issue additional debt in the future.	S-11 to S-12
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	S-13 to S-14
Operating Information These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	S-15 to S-18

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

COUNTY OF SPOTSYLVANIA, VIRGINIA

Net Position by Component

Last Ten Fiscal Years

TABLE S-1

(Amounts in millions)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 26.3	\$ 23.1	\$ 14.7	\$ 11.6	\$ 18.3	\$ 22.6	\$ 57.7	\$ 60.8	\$ 60.1	\$ 71.0
Restricted	45.6	31.0	35.4	19.3	19.7	21.0	1.4	9.5	10.9	8.8
Unrestricted	<u>(260.2)</u>	<u>(238.7)</u>	<u>(211.3)</u>	<u>(167.2)</u>	<u>(147.0)</u>	<u>(137.6)</u>	<u>(135.9)</u>	<u>(143.3)</u>	<u>(142.7)</u>	<u>(148.7)</u>
Total governmental activities net position	<u>\$ (188.3)</u>	<u>\$ (184.6)</u>	<u>\$ (161.2)</u>	<u>\$ (136.3)</u>	<u>\$ (109.0)</u>	<u>\$ (94.0)</u>	<u>\$ (76.8)</u>	<u>\$ (73.0)</u>	<u>\$ (71.7)</u>	<u>\$ (68.9)</u>
Business-type activities										
Net investment in capital assets	\$ 148.7	\$ 177.9	\$ 175.7	\$ 170.5	\$ 166.1	\$ 164.7	\$ 157.6	\$ 177.0	\$ 178.8	\$ 187.2
Restricted	25.6	10.8	0.6	34.1	19.4	15.7	6.1	6.1	0.9	2.7
Unrestricted	<u>66.3</u>	<u>51.9</u>	<u>67.1</u>	<u>34.8</u>	<u>54.7</u>	<u>57.9</u>	<u>77.6</u>	<u>61.9</u>	<u>73.1</u>	<u>72.2</u>
Total business-type activities net position	<u>\$ 240.6</u>	<u>\$ 240.6</u>	<u>\$ 243.4</u>	<u>\$ 239.4</u>	<u>\$ 240.2</u>	<u>\$ 238.3</u>	<u>\$ 241.3</u>	<u>\$ 245.0</u>	<u>\$ 252.8</u>	<u>\$ 262.1</u>
Primary Government										
Net investment in capital assets	\$ 175.0	\$ 201.0	\$ 190.4	\$ 182.2	\$ 184.4	\$ 187.3	\$ 215.3	\$ 237.8	\$ 238.9	\$ 258.2
Restricted	71.2	41.8	36.0	53.4	39.1	36.7	7.5	15.6	11.8	11.5
Unrestricted	<u>(193.9)</u>	<u>(186.8)</u>	<u>(144.2)</u>	<u>(132.4)</u>	<u>(92.3)</u>	<u>(79.7)</u>	<u>(58.3)</u>	<u>(81.4)</u>	<u>(69.6)</u>	<u>(76.5)</u>
Total Primary Government net position	<u>\$ 52.3</u>	<u>\$ 56.0</u>	<u>\$ 82.2</u>	<u>\$ 103.2</u>	<u>\$ 131.2</u>	<u>\$ 144.3</u>	<u>\$ 164.5</u>	<u>\$ 172.0</u>	<u>\$ 181.1</u>	<u>\$ 193.2</u>
Component unit - School Board (1)										
Net investment in capital assets	\$ 335.3	\$ 350.5	\$ 349.3	\$ 328.3	\$ 330.6	\$ 322.6	\$ 315.5	\$ 306.9	\$ 306.1	\$ 310.8
Restricted	33.6	13.9	2.6	4.8	3.8	0.7	4.0	5.6	4.8	0.7
Unrestricted	<u>(12.0)</u>	<u>(22.2)</u>	<u>(42.7)</u>	<u>(44.0)</u>	<u>(66.0)</u>	<u>(71.5)</u>	<u>(78.5)</u>	<u>(304.3)</u>	<u>(309.6)</u>	<u>(322.8)</u>
Total Component unit - School Board net position	<u>\$ 356.9</u>	<u>\$ 342.2</u>	<u>\$ 309.2</u>	<u>\$ 289.1</u>	<u>\$ 268.4</u>	<u>\$ 251.8</u>	<u>\$ 241.0</u>	<u>\$ 8.2</u>	<u>\$ 1.3</u>	<u>\$ (11.3)</u>

(1) Component unit net position represents a significant portion of net position for the total reporting entity, and is therefore presented above.

COUNTY OF SPOTSYLVANIA, VIRGINIA
Changes in Net Position
 Last Ten Fiscal Years

TABLE S-2
 Page 1

(Amounts in millions)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
General government	\$ 16.1	\$ 13.9	\$ 12.5	\$ 11.7	\$ 10.9	\$ 13.4	\$ 13.9	\$ 14.3	\$ 15.3	\$ 17.1
Judicial administration	5.9	5.9	6.1	7.3	7.3	5.7	8.4	9.1	8.7	9.1
Public safety	41.7	40.3	40.2	41.0	43.4	49.1	48.2	47.3	49.0	56.9
Public works	4.3	9.0	6.9	8.8	9.5	9.2	12.6	10.5	12.3	10.0
Health and welfare	17.2	16.7	17.1	17.5	17.5	17.7	18.5	18.1	19.8	21.3
Education	80.3	95.3	77.9	85.8	88.6	92.9	102.7	102.1	114.7	120.5
Parks, recreation & cultural	7.2	9.8	7.1	7.9	7.9	8.1	8.0	8.0	7.9	8.2
Community development	11.5	6.9	17.3	12.9	14.6	19.4	8.3	14.6	18.8	12.2
Interest on long-term debt	16.2	15.4	13.1	15.2	14.2	12.6	11.7	10.6	10.4	10.1
Total governmental activities expenses	<u>\$ 200.4</u>	<u>\$ 213.2</u>	<u>\$ 198.2</u>	<u>\$ 208.1</u>	<u>\$ 213.9</u>	<u>\$ 228.1</u>	<u>\$ 232.3</u>	<u>\$ 234.6</u>	<u>\$ 256.9</u>	<u>\$ 265.4</u>
Business-type activities										
Water and sewer	\$ 27.8	\$ 31.3	\$ 29.1	\$ 33.6	\$ 32.5	\$ 33.2	\$ 33.0	\$ 33.6	\$ 33.3	\$ 33.8
Total business-type activities expenses	<u>\$ 27.8</u>	<u>\$ 31.3</u>	<u>\$ 29.1</u>	<u>\$ 33.6</u>	<u>\$ 32.5</u>	<u>\$ 33.2</u>	<u>\$ 33.0</u>	<u>\$ 33.6</u>	<u>\$ 33.3</u>	<u>\$ 33.8</u>
Total Primary Government expenses	<u>\$ 228.2</u>	<u>\$ 244.5</u>	<u>\$ 227.3</u>	<u>\$ 241.7</u>	<u>\$ 246.4</u>	<u>\$ 261.3</u>	<u>\$ 265.3</u>	<u>\$ 268.2</u>	<u>\$ 290.2</u>	<u>\$ 299.2</u>
Program revenues										
Governmental activities										
Charges for services										
General government	\$ 0.2	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
Judicial administration	1.5	1.6	1.3	1.2	1.1	1.0	0.8	0.9	0.7	0.9
Public safety	5.6	7.3	4.5	4.4	4.4	5.8	5.9	6.6	7.5	7.5
Public works	2.7	2.9	0.5	0.7	0.8	1.3	1.9	2.4	2.5	2.7
Other	2.3	2.1	1.7	1.4	1.6	1.7	1.8	1.7	1.5	1.6
Operating grants & contributions	18.7	16.0	15.2	15.2	15.7	14.1	16.2	17.8	19.3	20.5
Capital grant & contributions	-	0.1	1.9	4.7	9.3	9.9	3.8	3.5	4.2	2.8
Total governmental activities program revenues	<u>\$ 31.0</u>	<u>\$ 30.2</u>	<u>\$ 25.4</u>	<u>\$ 27.9</u>	<u>\$ 33.2</u>	<u>\$ 34.1</u>	<u>\$ 30.7</u>	<u>\$ 33.2</u>	<u>\$ 36.0</u>	<u>\$ 36.3</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

