

# Spotsylvania VIRGINIA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED

# 2016



*Thank you to all our County employees for your proud  
and dedicated public service*





# *County of Spotsylvania, Virginia*

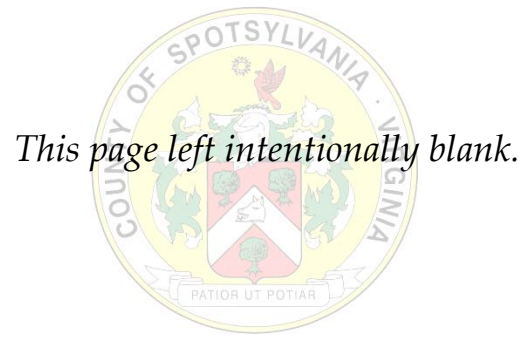
## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



Fiscal Year Ending June 30, 2016

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



# Table of Contents

## INTRODUCTORY SECTION

Letter of Transmittal .....	3
Principal Officials .....	9
Organizational Chart .....	10
GFOA Certificate of Achievement in Reporting .....	11

## FINANCIAL SECTION

Independent Auditor's Report .....	15
Management's Discussion and Analysis .....	18

### Basic Financial Statements

#### Government-wide Financial Statements

<i>Exhibit I</i> Statement of Net Position .....	33
<i>Exhibit II</i> Statement of Activities .....	34

#### Fund Financial Statements

##### Governmental Fund Financial Statements

<i>Exhibit III</i> Balance Sheet .....	36
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	37
<i>Exhibit IV</i> Statement of Revenues, Expenditures and Changes in Fund Balances .....	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	39

##### Proprietary Fund Financial Statements

<i>Exhibit V</i> Statement of Fund Net Position .....	40
<i>Exhibit VI</i> Statement of Revenues, Expenses and Changes in Net Position .....	41
<i>Exhibit VII</i> Statement of Cash Flows .....	42

##### Fiduciary Fund Financial Statements

<i>Exhibit VIII</i> Statement of Fiduciary Net Position .....	44
<i>Exhibit IX</i> Statement Changes in Fiduciary Net Position .....	45

Notes to Financial Statements .....	47
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### Required Supplementary Information Other than MD&A

#### Budgetary Comparison Schedule

<i>Exhibit X</i> General Fund .....	90
Notes to Required Supplementary Information .....	91
<i>Exhibit XI</i> Schedule of changes in Net Pension Liability and Related Ratios - County .....	92

## FINANCIAL SECTION (continued)

<i>Exhibit XII</i>	Schedule of changes in Net Pension Liability and Related Ratios – School Board .....	93
<i>Exhibit XIII</i>	Schedule of Employer’s Share of Net Pension Liability – Teacher Retirement Plan .....	94
<i>Exhibit XIV</i>	Schedule of Employer Contributions .....	95

## Other Supplementary Information

### Governmental Funds

<i>Schedule A</i>	Budgetary Comparison Schedule – Capital Projects Fund .....	101
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### Other Governmental Funds

<i>Schedule B-1</i>	Combining Balance Sheet .....	104
<i>Schedule B-2</i>	Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	105
<i>Schedule B-3.1</i>	Budgetary Comparison Schedule – Fire/EMS Service Fund .....	106
<i>Schedule B-3.2</i>	Budgetary Comparison Schedule – Code Compliance Fund .....	107
<i>Schedule B-3.3</i>	Budgetary Comparison Schedule – Transportation Fund .....	108

### Agency Funds

<i>Schedule C-1</i>	Combining Statement of Fiduciary Net Position .....	110
<i>Schedule C-2</i>	Combining Statement of Changes in Assets and Liabilities .....	111

### Discretely Presented Component Unit

<i>Schedule D-1</i>	Combining Balance Sheet – School Board .....	114
	Reconciliation of the Combining Balance Sheet – School Board to the Statement of Net Position .....	115
<i>Schedule D-2</i>	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – School Board .....	116
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – School Board to the Statement of Activities .....	117
<i>Schedule D-3</i>	Combining Budgetary Comparison Schedule – School Board .....	118
<i>Schedule E-1</i>	Statement of Net Position – Internal Service Fund .....	120
<i>Schedule E-2</i>	Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Fund .....	121
<i>Schedule E-3</i>	Statement of Cash Flows – Internal Service Fund.....	122
<i>Schedule F-1</i>	Statement of Net Position – Fiduciary Funds .....	124
<i>Schedule F-2</i>	Statement of Changes in Net Position – Fiduciary Funds .....	125

## STATISTICAL SECTION

### Financial Trends Information

<i>Table S-1</i>	Net Position by Component .....	129
<i>Table S-2</i>	Changes in Net Position .....	130

## STATISTICAL SECTION (continued)

<b>Table S-3</b>	Fund Balances of Governmental Funds .....	133
<b>Table S-4</b>	Changes in Fund Balances of Governmental Funds .....	134
<b>Table S-5</b>	Tax Revenues by Source Reported in the General Fund .....	136
<b>Table S-6</b>	General Revenues by Source – All Governmental Funds and the Component Unit - School Board .....	137
Revenue Capacity Information		
<b>Table S-7</b>	Assessed Value and Actual Value of Taxable Property .....	138
<b>Table S-8</b>	Property Tax Rate per \$100 of Assessed Value .....	139
<b>Table S-9</b>	Principal Property Taxpayers .....	140
<b>Table S-10</b>	Property Tax Levies and Collections .....	141
Debt Capacity Information		
<b>Table S-11</b>	Ratios of Outstanding Debt by Type .....	142
<b>Table S-12</b>	Revenue Bonds Coverage – Water and Sewer Revenue Bonds .....	144
Demographic and Economic Information		
<b>Table S-13</b>	Demographic and Economic Statistics .....	145
<b>Table S-14</b>	Principal Employers .....	146
Operating Information		
<b>Table S-15</b>	Full-Time County Government Employees by Function .....	147
<b>Table S-16</b>	Operating Indicators by Function .....	148
<b>Table S-17</b>	Capital Asset Statistics by Function .....	150
<b>Table S-18</b>	Summary of Certain School Statistics .....	151

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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



**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

**Service, Integrity, Pride**

November 22, 2016

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, 2016. 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, 2016, 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, 2016.

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. Spotsylvania is one of Virginia's fastest-growing counties, largely because of its desirable location along Interstate 95, midway between metropolitan Washington and Richmond.

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. The County's population is currently estimated at 131,305 and is expected to grow on average 1% to 2% per year into the next few decades. While a majority of residents commute outside of the County for work, local employment has increased 2.2%. Certain industries, such as construction, wholesale trade, and the County's targeted industry of healthcare, have seen job growth exceeding 4%. Growth in the real estate, rental and leasing industry was especially strong at 31.2%, a positive economic indicator reflecting an increasing demand in local real estate. As a result, the County's unemployment rate dropped for the sixth consecutive year to 4.0%, from the peak of 7.0% in 2010. The County's unemployment rate remains competitive within the Commonwealth and below the national rate of 5.1%. Median household income levels continue to exceed state and national averages at 117% of the state level and 141% of the U.S. level.

Growth in the County's major revenue streams continues to reflect a healthy and thriving community. Real property values, used to generate real estate tax revenues, rose 6.3%, an improvement over the 4.2% increase from the County's last reassessment performed in 2014. Non-business personal property also reported a strong 3.1% increase in taxable property values. Retail sales continue to grow above pre-recession levels with a 2.8% increase in calendar year 2015 compared to the Commonwealth's increase of 4.1%. Going into the next year, the County is projecting growth of 3.1% in retail spending to reflect both population growth and new retail sites.

During fiscal year 2016 there were more than 3,000 permits issued for commercial, residential or accessory construction, with estimated construction values of almost \$431 million, contributing to a 36.2% increase in permit, fee and license revenues over the previous year.

Combined with local economic incentives, a skilled workforce and available undeveloped property, local industry continues to expand and diversify. The County's targeted industries include healthcare, manufacturing, professional services (high tech/IT/defense) and tourism. Local industry growth and expansion vary in size and scope. Highlights include:

### *Healthcare*

Healthcare, the County's third largest industry, averages 727 establishments or 24.8% of the total base for Spotsylvania, and employs an average of 4,649 workers, the third highest in the County. The Spotsylvania Regional Medical Center (SMRC), employing approximately 450 employees, is the County's largest private employer, and is responsible for roughly \$1.1 million in taxes to the County. The presence of the SRMC and Medicorp, Inc.'s free-standing Emergency and Outpatient Center continue to spur growth in adjacent medical facilities. In 2015, the United States Veterans Administration considered the Fredericksburg region one of the nation's fastest growing veteran communities and leased 11,576 square feet at the Lee's Hill Medical Plaza to operate a state-of-the-art medical facility, which opened in the spring of 2016.

### *Manufacturing/ Distribution Centers*

Spotsylvania County is home to many manufacturing and distribution facilities for national and worldwide companies. Kaeser Compressors, Inc., one of the largest and most successful suppliers of air systems with over 3,000 employees worldwide and headquartered in the County, completed a 50,000 square foot, \$4.3 million expansion to their existing facility in 2016 to accommodate the company's growing packaging and shipping operations and have further expansions planned for the future.

In July of 2015, the Board unanimously approved a \$9.7 million incentive package to entice Lidl; a German based global discount supermarket chain, to join our community. Lidl broke ground a few months later on its anticipated \$125.0

million U.S. distribution center which is expected to be completed by the middle of 2017. This marks an incredible economic development achievement that will bring an additional 200 jobs and increased local tax revenues to the County.

*"We chose Spotsylvania not just for its central location, but also for its talented workforce and economic vitality"*

*-Payton Reid, Lidl U.S. Vice President*

### *Tourism*

One of the County's primary markets, due to its relative size and importance within the local economy is tourism, and according to the Virginia Tourism Corporation (VTC), Spotsylvania County currently ranks 18<sup>th</sup> out of 134 counties and incorporated cities within the Commonwealth for tourism. Known as the "Crossroads of the Civil War," Spotsylvania County is rich in historical resources, and welcomes visitors to numerous Civil War Battlefields within its National Military Park. According to VTC data, there were over 3,000 direct travel-related jobs in Spotsylvania County in 2015, generating over \$58 million in wages, salaries and tips and over \$5 million in local tax revenues.

*Entertainment*

The County isn't limited to just its historic events. Dominion Raceway and Entertainment opened in 2016, just off of I-95 and only minutes from the State capital, and features three motorsports tracks, an outdoor concert venue, 10 acre retail center and a 33 acre commercial center. The main 36,600 square foot complex hosts corporate events, commercial product releases, a restaurant, and live music and is expected to significantly boost economic activity in the southern portion of the 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. On May 24, 2016 the Board of Supervisors adopted revisions to the current fiscal policy guidelines in an effort to stress the stewardship principles and strengthen the County's financial position.

*Strong Reserve Levels*

The County's financial advisors continue to advise that no single policy is as significant as our fiscal stability reserve, an emergency fund established to address unforeseen circumstances or financial emergencies. The May 2016 revisions increased this reserve level to 11%, up from 10%, and at the end of the current fiscal year, reported \$44 million in its fiscal stability reserve, the equivalent of less than one and half months of FY 2018 general fund and school operating fund expenditures.

In addition to redefining its fiscal stability reserve, the Board established a budget stabilization reserve with an initial balance of \$1.0 million, and approved for each fiscal year thereafter the addition of 0.25% of the projected subsequent fiscal year General Fund and School Operating Fund revenues, until such time as the Budget Stabilization Reserve reaches \$5.0 million. The budget stabilization reserve will be used to address potential revenue declines or other economic stresses placed on the budget.

Adoption of these revisions strengthened the County's position with rating agencies, providing a certain degree of flexibility to take advantage of

*With the AAA rating from Fitch, the County joins a select group of highest-rated Virginia localities. Only about a dozen of the 95 counties in the Commonwealth enjoy a AAA rating.*

opportunities that may arise, and ultimately had a direct impact on the County's bond rating upgrades. As a result, in mid-August 2016, the County's credit rating was upgraded to AAA by Fitch and to Aa1 by Moody's, while Standard & Poor's affirmed the County's AA+ rating. These ratings are reflective of the County's strong desire to manage their financial obligations as they continue to strive to maintain their vision to be a leading Virginia community in quality of living and a leader in the region in sustained economic development.

*Debt Capacity*

The County's credit rating continues to be very strong, with a moderately low debt profile, reporting net overall debt equal to the previous year of \$3,210 per capita. 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 total governmental and school spending was 8.4%, 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, the County still faces difficult challenges. The County's focus clearly remains on how best to serve our community – to carefully balance the many needs without burdening its constituents. Needs such as public safety, education and transportation remain top priorities of the Board.

To address growth and meet service expectations, the number of public safety service personnel has increased 20.9% over the past five years. The County is also opening two fire and rescue stations in 2017, one new and the other a replacement. In regards to education, in 2016, the County transferred \$3.8 million above its budgeted local transfer to help fund School capital projects. The Board also approved an increased local transfer to the Schools of \$4.9 million in the 2017 budget, and subsequent to the budget's adoption, approved an additional \$2.1 million in one-time money from the General Fund to the School's Operating Fund.

Transportation remains one of the most difficult areas to address. As 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 the infrastructure needs within the Commonwealth. The Board works to bridge this gap by establishing additional local funding sources such as a fuel tax and the issuance of bonds. Outstanding bonded debt at June 30, 2016 related to transportation projects equaled \$44.7 million, 34% of the County's general obligation debt (excludes school and utility indebtedness).

*Capital Projects*

Each year the County prepares a five-year Capital Improvement Plan (CIP), which is adopted by the Board and published concurrently with the annual adopted budget, and serves as a significant tool to assist in long range planning for municipal capital needs. Capital improvement projects over the next five years total \$286.3 million, including such major initiatives as \$5.2 million in mandated landfill expansion, \$32.9 million in transportation work, \$19.2 million in renovations to Courtland High School to address capacity, \$20.7 million in Ni River Water Treatment Plant improvements, and \$20.8 million to address future water sourcing.



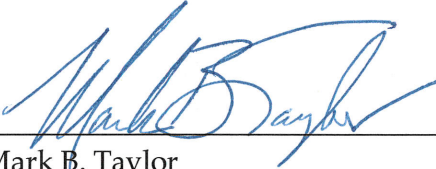
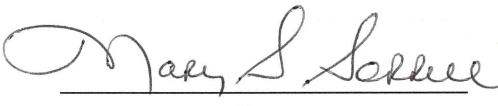
## AWARDS AND ACKNOWLEDGEMENTS

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, 2015. This represents the twenty-first 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, 2016. This is the twentieth 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



Timothy J. McLaughlin  
**Chancellor District**  
Chair



Paul D. Trampe  
**Salem District**  
Vice-Chair



Chris J. Yakabouski  
**Battlefield District**



Greg L. Cebula  
**Berkeley District**



David L. Ross  
**Courtland District**



Gary F. Skinner  
**Lee Hill District**



Greg Benton  
**Livingston 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

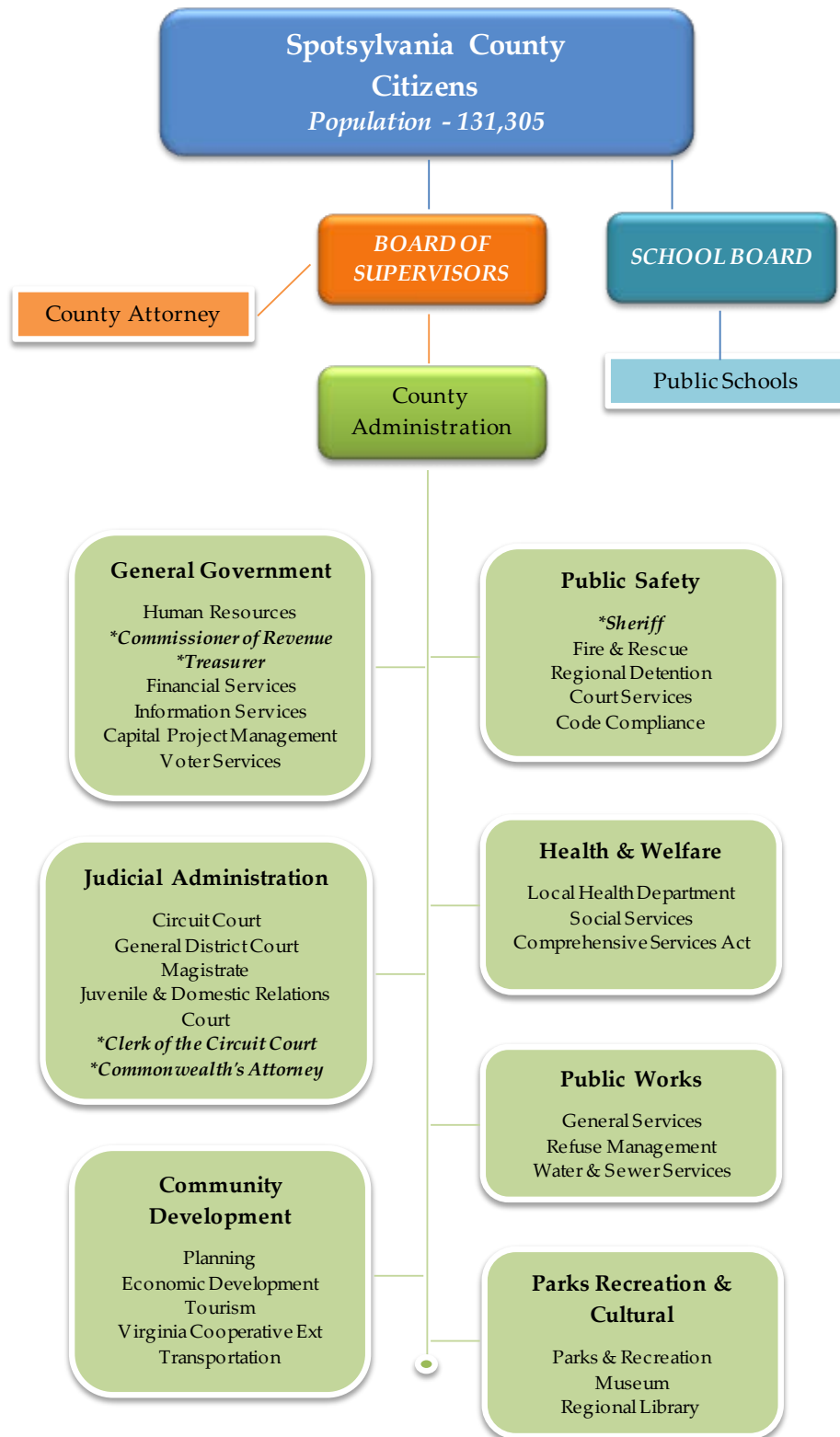
### *School Board*

Erin K. Grampp	Berkeley District
William M. Blaine, Jr.	Salem District
Amanda Blalock	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, 2015**

A handwritten signature in black ink, reading "Jeffrey R. Egan".

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

As discussed in Note 21 to the financial statements, the County adopted new accounting guidance, GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective July 1, 2015. As a result, related net position as of June 30, 2015 has been restated.

As discussed in Note 21 to the financial statements, the net position of the governmental activities and discretely presented component unit as of June 30, 2015 has been restated from the previously issued financial statements to reflect the correction of an error.

Our opinions are not modified with respect to these matters.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund and Notes, and pension and other postemployment benefits' trend information on pages 18 through 30, 90 and 91, and 92 through 95 respectively, 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 17, 2016 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.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive, flowing style.

Richmond, Virginia  
November 17, 2016

# 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, 2016. 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 \$12.0 million. Growth in the County's business-type activity (Water and Sewer) rose by \$7.8 million to \$252.8 million. Governmental Activities continue to report increases in net position, reducing its net deficit by \$4.2 million to a deficit of \$71.7 million.
- The County continues its practice of issuing bonded debt on-behalf of the School Board. This bonded debt is recorded on the books of the County while the related capital assets are reported within the School Board's Balance Sheet. As of June 30, 2016, School Board debt, net of unspent bond proceeds, equaled \$153.7 million of the \$71.7 million net position deficit in Governmental Activities. The removal of this activity would result in a positive net position of \$82.0 million.
- During the year, County expenses of \$256.9 million grew 5.3% faster than the \$262.9 million (Table 3) generated in supporting taxes and other revenues for governmental programs.
- The County's business-type activity revenues increased 5.1% to \$41.3 million with expenses remaining relatively unchanged.