TABLE S-2

Page 2

(Amounts in millions)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities										
Charges for services										
Water and sewer	\$ 26.4	\$ 24.8	\$ 26.1	\$ 25.3	\$ 25.7	\$ 27.7	\$ 28.4	\$ 30.3	\$ 31.8	\$ 32.5
Operating grants & contributions	-	-	-	-	0.5	0.5	0.5	0.5	0.5	0.5
Capital grants & contributions	8.8	3.0	3.6	2.8	7.0	4.4	6.3	8.2	8.1	9.5
Total business-type program revenues	\$ 35.2	\$ 27.8	\$ 29.7	\$ 28.1	\$ 33.2	\$ 32.6	\$ 35.2	\$ 39.0	\$ 40.4	\$ 42.5
Total Primary Government program revenues	\$ 64.2	\$ 58.8	\$ 59.9	\$ 53.5	\$ 66.4	\$ 66.7	\$ 66.9	\$ 72.2	\$ 76.4	\$ 78.8
Net expense										
Governmental activities	\$ (169.4)	\$ (183.0)	\$ (172.8)	\$ (180.2)	\$ (180.8)	\$ (194.0)	\$ (201.7)	\$ (201.4)	\$ (220.9)	\$ (229.3)
Business-type activities	7.4	(3.5)	(0.6)	5.4	0.7	(0.6)	2.2	5.4	7.1	8.7
Total Primary Government net expenses	\$ (162.0)	\$ (186.5)	\$ (173.4)	\$ (174.8)	\$ (180.1)	\$ (194.6)	\$ (199.5)	\$ (196.0)	\$ (213.8)	\$ (220.6)
General revenues and other changes in net assets										
Governmental activities:										
Property taxes	\$ 120.7	\$ 129.7	\$ 140.0	\$ 145.3	\$ 146.2	\$ 147.9	\$ 151.4	\$ 154.8	\$ 161.8	\$ 166.8
Other taxes	41.1	39.1	39.4	42.9	45.5	47.3	51.7	48.2	48.1	45.6
Grants and contributions not restricted	16.0	16.0	15.8	15.3	15.3	15.4	15.6	15.4	15.6	20.2
Interest and investment earnings	4.4	1.6	0.6	0.8	0.3	-	0.5	0.5	1.2	0.6
Gain on sale of property	(0.1)	0.2	0.2	0.4	-	-	-	-	-	-
Miscellaneous	0.2	0.1	-	0.5	0.5	0.2	0.1	0.2	0.2	0.3
Transfers	0.2	0.1	0.2	-	0.3	-	(0.4)	(0.2)	0.2	(0.1)
Special item	-	-	-	-	-	-	-	0.6	(2.0)	-
Total governmental activities	\$ 182.5	\$ 186.8	\$ 196.2	\$ 205.2	\$ 208.1	\$ 210.8	\$ 218.9	\$ 219.5	\$ 225.1	\$ 233.4
Business-type activities										
Grants and contributions not restricted	\$ 0.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	3.7	2.6	0.8	0.9	0.4	0.3	0.4	0.3	0.8	0.3
Miscellaneous	1.2	1.0	1.6	0.5	-	-	-	-	0.1	0.2
Transfers	(0.1)	(0.1)	(0.2)	-	0.3	-	0.4	0.2	(0.2)	0.1
Total business-type activities	\$ 5.0	\$ 3.5	\$ 2.2	\$ 1.4	\$ 0.7	\$ 0.3	\$ 0.8	\$ 0.5	\$ 0.7	\$ 0.6
Total Primary Government	\$ 187.5	\$ 190.3	\$ 198.4	\$ 206.6	\$ 208.8	\$ 211.1	\$ 219.7	\$ 220.0	\$ 225.8	\$ 234.0
Change in net position										
Governmental activities	\$ 13.0	\$ 3.8	\$ 23.4	\$ 25.0	\$ 27.3	\$ 16.8	\$ 17.2	\$ 18.1	\$ 4.2	\$ 4.1
Business-type activities	12.4	-	2.8	4.0	0.8	(0.3)	3.0	5.9	7.8	9.3
Total Primary Government	\$ 25.4	\$ 3.8	\$ 26.2	\$ 29.0	\$ 28.1	\$ 16.5	\$ 20.2	\$ 24.0	\$ 12.0	\$ 13.4

COUNTY OF SPOTSYLVANIA, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

TABLE S-2**Page 3**

(Amounts in millions)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Component unit - School Board (1)										
Expenses										
Education	\$ 257.6	\$ 262.0	\$ 260.8	\$ 243.1	\$ 244.9	\$ 261.5	\$ 257.7	\$ 264.6	\$ 281.6	\$ 288.4
Program revenues										
Charges for services	\$ 8.2	\$ 8.5	\$ 7.6	\$ 7.6	\$ 7.8	\$ 7.7	\$ 8.2	\$ 7.9	\$ 8.5	\$ 8.5
Operating grants & contributions	139.1	142.9	141.2	128.9	127.3	138.2	135.3	141.0	143.7	145.8
Capital grants & contributions	-	11.3	0.2	-	-	0.2	0.6	0.3	0.9	0.9
Total Component unit - School Board program revenue	147.3	162.7	149.0	136.5	135.1	146.1	144.1	149.2	153.1	155.2
Total Component unit - School Board net expense	<u>\$ (110.3)</u>	<u>\$ (99.3)</u>	<u>\$ (111.8)</u>	<u>\$ (106.6)</u>	<u>\$ (109.8)</u>	<u>\$ (115.4)</u>	<u>\$ (113.6)</u>	<u>\$ (115.4)</u>	<u>\$ (128.5)</u>	<u>\$ (133.2)</u>
General revenues and other changes in net position										
Payments from Primary Government	\$ 80.4	\$ 83.9	\$ 77.9	\$ 85.8	\$ 88.4	\$ 92.7	\$ 102.5	\$ 101.7	\$ 114.5	\$ 120.3
Interest and investment earnings	3.0	0.4	0.2	-	-	-	-	-	0.1	0.1
Miscellaneous	(0.2)	0.2	0.7	0.6	0.8	0.9	0.3	0.3	0.5	0.2
Total general revenues and transfers	<u>\$ 83.2</u>	<u>\$ 84.5</u>	<u>\$ 78.8</u>	<u>\$ 86.4</u>	<u>\$ 89.2</u>	<u>\$ 93.6</u>	<u>\$ 102.8</u>	<u>\$ 102.0</u>	<u>\$ 115.1</u>	<u>\$ 120.6</u>
Total Component unit - School Board change in net position	<u>\$ (27.1)</u>	<u>\$ (14.8)</u>	<u>\$ (33.0)</u>	<u>\$ (20.2)</u>	<u>\$ (20.6)</u>	<u>\$ (21.8)</u>	<u>\$ (10.8)</u>	<u>\$ (13.4)</u>	<u>\$ (13.4)</u>	<u>\$ (12.6)</u>

(1) Component unit net position components are included in this table due to the School Board being a significant portion of the County.

COUNTY OF SPOTSYLVANIA, VIRGINIA

TABLE S-3

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Amounts in millions)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Prior to GASB 54:										
Unreserved										
Designated	\$ 38.9	\$ 37.1	\$ 41.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Undesignated	1.8	1.4	6.4	-	-	-	-	-	-	-
Effective with GASB 54:										
Restricted	-	-	-	0.2	1.5	1.5	1.6	2.1	2.7	2.7
Committed (1)	-	-	-	1.2	10.5	4.8	2.6	3.0	48.9	52.0
Assigned (1)	-	-	-	16.0	8.6	9.3	9.9	15.7	16.7	9.1
Unassigned	-	-	-	37.5	41.6	39.8	43.0	46.6	5.4	15.1
Total General Fund	<u>\$ 40.7</u>	<u>\$ 38.5</u>	<u>\$ 48.0</u>	<u>\$ 54.9</u>	<u>\$ 62.2</u>	<u>\$ 55.4</u>	<u>\$ 57.1</u>	<u>\$ 67.4</u>	<u>\$ 73.7</u>	<u>\$ 78.9</u>
All other governmental funds:										
Prior to GASB 54:										
Reserved	\$ 35.2	\$ 27.8	\$ 35.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Special Revenue funds	(4.4)	(5.2)	1.7	-	-	-	-	-	-	-
Capital Projects Fund	-	-	(2.0)	-	-	-	-	-	-	-
Effective with GASB 54:										
Restricted	-	-	-	19.2	19.7	25.2	35.4	34.8	34.2	34.1
Committed	-	-	-	10.2	7.4	14.2	16.3	22.4	27.3	27.8
Assigned	-	-	-	0.8	0.7	0.5	2.8	3.4	2.1	2.2
Unassigned	-	-	-	(1.5)	0.1	-	-	-	-	-
Total all other governmental funds	<u>\$ 30.8</u>	<u>\$ 22.6</u>	<u>\$ 35.2</u>	<u>\$ 28.7</u>	<u>\$ 27.9</u>	<u>\$ 39.9</u>	<u>\$ 54.5</u>	<u>\$ 60.6</u>	<u>\$ 63.6</u>	<u>\$ 64.1</u>

(1) Effective for fiscal year 2016, the Board of Supervisors elected to amend County fiscal policy to increase the constraints over its fiscal stability reserve of \$42.4 million from unassigned to committed; and its health insurance reserve of \$3.5 million from assigned to committed.

COUNTY OF SPOTSYLVANIA, VIRGINIA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

TABLE S-4**Page 1**

(Amounts in millions)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
General property taxes	\$ 119.5	\$ 128.8	\$ 136.8	\$ 144.9	\$ 147.2	\$ 147.8	\$ 151.9	\$ 156.7	\$ 161.7	\$ 167.5
Other local taxes	41.1	39.1	38.2	42.1	45.6	47.2	51.7	48.3	48.1	45.6
Permits, privilege fees and regulatory licenses	3.4	3.2	2.3	2.3	2.4	2.7	2.7	3.2	4.3	3.8
Fines and forfeitures	1.0	1.2	1.0	0.9	0.8	0.6	0.5	0.6	0.5	0.6
Revenues from use of money and property	5.0	2.8	1.5	1.5	1.1	0.7	1.1	1.2	1.9	1.5
Charges for services	7.2	7.5	4.7	4.6	5.5	6.4	7.1	7.6	7.0	7.8
Miscellaneous	2.0	1.0	0.5	0.5	0.6	0.7	0.9	0.5	1.2	0.9
Intergovernmental	33.3	31.4	32.2	33.9	31.6	41.2	37.9	39.0	38.4	40.4
Total revenues	\$ 212.5	\$ 215.0	\$ 217.2	\$ 230.7	\$ 234.8	\$ 247.3	\$ 253.8	\$ 257.1	\$ 263.1	\$ 268.1
Expenditures										
General government	\$ 13.4	\$ 12.2	\$ 9.3	\$ 9.9	\$ 10.6	\$ 11.6	\$ 11.5	\$ 11.9	\$ 11.6	\$ 12.8
Judicial administration	5.7	5.6	5.8	5.8	6.2	6.4	6.8	7.0	7.3	7.0
Public safety	38.9	37.2	36.4	37.0	39.4	44.4	44.3	43.9	45.8	48.1
Public works	7.8	7.4	6.6	7.2	8.0	8.3	8.7	8.5	8.5	7.9
Health and welfare	16.9	16.5	16.7	17.3	17.2	17.3	18.0	18.0	19.6	20.7
Education (2)	86.0	83.9	77.9	85.8	84.5	92.9	102.7	101.9	114.7	120.5
Parks, recreation and cultural	6.8	6.6	6.3	6.8	6.8	6.8	6.8	6.8	6.8	7.1
Community development	4.1	3.8	3.2	2.9	4.3	7.7	5.3	6.3	8.4	7.3
Non-departmental	0.3	0.4	0.5	0.5	0.5	0.5	0.7	1.0	1.1	1.2
Capital projects	27.7	11.0	19.9	43.2	27.0	16.2	14.0	21.0	27.5	23.5
Debt service:										
Principal (1)	21.8	25.4	25.0	26.0	27.1	26.8	25.2	23.2	25.4	27.8
Interest (1)	15.7	15.6	14.6	15.6	14.7	13.5	12.6	11.6	11.2	11.8
Bond issuance costs	-	-	(0.1)	0.1	(0.5)	0.9	0.2	0.9	0.3	0.3
Total expenditures	\$ 245.1	\$ 225.6	\$ 222.1	\$ 258.1	\$ 245.8	\$ 253.3	\$ 256.8	\$ 262.0	\$ 288.2	\$ 296.0
Other financing sources (uses)										
Proceeds from issuance of bonds (1)	\$ -	\$ -	\$ 27.6	\$ 19.8	\$ 11.5	\$ 10.7	\$ 19.6	\$ 20.0	\$ 34.2	\$ 32.0
Refunding bond proceeds	-	-	-	-	17.7	44.2	11.7	81.6	16.5	-
Payment to escrow for refunded debt	-	-	-	-	(6.0)	(43.5)	(11.6)	(80.8)	(16.4)	-
Lease proceeds and extinguishments	-	-	-	7.3	(7.3)	-	-	-	-	-

COUNTY OF SPOTSYLVANIA, VIRGINIA
Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years