### *Fund financials*

- General Fund balance increased by \$6.3 million, or 9.3%. The County met all its fiscal policy requirements with \$1.1 million remaining, increasing unassigned fund balance to \$5.4 million.
- Fund balance of the Capital Projects Fund increased by \$4.3 million to \$51.7 million. The remaining non-major funds reported a decrease of \$1.1 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 nonmajor 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 nonmajor 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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	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 de-

vices 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* – The County is the trustee or fiduciary, of its Length of Service Award Program for its volunteer fire & rescue personnel. 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 \$12.0 million to \$181.1 million. In comparison, the County's Component unit – School Board reported a decrease of \$13.5 million bringing the School Board into a deficit net position of \$3.0 million. A summary presentation of net position is provided in Table 2 below:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit School Board	
	2016	2015*	2016	2015	2016	2015*	2016	2015*
Current and other assets	\$ 258.5	\$ 250.6	\$ 91.5	\$ 89.4	\$ 350.0	\$ 340.0	\$ 54.8	\$ 54.0
Capital assets, net*	131.5	123.2	300.8	299.8	432.3	423.0	301.8	306.9
<b>Total assets</b>	<b>390.0</b>	<b>373.8</b>	<b>392.3</b>	<b>389.2</b>	<b>782.3</b>	<b>763.0</b>	<b>356.6</b>	<b>360.9</b>
<b>Total deferred outflows*</b>	<b>6.8</b>	<b>6.4</b>	<b>2.6</b>	<b>2.4</b>	<b>9.4</b>	<b>8.8</b>	<b>19.0</b>	<b>18.3</b>
Other liabilities	41.6	43.3	2.9	3.0	44.5	46.3	31.6	28.4
Long-term liabilities	345.7	331.7	138.6	142.6	484.3	474.3	325.7	303.2
<b>Total liabilities</b>	<b>387.3</b>	<b>375.0</b>	<b>141.5</b>	<b>145.6</b>	<b>528.8</b>	<b>520.6</b>	<b>357.3</b>	<b>331.6</b>
<b>Total deferred inflows</b>	<b>81.2</b>	<b>81.1</b>	<b>0.5</b>	<b>1.0</b>	<b>81.7</b>	<b>82.1</b>	<b>21.3</b>	<b>37.1</b>
Net position:								
Net investment in capital assets*	60.1	58.5	178.8	177.0	238.9	235.5	301.8	306.9
Restricted	10.9	9.5	0.9	6.1	11.8	15.6	4.8	5.5
Unrestricted*	(142.7)	(143.9)	73.1	61.9	(69.6)	(82.0)	(309.6)	(301.9)
<b>Total net position*</b>	<b>\$ (71.7)</b>	<b>\$ (75.9)</b>	<b>\$ 252.8</b>	<b>\$ 245.0</b>	<b>\$ 181.1</b>	<b>\$ 169.1</b>	<b>\$ (3.0)</b>	<b>\$ 10.5</b>

\* Amounts restated. Details available within Note 21 of the financial statements.

The County's governmental activities net position increased by \$4.2 million, reducing its deficit to \$71.7 million. However, all of the components either are 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 \$142.7 million. As previously mentioned under the financial highlights section of the MD&A, of this deficit, \$153.7 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 \$11.0 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 posi-

tion of the School Board is of critical importance to the County. While the *unrestricted* net position does reflect a deficit of \$309.6 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 funds 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 with steady improvement as a result of planned rate increases needed to fund critical overhauls of aging infrastructure as it come due.

### Changes in Net Position

As reflected in Table 3 below, the primary government's net position increased \$12.0 million, a drop of \$12.0 million from the previous year. While both the governmental and business-type activities saw positive growth in their revenues year over year, expenses of the governmental activities increased 9.5% versus a less than 1% decrease in business-type activity costs. The Component unit – School Board's net decrease in net position remains relatively unchanged from the previous year at \$13.5 million, reflecting the growth in long-term pension and other postemployment benefit obligations.

<b>Table 3</b> <b>Changes in Net Position</b> (amounts in millions)								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit School Board	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Revenues</b>								
Program Revenues:								
Charges for services	\$ 12.5	\$ 11.9	\$ 31.8	\$ 30.3	\$ 44.3	\$ 42.2	\$ 8.5	\$ 7.9
Operating grants and contributions	19.3	17.8	0.5	0.5	19.8	18.3	143.7	141.0
Capital grants and contributions	4.2	3.5	8.1	8.2	12.3	11.7	0.9	0.3
General Revenues:								
General property taxes	161.8	154.8	-	-	161.8	154.8	-	-
Other taxes	48.1	48.2	-	-	48.1	48.2	-	-
Payments from Primary Government	-	-	-	-	-	-	114.5	101.7
Other general revenues	17.0	16.1	0.9	0.3	17.9	0.2	0.5	0.3
<b>Total Revenues</b>	<b>262.9</b>	<b>252.3</b>	<b>41.3</b>	<b>39.3</b>	<b>304.2</b>	<b>291.6</b>	<b>268.1</b>	<b>251.2</b>
<b>Expenses</b>								
General government	15.3	14.3	-	-	15.3	14.3	-	-
Judicial administration	8.7	9.1	-	-	8.7	9.1	-	-
Public safety	49.0	47.3	-	-	49.0	47.3	-	-
Public works	12.3	10.5	-	-	12.3	10.5	-	-
Health and welfare	19.8	18.1	-	-	19.8	18.1	-	-
Education	114.7	102.1	-	-	114.7	102.1	281.6	264.6
Parks and recreation	7.9	8.0	-	-	7.9	8.0	-	-
Community development	18.8	14.6	-	-	18.8	14.6	-	-
Water and sewer	-	-	33.3	33.6	33.3	33.6	-	-
Interest on long-term debt	10.4	10.6	-	-	10.4	10.6	-	-
<b>Total Expenses</b>	<b>256.9</b>	<b>234.6</b>	<b>33.3</b>	<b>33.6</b>	<b>290.2</b>	<b>268.2</b>	<b>281.6</b>	<b>264.6</b>
Excess (deficiency) before transfers and special items	6.0	17.7	8.0	5.7	14.0	23.4	(13.5)	(13.4)
Transfers	0.2	(0.2)	(0.2)	0.2	-	-	-	-
Special items	(2.0)	0.6	-	-	(2.0)	0.6	-	-
<b>Increase (decrease) in net position</b>	<b>4.2</b>	<b>18.1</b>	<b>7.8</b>	<b>5.9</b>	<b>12.0</b>	<b>24.0</b>	<b>(13.5)</b>	<b>(13.4)</b>
<b>Net position - beginning, unadjusted</b>	<b>(73.0)</b>	<b>(76.8)</b>	<b>245.0</b>	<b>241.3</b>	<b>172.0</b>	<b>164.5</b>	<b>8.1</b>	<b>241.0</b>
<b>Less prior period adjustment</b>	<b>(2.9)</b>	<b>(14.3)</b>	<b>-</b>	<b>(2.2)</b>	<b>(2.9)</b>	<b>(16.5)</b>	<b>2.4</b>	<b>(219.5)</b>
<b>Net position - beginning, as restated</b>	<b>(75.9)</b>	<b>(91.1)</b>	<b>245.0</b>	<b>239.1</b>	<b>169.1</b>	<b>148.0</b>	<b>10.5</b>	<b>21.5</b>
<b>Net position - ending</b>	<b>\$ (71.7)</b>	<b>\$ (73.0)</b>	<b>\$ 252.8</b>	<b>\$ 245.0</b>	<b>\$ 181.1</b>	<b>\$ 172.0</b>	<b>\$ (3.0)</b>	<b>\$ 8.1</b>

Details of prior period adjustments can be found within Note 21 of the financial statements.

## GOVERNMENTAL ACTIVITIES

Revenues for fiscal year 2016 were \$262.9 million, an increase of \$10.6 million or 4.2%. Property taxes increased \$7.0 million or 4.5% as a result of increased assessment values and the setting of the calendar year 2016 tax rates. Real property assessed values increased overall by 6.3% in response to continued growth and the County's biennial reassessment, yielding an equalized rate of \$0.8313. Personal and business property assessed values also increased by a more modest 3.5% over the previous year. To fund needed initiatives in the FY 2017 Budget, the Board approved a real property tax rate of \$0.85, slightly less than two pennies above the equalized rate. The primary personal property tax rate was reduced by 18 cents – from \$6.73 to \$6.55 per \$100 based on 50% of the assessed value.

Local tax revenues (e.g. sales, meals) also increased overall by \$1.1 million, or 2.5%, as the economy continues to improve, but were offset by steep drops in gas prices nation-wide reducing fuel tax revenues by 36.1% or \$1.2 million.

All remaining revenue streams showed varying levels of growth; however, the most notable is the County's operating grants and contributions, which included a \$1.0 million economic development grant from the Commonwealth's Opportunity Fund for the purpose of inducing LIDL, a European discount grocery chain, to build its \$125.0 million U.S. distribution center in Spotsylvania creating an estimated 200 local jobs.

The County provided various services to its citizens (e.g. public safety, education), at a total cost of \$256.9 million, an increase of \$22.3 million or 9.5%. Of this amount, \$36.0 was paid by program revenues consisting of \$12.5 million in service charges and \$23.5 million in funds subsidized by other governments and organizations through various grants and contributions. The remaining \$220.9 million was funded through general revenues such as taxes, interest, and unrestricted aid from the Commonwealth. Property taxes continue to represent the largest portion of the County's general revenues at 61.5% of total governmental revenues.

Chart 1

### Governmental Activities - Revenues by Source

For Years ending June 30, 2016 and 2015

(amounts in millions)

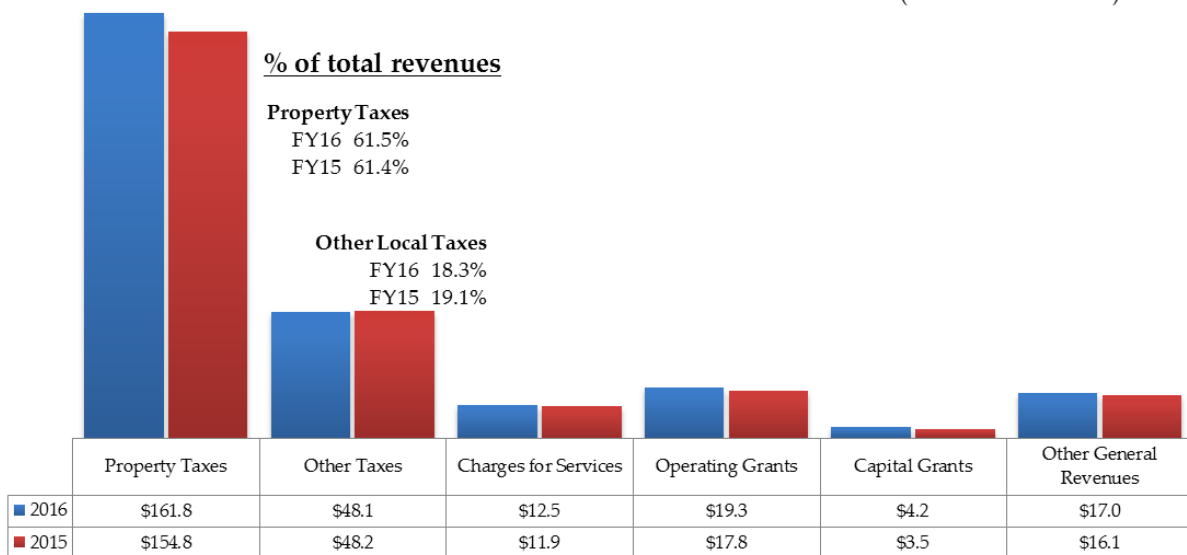


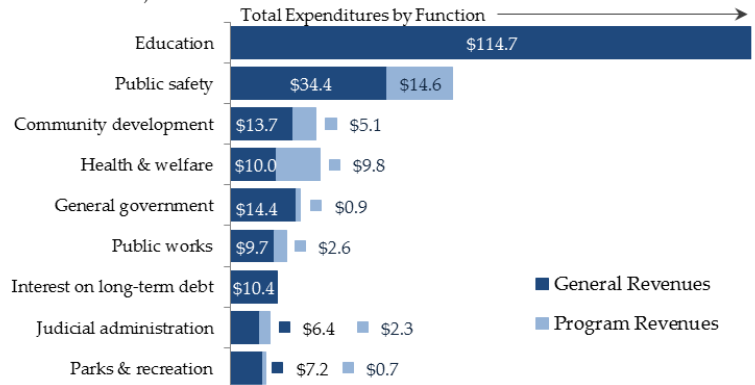
Chart 2 presents each program's net cost, after program revenues, representing the financial burden that was placed on the County's taxpayers by each of these functions.

When comparing *net costs* by program to the previous year, education increased by \$12.6 million, or 12.34%. The majority of this increase represents \$6.7 million in net debt activity (new debt issued less annual debt service) incurred by the County "on-behalf" of the School Board. The County also budgeted a one-time transfer of \$3.8 million in available bond proceeds to fund the School's capital maintenance program.

The cost of transportation improvements also rose during the current fiscal year as the County continues to address shortfalls in federal and state funding with increased local funds to help alleviate roadway congestion and safety concerns. Net transportation costs rose by \$2.0 million or 27.4% in the current year totaling \$9.3 million. Funding was directed toward the completion of the County's first Virginia Railway Express (VRE) station and critical intersection and interstate exit improvements.

Chart 2

**Governmental Activities - Funding of Net Functional Costs**  
For the Year ended June 30, 2016  
(amounts in millions)



## BUSINESS-TYPE ACTIVITIES

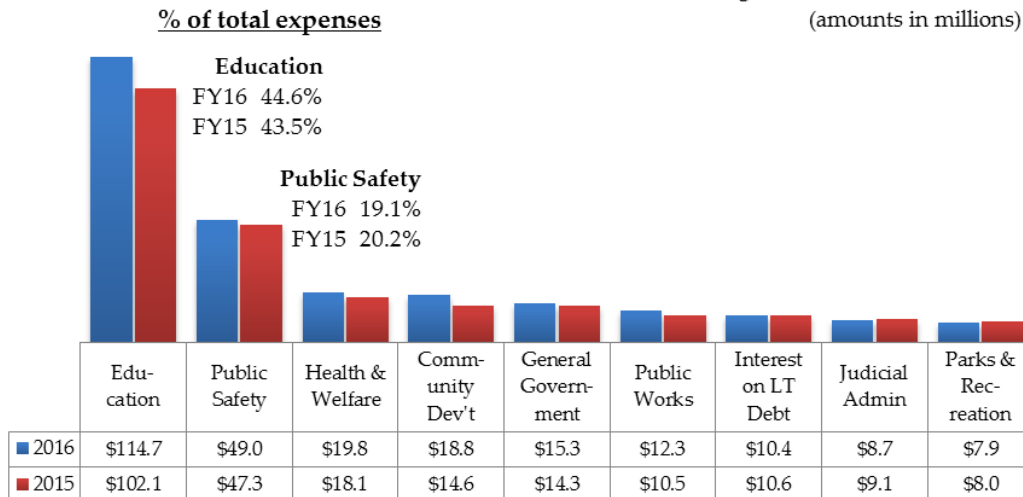
Revenues of the County's business-type activity - Water and Sewer - increased by \$2.0 million to \$41.3 million as a result of system growth through new developments and planned rate increases. Savings achieved from current and previous debt refinancing efforts continue to offset increases in service costs allowing expenses for the fiscal year to stay fairly level at \$33.3 million, down slightly from \$33.6 million in the previous year.

Chart 3

**Governmental Activities - Expenses by Function**

For Years ending June 30, 2016 and 2015

(amounts in millions)





## COMPONENT UNIT – SCHOOL BOARD

For fiscal year 2016, the School Board reported a decrease in net position of \$13.5 million, a slightly higher shortfall than the \$13.4 million reported in the previous year. Revenues increased \$16.9 million, or 6.7%, predominantly due \$12.8 million more in County contributions, as discussed under the analysis of changes in net position of governmental activities on the previous page. In addition to the higher County contributions, the School Board's VRS Teacher Employee Pension Plan received a \$3.1 million special contribution from the Commonwealth reported as operating grant and contributions program revenue.

Expenses also increased \$17.0 million or 6.4% as a result of higher healthcare costs increasing annual claims and future OPEB obligations by approximately \$6.3 million, and \$9.7 million in capital maintenance work to school facilities, that is not expected to substantially alter the expected useful life or service provided, and therefore expensed as incurred.

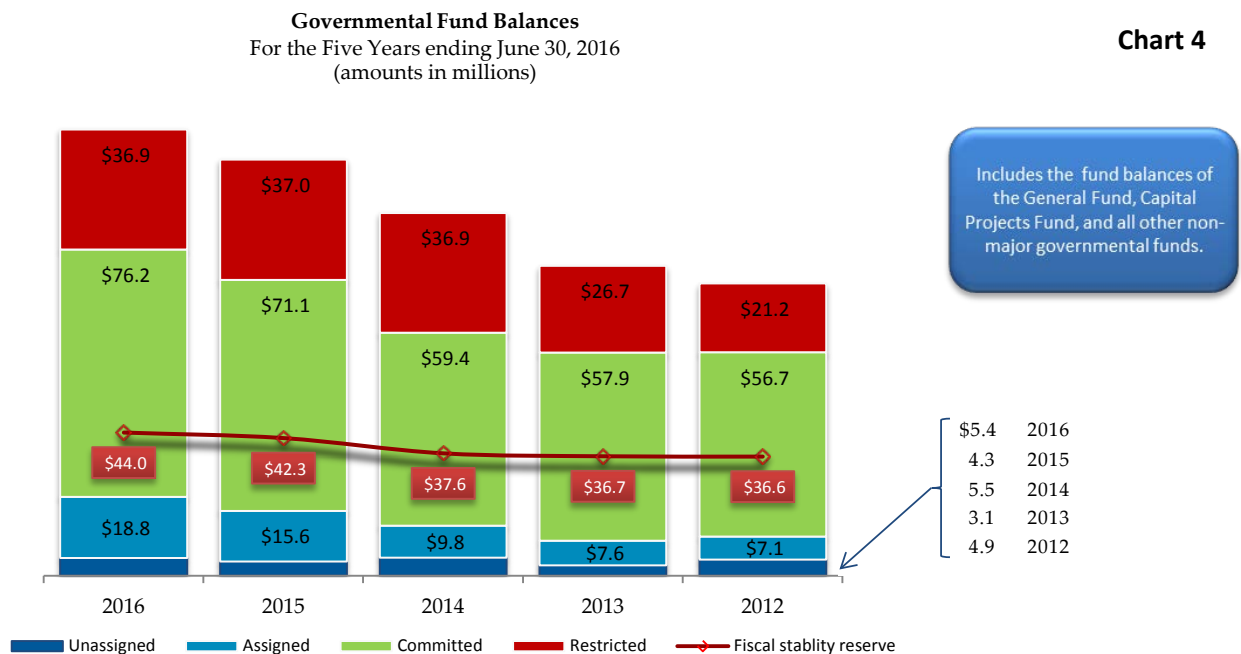
## Financial Analysis of Governmental Funds

Combined governmental fund balances at year-end equaled \$137.4 million, a 7.3% increase from the previ-

ous year. As the County's fund balance is of critical importance to its overall financial health, the County continues to review its fiscal policies and made the following changes in 2016:

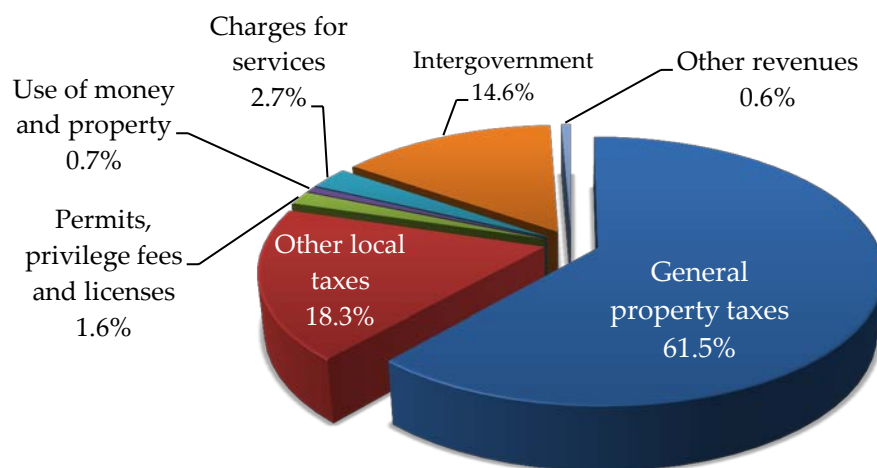
- Increased the Fiscal Stability Reserve by 1% to \$44.0 million and reclassified as committed fund balance;
- Increased the Self-insured Health Insurance reserve and reclassified as committed fund balance;
- Established the Budget Stabilization Reserve, an unassigned fund balance with the goal of increasing annual funding until such time as it reaches \$5.0 million.

In light of the importance of the County's overall fund balance, Chart 4 below provides the County's governmental fund balances for the current year and each of the preceding four years. The trend shows an increase in all levels with the exception of restricted fund balance; committed fund balance rose by \$5.1 million, or 7.2%, with the majority of those funds intended for future capital projects; and, assigned fund balance increased \$3.2 million, or 20.5%, of which \$2.1 million represents the County's increase in OPEB reserves. Unassigned fund balance, which is available for spending at the government's discretion, increased by 25.6%, or \$1.1 million.



At June 30, 2016, the County reported a net change in fund balance of \$9.4 million; the majority of this increase (\$6.2 million) generated by the General Fund. The County's net change in fund balance is made up of annual revenues, expenditures, and other financing sources and uses. The charts below provide useful information on the percentage of consolidated revenues received by source and how these funds were used by function. It is important to note that the primary reasons for the reported net increase mirror those already highlighted in the analysis of governmental activities. Additional information on changes in fund balances, not previously disclosed, should be noted on the following page.

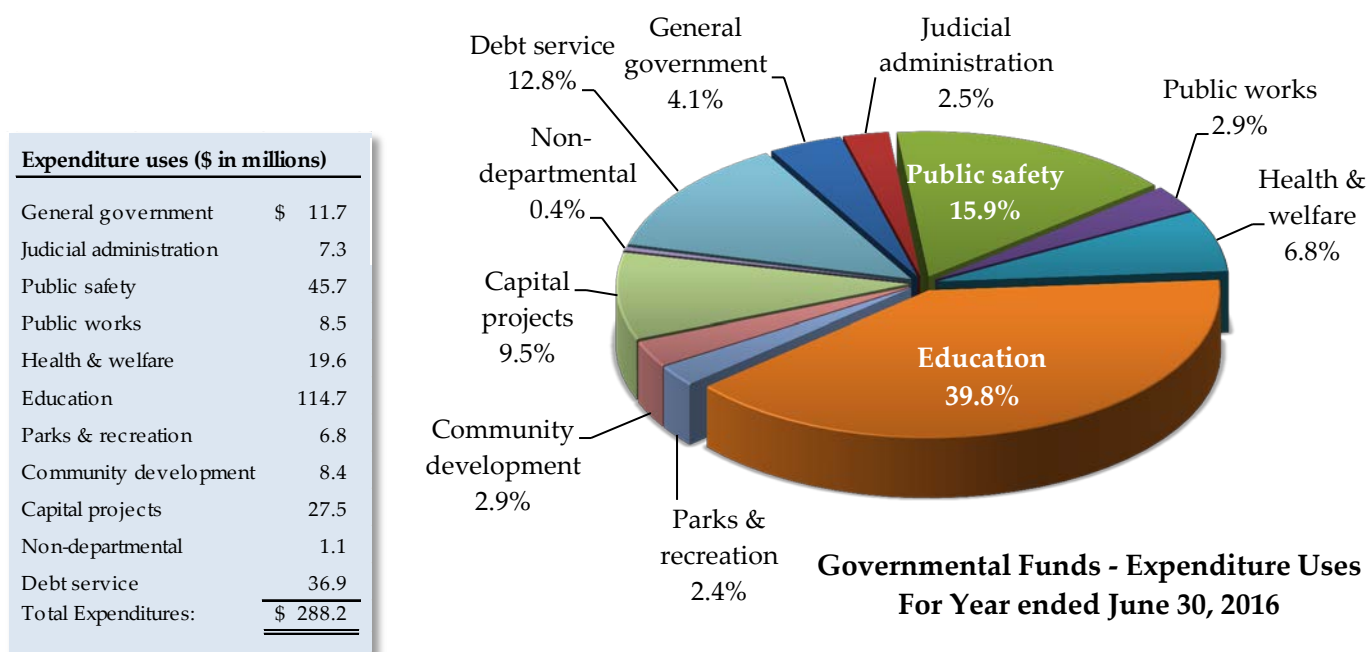
**Chart 5**



Revenue sources (\$ in millions):	
General property taxes	\$ 161.7
Other local taxes	48.1
Permits, fees and licenses	4.3
Use of money and property	1.9
Charges for services	7.0
Intergovernmental	38.4
Other revenue	1.7
	<u>\$ 263.1</u>

**Governmental Funds - Revenue Sources  
For the Year ended June 30, 2016**

**Chart 6**



**Governmental Funds - Expenditure Uses  
For Year ended June 30, 2016**

Expenditure uses (\$ in millions)	
General government	\$ 11.7
Judicial administration	7.3
Public safety	45.7
Public works	8.5
Health & welfare	19.6
Education	114.7
Parks & recreation	6.8
Community development	8.4
Capital projects	27.5
Non-departmental	1.1
Debt service	36.9
Total Expenditures:	<u>\$ 288.2</u>

Overall revenues increased by \$6.0 million or 2.33% with the percentages of revenue sources shown in (Chart 5) remaining relatively the same. Property tax revenues rose by \$5.1 million, or 3.3%, representing new revenues generated through increased property assessments and subsequent adoption of calendar year 2016 property tax rates; and to a lesser extent, improved delinquent collection rates. While not as significant in dollars, permits, privilege fees and licenses also increased dramatically by 34.4%, or \$1.1 million, stemming from building fees received through new development growth. This is 65% increase in building fee revenue compared to the prior year.

Unlike revenues, expenditures rose significantly in 2016, growing by \$26.3 million, or 10.0%. Year over year changes across functions fluctuated, with general government reporting a 2.0% decrease; public works and parks remaining flat; and greater than 10% increases in education, community development and capital projects. Budgeted local transfers for education remained even compared to the previous year, but required adjustment for net bonded debt activity related to County bonds issued “on-behalf” of the School Board equaling \$12.8 million, or 12.6%. As a result of more aggressive economic development initiatives, Community development costs were up by \$1.7 million, or 25.4%, from increased economic initiatives, the largest consisting of a \$1.1 million dollar grant to LIDL, a European discount grocery chain, to build its \$125.0 million U.S. distribution center in the County.

## 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 were not significant and consisted of reallocations of

funds between funding sources and departments, with the exception of the following three amendments:

- \$3.1 million in “carryover” of obligated or approved fiscal year 2015 funding not yet expended.
- Re-appropriation of \$2.5 million in unexpended 2015 educational expenditures to the School Board.
- Appropriation of \$19.3 million and \$16.5 million in the County and School Board capital projects funds, respectively, to refinance certain maturities of General Obligation Public Improvement Bonds and finance future capital projects.

### FINAL BUDGET TO ACTUAL

As of June 30, the County’s General Fund reported a positive budget variance of \$13.1 million consisting of \$3.3 million in additional revenues and \$9.4 million in unexpended budgeted expenditures.

- General property tax revenues eclipsed budget by \$2.7 million due to changes in the 2016 calendar tax rates needed to fund the 2017 Budget. The slightly less than two penny increase went into effect with the June 5, 2016 property bills issued and was used to fund 2016 operations.
- General government expenditures were \$2.6 million below budget primarily from savings in Information Services of \$1.8 million related to turnovers and vacancies, and the timing of payments on maintenance contracts. Public safety also reported savings of \$3.4 million, slightly higher than 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 \$432.2 million at June 30, 2016 and \$423.0 million at June 30, 2015, a net increase of \$9.2 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.

Construction in progress (CIP) grew by \$6.7 million, or 25.3%, in 2016. CIP represents an accumulation of costs incurred to date for its capital assets under construction or development that have not yet been placed into service. Projects expected to be completed in fiscal year 2017 and account for the bulk of the increase include:

- Construction to replace one fire & rescue station in the Chancellor District and build an additional station in the Lee Hill District. Project costs to date equal \$7.9 million for both stations with \$0.8 million committed to complete the facilities in late 2016.

#### Major capital asset additions in 2016 include:

- The purchase of various new and replacement public safety vehicles totaling \$2.8 million.
- \$2.2 million in new and replacement SCBA (self-contained breathing apparatus) units for fire and rescue services.
- The completion of the Hazel Run Interceptor Phase II project needed to convert pumping stations to gravity sewers.
- A major upgrade to the County's public safety 800MHz radio system is coming to a close and is expected to be operational in late 2016. Accumulated costs to date are \$14.5 million and the County anticipates another \$6.5 million will be spent to complete the project.

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

**Table 4**

### Capital Assets

	(net of depreciation, amounts in millions)				
	Governmental Activities	Business-type Activities	Total Primary Government		% Change
			2016	2015*	
Land & land improvements	\$ 13.2	\$ 7.6	\$ 20.8	\$ 20.8	- %
Land improvements, depreciable	9.4	0.9	10.3	11.8	(12.7)
Buildings & improvements	59.0	109.2	168.2	174.2	(3.4)
Furniture, equipment & vehicles	25.4	10.3	35.7	29.5	21.0
Water & sewer systems	-	164.1	164.1	160.2	2.4
Construction in progress	24.5	8.7	33.2	26.5	25.3
<b>Total capital assets</b>	<b>\$ 131.5</b>	<b>\$ 300.8</b>	<b>\$ 432.3</b>	<b>\$ 423.0</b>	<b>2.2</b>

## DEBT ADMINISTRATION

At year-end the County had \$421.9 million in bonds outstanding, less than a 1% increase over the previous year, as shown in Table 5.

New debt consisted of \$34.0 million in general obligation public improvement bonds, the majority of which is intended to finance \$8.7 million in County facility renovations, \$8.8 million in road improvements to reduce traffic congestion, and \$14.9 million for ongoing School Board capital needs. In addition, to improve cash flow and to take advantage of lower interest rates, the County decided to refinance nearly \$72.0 million, including one School Board general obligation debt issue and two Water and Sewer Fund revenue bond issues, by issuing refunding bonds. By refinancing the debt, the County will reduce its debt service payments by \$6.2 million and \$3.6 million over the next 11 year and 22 years, respectively. 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)

	Primary Government		%
	2016	2015	Change
Governmental activities:			
General obligation bonds - County	\$ 116.1	\$ 105.0	10.6%
General obligation bonds - School Board	68.8	61.7	11.5%
Virginia public school authority bonds	23.7	29.1	-18.6%
Lease revenue bonds - County	15.2	16.6	-8.4%
Lease revenue bonds - School Board	66.2	69.9	-5.3%
Total governmental activities debt:	290.0	282.3	2.7%
Business-type activities - revenue bonds	131.9	136.7	-3.5%
Total outstanding debt:	421.9	419.0	0.7%

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

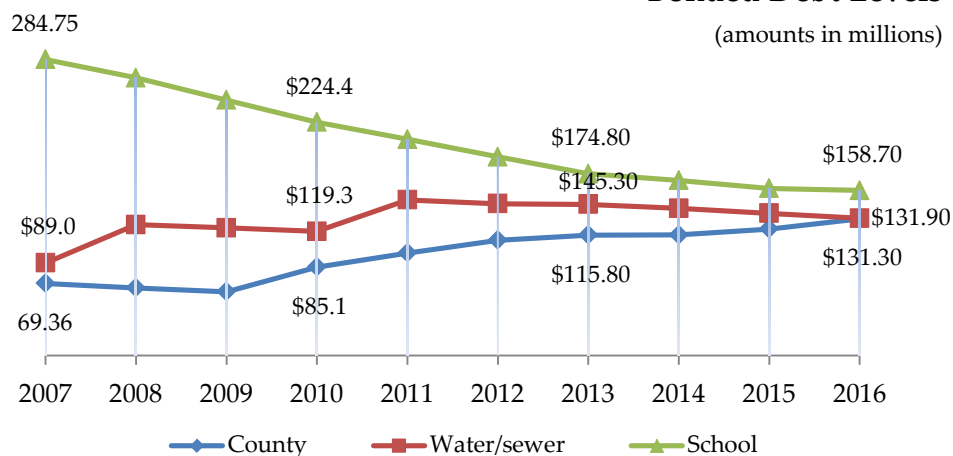
**Table 6 Debt Position Indicators**

For Fiscal Years 2016 and 2015

	Ratio of debt service to expenditures	Ratio of debt to assessed value
2016	8.4%	1.81%
2015	8.8%	1.87%
Adopted Policy	Not to exceed 12%	Not to exceed 3%

### 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 2017 fiscal year budget.

- As of January 1, 2016, overall taxable property assessed values increased by 6.0% over the previous year.
- 2016 calendar year real property rates increased to \$0.85, slightly less than two pennies over the equalized rate. Personal property rates declined for the second year in a row from \$6.73 to \$6.55.
- The County was awarded a two-year SAFER grant for nine firefighter/medic positions in FY15 and FY16. In FY17, \$0.5 million in SAFER funding will no longer be available and will have to be absorbed in the budget as we continue to fund these positions.
- Unemployment rates continue to improve dropping to 4.0% at June 30, 2016 from 4.8% one year ago. The County's population increased by less than half a percent, with student populations dropping by a similar margin.
- As of January 1, 2016 the County had 15,501 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](mailto: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, 2016

Exhibit I

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
<b>ASSETS</b>				
Cash and investments - pooled equity (Note 2)	\$ 118,406,867	\$ 78,167,352	\$ 196,574,219	\$ 4,168,888
Receivables, net (Note 3)	108,051,714	6,661,484	114,713,198	7,748,907
Prepaid items	381,861	-	381,861	574,681
Inventory	-	659,104	659,104	303,479
Due from Primary Government (Note 6)	-	-	-	23,018,529
Restricted cash and investments (Note 2)	31,701,934	6,028,969	37,730,903	7,521,022
Claim reserves held by others (Note 16)	-	-	-	11,454,772
Capital assets, net (Note 4):				
Non-depreciable assets	37,696,175	16,311,290	54,007,465	10,179,917
Depreciable assets	93,766,259	284,442,016	378,208,275	291,591,412
Total assets	<u>\$ 390,004,810</u>	<u>\$ 392,270,215</u>	<u>\$ 782,275,025</u>	<u>\$ 356,561,607</u>
<b>DEFERRED OUTFLOWS</b>				
Loss on debt refunding	\$ 2,519,680	\$ 1,968,854	\$ 4,488,534	\$ -
Pension contributions (Note 8)	4,241,697	637,337	4,879,034	18,038,014
Pension actuarial differences (Note 8)	-	-	-	1,008,000
Total deferred outflows	<u>\$ 6,761,377</u>	<u>\$ 2,606,191</u>	<u>\$ 9,367,568</u>	<u>\$ 19,046,014</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,760,246	\$ 1,219,531	\$ 4,979,777	\$ 7,980,593
Retainage payable	330,046	332,791	662,837	88,229
Accrued salaries and benefits	1,366,903	194,520	1,561,423	23,507,566
Accrued bond interest	3,874,201	444,742	4,318,943	-
Other accrued liabilities	3,827,692	626,307	4,453,999	-
Due to component unit (Note 6)	23,018,529	-	23,018,529	-
Deposits	5,408,353	121,004	5,529,357	-
Noncurrent liabilities (Note 9):				
Due within one year	27,302,096	5,401,352	32,703,448	6,121,019
Due in more than one year	318,384,965	133,201,801	451,586,766	319,599,816
Total liabilities	<u>\$ 387,273,031</u>	<u>\$ 141,542,048</u>	<u>\$ 528,815,079</u>	<u>\$ 357,297,223</u>
<b>DEFERRED INFLOWS</b>				
Unearned revenues:				
Property taxes (Note 2)	\$ 77,612,308	\$ -	\$ 77,612,308	\$ -
Special assessments	221,362	-	221,362	-
Pension actuarial differences (Note 8)	3,350,058	537,068	3,887,126	21,261,253
Total deferred inflows	<u>\$ 81,183,728</u>	<u>\$ 537,068</u>	<u>\$ 81,720,796</u>	<u>\$ 21,261,253</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 60,076,256	\$ 178,783,913	238,860,169	\$ 301,771,329
Restricted for:				
Grant programs	2,034,900	-	2,034,900	-
Debt service	-	913,058	913,058	-
Transportation	7,130,091	-	7,130,091	-
Capital projects	1,722,242	1,838	1,724,080	4,852,555
Unrestricted	(142,654,061)	73,098,481	(69,555,580)	(309,574,739)
Total net position (deficit)	<u>\$ (71,690,572)</u>	<u>\$ 252,797,290</u>	<u>\$ 181,106,718</u>	<u>\$ (2,950,855)</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, 2016

Exhibit II

Page 1

Functions/Programs	Expenses	Program Revenues			Primary Governmental Activities
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contribution	
<b>Primary Government:</b>					
General government	\$ 15,322,835	\$ 320,690	\$ 586,144	\$ 40,994	\$ (14,375,007)
Judicial administration	8,681,685	748,769	1,508,565	-	(6,424,351)
Public safety	49,020,167	7,487,430	6,136,943	1,028,138	(34,367,656)
Public works	12,274,256	2,515,493	20,996	-	(9,737,767)
Health and welfare	19,828,030	2,846	9,843,627	-	(9,981,557)
Education	114,761,939	-	-	-	(114,761,939)
Parks, recreation and cultural	7,887,036	689,192	-	-	(7,197,844)
Community development	18,768,629	780,864	1,178,341	3,113,274	(13,696,150)
Interest on long-term debt	10,377,203	-	-	-	(10,377,203)
Total governmental activities	\$ 256,921,780	\$ 12,545,284	\$ 19,274,616	\$ 4,182,406	\$ (220,919,474)
<b>Business-type activities:</b>					
Water and sewer	33,280,448	31,793,348	502,400	8,094,367	
Total Primary Government	<u>\$ 290,202,228</u>	<u>\$ 44,338,632</u>	<u>\$ 19,777,016</u>	<u>\$ 12,276,773</u>	
<b>Component unit:</b>					
School Board	<u>\$ 281,560,584</u>	<u>\$ 8,468,814</u>	<u>\$ 143,740,841</u>	<u>\$ 893,719</u>	
<b>General revenues:</b>					
Taxes					
Property taxes					\$ 161,797,677
Sales taxes					21,690,788
Utility taxes					3,181,554
Business licenses					4,505,103
Rental taxes					1,363,384
Motor vehicle licenses					3,134,550
Bank stock taxes					640,398
Recordation taxes					1,736,866
Meal taxes					8,477,175
Fuel taxes					3,455,550
Grants and contributions not restricted to specific programs					15,555,185
Payments from Primary Government					-
Interest and investment earnings					1,225,049
Miscellaneous					156,518
Transfers					158,429
Special item (Note 15)					(1,950,000)
Total general revenues, transfers and special items					<u>\$ 225,128,226</u>
Change in net position					\$ 4,208,752
Net position (deficit), beginning, as restated (Note 21)					(75,899,324)
Net position (deficit), ending					<u>\$ (71,690,572)</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA  
**STATEMENT OF ACTIVITIES**  
 For the Year Ended June 30, 2016

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		\$ (14,375,007)	
Judicial		(6,424,351)	
Public safety		(34,367,656)	
Public works		(9,737,767)	
Health and welfare		(9,981,557)	
Education		(114,761,939)	
Parks, recreation and cultural		(7,197,844)	
Community development		(13,696,150)	
Interest on long-term debt		(10,377,203)	
Total governmental activities		\$ (220,919,474)	
Business-type activities:			
Water and sewer	7,109,667	7,109,667	
Total Primary Government	\$ 7,109,667	\$ (213,809,807)	
Component unit:			
School Board			\$ (128,457,210)
General revenues:			
Taxes			
Property taxes	\$ -	\$ 161,797,677	\$ -
Sales taxes	-	21,690,788	-
Utility taxes	-	3,181,554	-
Business licenses	-	4,505,103	-
Rental taxes	-	1,363,384	-
Motor vehicle licenses	-	3,134,550	-
Bank stock taxes	-	640,398	-
Recordation taxes	-	1,736,866	-
Meals taxes	-	8,477,175	-
Fuel taxes	-	3,455,550	-
Grants and contributions not restricted to specific programs	-	15,555,185	-
Payments from Primary Government	-	-	114,532,357
Interest and investment earnings	789,837	2,014,886	50,760
Miscellaneous	89,040	245,558	469,184
Transfers	(158,429)	-	-
Special item (Note 15)	-	(1,950,000)	-
Total general revenues, transfers and special items	\$ 720,448	\$ 225,848,674	\$ 115,052,301
Change in net position	\$ 7,830,115	\$ 12,038,867	\$ (13,404,909)
Net position (deficit), beginning, as restated (Note 21)	244,967,175	169,067,851	10,454,054
Net position (deficit), ending	\$ 252,797,290	\$ 181,106,718	\$ (2,950,855)

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

COUNTY OF SPOTSYLVANIA, VIRGINIA  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
 June 30, 2016

Exhibit III

Page 1

	Governmental Funds			
	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments - pooled equity	\$ 88,427,555	\$ 24,775,362	\$ 5,203,950	\$ 118,406,867
Receivables, net	99,554,887	721,850	7,774,977	108,051,714
Restricted cash and investments	-	31,051,559	650,375	31,701,934
Total assets	<u>\$ 187,982,442</u>	<u>\$ 56,548,771</u>	<u>\$ 13,629,302</u>	<u>\$ 258,160,515</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,460,559	\$ 1,221,639	\$ 78,056	\$ 3,760,254
Retainage payable	-	330,046	-	330,046
Accrued salaries and benefits	1,372,731	2,875	75,964	1,451,570
Other accrued liabilities	1,236,091	520,944	2,779	1,759,814
Due to component unit	21,269,173	1,749,356	-	23,018,529
Deposits	4,249,462	455,128	703,763	5,408,353
Total liabilities	<u>\$ 30,588,016</u>	<u>\$ 4,279,988</u>	<u>\$ 860,562</u>	<u>\$ 35,728,566</u>
<b>DEFERRED INFLOWS</b>				
Unavailable revenue:				
Property taxes	\$ 81,250,184	\$ -	\$ 509,260	\$ 81,759,444
Special assessments	-	221,362	-	221,362
Other revenues	2,489,007	397,100	205,049	3,091,156
Total deferred inflows	<u>\$ 83,739,191</u>	<u>\$ 618,462</u>	<u>\$ 714,309</u>	<u>\$ 85,071,962</u>
<b>FUND BALANCES</b>				
Restricted	\$ 2,744,778	\$ 27,710,593	\$ 6,466,344	\$ 36,921,715
Committed	48,850,164	23,465,728	3,892,634	76,208,526
Assigned	16,661,902	474,000	1,695,453	18,831,355
Unassigned	5,398,391	-	-	5,398,391
Total fund balances	<u>\$ 73,655,235</u>	<u>\$ 51,650,321</u>	<u>\$ 12,054,431</u>	<u>\$ 137,359,987</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 187,982,442</u>	<u>\$ 56,548,771</u>	<u>\$ 13,629,302</u>	<u>\$ 258,160,515</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, 2016