TABLE S-4
 Page 2

(Amounts in millions)	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Continued from page 1										
Transfers in(out), net	0.1	0.1	0.2	-	0.3	-	-	(0.2)	0.2	(0.1)
Total other financing sources, net	\$ 0.1	\$ 0.1	\$ 27.8	\$ 27.1	\$ 16.2	\$ 11.4	\$ 19.3	\$ 20.6	\$ 34.5	\$ 31.8
Special Item										
Proceeds from sale of land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.6	\$ -	\$ -
Net Change in Fund Balance	\$ (32.5)	\$ (10.5)	\$ (22.9)	\$ (0.3)	\$ (5.2)	\$ (5.4)	\$ 16.3	\$ 16.4	\$ 9.4	\$ 4.0
Debt Service as a Percentage of Noncapital Expenditures: (1)										
Primary Government:										
Total debt service	\$ 37.5	\$ 41.0	\$ 39.6	\$ 41.6	\$ 42.2	\$ 40.3	\$ 37.7	\$ 35.7	\$ 36.9	\$ 39.9
Total expenditures	245.1	225.6	222.1	258.1	246.8	253.3	256.8	261.9	288.2	296.0
Capital outlay Primary Government only (2)	50.7	31.0	4.2	34.0	15.1	6.0	11.1	11.9	16.6	15.7
Non-capital expenditures	194.4	194.6	217.9	224.1	231.7	247.3	245.7	250.0	271.6	280.3
Debt service as a percentage of non-capital expenditures: (Primary Government only)	19.3%	21.1%	18.2%	18.6%	18.2%	16.3%	15.3%	14.3%	13.6%	14.2%
Component unit - School Board:										
School expenditures excluding County contribution	110.0	167.7	164.1	139.0	136.5	147.7	135.5	144.7	152.8	159.1
Capital outlay component unit - School Board only (2)	43.6	16.7	14.9	4.1	7.4	6.4	7.6	5.6	9.1	19.8
Non-capital expenditures	66.4	151.0	149.2	134.9	129.1	141.3	127.9	139.1	143.7	139.3
Total Reporting Entity (1):										
Total debt service	37.5	41.0	39.6	41.6	42.2	40.3	37.7	35.7	36.9	39.9
Total non-capital expenditures	\$ 260.8	\$ 345.6	\$ 367.1	\$ 359.0	\$ 360.8	\$ 388.6	\$ 373.6	\$ 389.1	\$ 415.3	\$ 419.6
Debt service as a percentage of non-capital expenditures: Total Reporting Entity	14.4%	11.9%	10.8%	11.6%	11.7%	10.4%	10.1%	9.2%	8.9%	9.5%

- (1) In Virginia, the County issues debt to finance the construction of school facilities for the School Board because the School Board does not have borrowing or taxing authority; therefore, the debt service payments related to school facilities are presented as debt service of the Primary Government. Debt service as a percentage of non-capital expenditures for the Total Reporting Entity more appropriately reflects the unique Virginia school debt requirements.
- (2) The amount reported for "capital outlay Primary Government only" matches the reconciling item for capital outlay in the reconciliation between the government-wide Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance for governmental funds (Exhibit IV). The amount reported for "capital outlay component unit - School Board only" matches the reconciling item for capital outlay in the reconciliation between the government-wide Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance for the Discretely Presented Component Unit - School Board (Schedule D-2).

COUNTY OF SPOTSYLVANIA, VIRGINIA

TABLE S-5

Tax Revenues by Source Reported in the General Fund

Last Ten Fiscal Years

Fiscal Year	General Property Taxes (1)	Other Local Taxes			Total Tax Revenues
		Sales Taxes	Utilities Taxes (2)	Other Taxes	
2017	\$ 165,784,488	\$ 17,707,867	\$ 2,601,318	\$ 21,521,186	\$ 207,614,859
2016	160,136,405	17,123,500	2,547,905	20,491,125	200,298,935
2015	155,425,369	16,437,035	2,552,040	19,755,059	194,169,503
2014	150,750,977	15,778,707	2,530,703	19,208,252	188,268,639
2013	146,393,586	15,355,413	2,404,781	19,186,113	183,339,893
2012	145,533,200	15,110,445	2,446,630	18,324,183	181,414,458
2011	142,518,661	14,442,629	2,462,351	17,835,593	177,259,234
2010	135,397,845	13,971,811	2,489,229	16,896,976	168,755,861
2009	127,061,340	14,383,878	2,373,184	17,322,548	161,140,950
2008	118,160,263	15,559,570	2,396,448	17,797,795	153,914,076
% Change 2017/2016	3.5%	3.4%	2.1%	5.0%	3.7%
% Change 2017/2008	40.3%	13.8%	8.5%	20.9%	34.9%
Category % of Total Taxes	79.9%	8.5%	1.3%	10.4%	100.0%

(1) Excludes administrative collection fees reported within the General Fund's general property taxes on Exhibit IV.

(2) Effective July 1, 2009, all communication sales and use tax, formerly remitted directly to localities by the provider and defined as local funding, was reclassified as State noncategorical funding and removed from this table. For ease of presentation, any communication sales and use tax received as local funding prior to July 1, 2009 has also been reclassified to State noncategorical funding and removed.

COUNTY OF SPOTSYLVANIA, VIRGINIA

TABLE S-6

General Revenues by Source - All Governmental Funds and the Component Unit - School Board

Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes (3)	Permits, Fees, Licenses	Fines & Forfeitures	Use of Money & Property (1)	Charges for Services (1)	Miscellaneous (1)(2)	Inter- governmental (1)(3)	Total Revenues
2017	\$ 167,521,135	\$45,574,161	\$ 3,781,794	\$ 558,004	\$ 1,573,898	\$15,870,501	\$ 1,210,728	\$ 187,046,968	\$423,137,189
2016	161,724,970	43,557,610	4,338,229	516,791	1,957,329	15,016,889	1,693,088	184,319,566	413,124,472
2015	156,655,140	43,526,116	3,184,983	634,822	1,172,402	15,049,360	1,051,706	184,768,422	406,042,951
2014	151,945,820	46,939,533	2,685,169	544,449	1,108,352	14,808,265	1,687,726	178,014,581	397,733,895
2013	147,829,247	42,360,777	2,654,404	642,498	743,743	13,618,541	1,606,764	184,382,796	393,838,770
2012	147,205,885	40,825,793	2,387,611	834,900	1,086,961	12,728,380	1,465,681	163,648,342	370,183,553
2011	144,911,369	37,113,867	2,210,433	933,327	1,528,698	11,822,621	1,113,581	167,785,857	367,419,753
2010	136,828,908	33,358,015	2,344,271	1,007,247	1,630,563	11,870,306	1,225,134	178,497,785	366,762,229
2009	128,835,304	34,079,612	3,176,811	1,163,163	3,243,952	15,722,456	1,358,757	179,333,599	366,913,654
2008	119,490,196	35,753,813	3,437,935	974,608	8,044,111	15,479,460	3,695,857	176,209,376	363,085,356
% Change 2017/2016	3.6%	4.6%	(12.8)%	8.0%	(19.6)%	5.7%	(28.5)%	1.5%	2.4%
% Change 2017/2008	40.2%	27.5%	10.0%	(42.7)%	(80.4)%	2.5%	(67.2)%	6.2%	16.5%
% of Total Revenues	39.6%	10.8%	0.9%	0.1%	0.4%	3.8%	0.3%	44.1%	100.0%

(1) Includes revenues as reported on Schedule D-2 *Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Discretely Presented Component Unit - School Board* with the exception of payments from primary government of \$120,243,266.

(2) Includes revenues reported as gifts and donations on the face of the financial statements.

(3) Effective July 1, 2009, all communication sales and use tax, formerly remitted directly to localities by the provider was reclassified as State noncategorical funding and reported as intergovernmental revenue. For ease of presentation, any communication sales and use tax received and reported as other local taxes prior to July 1, 2009 has also been reclassified to intergovernmental.

COUNTY OF SPOTSYLVANIA, VIRGINIA

TABLE S-7

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

(Amounts in thousands)

Calendar Year	Real Estate (2)	Mobile Home	Personal Property (3)	Machinery and Tools	Heavy Equipment	Public Service Corporation (4)	Total Assessed Value	Total Direct Tax Rate
2017	\$ 14,259,034	\$ 10,633	\$ 1,738,036	\$ 25,145	\$ 16,332	\$ 390,161	\$ 16,439,341	\$ 1.11
2016	13,920,390	11,283	1,685,432	28,975	15,116	352,055	16,013,251	1.11
2015	13,095,404	11,407	1,628,072	26,695	13,926	338,190	15,113,694	1.13
2014	12,930,409	11,730	1,604,441	28,908	14,169	309,858	14,899,515	1.13
2013	12,415,275	12,815	1,570,267	21,097	11,202	300,789	14,331,446	1.13
2012	12,333,058	12,395	1,555,948	22,598	10,875	292,129	14,227,003	1.13
2011	12,790,018	12,911	1,495,902	20,121	12,450	285,440	14,616,843	1.09
2010	12,637,662	12,304	1,482,839	36,991	16,792	278,593	14,465,181	1.10
2009	16,249,940	15,982	1,354,551	39,395	19,070	291,219	17,970,157	0.81
2008	16,015,619	15,737	1,464,120	25,086	12,399	285,168	17,818,129	0.78
% Change 2017/2016	2.4%	(5.8)%	3.1%	(13.2)%	8.0%	10.8%	2.7%	
% Change 2017/2008	(11.0)%	(32.4)%	18.7%	0.2%	31.7%	36.8%	(7.7)%	
Category % of Total AV, CY 2017	86.7%	0.1%	10.6%	0.1%	0.1%	2.4%	100.0%	

(1) Assessed values of all classes of property approximate market value as of assessment date, unless otherwise noted.

(2) Real property is assessed biennially on January 1, with the resulting taxes being payable in two equal installments annually, on June 5 and December 5.

(3) Personal property is assessed at 50% of market value annually, while business furniture and fixtures are assessed at 20% to 50% of market value.

(4) The assessed values of Public Service Corporation real and personal property are determined by the State Corporation Commission.

Source: Commissioner of Revenue, Spotsylvania County, Virginia

COUNTY OF SPOTSYLVANIA, VIRGINIA

TABLE S-8

Property Tax Rates per \$100 of Assessed Value

Last Ten Fiscal Years

Calendar Year	Real Estate & Mobile Home	Personal Property (1)	Business Furniture & Fixtures	Machinery & Tools	Heavy Construction Equipment
2017	\$ 0.85	\$ 6.55	\$ 5.95	\$ 2.50	\$ 2.00
2016	0.85	6.55	5.95	2.50	2.00
2015	0.86	6.76	5.95	2.50	2.00
2014	0.86	6.78	5.95	2.50	2.00
2013	0.88	6.37	5.95	2.50	2.00
2012	0.88	6.37	5.95	2.50	2.00
2011	0.86	6.26	5.95	2.50	2.00
2010	0.86	6.26	5.95	2.50	2.00
2009	0.62	6.26	5.95	2.50	2.00
2008	0.62	5.00	5.00	2.50	2.00

(1) Effective starting tax year 2014, aircraft are no longer taxable. Effective starting in 2015, boats and boat trailers are taxed at \$6.25.

Source: Commissioner of Revenue, Spotsylvania County, Virginia

COUNTY OF SPOTSYLVANIA, VIRGINIA

Principal Property Taxpayers

Current Year and Nine Years Ago

TABLE S-9

(Amounts in thousands)

	Calendar Year 2016			Calendar Year 2007		
	Assessed Value	Rank	% of Total County Taxable Assessed Value	Assessed Value	Rank	% of Total County Taxable Assessed Value
Spotsylvania Towne Centre	\$ 188,296	1	1.28%	\$ 113,569	1	0.78%
Dominion Virginia Power	152,474	2	1.04%	72,220	2	0.50%
Spotsylvania Regional Medical Ctr	81,313	3	0.55%	--		-
Rappahannock Electric Cooperative	77,459	4	0.53%	60,168	3	0.41%
Comcast of VA	8,712	5	0.06%	--		--
Verizon VA	49,026	6	0.33%	43,990	4	0.30%
CVS VA Distribution	7,264	7	0.05%	--		--
Columbia Gas of Va	41,959	8	0.29%	--		--
GLL BVK Prop LP	32,719	9	0.22%	--		--
Station Square at Cosner's Corner	31,876	10	0.22%	--		--
NTS/Virginia Development	--		--	58,286	5	0.40%
Collegiate Funding Services	--		--	3,604	6	0.02%
Luck Stone	--		--	14,226	7	0.10%
General Motors	--		--	6,564	8	0.05%
Adelphia Communications	--		--	3,246	9	0.02%
MGP Fred Operating B-II	--		--	23,135	10	0.16%
	<u>\$ 671,098</u>		<u>4.57%</u>	<u>\$ 399,008</u>		<u>2.74%</u>

Note: Assessed values include real and personal property. Schedule is ranked by tax paid. Due to varying rates for real and personal property, assessed values may appear to be out of order.

Source: Treasurer, Spotsylvania County, Virginia

COUNTY OF SPOTSYLVANIA, VIRGINIA
Property Tax Levies and Collections
 Last Ten Fiscal Years

TABLE S-10

(Amounts in thousands)

Fiscal Year (4)	Taxes Levied for the Fiscal Year (2)	Collected within the Fiscal Year of Levy		Collections in Subsequent Years (1) (2)	Total Collections to Date	
		Amount (2)	Percentage of Levy (3)		Amount	Percentage of Levy (3)
2017	\$ 158,526	\$ 151,128	95.33%	\$ -	\$ 151,128	95.33%
2016	153,044	145,122	94.82%	6,301	151,422	98.94%
2015	148,548	141,151	95.02%	7,159	148,310	99.84%
2014	145,866	137,564	94.31%	6,931	144,495	99.06%
2013	141,195	134,557	95.30%	6,413	140,970	99.84%
2012	141,382	132,979	94.06%	6,924	139,903	98.95%
2011	137,989	130,423	94.52%	6,991	137,414	99.58%
2010	131,069	123,576	94.28%	6,930	130,506	99.57%
2009	119,257	112,873	94.65%	5,922	118,795	99.61%
2008	114,440	108,901	95.16%	5,501	114,402	99.97%

(1) Does not include land redemptions.

(2) Exclusive of penalties and interest.

(3) Percentages are calculated using levy for fiscal year.

(4) Business property taxes included as of fiscal year 2010.

Source: Treasurer, Spotsylvania County, Virginia

COUNTY OF SPOTSYLVANIA, VIRGINIA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

TABLE S-11

Page 1

(Amounts in thousands, except per capita)

Fiscal Year	Governmental Activities					Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Virginia Public School Authority Bonds	Lease Revenue Bonds	Capital Leases	State Literary Fund Loans	Revenue Bonds				
2017	\$ 197,720	\$ 18,336	\$ 76,081	\$ -	\$ -	\$ 126,147	\$	418,284	1.48%	\$ 3.14
2016	184,864	23,701	81,364	-	-	131,894		421,823	1.39%	3.21
2015	166,632	29,107	86,503	-	-	136,685		418,927	1.39%	3.21
2014	165,705	34,621	84,288	-	-	141,466		426,080	1.36%	3.30
2013	159,200	39,385	82,574	-	-	140,390		421,549	1.32%	3.30
2012	158,787	45,060	87,236	-	7,263	144,258		442,604	1.25%	3.51
2011	163,511	51,331	80,475	7,253	7,924	147,855		458,349	1.18%	3.67
2010	157,507	58,634	84,466	-	8,845	119,389		428,841	1.19%	3.50
2009	142,581	66,044	88,332	650	9,775	122,654		430,036	1.16%	3.55
2008	154,012	73,995	92,080	1,649	10,704	125,089		457,529	1.08%	3.82

Details regarding the County's outstanding debt can be found in the notes to the financial statements.