Page 2

Total fund balances - governmental funds (Exhibit III)	\$	137,359,987	
<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.			381,861
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			
Non-depreciable assets	\$	37,696,175	
Depreciable assets		<u>93,766,259</u>	
			131,462,434
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	\$	2,519,680	
Deferred pension contributions		<u>4,241,697</u>	
			6,761,377
Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due.			(3,874,201)
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	\$	(289,928,843)	
Net pension liability		(12,093,025)	
Other postemployment benefits		(30,349,417)	
Compensated absences		(3,877,592)	
Landfill closure obligation		(8,414,921)	
Insurance claims (excludes \$84,667 already recorded in the General Fund)		<u>(938,596)</u>	
			(345,602,394)
Revenue not considered available in governmental funds is susceptible to full accrual on the entity-wide statements.			
Property taxes	\$	4,147,136	
Grant revenues		915,026	
Sales tax		1,550,877	
Other revenues		<u>625,253</u>	
			7,238,292
Deferred inflows of pension actuarial differences represent an acquisition of net position that is applicable to a future reporting period.			(3,350,058)
Expenses not due and payable in the current period and, therefore, are not reported in the governmental funds. Of this amount, \$1,950,000 represents an accrual detailed in Note 15 and reported as a special item.			<u>(2,067,870)</u>
Total net position - governmental activities (Exhibit I)	\$	<u>(71,690,572)</u>	

COUNTY OF SPOTSYLVANIA, VIRGINIA  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2016

Exhibit IV

Page 1

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
General property taxes	\$ 160,837,878	\$ 25,165	\$ 861,927	\$ 161,724,970
Other local taxes	44,729,818	-	3,395,080	48,124,898
Permits, fees and regulatory licenses	389,490	-	3,948,739	4,338,229
Fines and forfeitures	516,791	-	-	516,791
From use of money and property	1,517,118	370,104	19,347	1,906,569
Charges for services	4,472,575	-	2,540,626	7,013,201
Gifts and donations	120,681	282,052	494,419	897,152
Miscellaneous	205,657	3,622	142	209,421
Intergovernmental	34,746,531	3,626,313	-	38,372,844
Total revenues	<u>\$ 247,536,539</u>	<u>\$ 4,307,256</u>	<u>\$ 11,260,280</u>	<u>\$ 263,104,075</u>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 11,491,091	\$ 198,255	\$ -	\$ 11,689,346
Judicial administration	7,265,919	-	-	7,265,919
Public safety	43,902,872	-	1,862,964	45,765,836
Public works	8,484,962	-	-	8,484,962
Health and welfare	19,597,892	-	-	19,597,892
Education	111,012,190	3,749,749	-	114,761,939
Parks, recreation and cultural	6,767,559	-	-	6,767,559
Community development	5,007,089	-	3,383,364	8,390,453
Non-departmental	1,132,563	-	-	1,132,563
Capital projects	-	27,489,389	-	27,489,389
Debt service:				
Principal retirement	22,504,564	-	2,876,569	25,381,133
Interest and other fiscal charges	9,552,693	-	1,661,696	11,214,389
Bond issuance costs	184,137	103,773	-	287,910
Total expenditures	<u>\$ 246,903,531</u>	<u>\$ 31,541,166</u>	<u>\$ 9,784,593</u>	<u>\$ 288,229,290</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 633,008</u>	<u>\$ (27,233,910)</u>	<u>\$ 1,475,687</u>	<u>\$ (25,125,215)</u>
Other financing sources (uses):				
Transfers in (out)	\$ (9,461,683)	\$ 12,224,678	\$ (2,604,566)	\$ 158,429
Proceeds from sale of bonds	13,430,885	17,769,115	-	31,200,000
Premium on sale of bonds	1,536,559	1,508,938	-	3,045,497
Bonds issued for refunding	14,335,000	-	-	14,335,000
Premium on refunding bonds	2,175,139	-	-	2,175,139
Payment to escrow for refunded debt	(16,413,670)	-	-	(16,413,670)
Total other financing sources (uses), net	<u>\$ 5,602,230</u>	<u>\$ 31,502,731</u>	<u>\$ (2,604,566)</u>	<u>\$ 34,500,395</u>
Net change in fund balances	\$ 6,235,238	\$ 4,268,821	\$ (1,128,879)	\$ 9,375,180
Fund balance, beginning	67,419,997	47,381,500	13,183,310	127,984,807
Fund balance, ending	<u>\$ 73,655,235</u>	<u>\$ 51,650,321</u>	<u>\$ 12,054,431</u>	<u>\$ 137,359,987</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, 2016

Page 2

Net changes in governmental fund balances (Exhibit IV):	\$ 9,375,180
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*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.	(387,313)
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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	\$ 16,551,505	
Depreciation expense	<u>(8,054,262)</u>	
		8,497,243

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	\$ (50,755,636)	
Debt reductions:		
Principal payments on bonds	25,381,133	
Payment to escrow for refunded debt	<u>16,413,670</u>	
		(8,960,833)

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

Property taxes	\$ 72,707	
Intergovernmental and other revenues	<u>(654,679)</u>	
		(581,972)

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	\$ (4,114,764)	
Pension benefits	2,131,839	
Amortization of bond related costs	1,376,606	
Accrued interest	(251,510)	
Landfill closure obligation	(930,342)	
Compensated absences	78,617	
Insurance claims	(73,999)	
Special item (Note 15)	<u>(1,950,000)</u>	
		(3,733,553)

Change in net position - governmental activities (Exhibit II)	<u>\$ 4,208,752</u>
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COUNTY OF SPOTSYLVANIA, VIRGINIA  
**STATEMENT OF FUND NET POSITION - PROPRIETARY FUND**

June 30, 2016

*Exhibit V*

	Water & Sewer Fund
<b>ASSETS</b>	
Current assets:	
Cash and investments - pooled equity	\$ 78,167,352
Receivables, net	6,661,484
Inventory	659,104
Restricted cash and investments	6,028,969
Total current assets	<u>\$ 91,516,909</u>
Noncurrent assets:	
Capital assets, net:	
Non-depreciable assets	\$ 16,311,290
Depreciable assets	284,442,016
Total noncurrent assets	<u>\$ 300,753,306</u>
Total assets	<u>\$ 392,270,215</u>
<b>DEFERRED OUTFLOWS</b>	
Loss on debt refunding	\$ 1,968,854
Pension contributions	637,337
Total deferred outflows	<u>\$ 2,606,191</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 1,219,531
Retainage payable	332,791
Accrued salaries and benefits	194,520
Accrued bond interest	444,742
Other accrued liabilities	626,307
Deposits	121,004
Current portion of long-term debt	5,401,352
Total current liabilities	<u>\$ 8,340,247</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>\$ 133,201,801</u>
Total noncurrent liabilities	<u>\$ 133,201,801</u>
Total liabilities	<u>\$ 141,542,048</u>
<b>DEFERRED INFLOWS</b>	
Pension actuarial differences	<u>\$ 537,068</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 178,783,913
Restricted for:	
Debt service	913,058
Capital projects	1,838
Unrestricted	73,098,481
Total net position	<u>\$ 252,797,290</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, 2016

*Exhibit VI*

	Water & Sewer Fund
<b>OPERATING REVENUES</b>	
Charges for services	\$ 30,151,900
Other operating revenues	<u>1,641,448</u>
Total operating revenues	<u>\$ 31,793,348</u>
<b>OPERATING EXPENSES</b>	
Personnel	\$ 6,370,243
Fringe benefits	2,864,860
Contractual services	2,472,152
Materials and supplies	1,626,977
Depreciation	10,822,434
Other services and charges	<u>3,840,865</u>
Total operating expenses	<u>\$ 27,997,531</u>
Operating income	<u>\$ 3,795,817</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and fiscal charges	\$ (4,605,486)
Bond issuance costs	(677,431)
Interest income	789,837
Intergovernmental revenues	502,400
Miscellaneous income	<u>89,040</u>
Total non-operating expenses, net	<u>\$ (3,901,640)</u>
Loss before contributions and transfers	<u>\$ (105,823)</u>
<b>Capital contributions:</b>	
Availability fees	\$ 6,135,752
Other capital contributions	<u>1,958,615</u>
Total capital contributions	<u>\$ 8,094,367</u>
Transfers from other funds, net	<u>(158,429)</u>
Total capital contributions and transfers	<u>\$ 7,935,938</u>
Change in net position	\$ 7,830,115
Net position, beginning	<u>244,967,175</u>
Net position, ending	<u><u>\$ 252,797,290</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, 2016

Exhibit VII

Page 1

	<u>Water &amp; Sewer Fund</u>
Cash flows from operating activities:	
Receipts from water and sewer customers	\$ 30,546,205
Receipts from other operating revenues	1,647,814
Receipt of customer deposits	14,530
Payments to suppliers and service providers	(8,064,455)
Payments to employees for salaries and benefits	(8,904,543)
Return of customer deposits	(23,205)
Net cash provided by operating activities	<u>\$ 15,216,346</u>
Cash flows from noncapital financing activities:	
Receipt of intergovernmental revenue	\$ 502,400
Transfers out	(158,429)
Net cash provided by noncapital financing activities	<u>\$ 343,971</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (9,293,896)
Principal paid on capital debt	(5,575,333)
Interest paid on capital debt	(572,556)
Proceeds from revenue refunding bonds issued	55,325,000
Payment to escrow agent for refunded debt	(59,810,427)
Receipt of proportionate share of Motts Run capital improvement costs	1,139,004
Receipt of availability fees	6,210,123
Net cash used in capital and related financing activities	<u>\$ (12,578,085)</u>
Cash flows from investing activities:	
Purchase of investment securities	\$ (82,873,571)
Sale of investment securities	82,015,024
Interest on investments	772,027
Net cash used in investing activities	<u>\$ (86,520)</u>
Net increase in cash and cash equivalents	\$ 2,895,712
Cash and cash equivalents:	
Beginning	16,625,247
Ending	<u><u>\$ 19,520,959</u></u>
Shown on the combined balance sheet as:	
Cash and investments - pooled equity	\$ 78,167,352
Restricted cash and investments	6,028,969
	<u>\$ 84,196,321</u>
Less investments	64,675,362
Cash and cash equivalents, unrestricted and restricted	<u><u>\$ 19,520,959</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
 For the Year Ended June 30, 2016

Exhibit VII

Page 2

	<u>Water &amp; Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,795,817
Depreciation	10,822,434
Changes in assets and liabilities:	
Decrease in accounts receivable (net of capital related financing)	400,671
Decrease in inventory	6,415
Decrease in accounts payable	(130,876)
Increase in salary and benefits payable	330,560
Decrease in customer deposits payable	(8,675)
Net cash provided by operating activities	<u>\$ 15,216,346</u>
Noncash investing, capital and financing activities:	
Developer donated capital assets	\$ 1,840,575
Net change in fair value of investments	459,279

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

COUNTY OF SPOTSYLVANIA, VIRGINIA  
**STATEMENT OF FIDUCIARY NET POSITION**  
 June 30, 2016

*Exhibit VIII*

	<u>Pension Trust</u> <u>Fire and Rescue</u> <u>Length of Service</u> <u>Awards Program</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and investments - pooled equity	\$ -	\$ 335,149
Cash held by trustee	161,824	-
Investments		
Unallocated group annuity contracts	1,459,611	-
Total assets	<u>\$ 1,621,435</u>	<u>\$ 335,149</u>
<b>LIABILITIES</b>		
Amounts held for others	\$ -	\$ 335,149
Total liabilities	<u>\$ -</u>	<u>\$ 335,149</u>
<b>NET POSITION</b>		
Held in trust for pension benefits	<u>\$ 1,621,435</u>	

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

## COUNTY OF SPOTSYLVANIA, VIRGINIA

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2016

*Exhibit IX*

	<u>Pension Trust</u> <u>Fire and Rescue</u> <u>Length of Service</u> <u>Award Program</u>
<b>ADDITIONS</b>	
Contributions:	
Contributions for beneficiaries	\$ 155,700
Investment earnings:	
Interest	687
Realized gains	51,931
Total investment earnings	52,618
Total additions	\$ 208,318
<b>DEDUCTIONS</b>	
Members' benefits	\$ 89,963
Administrative fees	6,400
Total deductions	\$ 96,363
Change in net position held in trust for pension benefits	\$ 111,955
Net position, beginning	1,509,480
Net position, ending	<u>\$ 1,621,435</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 for 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      | • Fire and rescue    |
| • Public education     | • Health and welfare |
| • Court services       | • Refuse Disposal    |
| • Water supply         | • Water sanitation   |
| • Parks and recreation | • 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 dependent 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 nonexchange 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. Eliminated

nation 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 nonmajor 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:*

The **Pension Trust Fund** is used to account for assets held in trust for beneficiaries of its Fire and Rescue Length of Service Awards Program defined benefit pension plan.

**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. Nonexchange 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 measureable 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. A detailed reconciliation between GAAP and the budgetary basis of reporting is provided in the Notes to the Required Supplementary Information for the Budgetary Comparison Schedule – General Fund and the Combining Budgetary Comparison Schedule – Discretely Presented Component Unit – School Board.

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 earn-

ings 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, 2016 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 5<sup>th</sup> and December 5<sup>th</sup>. The second installment due December 5<sup>th</sup> 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 2016, the Water & Sewer Fund incurred \$5.1 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:

<b>Major Asset Type</b>	<b>Estimated Useful Life</b>
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 vacation and sick leave benefits, which are eligible for payment upon separation from service. Vacation payouts are limited to a maximum of 288 hours for full-time employees. Annual leave, 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, last amended in May 2016 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 re-

serve 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 \$2.0 million is a component of unassigned fund balance at June 30, 2016.

Economic Opportunities Reserve - The County maintains an Economic Opportunities Reserve for the purpose of providing incentives to substantial economic development 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, 2016, the County reported \$153.7 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-behalf" school bonded debt.

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
<b>Primary Government - Governmental Activities:</b>			
Net investment in capital assets	\$ 60,076,256	\$ -	\$ 60,076,256
Restricted	10,887,233	-	10,887,233
Unrestricted	(142,654,061)	153,693,045	11,038,984
Total net position at June 30, 2016	\$ (71,690,572)	\$ 153,693,045	\$ 82,002,473
<b>Component unit - School Board:</b>			
Net investment in capital assets	\$ 301,771,329	\$ (148,916,510)	\$ 152,854,819
Restricted	4,852,555	(4,776,535)	76,020
Unrestricted	(309,574,739)	-	(309,574,739)
Total net position at June 30, 2016	\$ (2,950,855)	\$ (153,693,045)	\$ (156,643,900)

## 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, 2016.

#### 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.

##### Fair value investments

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, 2016:

Table 2 Investments Measured at Fair Value	
Investments by fair value level	Level 2
Debt securities	
Repurchase agreements	\$ 2,909,132
U.S. Treasury obligations	44,076,339
Federal agency obligations	27,318,196
Supra-national agency notes	2,481,442
Corporate notes	20,289,803
Certificates of deposit	21,053,725
Total debt securities	<u>\$ 118,128,637</u>

##### External Investment Pools

The County maintains the following qualified external investment pools at June 30, 2016:

Table 3 Investments Measured at Net Asset Value (NAV)	
Local Government Investment Pool	\$ 4,690,735
Virginia State Non-arbitrage Program	38,703,713
	<u>\$ 43,394,448</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 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.

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.

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

**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

**Table 4**  
**Weighted Average Maturity of Investments**

<b>Pooled Cash &amp; Investments by Type</b>	<b>Valuation</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (in years)</b>
LGIP	NAV	\$ 4,690,735	0.0002
SNAP	NAV	38,703,713	0.0017
Other money markets & mm mutual funds	Amortized cost	19,416,458	0.0008
Commercial paper	Amortized cost	24,025,300	0.3891
Repurchase agreements	Fair	2,909,132	0.0028
U.S. Treasury obligations	Fair	44,076,339	2.0323
Federal agency obligations	Fair	27,318,196	1.8855
Supra-national agency note	Fair	2,481,442	2.0806
Corporate notes	Fair	20,289,803	1.9582
Certificates of deposit	Fair	21,053,725	0.9141
Total investments:		\$ 204,964,843	
Portfolio weighted average maturity:			1.0531
Cash on hand		2,885	
Deposits		41,362,453	
<b>Total pooled cash and investments:</b>		<b>\$ 246,330,181</b>	
<b>Reconciliation of pooled cash and investments:</b>			
Exh I: Total primary government cash and investments - pooled equity	\$	196,574,219	
Exh I: Total primary government restricted cash and investments		37,730,903	
Exh I: Component unit cash and investments - pooled equity		4,168,888	
Exh I: Component unit restricted cash and investments		7,521,022	
Exh VIII: Agency Funds' cash and investments - pooled equity		335,149	
	<b>\$</b>	<b>246,330,181</b>	



weighted average maturity (WAM) of its investment portfolio to less than 3 years as shown in Table 4 on the previous page. 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.

### Credit Risk

All investments and practices must meet or exceed state statutes and shall be diversified by security type and institution. Table 5 defines the level of quality acceptable by investment type.

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 $\leq 1$ 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%

Pooled investments reported by credit quality and exposure consist of the following at June 30, 2016:

Table 6 Pooled Investments Reported by Credit Quality and Exposure			
Investments by Type	Fair Value	Credit Quality Rating	Credit Exposure
LGIP	\$ 4,690,735	AAAm	2.29%
SNAP	38,703,713	AAAm	18.88%
Other money market mutual funds	19,416,458	AAAm	9.47%
Commercial paper	24,025,300	A-1	11.72%
Repurchase agreements	2,909,132	AAA	1.42%
U.S. Treasury obligations	44,076,339	AA	21.50%
Federal agency obligations	27,318,196	AA	13.33%
Supra-national agency note	2,481,442	AAA	1.22%
Corporate notes	20,289,803	AAA(8%)/ AA(92%)	9.90%
Certificates of Deposit	21,053,725	AA(29%)/ A(71%)	10.27%
<b>Total investments:</b>	<b>\$ 204,964,843</b>		<b>100.00%</b>

### 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, 2016, investments from the following issuer exceeded five percent of the pooled investments.

Issuer	
Federal National Mortgage Association	6.05%

### 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, 2016 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	\$ -	\$ 221,362	\$ -	\$ 221,362	\$ -
Property taxes					
Delinquent	9,562,916	-	63,395	9,626,311	-
Not yet due	77,166,443	-	445,865	77,612,308	-
Fuel taxes	-	-	6,702,887	6,702,887	-
EMS Transport fees	-	-	1,606,241	1,606,241	-
Accounts - other	6,637,843	40,247	65	6,678,155	728,980
Intergovernmental - Federal	983,612	18,450	-	1,002,062	2,345,031
Intergovernmental - State	8,376,602	441,791	-	8,818,393	4,674,896
Gross receivables	102,727,416	721,850	8,818,453	112,267,719	7,748,907
Allowance for uncollectibles	(3,172,529)	-	(1,043,476)	(4,216,005)	-
Net receivables at June 30, 2016	\$ 99,554,887	\$ 721,850	\$ 7,774,977	\$ 108,051,714	\$ 7,748,907
<b>Business-type activities</b>				<b>Water &amp; Sewer</b>	
Water & sewer services				\$ 5,861,312	
Notes - connection & availability fee:				202,515	
Accounts - other				897,832	
Gross receivables				6,961,659	
Allowance for uncollectibles				(300,175)	
Net receivables at June 30, 2016				\$ 6,661,484	
Total Primary Government net receivables at June 30, 2016				\$ 114,713,198	

Special assessments of \$205,505 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 for the year ended June 30, 2016 was as follows:

Table 8 Capital Assets - Governmental Activities				
	Balance July 1, 2015 as restated (Note 21)	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated:				
Land & land improvements	\$ 13,241,874	\$ -	\$ 73,439	\$ 13,168,435
Construction in progress	16,592,002	8,818,358	882,620	24,527,740
Total capital assets, not being depreciated	\$ 29,833,876	\$ 8,818,358	\$ 956,059	\$ 37,696,175
Capital assets being depreciated:				
Land improvements	\$ 19,185,542	\$ -	\$ 14,270	\$ 19,171,272
Buildings & improvements	90,721,450	15,400	51,402	90,685,448
Furniture, equipment & vehicles	58,082,222	8,600,367	1,471,609	65,210,980
Total capital assets, being depreciated	167,989,214	8,615,767	1,537,281	175,067,700
Less accumulated depreciation for:				
Land improvements	8,378,313	1,388,932	5,150	9,762,095
Buildings & improvements	29,156,143	2,620,169	50,969	31,725,343
Furniture, equipment & vehicles	37,110,766	4,045,161	1,341,924	39,814,003
Total accumulated depreciation	74,645,222	8,054,262	1,398,043	81,301,441
Total capital assets being depreciated, net	\$ 93,343,992	\$ 561,505	\$ 139,238	\$ 93,766,259
<b>Governmental activities capital assets, net</b>	<b>\$ 123,177,868</b>	<b>\$ 9,379,863</b>	<b>\$ 1,095,297</b>	<b>\$ 131,462,434</b>
Depreciation expense was charged to the functions of the governmental activities of the Primary Government as follows:				
General government	\$ 1,459,260			
Judicial administration	1,290,927			
Public safety	3,333,974			
Public works	949,822			
Health and welfare	40,118			
Parks and recreation	928,704			
Community development	51,457			
	<u>\$ 8,054,262</u>			

Construction in progress from governmental activities for the year ended June 30, 2016 was as follows:

<b>Table 9</b>			
<b>Construction in Progress - Governmental Activities</b>			
	<b>Project Authorization</b>	<b>Spent to Date</b>	<b>Committed Funding</b>
<i>Governmental Activity Projects</i>			
Replace fire station no. 5	\$ 5,176,086	\$ 4,621,435	\$ 554,651
Lee Hill fire & rescue station	3,506,558	3,263,979	242,579
Enterprise-wide fiber network	645,345	169,328	476,017
Land assessment & tax systems	1,825,968	1,034,750	791,218
Public safety radio system enhancement	20,994,048	14,516,937	6,477,111
Financial system upgrade	669,281	405,854	263,427
Animal Shelter Expansion	303,606	43,777	259,829
Courthouse area streetscape project	1,590,336	275,923	1,314,413
Other projects	1,165,487	195,757	969,730
	<u>\$ 35,876,715</u>	<u>\$ 24,527,740</u>	<u>\$ 11,348,975</u>

Capital asset activity of the Water and Sewer Fund for the year ended June 30, 2016 was as follows:

<b>Table 10</b>					
<b>Capital Assets - Business-type Activities</b>					
	<b>Balance July 1, 2015</b>	<b>Reclassification</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>
Capital assets, not being depreciated:					
Land & land improvements	\$ 7,604,517	\$ -	\$ -	\$ -	\$ 7,604,517
Construction in progress	9,916,385	-	7,777,270	8,986,882	8,706,773
Total capital assets, not being depreciated	<u>\$ 17,520,902</u>	<u>\$ -</u>	<u>\$ 7,777,270</u>	<u>\$ 8,986,882</u>	<u>\$ 16,311,290</u>
Capital assets being depreciated:					
Land improvements	\$ -	\$ 2,238,277	\$ 49,865	\$ -	\$ 2,288,142
Buildings & improvements	171,728,769	(2,238,277)	1,230,095	179,198	170,541,389
Furniture, equipment & vehicles	15,346,780	-	3,007,740	76,959	18,277,561
Water & sewer systems	229,890,086	-	8,652,140	20,243	238,521,983
Purchased sewer capacity	2,073,958	-	-	-	2,073,958
Total capital assets, being depreciated	<u>419,039,593</u>	<u>-</u>	<u>12,939,840</u>	<u>276,400</u>	<u>431,703,033</u>
Less accumulated depreciation for:					
Land improvements	\$ -	\$ 1,257,367	\$ 92,841	\$ -	\$ 1,350,208
Buildings & improvements	58,102,362	(1,257,367)	4,686,935	154,134	61,377,796
Furniture, equipment & vehicles	6,862,165	-	1,176,841	76,959	7,962,047
Water & sewer systems	71,538,736	-	4,824,338	20,243	76,342,831
Purchased sewer capacity	186,656	-	41,479	-	228,135
Total accumulated depreciation	<u>136,689,919</u>	<u>-</u>	<u>10,822,434</u>	<u>251,336</u>	<u>147,261,017</u>
Total capital assets being depreciated, net	<u>\$282,349,674</u>	<u>\$ -</u>	<u>\$ 2,117,406</u>	<u>\$ 25,064</u>	<u>\$ 284,442,016</u>
<b>Business-type activities capital assets, net</b>	<u><b>\$299,870,576</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 9,894,676</b></u>	<u><b>\$ 9,011,946</b></u>	<u><b>\$ 300,753,306</b></u>

\* Reclassification to disaggregate depreciable land improvements from the category of building and improvements to assist readers in understanding the nature of the major improvement.

Capital asset activity of the Component unit – School Board for the year ended June 30, 2016 was as follows:

<b>Table 11</b>				
<b>Capital Assets - Component unit - School Board</b>				
	<b>Balance July 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>
Capital assets, not being depreciated:				
Land	\$ 9,664,322	\$ -	\$ -	\$ 9,664,322
Construction in progress	2,018,824	515,596	2,018,825	515,595
Total capital assets, not being depreciated	\$ 11,683,146	\$ 515,596	\$ 2,018,825	\$ 10,179,917
Capital assets being depreciated:				
Buildings & improvements	\$ 428,071,451	\$ 2,428,538	\$ -	\$ 430,499,989
Furniture, equipment & vehicles	85,122,695	8,298,832	2,065,622	91,355,905
Total capital assets, being depreciated	513,194,146	10,727,370	2,065,622	521,855,894
Less accumulated depreciation for:				
Buildings & improvements	160,965,850	10,201,586	-	171,167,436
Furniture, equipment & vehicles	56,988,177	4,057,160	1,948,291	59,097,046
Total accumulated depreciation	217,954,027	14,258,746	1,948,291	230,264,482
Total capital assets being depreciated, net	\$ 295,240,119	\$ (3,531,376)	\$ 117,331	\$ 291,591,412
<b>Component unit-School Board capital assets, net</b>	<b>\$ 306,923,265</b>	<b>\$ (3,015,780)</b>	<b>\$ 2,136,156</b>	<b>\$ 301,771,329</b>

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, 2016 was as follows:

<b>Table 12</b>				
<b>Construction in Progress - Component unit - School Board</b>				
	<b>Project Authorization</b>	<b>Spent to Date</b>	<b>Committed Funding</b>	<b>Required Future Financing</b>
<i>Component unit - School Board</i>				
Financial System Upgrade - Tyler Munis	1,449,816	515,595	934,221	-
	<u>\$ 1,449,816</u>	<u>\$ 515,595</u>	<u>\$ 934,221</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	\$ -	\$ 282,514	\$ 3,164,736	\$ 18,233	\$ 3,465,483
Capital Projects Fund	12,052,660	-	310,184	359,953	12,722,797
Other governmental funds	874,506	177,112	-	-	1,051,618
Water and Sewer Fund	-	38,493	181,264	-	219,757
Total	<u>\$ 12,927,166</u>	<u>\$ 498,119</u>	<u>\$ 3,656,184</u>	<u>\$ 378,186</u>	

## 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, 2016 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 \$180,988, 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 (VRS) Political Subdivision Retirement Plan, an agent multiple employer 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 (professional) 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 periods 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, and 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, 2014 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	225	230
Inactive employees entitled to but not yet receiving benefits	473	212
Active employees	849	442
	1,547	884

\* 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, 2016, 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	10.58%	8.17%	14.06%
	15.58%	13.17%	19.06%

\*For the year ended June 30, 2016, section 51.1-145 of the *Code* establishes the School Board's contractual rate at 79.69% of the actuarially determined rate of 17.64%.

**8.02 FIDUCIARY NET POSITION**

Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS 2015 Annual Financial Report located at <http://www.varetire.org/pdf/publications/2015-annual-report.pdf>.

**8.03 NET PENSION LIABILITY****Agent Employer Plan**

The Plan's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. As of June 30, 2016, the County and School Board's net pension liability was \$14.0 and \$1.2 million, respectively.

**School Board's Teacher Retirement Cost-Sharing Plan**

At June 30, 2016, the School Board reported a liability of \$205.1 million for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability

was based on the School Board's actuarially determined employer contributions to the Plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating

employers. At June 30, 2015, the School Board's proportion was 1.63% as compared to 1.62% at June 30, 2014.

### Actuarial assumptions

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

Table 14 Plan Actuarial Assumptions			
	General Employees	Public Safety	Teacher Plan
<b>Assumptions used in calculations:</b>			
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
<b>Mortality tables:</b>			
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.
<b>Changes to assumptions:</b>			
The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. The following are the changes to the actuarial assumptions as a result of the experience study.	<ul style="list-style-type: none"> <li>• Updated mortality table</li> <li>• Decrease in rates of service retirement</li> <li>• Decrease in rates of disability retirement</li> <li>• Reduced rate of salary increase by 0.25% per year</li> </ul>	<ul style="list-style-type: none"> <li>• Updated mortality table</li> <li>• Adjustments to rates of service retirement for females</li> <li>• Increase in rates of withdrawal</li> <li>• Decrease in male and female rates of disability</li> </ul>	<ul style="list-style-type: none"> <li>• Updated mortality table</li> <li>• Adjustments to rates of service retirement</li> <li>• Decrease in rates of withdrawal for 3 through 9 years of service</li> <li>• Decrease in rates of disability</li> <li>• Reduced rate of salary increase by 0.25% per year</li> </ul>

### 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%
<b>Total</b>	<b>100.00%</b>		<b>5.83%</b>
		Inflation	2.50%
		Expected arithmetic nominal return*	<b>8.33%</b>

\* 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, 2015 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, 2014	\$ 138,471,755	\$ 126,004,484	\$ 12,467,271
Changes for the year:			
Service cost	5,404,597	-	5,404,597
Interest	9,543,844	-	9,543,844
Difference between expected and actual experience	(766,344)	-	(766,344)
Contributions - employer	-	4,631,470	(4,631,470)
Contributions - employee	-	2,245,776	(2,245,776)
Net investment income	-	5,869,491	(5,869,491)
Benefit payments, including refunds of employee contributions	(4,262,251)	(4,262,251)	-
Administrative expense	-	(76,529)	76,529
Other changes	-	(1,254)	1,254
Net changes	9,919,846	8,406,703	1,513,143
Balances at June 30, 2015	\$ 148,391,601	\$ 134,411,187	\$ 13,980,414
		Governmental activities:	12,093,025
		Business-type activities:	1,887,389
			\$ 13,980,414

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, 2014	\$ 25,800,533	\$ 24,880,762	\$ 919,771
Changes for the year:			
Service cost	1,024,347	-	1,024,347
Interest	1,759,797	-	1,759,797
Difference between expected and actual experience	(155,411)	-	(155,411)
Contributions - employer	-	761,736	(761,736)
Contributions - employee	-	448,095	(448,095)
Net investment income	-	1,127,856	(1,127,856)
Benefit payments, including refunds of employee contributions	(1,321,144)	(1,321,144)	-
Administrative expense	-	(15,369)	15,369
Other changes	-	(241)	241
Net changes	1,307,589	1,000,933	306,656
Balances at June 30, 2015	\$ 27,108,122	\$ 25,881,695	\$ 1,226,427

**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 agent, multiple employer 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.

<b>Table 18</b>			
<b>Sensitivity Analysis of Net Pension Liability to Changes in Discount Rate</b>			
	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
County's calculated net pension liability (asset)	\$ 36,106,518	\$ 13,980,414	\$ (4,194,008)
School Board's calculated net pension liability (asset)	\$ 4,500,394	\$ 1,226,427	\$ (1,513,231)
Teacher Retirement Plan's calculated net pension liability*	\$ 300,127,000	\$ 205,089,000	\$ 126,851,000

\* 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, 2016, and the reported deferred outflows and inflows of resources related to pension by source as of the June 30, 2015 measurement date for the Primary Government and its Component unit – School Board.

<b>Table 18</b>						
<b>Pension Expense and Deferred Inflows and Outflows of Resources Related to Pensions</b>						
	<b>Primary Government</b>		<b>Component unit - School Board</b>			
	<b>Agent - Multiple Employer Plan</b>					
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Internal Service Fund</b>	<b>Teacher Retirement Cost-sharing Plan</b>	<b>Total Component unit School Board</b>	
			<b>School Board</b>	<b>Fleet Services</b>		
<b>Total pension expense</b>	\$ 2,109,858	\$ 321,694	\$ 300,805	\$ 21,635	\$ 13,751,000	\$ 14,073,440
<b>Deferred outflows</b>						
Employer contributions subsequent to the measurement date	\$ 4,241,697	\$ 637,337	\$ 689,737	\$ 52,255	\$ 17,296,022	\$ 18,038,014
Changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-	-	-	1,008,000	1,008,000
<b>Total deferred outflows</b>	\$ 4,241,697	\$ 637,337	\$ 689,737	\$ 52,255	\$ 18,304,022	\$ 19,046,014

Table 18 Continued

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

	Primary Government		Component unit - School Board			
	Agent - Multiple Employer Plan			Internal Service Fund Fleet Services	Teacher Retirement Cost-sharing Plan	Total Component unit School Board
	Governmental Activities	Business-type Activities	School Board			
<b>Deferred inflows</b>						
Net difference between projected and actual earnings on pension plan	\$ 2,816,853	\$ 451,587	\$ 578,724	\$ 47,696	\$ 12,559,000	\$ 13,185,420
Differences between expected and actual experience	533,205	85,481	104,242	8,591	2,824,000	2,936,833
Changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-	-	-	5,139,000	5,139,000
<b>Total deferred inflows</b>	<b>\$ 3,350,058</b>	<b>\$ 537,068</b>	<b>\$ 682,966</b>	<b>\$ 56,287</b>	<b>\$ 20,522,000</b>	<b>\$ 21,261,253</b>

**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, 2016. 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			
	Agent - Multiple Employer Plan			Internal Service Fund Fleet Services	Teacher Retirement Cost-sharing Plan	Total Component unit School Board
	Governmental Activities	Business-type Activities	School Board			
<b>Fiscal year ended June 30,</b>						
2017	\$ (1,240,852)	\$ (198,928)	\$ (269,774)	\$ (22,234)	\$ (6,830,000)	\$ (7,122,008)
2018	(1,240,852)	(198,928)	(269,774)	(22,234)	(6,830,000)	(7,122,008)
2019	(1,240,851)	(198,928)	(256,009)	(21,099)	(6,830,000)	(7,107,108)
2020	396,674	65,593	112,591	9,280	1,165,000	1,286,871
2021	(24,177)	(3,877)	-	-	(189,000)	(189,000)
	<b>\$ (3,350,058)</b>	<b>\$ (535,068)</b>	<b>\$ (682,966)</b>	<b>\$ (56,287)</b>	<b>\$(19,514,000)</b>	<b>\$(20,253,253)</b>
<b>Pension actuarial differences:</b>						
Total deferred outflows	\$ -	\$ -	\$ -	\$ -	\$ 1,008,000	\$ 1,008,000
Total deferred inflows	(3,350,058)	(537,068)	(682,966)	(56,287)	(20,522,000)	(21,261,253)
	<b>\$ (3,350,058)</b>	<b>\$ (537,068)</b>	<b>\$ (682,966)</b>	<b>\$ (56,287)</b>	<b>\$(19,514,000)</b>	<b>\$(20,253,253)</b>

**8.05 PAYABLES TO THE PENSION PLAN**

The County and School Board reported payables of \$0.6 and \$3.1 million, respectively for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

## Note 9

### Long-term Liabilities

Long-term liability activity for the year ended June 30, 2016 was as follows:

<b>Table 19</b>					
<b>Long-term Liabilities - Primary Government</b>					
	<b>Balance July 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>	<b>Due Within One Year</b>
<b>Governmental activities</b>					
General obligation bonds payable:					
Principal of bonds payable	\$ 267,606,613	\$ 45,535,000	\$ 40,791,133	\$ 272,350,480	\$ 25,723,843
Unamortized premiums	14,635,990	5,220,636	2,278,263	17,578,363	-
Total bonds payable	282,242,603	50,755,636	43,069,396	289,928,843	25,723,843
Compensated absences	3,956,209	4,665,234	4,743,851	3,877,592	392,984
Landfill closure obligation	7,484,579	1,037,348	107,006	8,414,921	162,006
Insurance claims payable (Note 16)	1,043,233	10,074,387	10,094,357	1,023,263	1,023,263
Net pension liability (Note 8)	10,780,072	12,992,721	11,679,768	12,093,025	-
Other postemployment benefits (Note 12)	26,234,653	5,228,534	1,113,770	30,349,417	-
<b>Total governmental activities</b>	<b>\$ 331,741,349</b>	<b>\$ 84,753,860</b>	<b>\$ 70,808,148</b>	<b>\$ 345,687,061</b>	<b>\$ 27,302,096</b>
<b>Business-type activities</b>					
Revenue bonds payable					
Principal of bonds payable	\$ 132,531,333	\$ 55,325,000	\$ 62,490,333	\$ 125,366,000	\$ 5,242,000
Unamortized premiums	4,153,759	5,392,959	3,019,163	6,527,555	-
Total bonds payable	136,685,092	60,717,959	65,509,496	131,893,555	5,242,000
Compensated absences	639,757	659,299	680,891	618,165	25,043
Insurance claims payable (Note 16)	124,624	1,441,602	1,431,917	134,309	134,309
Net pension liability (Note 8)	1,687,199	2,033,503	1,833,313	1,887,389	-
Other postemployment benefits (Note 12)	3,544,790	706,472	181,527	4,069,735	-
<b>Total business-type activities</b>	<b>\$ 142,681,462</b>	<b>\$ 65,558,835</b>	<b>\$ 69,637,144</b>	<b>\$ 138,603,153</b>	<b>\$ 5,401,352</b>
<b>Total Primary Government</b>	<b>\$ 474,422,811</b>	<b>\$ 150,312,695</b>	<b>\$ 140,445,292</b>	<b>\$ 484,290,214</b>	<b>\$ 32,703,448</b>

<b>Table 20</b>					
<b>Long-term Liabilities - Component unit - School Board</b>					
	<b>Balance July 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>	<b>Due Within One Year</b>
<b>Component unit - School Board</b>					
Compensated absences	\$ 5,747,027	\$ 2,178,415	\$ 2,402,250	\$ 5,523,192	\$ 2,402,250
Insurance claims payable (Note 16)	3,282,478	41,213,751	40,777,460	3,718,769	3,718,769
Net pension liability (Note 8)	196,759,771	36,242,776	26,687,120	206,315,427	-
Other postemployment benefits (Note 12)	97,397,237	17,963,000	5,196,790	110,163,447	-
<b>Total School Board</b>	<b>\$ 303,186,513</b>	<b>\$ 97,597,942</b>	<b>\$ 75,063,620</b>	<b>\$ 325,720,835</b>	<b>\$ 6,121,019</b>



Long-term liabilities of governmental activities are generally liquidated by the General Fund with the exceptions of employee benefit related debt, (e.g., insurance claims and postemployment benefits), of which 5% is liquidated by other governmental funds; and bonded debt, 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 and Related Refunding

#### General Obligation Bonds

On August 6, 2015, the County issued \$45.5 million in General Obligation Public Improvement Bonds, Series 2015 with fixed interest rates ranging from 3 to 5% until final maturity on January 15, 2035. Net bond proceeds of \$50.4 million (after premium of \$5.2 million and payment of \$0.3 million in issuance costs) were used to purchase \$34.0 million in State Non-Arbitrage Program funds to finance future school, public safety, general government, road, and rail related capital projects. The remaining \$16.4 million in net proceeds were used to

purchase escrow securities to pay all future debt service of the \$15.4 million in Series 2007 General Obligation School Refunding Bonds. As a result, the advance refunded bonds are considered defeased and the liability removed from the Statement of Net Position. Detailed information on the effect of the 2016 refunding can be found in Table 21 below.

#### Revenue Bonds

On August 13, 2015, the County issued \$55.3 million in Water and Sewer System Revenue Refunding Bonds, Series 2015, with fixed interest rates ranging from 3 to 5% and a final maturity date of June 1, 2037. Of the \$60.0 million in net proceeds (after premium of \$5.4 million and payment of \$0.7 million in issuance costs) \$25.2 million in proceeds were used to redeem \$24.8 million of the County's Water and Sewer System Revenue Refunding Bonds, Series 2005. The remaining \$34.8 million in net proceeds were used to purchase escrow securities to pay all future debt service of the \$56.9 million in Series 2007 Utility Revenue Bonds. As a result, the advance refunded bonds are considered defeased and the liability removed from the Statement of Net Position. Detailed information on the effect of the 2016 refunding can be found in Table 21 below.

#### Defeased Debt

Total defeased debt including prior year's balances, which have not been called or repaid, at June 30, 2016 was \$49.5 million.