COUNTY OF SPOTSYLVANIA, VIRGINIA

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

TABLE S-11*Page 2*

(Amounts in thousands, except per capita)

Fiscal Year	General Obligation Bonded Debt Outstanding (1)			Total Primary Government	Percentage of Assessed Value (2)	Per Capita (3)
	General Obligation Bonds	Virginia Public School Authority Bonds	Lease Revenue Bonds			
2017	\$ 197,720	\$ 18,336	\$ 76,081	\$ 292,137	1.78%	\$ 2.19
2016	184,864	23,701	81,364	289,929	1.81%	2.21
2015	166,632	29,107	86,503	282,242	1.87%	2.16
2014	165,705	34,621	84,288	284,614	1.91%	2.23
2013	159,200	39,385	82,574	281,159	1.96%	2.21
2012	158,787	45,060	87,236	291,083	2.04%	2.31
2011	163,511	51,331	80,475	295,317	2.01%	2.37
2010	157,507	58,634	84,466	300,607	2.08%	2.46
2009	142,581	66,044	88,332	296,957	1.65%	2.45
2008	154,012	73,995	92,080	320,087	1.80%	2.67

(1) Details regarding the County's outstanding debt can be found in the current financial statements. Includes all general obligation bonded debt issued on behalf of the School Board. Lease revenue bonds are issued for general government purposes and are paid by general government resources.

(2) See Schedule S-7 for the County's assessed value data.

(3) See Schedule S-13 for population data.

COUNTY OF SPOTSYLVANIA, VIRGINIA

TABLE S-12

Revenue Bond Coverage - Water and Sewer Revenue Bonds

Last Ten Fiscal Years

(Amounts in thousands)

Fiscal Year	Gross Revenue (1)	Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Times (4)
				Principal	Interest (3)	Total	
2017	\$ 38,989	\$ 17,683	\$ 21,306	\$ 5,242	\$ 4,846	\$ 10,088	2.11
2016	39,096	16,548	22,548	5,575	4,578	10,153	2.22
2015	34,783	16,535	18,248	4,557	5,645	10,202	1.79
2014	33,100	16,472	16,628	4,220	5,887	10,107	1.65
2013	32,066	16,047	16,019	3,880	5,899	9,779	1.64
2012	29,441	16,550	12,891	3,600	5,371	8,971	1.44
2011	28,942	17,661	11,281	3,395	3,617	7,012	1.61
2010	27,668	15,269	12,399	3,265	4,692	7,957	1.56
2009	28,440	17,685	10,755	3,155	5,814	8,969	1.20
2008	31,484	15,376	16,108	2,586	5,624	8,210	1.96

(1) Total revenues exclude intergovernmental reimbursement of construction costs, contributions from developers, and compost production services.

(2) Total expenses exclude depreciation, amortization, interest, and compost production costs.

(3) Excludes BAB subsidy revenues and new debt proceeds used to subsidize debt service interest.

(4) Legal limit: minimum of 1.15

COUNTY OF SPOTSYLVANIA, VIRGINIA

TABLE S-13

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (1)	Total Personal Income (2)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate (4)
2017	133,330	\$ 6,186,606	\$ 46,401	23,592	3.8%
2016	132,010	6,125,357	46,401	23,678	4.2%
2015	130,603	6,060,071	46,401	23,817	4.8%
2014	129,318	5,766,877	44,595	23,773	5.5%
2013	127,779	5,570,826	43,597	23,725	6.3%
2012	126,194	5,562,025	44,075	23,775	6.5%
2011	124,835	5,375,789	43,063	23,868	7.0%
2010	122,397	5,074,874	41,462	24,084	7.0%
2009	120,977	4,942,717	40,857	24,202	5.7%
2008	120,015	4,890,824	40,752	24,390	3.4%

- (1) Estimated for July 1 of each year
2008 - 2016 U.S. Bureau of the Census
2017 Spotsylvania County Planning Department
- (2) Personal and per capita income reported per the Bureau of Economic Analysis, U.S. Department of Commerce includes the City of Fredericksburg and have been adjusted to remove the estimated portion belonging to the City. Per Capita Personal Income is calculated by dividing Personal Income by the population estimate for each fiscal year income data for 2008 - 2015 (the last year available). Per Capita Personal Income for 2016 and 2017 is assumed to be equal to 2015, the last year for which personal income data is available. Personal Income amounts for 2016 and 2017 are calculated by multiplying the population estimates by the Per Capita Personal Income estimates for each year.
- (3) As of October 1 of each fiscal year
- (4) Virginia Employment Commission Local Area Unemployment Statistics; data presented at fiscal year-end

COUNTY OF SPOTSYLVANIA, VIRGINIA

TABLE S-14

Principal Employers

Current Year and Nine Years Ago

Employer	FY 2017			FY 2008		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Spotsylvania County School Board	Over 1,000	1	8.1%	Over 1,000	1	10.8%
County of Spotsylvania	Over 1,000	2	2.7%	500 to 999	2	2.8%
HCA Virginia Health System	500 to 999	3	1.9%	--		
Wal Mart	500 to 999	4	1.9%	500 to 999	3	2.5%
Weis Markets (previously Food Lion)	250 to 499	5	1.0%	250 to 499	5	1.2%
CVS, Inc.	250 to 499	6	1.0%	500 to 999	4	2.5%
Germanna Community College	250 to 499	7	1.0%	250 to 499	6	1.2%
McDonald's	100 to 249	8	0.5%	100 to 249	7	0.6%
Professional Employer Resource	100 to 249	9	0.5%	--		
Rappahannock Goodwill Industries, Inc.	100 to 249	10	0.5%	--		
Carmax	--			100 to 249	8	0.6%
Target Corp	--			100 to 249	9	0.6%
Carriage Hill Nursing Home	--			100 to 249	10	0.6%
Total employment	38,567			30,581		

Source: Virginia Employment Commission, Top 50 Employers

Percentage of total County employment based on the midpoint of the ranges given.

COUNTY OF SPOTSYLVANIA, VIRGINIA

TABLE S-15

Full-Time County Government Employees by Function

Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government	117	115	115	116	116	122	124	128	127	132
Judicial administration	36	36	35	35	38	38	38	38	38	40
Public safety	393	399	382	381	374	401	416	438	452	470
Public works	57	56	49	49	44	48	48	49	50	50
Health and welfare	74	77	77	77	82	83	83	85	85	88
Parks, recreation & cultural	24	24	24	24	23	23	23	23	23	23
Community development	29	26	22	22	32	38	36	36	36	36
Total governmental activities	<u>730</u>	<u>733</u>	<u>704</u>	<u>704</u>	<u>709</u>	<u>753</u>	<u>768</u>	<u>797</u>	<u>811</u>	<u>839</u>
Business-type activities:										
Water and sewer	<u>111</u>	<u>111</u>	<u>113</u>	<u>113</u>	<u>113</u>	<u>114</u>	<u>115</u>	<u>117</u>	<u>118</u>	<u>119</u>
Total business-type activities	<u>111</u>	<u>111</u>	<u>113</u>	<u>113</u>	<u>113</u>	<u>114</u>	<u>115</u>	<u>117</u>	<u>118</u>	<u>119</u>
Total full-time employees	<u>841</u>	<u>844</u>	<u>817</u>	<u>817</u>	<u>822</u>	<u>867</u>	<u>883</u>	<u>914</u>	<u>929</u>	<u>958</u>

Source: County approved budget documents.