Table 21 Current and Advance Refunding				
Refunded Issue	Deferred (Gain) Loss on Refunding	Reduction in Debt Service in Years	Reduction in Debt Service Payments	Economic Gain
<b>Current Refunding:</b>				
Utility Revenue (Refunding) Bonds, 2005	\$ (1,798,923)	no change	\$ 4,168,950	\$ 3,558,234
<b>Advance Refunding:</b>				
GO School Refunding Bonds, Series 2007	\$ 332,866	no change	\$ 2,027,680	\$ 1,747,556
Utility Revenue Bonds, 2007	2,145,103	no change	3,559,610	3,076,322



**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, 2016 are as follows:

Table 22						
Future Debt Service - Primary Government						
	Governmental Activities		Business-type Activities Utility			
	General Obligation Bonds		Revenue Bonds		Total Primary Government	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 25,723,843	\$ 10,909,701	\$ 5,242,000	\$ 5,336,905	\$ 30,965,843	\$ 16,246,606
2018	23,931,073	9,896,343	5,471,000	5,130,574	29,402,073	15,026,917
2019	23,128,594	8,938,586	5,680,000	4,895,872	28,808,594	13,834,458
2020	21,661,459	8,006,738	5,903,000	4,665,387	27,564,459	12,672,125
2021	21,466,511	7,101,639	6,111,000	4,423,302	27,577,511	11,524,941
2022 - 2026	93,032,000	22,395,435	34,725,000	17,743,318	127,757,000	40,138,753
2027 - 2031	53,092,000	6,841,516	28,281,000	10,695,517	81,373,000	17,537,033
2032 - 2036	10,315,000	834,574	24,553,000	5,176,668	34,868,000	6,011,242
2037 - 2041	-	-	9,400,000	1,098,128	9,400,000	1,098,128
Totals:	\$272,350,480	\$ 74,924,532	\$125,366,000	\$ 59,165,671	\$397,716,480	\$134,090,203

**Schedule of Outstanding General Obligation Bonds**

General obligation bonds payable at June 30, 2016, backed by the full faith and credit of the County, are comprised of the following individual issues:

<b>Table 23</b>						
<b>Outstanding General Obligation Debt - Governmental Activities</b>						
	<b>Sale Date</b>	<b>Final Maturity</b>	<b>Interest Rate to Maturity (%)</b>	<b>Annual Principal Requirements (in thousands)</b>	<b>Original Borrowing</b>	<b>Principal Outstanding</b>
<b>Spotsylvania County:</b>						
EDO Lease Revenue Bonds	05/2001	05/2021	6.16	\$18 - \$60	\$ 700,000	\$ 264,291
Public Improvements (Series A)	07/2009	07/2019	1.40 - 3.00	\$260 - \$1,315	11,665,000	5,225,000
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	3,380,000
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	4,968,743
Public Improvements (Refunding)	07/2011	01/2024	3.00 - 4.00	\$10 - \$580	5,650,000	3,945,000
EDO Public Facility Revenue	10/2011	06/2032	2.00 - 4.00	\$790	11,275,000	7,510,000
Public Improvements (Series A)	07/2012	06/2032	2.00 - 3.00	\$630 - \$775	8,995,000	6,295,000
Qualified Energy Conservation	07/2012	06/2032	1.00 - 3.80	\$55 - \$70	1,240,000	1,005,000
Public Improvements	07/2013	06/2033	2.55	\$306	6,112,284	5,217,029
EDA Public Facility Revenue	08/2013	02/2030	2.61	\$98 - \$174	1,688,000	1,185,000
Public Improvements & Refunding	08/2014	01/2034	2.00 - 5.00	\$223 - \$3,923	38,110,410	37,624,589
EDA Revenue & Refunding	08/2014	06/2034	2.00 - 5.00	\$300 - \$360	6,305,000	5,650,000
Public Improvements	08/2015	01/2035	3.00 - 5.00	\$837 - \$910	17,769,115	16,931,717
<b>Total General Obligation Bonds - Spotsylvania County</b>						<b>\$ 123,541,369</b>

Table 23 (continued)

## Outstanding General Obligation Debt - Governmental Activities

			Interest Rate	Annual		
	Sale Date	Final	to Maturity	Principal	Original	Principal
		Maturity	(%)	Requirements	Borrowing	Outstanding
				(in thousands)		
<b>Component Unit - School Board</b>						
Virginia Public School Authority	05/1996	07/2016	4.60 - 5.80	\$110	2,200,000	110,000
Virginia Public School Authority	07/1997	07/2016	5.10 - 6.10	\$230 - \$235	4,620,000	230,000
Virginia Public School Authority	11/1997	07/2017	4.35 - 5.23	\$410 - \$490	8,940,000	820,000
Virginia Public School Authority	11/1997	07/2017	4.35 - 5.23	\$372 - \$495	8,422,232	978,594
Virginia Public School Authority	04/1998	07/2018	4.10 - 5.35	\$665 - \$990	14,975,000	2,010,000
Virginia Public School Authority	11/1998	07/2018	4.35 - 5.10	\$435 - \$650	10,795,000	1,305,000
Virginia Public School Authority	11/1998	07/2018	3.60 - 5.10	\$196 - \$247	4,345,729	727,592
Virginia Public School Authority	04/1999	07/2019	4.35 - 5.23	\$90 - \$265	3,570,000	360,000
Virginia Public School Authority	05/2000	07/2020	4.35 - 5.23	\$370 - \$375	7,740,000	1,850,000
Virginia Public School Authority	05/2001	07/2021	4.10 - 5.60	\$470 - \$545	10,170,000	2,835,000
Virginia Public School Authority	11/2001	07/2021	3.10 - 5.35	\$400 - \$555	9,500,000	2,400,000
Virginia Public School Authority	05/2002	07/2022	3.60 - 5.60	\$820 - \$915	17,315,000	5,740,000
Virginia Public School Authority	11/2002	07/2023	2.35 - 5.10	\$550 - \$645	11,885,000	3,850,000
Public Improvements	06/2007	01/2027	4.25 - 5.00	\$1,490 - \$3,415	41,110,000	1,745,000
Qualified School Construction	06/2010	06/2027	5.31	\$150 - \$155	2,630,000	1,705,000
Public Improvements (Series A)	07/2011	01/2031	3.00 - 4.00	\$130 - \$247	3,975,956	2,636,253
EDA Revenue (Refunding)	07/2012	06/2029	2.00 - 5.00	\$1,345 - \$2,650	33,785,000	27,695,000
Public Improvements	07/2012	06/2029	2.00 - 5.00	\$630 - \$710	7,210,000	4,495,000
Public Improvements	07/2013	06/2033	2.55	\$273 - \$979	11,802,716	8,947,972
EDA Revenue (Refunding)	08/2013	02/2030	2.61	\$597 - \$881	11,695,000	10,480,000
Public Improvements	08/2014	01/2034	2.00 - 5.00	\$225 - \$2,815	20,954,590	16,890,415
EDA Revenue (Refunding)	08/2014	06/2034	2.00 - 5.00	\$840 - \$2,035	26,445,000	24,375,000
Public Improvements	08/2015	01/2035	3.00 - 5.00	\$231 - \$2,924	27,765,885	26,623,285
<b>Total General Obligation Bonds - Component Unit - School Board</b>						<b>\$148,809,111</b>
<b>Total Governmental Activities - General Obligation Bonds</b>						<b>\$272,350,480</b>

Table 23 (continued)

## Outstanding General Obligation Debt - Business-type Activities

			Interest Rates	Annual		
	Sale Date	Final	to Maturity	Principal	Original	Principal
		Maturity	(%)	Requirements	Borrowing	Outstanding
				(in thousands)		
<b>Business-type Activities</b>						
Utility Revenue	08/2007	06/2017	4.25 - 5.00	\$540 - \$11,550	\$ 39,700,000	\$ 935,000
Utility Revenue (Refunding)	08/2010	06/2032	3.15	\$335 - \$1,740	28,405,000	22,140,000
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	19,641,000
Utility Revenue (Refunding)	08/2015	06/2037	3.00 - 5.00	\$1,650 - \$4,040	55,325,000	53,200,000
<b>Total Business-type Activities</b>						<b>\$ 125,366,000</b>
<b>Total indebtedness - Primary Government:</b>						<b>\$ 397,716,480</b>

## 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, 2016, Industrial Revenue Bonds outstanding totaled \$3.9 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 \$7.7 million for closed and operating landfills, respectively, which is based on 100% and 73.3% usage, respectively. It is estimated that an additional \$1.8 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 (2021).

The estimated total current cost of the landfill closure and post-closure care (\$8.4 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, 2016. 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.

To qualify, employees hired prior to November 1, 2007 must complete ten consecutive years of regular full-time employment with the County immediately prior to full retirement under VRS or social security retirement 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 or social security retirement to be eligible for 50% subsidy towards their coverage. For every additional consecutive year of service worked over twenty years the employee receives a 5% subsidy toward their coverage. Once the retiree reaches the age of 65, the retiree 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, 2014, the most recent actuarial valuation date, membership in the Plan consisted of the following:

Number of Participants:	
Active Employees	694
Retirees and Spouses	131

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. As of June 30, 2016, the County has assigned fund balances of \$1,900,000, \$24,000 and \$310,000 in its General Fund, Capital Projects Fund and other governmental funds, respectively; and \$633,000 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 other postemployment benefit (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	\$ 6,238,300
Interest on net OPEB obligation	1,191,178
Adjustment to ARC	(1,494,472)
Annual OPEB cost (expense)	\$ 5,935,006
Contributions made	(1,295,297)
Increase in net OPEB obligation	\$ 4,639,709
Net OPEB obligation - beginning of year	29,779,443
<b>Net OPEB obligation - end of year</b>	<b>\$ 34,419,152</b>
Governmental activities	\$ 30,349,417
Business-type activities	4,069,735
	<b>\$ 34,419,152</b>

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 the table below.

Table 25 Annual OPEB Cost - Primary Government			
Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 5,935,006	21.8%	\$ 34,419,152
June 30, 2015	5,582,664	21.5%	29,779,443
June 30, 2014	5,431,000	16.4%	25,395,879

### 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, 2014, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 8.1% initially, graded to 4.5% by 2073. 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, 2016 was twenty-three 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.

### Funding status and funding progress

As of July 1, 2014, 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, 2014	\$ -	\$ 56,439,000	\$ 56,439,000	0%	\$ 43,941,400	128.4%
July 1, 2013*	-	55,915,000	55,915,000	0%	41,837,760	133.6%
July 1, 2012*	-	51,888,000	51,888,000	0%	40,121,877	129.3%
July 1, 2011*	-	49,282,000	49,282,000	0%	37,991,535	129.7%
July 1, 2010*	-	45,383,000	45,383,000	0%	36,911,000	122.9%
July 1, 2009*	-	30,666,000	30,666,000	0%	37,285,000	82.2%

\* Required Supplementary Information is unaudited.

## 12.02 COMPONENT UNIT - SCHOOL BOARD

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 postemployment benefits other than pensions (OPEB).

The School Board has appointed a Local Finance Board to serve as trustee for the Pooled Trust. The Virginia Local Government Finance Corporation (VLGFC) provides the day-to-day administration of the Trust. An investment consultant has been hired by the Trust to provide investment advice to the trustees. A custodian bank has also been retained to assist with reporting of contributions, distributions and employer balances within the Trust.

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.

### Summary of significant accounting policies

#### *Basis of accounting*

The Trust's financial statements are prepared using the accrual basis of accounting. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable.

#### *Investments*

Plan investments are reported at fair value at the last reported sales price on June 30, 2016.

### Plan description

To be eligible for this Plan, the individual must retire from School Board employment and have either:

- ~ Age 55 and at least 5 consecutive years of service with Spotsylvania County Schools, or
- ~ Age 50 and 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. Prior to Medicare eligibility, retirees may choose amount the same health insurance options as active employees. Once a retiree reaches Medicare eligibility age, the retiree must apply for and receive Medicare coverage. The retiree must also convert to a Medicare Complimentary Plan.

Individuals hired before July 1, 2009 pay the same premiums as active employees while they are pre-Medicare eligible. Once Medicare eligible, they receive a subsidy from the School Board for the Medicare Complimentary Plan. Spouses of retired employees must pay the entire cost of the premium once the spouse becomes Medicare eligible. Surviving spouses of retired employees are able to continue medical coverage, but must pay the entire cost of the premium.

Individuals hired on or after July 1, 2009 will only receive a flat dollar subsidy. Spouses of such retirees will not receive any explicit subsidy from the School Board; however, spouses may continue to receive medical coverage.

As of July 1, 2015, the most recent actuarial valuation date, membership in the Plan consisted of the following:

#### Number of Participants:

Active employees	2,287
Retirees (pre-Medicare)	295
Retirees (Medicare age)	629

### Contributions

The Code allows for the School Board to make contributions to the Trust. These contributions are irrevocable; however, continued participation in the Pooled Trust is voluntary and any Local Finance Board may terminate future participation in the Trust.

### Funding policy

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. At a minimum, benefits are financed on a pay-as-you-go basis.

### 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	
Annual required contribution	\$ 18,948,000
Interest on net OPEB obligation	3,448,000
Adjustment to ARC	(4,433,000)
Annual OPEB cost (expense)	\$ 17,963,000
Contributions made	(5,196,790)
Increase in net OPEB obligation	\$ 12,766,210
Net OPEB obligation - beginning of year	97,397,237
<b>Net OPEB obligation - end of year</b>	<b>\$ 110,163,447</b>

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			
Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 17,963,000	28.9%	\$110,163,447
June 30, 2015	18,733,000	42.2%	97,397,237
June 30, 2014	17,753,000	31.2%	86,571,137

### 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 administrative 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, 2016, was twenty-three 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 .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**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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.

## 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. The Board maintains the authority to establish, amend and revoke the benefit provisions of this Plan. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. In-

vestments are held in nonparticipating interest-earning annuity contracts and valued at contract value. The Plan does not issue a stand-alone financial report. All required statements and disclosures are contained in these financial statements.

#### Plan membership

As of July 1, 2015, the most recent actuarial valuation date, membership in the Plan was as follows:

<b>Number of Participants:</b>	
Active plan members	210
Inactive members with deferred vested benefits	147
Members currently receiving benefits	51
	<u>408</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.

**Funding policy**

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.

**Annual pension cost**

The County's annual pension cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GAAP. The ARC represents the 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 ARC was determined through a July 1, 2015 actuarial valuation using the

"Unit Credit" Cost Method and 10-year amortization of the remaining unfunded liability. The actuarial assumptions include a 5.25% investment rate of return before administrative fees.

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

**Table 30**  
**Annual Pension Cost - Length of Service Award Program**

Fiscal Year Ended	Annual Pension Cost	% of Annual Pension Cost Contributed	Net Pension Obligation
June 30, 2016	\$ 146,915	106.0%	\$ -
June 30, 2015	147,257	105.7%	-
June 30, 2014	147,578	105.5%	-

**Funded status and funding progress**

As of July 1, 2015, the most recent actuarial valuation date, the plan was 68.6% funded. The schedule of funding progress, presented as required supplementary information below, provides 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 31**  
**Required Supplementary Information - Length of Service Awards Program**

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, 2015	1,510,480	2,200,418	689,938	68.65%	N/A	N/A
July 1, 2014	1,398,456	2,046,362	647,906	68.34%	N/A	N/A
July 1, 2013	1,301,025	1,919,088	618,063	67.79%	N/A	N/A
July 1, 2012	1,176,669	1,819,877	643,208	64.66%	N/A	N/A
July 1, 2011	1,198,399	1,748,223	549,824	68.55%	N/A	N/A
July 1, 2010	931,427	1,638,844	707,417	56.83%	N/A	N/A

## Note 14

### FUND BALANCE

The following table provides additional detail regarding the County's governmental fund balances as of June 30, 2016:

Table 32 Fund Balance Classification				
	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Restricted for:</b>				
Special service district transportation	\$ -	\$ -	\$ 656,066	\$ 656,066
PRTC transportation funds	-	-	5,810,278	5,810,278
Transient occupancy - tourism	474,924	-	-	474,924
Available bond proceeds:				
Transportation	-	16,308,307	-	16,308,307
Facility maintenance & improvements	-	9,584,872	-	9,584,872
Other	-	1,809,114	-	1,809,114
Grants and other contributions:				
Forfeiture & seizure - drug enforcement	809,083	-	-	809,083
Fire & rescue equipment & personnel	1,216,384	-	-	1,216,384
Other	244,387	8,300	-	252,687
<b>Total restricted fund balance:</b>	<b>\$ 2,744,778</b>	<b>\$ 27,710,593</b>	<b>\$ 6,466,344</b>	<b>\$ 36,921,715</b>
<b>Committed for:</b>				
Fiscal stability reserve	\$ 43,987,128	\$ -	\$ -	\$ 43,987,128
Health insurance reserve	3,726,772	-	-	3,726,772
Public safety line of duty benefits	500,000	-	-	500,000
Information technology	-	9,726,897	-	9,726,897
Fire & rescue facilities, equipment & service	-	3,747,771	357,742	4,105,513
Facility maintenance & improvements	-	1,712,897	-	1,712,897
Transportation	-	1,089,624	3,534,892	4,624,516
Economic development initiatives	-	3,750,000	-	3,750,000
Other	636,264	3,438,539	-	4,074,803
<b>Total committed fund balance:</b>	<b>\$ 48,850,164</b>	<b>\$ 23,465,728</b>	<b>\$ 3,892,634</b>	<b>\$ 76,208,526</b>
<b>Assigned to:</b>				
2017 budget:				
Education	\$ 2,554,904	\$ -	\$ -	\$ 2,554,904
Capital project transfers	4,260,170	-	-	4,260,170
Various other functions	1,917,528	-	-	1,917,528
Other postemployment benefits	1,900,000	24,000	310,000	2,234,000
Stormwater maintenance	-	-	375,062	375,062
Economic development incentives	799,500	-	-	799,500
Loss contingencies	2,600,000	450,000	-	3,050,000
Future community center	629,800	-	-	629,800
Economic opportunities reserve	2,000,000	-	-	2,000,000
Code compliance services	-	-	1,010,391	1,010,391
<b>Total assigned fund balance:</b>	<b>\$ 16,661,902</b>	<b>\$ 474,000</b>	<b>\$ 1,695,453</b>	<b>\$ 18,831,355</b>
<b>Unassigned:</b>	<b>\$ 5,398,391</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,398,391</b>
<b>Total fund balance:</b>	<b>\$ 73,655,235</b>	<b>\$ 51,650,321</b>	<b>\$ 12,054,431</b>	<b>\$ 137,359,987</b>

## Note 15

### Commitments and Contingencies

#### 15.01 COMMITMENTS

The County has various contracts for general government and utility capital projects approximating \$7.1 million and \$11.8 million, respectively, at June 30, 2016. The School Board has commitments to complete school construction of \$2.5 million at June 30, 2016.

Bonds authorized at June 30, 2016 but not issued are as follows:

Public safety and general capital projects	\$	36,388,641
Schools		139,506,960
Transportation		63,308,950
	\$	<u>239,204,551</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. To the extent the outcome of such litigation has been determined to result in probable loss to the County; such loss has been recorded in the accompanying basic financial statements. In the opinion of County management and the County Attorney, the ultimate outcome of the remaining claims cannot be determined at this time but estimates a potential liability ranging from \$0 to \$1.1 million.

The County contracted, pursuant to a Design-Build Agreement with Henderson Construction Company, for the construction of the widening of a part of Route 3 and associated utility relocation, in Spotsylvania County. Henderson Construction filed a request for modification of the work order related to the Route 3 widening project in the amount of \$3.9 million. The request alleged that Henderson was delayed in completing construction due to the County's failure to acquire several parcels of land needed in order for Henderson to complete the road-widening project.

As such, Henderson filed a "Request for Work Order" on June 9, 2016 seeking a formal decision on Henderson's written demands. On August 31, 2016, Henderson filed suit against the County. The suit was settled on September 23, 2016 in the amount of \$1,950,000 and has been reported as a special item in the Statement of Activities.

## Note 16

### 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 \$150,000 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 \$3.7 million of the General Fund's fund balance at June 30, 2016 to ensure adequate funds are available to cover unusual claim fluctuations and (IBNR) incurred but not reported claims. The County uses information 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, 2016 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.

#### *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 \$150,000 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 \$11.5 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.

#### **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, 2016.

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

Fiscal Year	Insurance Claim Liability July 1, 2015	Claims and Other Charges Processed	Claim Payments	Insurance Claim Liability June 30, 2016
<i>Primary Government</i>				
2016	1,167,857	11,515,989	11,526,274	1,157,572
2015	977,410	10,542,892	10,352,445	1,167,857
<i>Component unit - School Board</i>				
2016	3,282,478	41,213,751	40,777,460	3,718,769
2015	3,276,788	35,361,984	35,356,294	3,282,478

#### **Primary Government:**

Governmental	\$ 1,023,263
Business-type	134,309
June 30, 2016	<u>\$ 1,157,572</u>

## Note 17

### 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 12 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 18

### Joint Ventures

#### 18.01 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 De-

partment 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 2016, the County received \$3.4 million in Motor Fuel Tax and paid \$1.4 million in subsidies. As of June 30, 2016, PRTC holds \$5.8 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.

## 18.02 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, 2016 totaled \$4.2 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.

## 18.03 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, 2016 of \$1.5 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 19

## Jointly Governed Organizations

### 19.01 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 library 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, 2016, the County's appropriation to the Library was \$4.0 million.

## 19.02 SPOTSYLVANIA-STAFFORD-FREDERICKSBURG REGIONAL GROUP HOME

The Home, also known as the Chaplin Youth Center, is a regional juvenile post-dispositional group home for the care and treatment of youths, created by concurrent resolutions of the County and Stafford Board of Supervisors and the Fredericksburg City Council in 1990 pursuant to authority granted in Code 16.1-315. The Chaplin Youth Center is operated by the Rappahannock Area Youth Services & Group Home Commission (Commission) created by the concurrent resolutions of these three localities. The Commission is granted power to make and execute contracts and other instruments necessary or convenient to the exercise of its powers. The

County's appropriation to the Group Home for the year ended June 30, 2016 was \$185,252.

## Note 20

### Subsequent Events

On September 9, 2016, 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. Proceeds will be used to finance a portion of the costs associated with a program of capital improvements, including various public school facility projects, public safety and general government projects and road transportation projects. A portion of the proceeds will also be used to pay the costs of issuance associated with the Series 2016 Bonds.

## Note 21

### Restatement of Prior Period Net Position (Deficit)

The County and School Board reported restatements to its previously reported June 30, 2015 net position (deficit) as follows:

Table 34 Restatement of Prior Period Net Position			
		Statement of Net Position	
		Primary Government Governmental Activities	Component unit - School Board
Net position (deficit) as previously reported at June 30,		\$ (72,994,778)	\$ 8,163,534
Accounting principle:			
Deferred outflow - pension contributions	a	(612,324)	-
Correction of error:			
Deferred outflow - pension contributions	b	-	2,290,520
Capital Assets	c	(2,292,222)	-
Net position (deficit) as restated at June 30, 2015		\$ (75,899,324)	\$ 10,454,054

Accounting principle:

- Effective for fiscal year 2016, the County and School Board early adopted GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No.73*. As a result, payments made by the County in fiscal year 2015 of \$612,324 on behalf of its members and reported as County contributions, are required to

be reclassified to member contributions, resulting in an overstatement of deferred outflows - pension contributions and understatement of pension expense in fiscal year 2015.

Prior period adjustments:

During the current fiscal year, the County and School Board identified the following inaccuracies requiring adjustment to net position (deficit):

- b) Deferred outflows related to pension contributions made after the measurement date of the School Board's net pension liability were understated by \$2,290,520, resulting in an overstatement of pension expense of the Component unit – School Board for fiscal year 2015.
- c) Certain depreciable land improvement assets, held by the County's governmental activities and purchased prior to fiscal year 2005, were incorrectly classified as non-depreciable resulting in \$1,642,345 in accumulated depreciation not reported through June 30, 2015. In addition, non-depreciable land improvements of \$649,877 were incorrectly capitalized in 2002 and required removal. These adjustments are reflected within the "re-statement" column of the table below.

While not considered a prior period adjustment, for ease of presentation within Table 8 of Note 4, the County has presented within the "reclassification" column of the table below the disaggregation of the County's depreciable land improvements from its building and improvements category. The County has elected to make this reporting change to assist readers in understanding the nature of the County's improvements. Other non-material reclassifications were also addressed as needed.

	<b>Balance July 1, 2015 as previously reported</b>	<b>Reclassification</b>	<b>Restatement</b>	<b>Balance July 1, 2015 as restated</b>
Capital assets, not being depreciated:				
Land & land improvements	\$ 14,772,392	\$ (880,641)	\$ (649,877)	\$ 13,241,874
Construction in progress	16,592,002	-	-	16,592,002
Total capital assets, not being depreciated	\$ 31,364,394	\$ (880,641)	\$ (649,877)	\$ 29,833,876
Capital assets being depreciated:				
Land improvements	\$ -	\$ 19,185,542	\$ -	\$ 19,185,542
Buildings & improvements	109,026,151	(18,304,701)	-	90,721,450
Furniture, equipment & vehicles	58,082,422	(200)	-	58,082,222
Total capital assets, being depreciated	167,108,573	880,641	-	167,989,214
Less accumulated depreciation for:				
Land improvements	-	6,735,967	1,642,345	8,378,312
Buildings & improvements	35,891,911	(6,735,767)	-	29,156,144
Furniture, equipment & vehicles	37,110,966	(200)	-	37,110,766
Total accumulated depreciation	73,002,877	-	1,642,345	74,645,222
Total capital assets being depreciated, net	\$ 94,105,696	\$ 880,641	\$ (1,642,345)	\$ 93,343,992
<b>Governmental-type activities capital assets, net</b>	<b>\$ 125,470,090</b>	<b>\$ -</b>	<b>\$ (2,292,222)</b>	<b>\$ 123,177,868</b>



## ***REQUIRED SUPPLEMENTARY INFORMATION***

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COUNTY OF SPOTSYLVANIA, VIRGINIA  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
 For the Year Ended June 30, 2016

Exhibit X

Page 1

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
<b>REVENUES</b>				
General property taxes	\$ 153,780,705	\$ 158,167,304	\$ 160,837,878	\$ 2,670,574
Other local taxes	44,325,708	44,921,262	44,729,818	(191,444)
Permits, fees and regulatory licenses	263,200	400,238	389,490	(10,748)
Fines and forfeitures	548,700	551,300	516,791	(34,509)
From use of money and property	630,925	1,060,076	1,447,184	387,108
Charges for services	4,455,044	4,492,672	4,472,575	(20,097)
Gifts and donations	38,275	81,365	120,681	39,316
Miscellaneous	123,100	156,100	201,183	45,083
Intergovernmental	32,170,662	34,343,236	34,746,531	403,295
Total revenues	<u>\$ 236,336,319</u>	<u>\$ 244,173,553</u>	<u>\$ 247,462,131</u>	<u>\$ 3,288,578</u>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 13,576,753	\$ 14,114,588	\$ 11,491,091	\$ 2,623,497
Judicial administration	7,529,616	7,727,974	7,265,919	462,055
Public safety	44,415,772	47,262,651	43,902,872	3,359,779
Public works	9,512,374	9,752,562	8,484,962	1,267,600
Health and welfare	19,774,721	19,914,043	19,597,892	316,151
Education	116,662,329	119,299,870	118,844,965	454,905
Parks, recreation and cultural	6,960,476	6,977,239	6,767,559	209,680
Community development	2,392,144	2,526,389	2,226,841	299,548
Non-departmental	2,200,676	1,559,761	1,132,563	427,198
Debt service:				
Principal retirement	6,406,730	5,982,915	5,982,916	-
Interest and other fiscal charges	3,126,455	3,286,232	3,300,042	(13,810)
Total expenditures	<u>\$ 232,558,046</u>	<u>\$ 238,404,224</u>	<u>\$ 228,997,622</u>	<u>\$ 9,406,603</u>
Excess of revenues over expenditures	<u>\$ 3,778,273</u>	<u>\$ 5,769,329</u>	<u>\$ 18,464,509</u>	<u>\$ 12,695,181</u>
Other financing uses:				
Transfers out	<u>\$ (7,000,506)</u>	<u>\$ (12,666,374)</u>	<u>\$ (12,225,240)</u>	<u>\$ 441,134</u>
Total other financing uses	<u>\$ (7,000,506)</u>	<u>\$ (12,666,374)</u>	<u>\$ (12,225,240)</u>	<u>\$ 441,134</u>
Net change in fund balances	\$ (3,222,233)	\$ (6,897,045)	\$ 6,239,269	\$ 13,136,315
Fund balance, beginning	3,222,233	6,897,045	66,779,704	59,882,659
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,018,973</u>	<u>\$ 73,018,974</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, 2016

Exhibit X

Page 2

The General Fund Budget Comparison Schedule is presented on a modified accrual basis of accounting with the exception of perspective differences described in Notes 1 & 2. As a result of these perspective differences, a schedule of reconciling line items is provided below.

Note 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 (per GAAP) 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.

Note 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.

	Budgetary Basis (Exh X)	School Debt Service (Note 1)	EDO Fund Activity (Note 2)	GAAP Basis (Exh IV)
<b>REVENUES</b>				
From use of money and property	\$ 1,447,184	\$ -	\$ 69,934	\$ 1,517,118
Miscellaneous	201,183	-	4,474	205,657
<b>EXPENDITURES</b>				
Current:				
Education	118,844,965	(7,832,775)	-	111,012,190
Community development	2,226,841	-	2,780,248	5,007,089
Debt service:				
Principal retirement	5,982,916	16,479,242	42,406	22,504,564
Interest and other charges	3,300,042	6,233,309	19,342	9,552,693
Bond issuance costs	-	184,137	-	184,137
Other financing sources (uses):				
Transfers in (out)	(12,225,240)	-	2,763,557	(9,461,683)
Proceeds from sale of bonds	-	13,430,885	-	13,430,885
Premium on sale of bonds	-	1,536,559	-	1,536,559
Bonds issued for refunding	-	14,335,000	-	14,335,000
Premium on refunding bonds	-	2,175,139	-	2,175,139
Payment to escrow for refunded debt	-	(16,413,670)	-	(16,413,670)
Total reconciling adjustments:		\$ -	\$ (4,031)	
Net change in fund balances (Exh IX & IV)	\$ 6,239,269	\$ -	\$ (4,031)	\$ 6,235,238
Fund balance, beginning (Exh IX & IV)	66,779,704	-	640,293	67,419,997
Fund balance, ending (Exh IX & IV)	<u>\$ 73,018,973</u>	<u>\$ -</u>	<u>\$ 636,262</u>	<u>\$ 73,655,235</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

EXHIBIT XI

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

Last Ten Fiscal Years

(Amounts in thousands)	2016	2015*	2014	2013	2012	2011	2010	2009	2008	2007
Total pension liability					2014 is the first year for presentation, no other data is available.					
Service cost	\$ 5,405	\$ 5,123								
Interest	9,544	8,849								
Differences between actual and expected experience	(766)	-								
Benefit payments, including refunds of employee contributions	(4,263)	(3,827)								
Net change in total pension liability	9,920	10,145								
Total pension liability - beginning	138,471	128,326								
Total pension liability - ending	<u>\$ 148,391</u>	<u>\$ 138,471</u>								
Plan fiduciary net position										
Contributions - employer*	\$ 4,631	\$ 4,736								
Contributions - employee*	2,246	2,165								
Net investment income	5,869	17,024								
Benefit payments, including refunds of employee contributions	(4,262)	(3,827)								
Administrative expense	(76)	(88)								
Other	(1)	1								
Net change in plan fiduciary net position	8,407	20,011								
Plan fiduciary net position - beginning	126,004	105,993								
Plan fiduciary net position - ending	<u>\$ 134,411</u>	<u>\$ 126,004</u>								
County's net pension liability-ending	<u>\$ 13,980</u>	<u>\$ 12,467</u>								
Plan fiduciary net position as a % of the total pension liability	90.6%	91.0%								
Covered-employee payroll	\$ 43,942	\$ 43,592								
County's net pension liability as a % of covered-employee payroll	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 significant changes to the System's benefit provisions.

Changes in assumptions - general employees:

Include updated mortality tables, decreases in service retirement rates, disability retirement dates, and a reduction in salary increases by .25%

Changes in assumptions - public safety employees:

Include updated mortality tables, adjustments to female service retirement dates, increases in rates of withdrawal, and decreased disability rates

\* The County elected to early adopt GASB Statement No. 82 *Pension Issues - An Amendment of GASB Statements No. 67, 68, and 73*, requiring the reclassification of \$1.1 million from contributions - employer to contributions - employee in 2015.

## COUNTY OF SPOTSYLVANIA, VIRGINIA

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

Last Ten Fiscal Years

(Amounts in thousands)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total pension liability	2014 is the first year for presentation, no other data is available.									
Service cost	\$ 1,024	\$ 1,057								
Interest	1,760	1,662								
Difference between expected and actual experience	(156)	-								
Benefit payments, including refunds of employee contributions	(1,321)	(1,315)								
Net change in total pension liability	1,307	1,404								
Total pension liability - beginning	25,801	24,397								
Total pension liability - ending	<u>\$ 27,108</u>	<u>\$ 25,801</u>								
Plan fiduciary net position										
Contributions - employer	\$ 762	\$ 872								
Contributions - employee	448	444								
Net investment income	1,128	3,363								
Benefit payments, including refunds of employee contributions	(1,321)	(1,315)								
Administrative expense	(16)	(18)								
Net change in plan fiduciary net position	1,001	3,346								
Plan fiduciary net position - beginning	24,881	21,535								
Plan fiduciary net position - ending	<u>\$ 25,882</u>	<u>\$ 24,881</u>								
School Board's net pension liability-ending	<u>\$ 1,226</u>	<u>\$ 920</u>								
Plan fiduciary net position as a % of the total pension liability	95.48%	96.43%								
Covered-employee payroll	\$ 9,042	\$ 8,922								
School Board's net pension liability as a % of covered-employee payroll	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 significant changes to the System's benefit provisions.

Changes in assumptions:

Include updated mortality tables, decreases in service rates, decreases in disability retirement dates, and a reduction in salary increases by .25%

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

Last Ten Fiscal Years

(Amounts in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
				2014 is the first year for presentation, no other data is available.						
Proportion of the net pension liability	1.62945%	1.62056%								
Proportionate share of the net pension liability	\$ 205,089	\$ 195,840								
Covered-employee payroll	\$ 121,089	\$ 118,052								
Proportionate share of the net pension liability as a % of its covered-employee payroll	1.69%	1.66%								
Plan fiduciary net position as a % of the total pension liability	70.68%	70.88%								

## Notes to Schedule:

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

COUNTY OF SPOTSYLVANIA, VIRGINIA  
**Schedule of Employer Contributions**  
 Last Ten Fiscal Years

*EXHIBIT XIV*

(Amounts in thousands)	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
County of Spotsylvania	2015 is the first year for presentation, no other data is available.									
Contractually required contribution	\$ 4,879	\$ 4,631								
Contributions in relation to the contractually required contribution	<u>(4,879)</u>	<u>(4,631)</u>								
Contribution excess	<u>\$ -</u>	<u>\$ -</u>								
Covered-employee payroll	\$ 45,430	\$ 43,942								
Contributions as a percentage of covered-employee payroll	10.74%	10.54%								
Spotsylvania County School Board										
Contractually required contribution	\$ 742	\$ 762								
Contributions in relation to the contractually required contribution	<u>(742)</u>	<u>(762)</u>								
Contribution excess	<u>\$ -</u>	<u>\$ -</u>								
Covered-employee payroll	\$ 9,075	\$ 9,042								
Contributions as a percentage of covered-employee payroll	8.18%	8.43%								
Spotsylvania County School Board - Teacher Plan										
Contractually required contribution	\$ 17,296	\$ 17,567								
Contributions in relation to the contractually required contribution	<u>(17,296)</u>	<u>(17,567)</u>								
Contribution excess	<u>\$ -</u>	<u>\$ -</u>								
Covered-employee payroll	\$ 123,993	\$ 121,089								
Contributions as a percentage of covered-employee payroll	13.95%	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 XI and XII.

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## ***OTHER SUPPLEMENTARY INFORMATION***

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## ***CAPITAL PROJECTS FUND***

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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, 2016

Schedule A

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
<b>REVENUES</b>				
General property taxes	\$ 30,000	\$ 30,000	\$ 25,165	\$ (4,835)
From use of money and property	-	-	370,104	370,104
Gifts and donations	743,307	838,960	282,052	(556,908)
Miscellaneous	-	29,966	3,622	(26,344)
Intergovernmental	942,915	8,813,936	3,626,313	(5,187,623)
Total revenues	<u>\$ 1,716,222</u>	<u>\$ 9,712,862</u>	<u>\$ 4,307,256</u>	<u>\$ (5,405,606)</u>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 311,529	\$ 313,545	\$ 198,255	\$ 115,290
Education	3,749,749	3,749,749	3,749,749	-
Capital projects	11,361,449	82,919,397	27,489,389	55,430,008
Debt service:				
Bond issuance costs	-	112,148	103,773	8,375
Total expenditures	<u>\$ 15,422,727</u>	<u>\$ 87,094,839</u>	<u>\$ 31,541,166</u>	<u>\$ 55,553,673</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (13,706,505)</u>	<u>\$ (77,381,977)</u>	<u>\$ (27,233,910)</u>	<u>\$ 50,148,067</u>
Other financing sources (uses):				
Transfers in	\$ 9,258,923	\$ 12,628,607	\$ 12,224,678	\$ (403,929)
Proceeds from sale of bonds	-	17,769,115	17,769,115	-
Premium on sale of bonds	-	1,508,938	1,508,938	-
Total other financing sources (uses), net	<u>\$ 9,258,923</u>	<u>\$ 31,906,660</u>	<u>\$ 31,502,731</u>	<u>\$ (403,929)</u>
Net change in fund balances	\$ (4,447,582)	\$ (45,475,317)	\$ 4,268,821	\$ 49,744,138
Fund balance, beginning	<u>4,447,582</u>	<u>45,475,317</u>	<u>47,381,500</u>	<u>1,906,183</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,650,321</u>	<u>\$ 51,650,321</u>

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## ***OTHER GOVERNMENTAL FUNDS***

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### ***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, 2016

*Schedule B-1*

	Fire/EMS Service Fee Fund	Code Compliance Fund	Transportation Fund	Total Other Governmental Funds
<b>ASSETS</b>				
Cash and investments - pooled equity	\$ -	\$ 1,877,381	\$ 3,326,569	\$ 5,203,950
Receivables, net	562,791	39	7,212,147	7,774,977
Restricted cash and investments	-	-	650,375	650,375
Total assets	<u>\$ 562,791</u>	<u>\$ 1,877,420</u>	<u>\$ 11,189,091</u>	<u>\$ 13,629,302</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 73,161	\$ 4,895	\$ 78,056
Accrued salaries and benefits	-	68,048	7,916	75,964
Other accrued liabilities	-	2,779	-	2,779
Deposits	-	68,979	634,784	703,763
Total liabilities	<u>\$ -</u>	<u>\$ 212,967</u>	<u>\$ 647,595</u>	<u>\$ 860,562</u>
<b>DEFERRED INFLOWS</b>				
Unavailable revenue:				
Property taxes	\$ -	\$ -	\$ 509,260	\$ 509,260
Other revenues	205,049	-	-	205,049
Total deferred inflows	<u>\$ 205,049</u>	<u>\$ -</u>	<u>\$ 509,260</u>	<u>\$ 714,309</u>
<b>FUND BALANCE</b>				
Restricted	\$ -	\$ -	\$ 6,466,344	\$ 6,466,344
Committed	357,742	-	3,534,892	3,892,634
Assigned	-	1,664,453	31,000	1,695,453
Total fund balances	<u>\$ 357,742</u>	<u>\$ 1,664,453</u>	<u>\$ 10,032,236</u>	<u>\$ 12,054,431</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 562,791</u>	<u>\$ 1,877,420</u>	<u>\$ 11,189,091</u>	<u>\$ 13,629,302</u>



COUNTY OF SPOTSYLVANIA, VIRGINIA  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2016

*Schedule B-2*

	Fire/EMS Service Fee Fund	Code Compliance Fund	Transportation Fund	Total Other Governmental Funds
<b>REVENUES</b>				
General property taxes	\$ -	\$ -	\$ 861,927	\$ 861,927
Other local taxes	-	-	3,395,080	3,395,080
Permits, privilege fees and regulatory licenses	-	3,934,289	14,450	3,948,739
From use of money and property	-	-	19,347	19,347
Charges for services	2,338,006	202,620	-	2,540,626
Gifts and donations	-	-	494,419	494,419
Miscellaneous	-	142	-	142
Total revenues	<u>\$ 2,338,006</u>	<u>\$ 4,137,051</u>	<u>\$ 4,785,223</u>	<u>\$ 11,260,280</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ -	\$ 1,862,964	\$ -	\$ 1,862,964
Community development	-	1,303,056	2,080,308	3,383,364
Debt service:				
Principal retirement	-	-	2,876,569	2,876,569
Interest and other fiscal charges	-	-	1,661,696	1,661,696
Total expenditures	<u>\$ -</u>	<u>\$ 3,166,020</u>	<u>\$ 6,618,573</u>	<u>\$ 9,784,593</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 2,338,006	\$ 971,031	\$ (1,833,350)	\$ 1,475,687
Other financing sources (uses):				
Transfers out	<u>\$ (2,331,784)</u>	<u>\$ (173,849)</u>	<u>\$ (98,933)</u>	<u>\$ (2,604,566)</u>
Total other financing sources (uses), net	<u>\$ (2,331,784)</u>	<u>\$ (173,849)</u>	<u>\$ (98,933)</u>	<u>\$ (2,604,566)</u>
Net change in fund balances	\$ 6,222	\$ 797,182	\$ (1,932,283)	\$ (1,128,879)
Fund balance, beginning	<u>351,520</u>	<u>867,271</u>	<u>11,964,519</u>	<u>13,183,310</u>
Fund balance, ending	<u><u>\$ 357,742</u></u>	<u><u>\$ 1,664,453</u></u>	<u><u>\$ 10,032,236</u></u>	<u><u>\$ 12,054,431</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**BUDGETARY COMPARISON SCHEDULE - FIRE/EMS SERVICE FEE FUND**