COUNTY OF SPOTSYLVANIA, VIRGINIA
Operating Indicators by Function
 Last Ten Fiscal Years

TABLE S-16
Page 1

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Commissioner of Revenue										
Taxable real estate parcels (1)	58,768	58,990	59,122	59,248	59,682	59,803	60,459	60,765	61,040	61,624
Percentage of fair market value (2)	109.50%	133.70%	90.30%	94.70%	90.20%	82.70%	89.50%	85.40%	92.00%	n/a
Treasurer										
Real estate tax bills generated	142,231	133,784	125,530	127,740	127,923	132,219	135,270	131,710	130,725	131,269
Personal property tax bills generated (1)	290,750	271,542	245,127	248,054	268,067	293,817	298,844	305,300	306,102	305,378
Registrar										
Number of registered voters	70,410	74,600	75,854	77,350	79,900	81,922	82,355	83,220	84,754	86,200
Judicial administration										
Clerk of the Circuit Court										
Number of deeds recorded (1)	24,819	24,745	23,098	21,458	25,702	28,618	20,024	22,080	23,086	n/a
Commonwealth Attorney										
Average caseload per attorney (1)	1,864	2,174	1,931	1,792	1,666	1,400	1,280	1,319	1,387	n/a
Number of circuit court cases (1)	1,936	2,115	2,217	2,157	1,998	2,278	1,962	2,076	2,694	n/a
Number of General District Court cases (1)	11,235	12,362	11,945	10,700	9,974	8,667	8,028	8,245	8,804	n/a
Number of Juvenile & Domestic Relations Court cases (1)	3,611	4,004	5,143	3,267	3,018	3,062	2,817	2,873	2,381	n/a
Public safety										
Sheriff										
Calls for service	167,523	180,105	172,762	153,069	150,598	144,996	129,761	116,336	122,067	121,102
Calls for service per road deputy	2,792	2,814	2,657	2,430	2,091	2,013	1,802	1,615	1,695	1,681
Civil process papers served	49,711	45,326	48,010	60,512	49,999	38,281	43,224	42,149	43,441	40,817
Warrants served	13,404	13,279	12,880	12,280	11,019	11,055	9,986	10,714	10,917	11,146
Emergency Communications										
Total calls received	205,535	217,365	213,419	202,674	203,414	188,361	184,615	179,219	183,563	185,097
911 calls received	52,600	52,600	50,941	50,008	52,816	47,832	49,189	45,984	44,244	46,325
Fire, Rescue and Emergency Management										
Calls for service (3)	17,021	16,749	16,540	15,458	15,622	16,974	15,355	16,219	16,526	17,525
Animal Control										
Calls for service (all types)	6,102	6,275	8,035	8,517	8,387	8,212	8,386	8,084	8,803	8,925
Public works										
Refuse Disposal										
Solid waste - tons (1)	53,081	46,535	45,872	41,518	40,064	73,737	108,500	132,524	125,935	127,916
Recycling										
Recycled materials - tons	17,662	11,087	21,183	20,960	22,758	23,360	26,446	20,000	21,000	20,000
Sludge composted - tons	12,037	12,573	12,369	14,492	15,580	18,828	22,924	19,945	19,596	20,280

COUNTY OF SPOTSYLVANIA, VIRGINIA
Operating Indicators by Function
 Last Ten Fiscal Years

TABLE S-16
Page 2

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Health and welfare										
Social Services										
SNAP applications	2,434	2,793	3,739	3,628	4,250	4,530	4,709	4,658	4,319	n/a
Medicaid applications	2,425	2,558	2,024	2,250	3,766	3,960	4,786	4,833	4,033	4,025
Medicaid (avg monthly ongoing caseload)	5,780	6,588	7,561	8,295	8,612	6,760	6,869	7,651	8,298	8,287
Foster care children (avg monthly county)	111	116	134	121	97	90	82	78	88	97
Parks, recreation and cultural										
Parks and Recreation										
Sports league participants	7,998	7,964	7,762	7,669	7,540	7,293	7,024	7,037	6,466	6,607
Special interest/leisure participants	12,274	12,308	12,842	11,426	11,555	11,120	10,671	11,540	14,217	15,613
Park visitors	1,136,200	1,137,700	1,143,200	1,151,800	1,284,500	1,312,800	1,313,800	1,322,700	1,190,900	1,194,500
Community development										
Planning										
Final platted lots approved (1)	152	64	48	441	110	278	236	252	550	n/a
Economic Development										
Average "annual" salary census of wages (Virginia Employment Commission)	\$ 33,384	\$ 34,190	\$ 33,787	\$ 33,787	\$ 31,014	\$ 31,995	\$ 32,965	\$ 34,341	\$ 35,000	n/a
Tourism										
Tourists visiting area (1)	514,738	601,949	782,505	624,786	736,492	799,887	849,000	935,538	1,673,261	n/a
Extension Office (4)										
Requests for educational information	3,773	8,237	15,453	6,486	7,043	3,694	2,462	10,392	15,970	20,119
Individuals participating in programs (1)	6,178	9,210	4,127	13,946	15,196	13,494	9,672	18,125	19,874	9,498
Other funds										
Code Compliance										
Community development permits issued	3,504	3,000	2,788	3,009	2,852	3,068	3,111	2,996	3,628	3,773
Building inspections	28,871	15,166	14,361	12,786	11,851	13,442	14,682	15,672	16,731	19,541
Utilities										
Average daily water consumption (mgd)	6.40	6.65	6.06	7.21	6.77	6.81	7.14	6.78	6.98	7.10
Average effluent flows (mgd)	8.21	7.88	8.27	6.72	7.50	7.50	9.54	8.13	8.90	8.90
Water customers	27,586	27,939	28,311	28,391	28,800	28,976	29,390	29,658	30,104	30,628
Sewer customers	26,757	27,065	27,352	27,435	27,416	27,691	28,095	28,338	28,768	29,285

n/a Not available

(1) Reported on a calendar year basis.

(2) Final 2016 State sales ratio will be issued late 2017.

(3) Began reporting on fiscal year basis in 2009.

(4) Change in 2010 - Program participants now include office visits, farm visits and similar one on one or small group interactions with staff. The requests for information are based on e-mail requests, phone requests and newsletters sent

Source: Various County Departments

COUNTY OF SPOTSYLVANIA, VIRGINIA
Capital Asset Statistics by Function
 Last Ten Fiscal Years

TABLE S-17

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Sheriff:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	195	199	205	205	201	201	201	201	206	220
Fire & Rescue:										
Stations	13	13	13	13	13	13	13	13	13	12
Response units	61	65	65	67	67	67	69	69	69	72
Public works										
Solid waste convenience centers	13	13	13	13	13	13	13	13	13	13
Collection trucks	12	12	12	12	13	13	13	16	16	16
Landfills	3	3	3	3	3	3	3	3	3	3
Square footage of buildings maintained	459,989	470,659	471,659	471,659	661,497	649,397	649,721	649,721	649,721	649,721
Parks, recreation and cultural										
Parks	11	11	11	11	11	13	13	13	13	13
Park acreage	482	482	482	482	482	536	536	536	536	536
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	7	7	7	7	7	7	7	7	7	7
Athletic fields maintained	32	32	32	32	32	37	37	37	37	37
Community centers	5	6	6	6	6	7	7	6	6	6
Public boat ramps	2	2	2	2	2	2	2	2	2	2
Library facilities	2	2	2	2	2	2	2	2	2	2
Museums	1	1	1	1	1	1	1	1	1	1
Community development										
Visitor centers	2	1	1	1	1	1	1	1	1	1
Public utilities										
Water mains (miles)	462	496	502	514	517	517	536	542	553	562
Water treatment plants	2	2	2	2	2	2	2	2	2	2
Maximum daily capacity (thousands of gallons)	18,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Sewer										
Sanitary sewers (miles)	453	455	457	496	497	497	497	500	552	552
Wastewater treatment plants	3	3	3	3	3	3	3	3	3	3
Maximum daily treatment capacity (thousands of gallon)	12,300	12,300	12,300	12,300	13,700	13,700	13,700	13,700	13,700	13,700
Reservoirs	3	3	3	3	3	3	3	3	3	3
Pumping stations	56	56	56	53	52	52	51	52	50	50
Fleet management										
Vehicles maintained (1)	n/a	1,057	1,101	1,227	1,197	1,074	1,057	1,070	1,061	1,075

n/a - not available

(1) Fleet Maintenance Facility opened in FY 2009

COUNTY OF SPOTSYLVANIA, VIRGINIA

Summary of Certain School Statistics
School Enrollment

Last Five Fiscal Years

TABLE S-18

Page 1

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Kindergarten	1,705	1,714	1,588	1,565	1,569
Elementary (grades 1-7)	12,428	12,450	12,518	12,316	12,166
Secondary (grades 8-12)	9,261	9,282	9,355	9,437	9,426
Pre-K/Headstart (SpEd)	<u>331</u>	<u>327</u>	<u>356</u>	<u>360</u>	<u>437</u>
Total enrollment (1)	<u>23,725</u>	<u>23,773</u>	<u>23,817</u>	<u>23,678</u>	<u>23,598</u>
Teachers and administrators	1,901	1,891	1,898	1,932	1,948
Other employees	<u>1,126</u>	<u>1,119</u>	<u>1,120</u>	<u>1,147</u>	<u>1,159</u>
Total employees (2)	<u>3,027</u>	<u>3,010</u>	<u>3,018</u>	<u>3,079</u>	<u>3,107</u>
Elementary and intermediate	24	24	24	24	24
Secondary (includes vocational)	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
Total buildings	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>

Source: Superintendent of Schools, Spotsylvania County, Virginia.

(1) As of September 30 of each school year.

(2) As budgeted.

COUNTY OF SPOTSYLVANIA, VIRGINIA

Summary of Certain School Statistics

Actual and Projected Average Daily Enrollment by Grade

TABLE S-18

Page 2

Grade	Actual Average Daily Student Enrollment by Grade					Projected Average Daily Student Enrollment by Grade				
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
K	1,705	1,714	1,588	1,565	1,569	1,541	1,698	1,696	1,693	1,641
1	1,696	1,760	1,774	1,612	1,580	1,667	1,727	1,728	1,728	1,715
2	1,772	1,680	1,798	1,776	1,603	1,647	1,763	1,754	1,755	1,768
3	1,774	1,782	1,713	1,801	1,789	1,649	1,628	1,781	1,773	1,729
4	1,745	1,820	1,791	1,716	1,762	1,814	1,640	1,656	1,809	1,766
5	1,794	1,778	1,842	1,812	1,758	1,849	1,804	1,667	1,684	1,872
6	1,777	1,801	1,787	1,785	1,848	1,762	1,862	1,842	1,728	1,780
7	1,870	1,829	1,813	1,814	1,826	1,886	1,793	1,915	1,914	1,779
8	1,755	1,901	1,836	1,867	1,853	1,883	1,901	1,830	1,970	1,939
9	2,070	1,976	2,087	2,017	2,014	2,052	2,050	2,109	2,049	2,029
10	1,861	1,892	1,835	1,928	1,928	1,915	1,872	1,916	1,966	1,858
11	1,721	1,732	1,828	1,773	1,828	1,779	1,820	1,823	1,857	1,934
12	1,854	1,781	1,769	1,852	1,803	1,908	1,818	1,905	1,899	1,857
Pre-K*	331	327	356	360	437	360	360	360	360	400
Total	<u>23,725</u>	<u>23,773</u>	<u>23,817</u>	<u>23,678</u>	<u>23,598</u>	<u>23,712</u>	<u>23,736</u>	<u>23,982</u>	<u>24,185</u>	<u>24,067</u>

Source: Superintendent of Schools, Spotsylvania County, Virginia.

As of September 30 of each school year.

* Includes Head Start, Early Childhood Special Education, and Pre-Kindergarten

COUNTY OF SPOTSYLVANIA, VIRGINIA
Summary of Certain School Statistics
Data on Existing Public Schools

TABLE S-18

Page 3

School	Grade	Site Size	Original Construction Date	Date of Additions	Institutional Capacity	2016 - 2017 Enrollment
<i>Elementary:</i>						
Battlefield	K-5	30.0 Acres	1974	2000	833	616
Berkeley	K-5	17.0 Acres	1961	1971, 1979, 2000, 2005	353	268
Brock Road	K-5	24.4 Acres	1992	2004	907	656
Cedar Forest	K-5	52.2 Acres	2008	-	936	746
Chancellor	K-5	12.0 Acres	1940	1948, 1961, 2000	455	425
Courthouse Road	K-5	25.0 Acres	1994	2005	907	811
Courtland (1)	K-5	- Acres	1989	2000	789	525
Harrison Road (2)	K-5	- Acres	2001	2006	936	791
Lee Hill	K-5	21.0 Acres	1977	1990, 1999	807	652
Livingston	K-5	15.5 Acres	1961	1971, 1992	504	420
Parkside	K-5	26.8 Acres	2001	-	936	768
Riverview	K-5	25.0 Acres	1994	2005	907	699
Robert E. Lee	K-5	14.1 Acres	1952	1977	585	513
Salem	K-5	20.0 Acres	1979	1989, 1999	815	643
Smith Station	K-5	23.0 Acres	1991	1999, 2004	986	714
Spotswood	K-5	20.0 Acres	1965	1971, 2000	641	511
Wilderness	K-5	25.0 Acres	1998	2003	936	740
						<u>10,498</u>
<i>Middle:</i>						
Battlefield	6-8	30.0 Acres	1978	2003	807	800
Chancellor (2)	6-8	- Acres	1989	-	857	849
Freedom	6-8	76.7 Acres	2003	-	948	779
Ni River	6-8	75.0 Acres	1999	-	774	761
Post Oak (3)	6-8	- Acres	2007	-	948	726
Spotsylvania	6-8	41.7 Acres	1968	1973	907	875
Thornburg	6-8	50.0 Acres	1994	-	790	737
						<u>5,527</u>
<i>Secondary:</i>						
Chancellor	9-12	100.0 Acres	1988	-	1517	1,315
Courtland	9-12	100.0 Acres	1980	-	1265	1,151
Massaponax	9-12	100.0 Acres	1998	2005	1830	2,024
Riverbend	9-12	90.7 Acres	2004	-	1995	1,919
Spotsylvania	9-12	100.0 Acres	1994	-	1611	1,164
J.J. Wright Alternative	Pre K-12	20.0 Acres	1952	1962, 1982, 2008, 2009	500	n/a
Vocational Center (1)	-	-	1980	1993	-	n/a
						<u>7,573</u>

(1) On same site as Courtland High School

(2) On same site as Chancellor High School

(3) On same site as Spotsylvania High School

Source: Superintendent of Schools, Spotsylvania County, Virginia