For the Year Ended June 30, 2016

*Schedule B-3.1*

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
<b>REVENUES</b>				
Charges for services	\$ 2,648,000	\$ 2,648,000	\$ 2,338,006	\$ (309,994)
Total revenues	<u>\$ 2,648,000</u>	<u>\$ 2,648,000</u>	<u>\$ 2,338,006</u>	<u>\$ (309,994)</u>
Other financing sources (uses):				
Transfers out	\$ (2,751,508)	\$ (2,751,508)	\$ (2,331,784)	\$ 419,724
Total other financing sources (uses), net	<u>\$ (2,751,508)</u>	<u>\$ (2,751,508)</u>	<u>\$ (2,331,784)</u>	<u>\$ 419,724</u>
Net change in fund balances	\$ (103,508)	\$ (103,508)	\$ 6,222	\$ 109,730
Fund balance, beginning	<u>103,508</u>	<u>103,508</u>	<u>351,520</u>	<u>248,012</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 357,742</u>	<u>\$ 357,742</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**BUDGETARY COMPARISON SCHEDULE - CODE COMPLIANCE FUND**

For the Year Ended June 30, 2016

*Schedule B-3.2*

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
<b>REVENUES</b>				
Permits, privilege fees and regulatory licenses	\$ 3,238,500	\$ 3,376,662	\$ 3,934,289	\$ 557,627
Charges for services	208,700	208,700	202,620	(6,080)
Miscellaneous	-	-	142	142
Total revenues	<u>\$ 3,447,200</u>	<u>\$ 3,585,362</u>	<u>\$ 4,137,051</u>	<u>\$ 551,689</u>
<b>EXPENDITURES</b>				
Public safety	\$ 1,821,939	\$ 1,980,635	\$ 1,862,964	\$ 117,671
Community development	1,577,459	1,801,011	1,303,056	497,955
Total expenditures	<u>\$ 3,399,398</u>	<u>\$ 3,781,646</u>	<u>\$ 3,166,020</u>	<u>\$ 615,626</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 47,802</u>	<u>\$ (196,284)</u>	<u>\$ 971,031</u>	<u>\$ 1,167,315</u>
Other financing sources (uses):				
Transfers in (out)	<u>\$ 196,962</u>	<u>\$ 196,962</u>	<u>\$ (173,849)</u>	<u>\$ (370,811)</u>
Total other financing sources (uses), net	<u>\$ 196,962</u>	<u>\$ 196,962</u>	<u>\$ (173,849)</u>	<u>\$ (370,811)</u>
Net change in fund balances	\$ 244,764	\$ 678	\$ 797,182	\$ 796,504
Fund balance, beginning	<u>(244,764)</u>	<u>(678)</u>	<u>867,271</u>	<u>867,949</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,664,453</u></u>	<u><u>\$ 1,664,453</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**BUDGETARY COMPARISON SCHEDULE - TRANSPORTATION FUND**

For the Year Ended June 30, 2016

*Schedule B-3.3*

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
<b>REVENUES</b>				
General property taxes	\$ 733,193	\$ 733,193	\$ 861,927	\$ 128,734
Other local taxes	4,406,745	4,406,745	3,395,080	(1,011,665)
Permits, privilege fees and regulatory licenses	15,315	15,315	14,450	(865)
From use of money and property	15,000	15,000	19,347	4,347
Gifts and donations	223,183	223,183	494,419	271,236
Total revenues	<u>\$ 5,393,436</u>	<u>\$ 5,393,436</u>	<u>\$ 4,785,223</u>	<u>\$ (608,213)</u>
<b>EXPENDITURES</b>				
Current:				
Community development	\$ 2,176,462	\$ 2,178,614	\$ 2,080,308	\$ 98,306
Debt service:				
Principal retirement	3,322,751	2,876,569	2,876,569	-
Interest and other fiscal charges	1,494,541	1,661,407	1,661,696	(289)
Total expenditures	<u>\$ 6,993,754</u>	<u>\$ 6,716,590</u>	<u>\$ 6,618,573</u>	<u>\$ 98,017</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,600,318)</u>	<u>\$ (1,323,154)</u>	<u>\$ (1,833,350)</u>	<u>\$ (510,196)</u>
Other financing sources (uses):				
Transfers out	<u>\$ (34,698)</u>	<u>\$ (34,698)</u>	<u>\$ (98,933)</u>	<u>\$ (64,235)</u>
Total other financing sources (uses), net	<u>\$ (34,698)</u>	<u>\$ (34,698)</u>	<u>\$ (98,933)</u>	<u>\$ (64,235)</u>
Net change in fund balances	\$ (1,635,016)	\$ (1,357,852)	\$ (1,932,283)	\$ (574,431)
Fund balance, beginning	<u>1,635,016</u>	<u>1,357,852</u>	<u>11,964,519</u>	<u>10,606,667</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,032,236</u>	<u>\$ 10,032,236</u>

## ***AGENCY FUNDS***

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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, 2016

*Schedule C-1*

	Special Welfare	Contribution Fund	Total
<b>ASSETS</b>			
Cash	\$ 12,086	\$ 323,063	\$ 335,149
Total assets	<u>\$ 12,086</u>	<u>\$ 323,063</u>	<u>\$ 335,149</u>
<b>LIABILITIES</b>			
Amounts held for others	\$ 12,086	\$ 323,063	\$ 335,149
Total liabilities	<u>\$ 12,086</u>	<u>\$ 323,063</u>	<u>\$ 335,149</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

For the Fiscal Year Ended June 30, 2016

*Schedule C-2*

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>SPECIAL WELFARE</b>				
<b>ASSETS</b>				
Cash	\$ 10,647	\$ 84,484	\$ 83,045	\$ 12,086
Total assets	<u>\$ 10,647</u>	<u>\$ 84,484</u>	<u>\$ 83,045</u>	<u>\$ 12,086</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 10,647	\$ 84,484	\$ 83,045	\$ 12,086
Total liabilities	<u>\$ 10,647</u>	<u>\$ 84,484</u>	<u>\$ 83,045</u>	<u>\$ 12,086</u>
<b>CONTRIBUTION FUND</b>				
<b>ASSETS</b>				
Cash	\$ 307,322	\$ 1,708,823	\$ 1,693,082	\$ 323,063
Total assets	<u>\$ 307,322</u>	<u>\$ 1,708,823</u>	<u>\$ 1,693,082</u>	<u>\$ 323,063</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 307,322	\$ 3,350,351	\$ 3,334,610	\$ 323,063
Total liabilities	<u>\$ 307,322</u>	<u>\$ 3,350,351</u>	<u>\$ 3,334,610</u>	<u>\$ 323,063</u>
<b>TOTAL - ALL FIDUCIARY FUNDS</b>				
<b>ASSETS</b>				
Cash	\$ 317,969	\$ 1,793,307	\$ 1,776,127	\$ 335,149
Total assets	<u>\$ 317,969</u>	<u>\$ 1,793,307</u>	<u>\$ 1,776,127</u>	<u>\$ 335,149</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 317,969	\$ 3,434,835	\$ 3,417,655	\$ 335,149
Total liabilities	<u>\$ 317,969</u>	<u>\$ 3,434,835</u>	<u>\$ 3,417,655</u>	<u>\$ 335,149</u>

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## ***DISCRETELY PRESENTED COMPONENT UNIT***

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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, 2016

*Schedule D-1*

	Operating	Cafeteria	Capital Projects	Total
<b>ASSETS</b>				
Cash and investments - pooled equity	\$ -	\$ 3,762,512	\$ -	\$ 3,762,512
Receivables, net	7,388,004	360,189	-	7,748,193
Prepaid items	-	-	4,000	4,000
Due from Primary Government	21,269,173	-	1,749,356	23,018,529
Claim reserves held by others	11,454,772	-	-	11,454,772
Restricted cash and investments	-	-	7,521,022	7,521,022
Total assets	<u>\$ 40,111,949</u>	<u>\$ 4,122,701</u>	<u>\$ 9,274,378</u>	<u>\$ 53,509,028</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,996,212	\$ 606,277	\$ 4,333,594	\$ 7,936,083
Retainage payable	-	-	88,229	88,229
Accrued salaries and benefits	23,212,036	295,530	-	23,507,566
Total liabilities	<u>\$ 26,208,248</u>	<u>\$ 901,807</u>	<u>\$ 4,421,823</u>	<u>\$ 31,531,878</u>
<b>DEFERRED INFLOWS</b>				
Unavailable revenues	<u>\$ 2,448,929</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,448,929</u>
<b>FUND BALANCE</b>				
Restricted for:				
Capital projects	\$ -	\$ -	\$ 4,852,555	\$ 4,852,555
Committed for:				
Food service	-	3,220,894	-	3,220,894
Assigned to:				
Health insurance reserve	11,454,772	-	-	11,454,772
Total fund balance	<u>\$ 11,454,772</u>	<u>\$ 3,220,894</u>	<u>\$ 4,852,555</u>	<u>\$ 19,528,221</u>
Total liabilities and fund balance	<u>\$ 40,111,949</u>	<u>\$ 4,122,701</u>	<u>\$ 9,274,378</u>	<u>\$ 53,509,028</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, 2016

Page 2

Total fund balances of the component unit - School Board (Schedule D-1)	\$ 19,528,221
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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.	570,681
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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	\$ 10,085,517	
Depreciable assets, net	<u>281,769,569</u>	
		291,855,086

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

Pension contributions	\$ 17,985,759	
Pension actuarial differences	<u>1,008,000</u>	
		18,993,759

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

Other postemployment benefits	\$ (109,590,944)	
Net pension liability	(206,228,305)	
Insurance claims	(3,699,443)	
Compensated absences	<u>(5,417,628)</u>	
		(324,936,320)

Revenue not considered available in governmental funds is susceptible to full accrual on the entity-wide statements.	2,448,929
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Deferred inflows of pension actuarial differences represent an acquisition of net position that is applicable to a future reporting period.	(21,204,966)
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Internal service fund included in entity-wide statements (Sch E-1).	<u>9,793,755</u>
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Total net position of the component unit - School Board (Exhibit I)	<u><u>\$ (2,950,855)</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, 2016

Schedule D-2

	Operating	Cafeteria	Capital Projects	Total
<b>REVENUES</b>				
From use of money and property	\$ -	\$ -	\$ 50,760	\$ 50,760
Charges for services	3,478,611	4,525,077	-	8,003,688
Miscellaneous	492,594	93,921	-	586,515
Intergovernmental	136,287,805	5,091,629	-	141,379,434
Payments from Primary Government	95,902,832	-	18,629,525	114,532,357
Total revenues	<u>\$ 236,161,842</u>	<u>\$ 9,710,627</u>	<u>\$ 18,680,285</u>	<u>\$ 264,552,754</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 238,810,739	\$ 9,107,087	\$ -	\$ 247,917,826
Capital projects	-	-	19,411,088	19,411,088
Total expenditures	<u>\$ 238,810,739</u>	<u>\$ 9,107,087</u>	<u>\$ 19,411,088</u>	<u>\$ 267,328,914</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,648,897)</u>	<u>\$ 603,540</u>	<u>\$ (730,803)</u>	<u>\$ (2,776,160)</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	\$ (2,712,767)	\$ 667,410	\$ (730,803)	\$ (2,776,160)
Fund balance, beginning	14,167,539	2,553,484	5,583,358	22,304,381
Fund balance, ending	<u>\$ 11,454,772</u>	<u>\$ 3,220,894</u>	<u>\$ 4,852,555</u>	<u>\$ 19,528,221</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, 2016

Page 2

Net change in fund balance of the component unit - School Board (Schedule D-2): \$ (2,776,160)

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

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	\$ 9,103,828	
Depreciation expense	<u>(13,909,401)</u>	(4,805,573)

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

Proportionate share of the Commonwealth's contribution to the Virginia Retirement System's Teachers' Retirement Plan	3,143,000	
Other revenues	<u>(5,205)</u>	3,137,795

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	\$ (12,704,776)	
Pension benefits	3,885,506	
Insurance claims	434,214	
Compensated absences	(225,381)	
Other expenses	<u>(297,595)</u>	(8,730,508)

Change in Internal Service Fund (Sch E-2) included in the entity-wide statements.	<u>(230,463)</u>
---	------------------

Change in net position of the component unit - School Board (Exhibit II)	<u>\$ (13,404,909)</u>
--	------------------------

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

For the Year Ended June 30, 2016

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	3,582,864	3,582,864	3,478,611	(104,253)	4,587,991	4,587,991	4,525,077	(62,914)
Miscellaneous	368,442	368,442	492,594	124,152	21,473	21,473	93,921	72,448
Intergovernmental	137,666,355	137,721,626	136,287,805	(1,433,821)	4,598,365	4,598,365	5,091,629	493,264
Payments from Primary Government	116,432,747	119,070,288	118,615,383	(454,905)	-	-	-	-
Total revenues	<u>\$ 258,050,408</u>	<u>\$ 260,743,220</u>	<u>\$ 258,874,393</u>	<u>\$ (1,868,827)</u>	<u>\$ 9,207,829</u>	<u>\$ 9,207,829</u>	<u>\$ 9,710,627</u>	<u>\$ 502,798</u>
Expenditures								
Current:								
Education	\$ 234,770,236	\$ 237,963,048	\$ 236,097,972	\$ 1,865,076	\$ 9,271,699	\$ 9,271,699	\$ 9,107,087	\$ 164,612
Capital projects	-	-	-	-	-	-	-	-
Debt service:								
Principal	16,736,023	16,479,242	16,479,242	-	-	-	-	-
Interest and fiscal charges	6,480,279	6,237,060	6,233,309	3,751	-	-	-	-
Bond issuance costs	-	96,469	96,469	-	-	-	-	-
Total expenditures	<u>\$ 257,986,538</u>	<u>\$ 260,775,819</u>	<u>\$ 258,906,992</u>	<u>\$ 1,868,827</u>	<u>\$ 9,271,699</u>	<u>\$ 9,271,699</u>	<u>\$ 9,107,087</u>	<u>\$ 164,612</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 63,870</u>	<u>\$ (32,599)</u>	<u>\$ (32,599)</u>	<u>\$ -</u>	<u>\$ (63,870)</u>	<u>\$ (63,870)</u>	<u>\$ 603,540</u>	<u>\$ 667,410</u>
Other financing sources (uses):								
Proceeds from sale of bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Premium on sale of bonds	-	-	-	-	-	-	-	-
Bonds issued for refunding	-	14,335,000	14,335,000	-	-	-	-	-
Premium on refunding bonds	-	2,175,139	2,175,139	-	-	-	-	-
Payment to escrow for refunded debt	-	(16,413,670)	(16,413,670)	-	-	-	-	-
Transfers	(63,870)	(63,870)	(63,870)	-	63,870	63,870	63,870	-
Total other financing sources (uses), net	<u>\$ (63,870)</u>	<u>\$ 32,599</u>	<u>\$ 32,599</u>	<u>\$ -</u>	<u>\$ 63,870</u>	<u>\$ 63,870</u>	<u>\$ 63,870</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 667,410</u>	<u>\$ 667,410</u>
Fund balance, beginning	-	-	-	-	-	-	2,553,484	2,553,484
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,220,894</u>	<u>\$ 3,220,894</u>

Budgets are prepared on a modified accrual basis adjusted for school debt service activity and self-funded insurance costs. The amounts presented here include net school debt service payments and school bonds issued of \$7,832,775 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 \$2,712,767 in fiscal year 2016 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, 2016

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	\$ -	\$ -	\$ 50,760	\$ 50,760	\$ -	\$ -	\$ 50,760	\$ 50,760
Charges for services	-	-	-	-	8,170,855	8,170,855	8,003,688	(167,167)
Miscellaneous	-	-	-	-	389,915	389,915	586,515	196,600
Intergovernmental	-	-	-	-	142,264,720	142,319,991	141,379,434	(940,557)
Payments from Primary Government	3,749,749	3,749,749	3,749,749	-	120,182,496	122,820,037	122,365,132	(454,905)
Total revenues	<u>\$ 3,749,749</u>	<u>\$ 3,749,749</u>	<u>\$ 3,800,509</u>	<u>\$ 50,760</u>	<u>\$ 271,007,986</u>	<u>\$ 273,700,798</u>	<u>\$ 272,385,529</u>	<u>\$ (1,315,269)</u>
Expenditures								
Current:								
Education	\$ -	\$ -	\$ -	\$ -	\$ 244,041,935	\$ 247,234,747	\$ 245,205,059	\$ 2,029,688
Capital projects	18,629,525	23,083,403	19,411,088	3,672,315	18,629,525	23,083,403	19,411,088	3,672,315
Debt service:								
Principal	-	-	-	-	16,736,023	16,479,242	16,479,242	-
Interest and fiscal charges	-	-	-	-	6,480,279	6,237,060	6,233,309	3,751
Bond issuance costs	-	87,668	87,668	-	-	184,137	184,137	-
Total expenditures	<u>\$ 18,629,525</u>	<u>\$ 23,171,071</u>	<u>\$ 19,498,756</u>	<u>\$ 3,672,315</u>	<u>\$ 285,887,762</u>	<u>\$ 293,218,589</u>	<u>\$ 287,512,835</u>	<u>\$ 5,705,754</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (14,879,776)</u>	<u>\$ (19,421,322)</u>	<u>\$ (15,698,247)</u>	<u>\$ 3,723,075</u>	<u>\$ (14,879,776)</u>	<u>\$ (19,517,791)</u>	<u>\$ (15,127,306)</u>	<u>\$ 4,390,485</u>
Other financing sources (uses):								
Proceeds from sale of bonds	\$ 14,879,776	\$ 13,430,885	\$ 13,430,885	\$ -	\$ 14,879,776	\$ 13,430,885	\$ 13,430,885	\$ -
Premium on sale of bonds	-	1,536,559	1,536,559	-	-	1,536,559	1,536,559	-
Bonds issued for refunding	-	-	-	-	-	14,335,000	14,335,000	-
Premium on refunding bonds	-	-	-	-	-	2,175,139	2,175,139	-
Payment to escrow for refunded debt	-	-	-	-	-	(16,413,670)	(16,413,670)	-
Transfers	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	<u>\$ 14,879,776</u>	<u>\$ 14,967,444</u>	<u>\$ 14,967,444</u>	<u>\$ -</u>	<u>\$ 14,879,776</u>	<u>\$ 15,063,913</u>	<u>\$ 15,063,913</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (4,453,878)</u>	<u>\$ (730,803)</u>	<u>\$ 3,723,075</u>	<u>\$ -</u>	<u>\$ (4,453,878)</u>	<u>\$ (63,393)</u>	<u>\$ 4,390,485</u>
Fund balance, beginning	<u>-</u>	<u>4,453,878</u>	<u>5,583,359</u>	<u>1,129,481</u>	<u>-</u>	<u>4,453,878</u>	<u>8,136,843</u>	<u>3,682,965</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,852,556</u>	<u>\$ 4,852,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,073,450</u>	<u>\$ 8,073,450</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, 2016

Schedule E-1

	<u>Fleet Services Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments - pooled equity	\$ 406,376
Receivables, net	714
Inventory	<u>303,479</u>
Total current assets	<u>710,569</u>
Noncurrent assets:	
Capital assets, net:	
Non-depreciable assets	94,400
Depreciable assets	<u>9,821,843</u>
Total noncurrent assets	<u>9,916,243</u>
Total assets	<u>\$ 10,626,812</u>
<b>DEFERRED OUTFLOWS</b>	
Pension contributions	<u>\$ 52,255</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 44,510
Accrued insurance claims	19,326
Current portion of accrued leave	<u>56,314</u>
Total current liabilities	<u>120,150</u>
Noncurrent liabilities:	
Other postemployment benefits	572,503
Noncurrent portion of accrued leave	49,250
Net pension liability	<u>87,122</u>
Total noncurrent liabilities	<u>708,875</u>
Total liabilities	<u>\$ 829,025</u>
<b>DEFERRED INFLOWS</b>	
Pension actuarial differences	<u>\$ 56,287</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 9,916,243
Unrestricted	<u>(122,488)</u>
Total net position	<u>\$ 9,793,755</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, 2016

*Schedule E-2*

	Fleet Services Fund
OPERATING REVENUES	
Charges for services	\$ 2,456,320
OPERATING EXPENSES	
Personnel services	\$ 860,572
Fringe benefits	401,156
Contractual services	112,399
Materials and supplies	874,084
Depreciation	349,345
Other services and charges	89,227
Total operating expenses	<u>\$ 2,686,783</u>
Operating loss	<u>\$ (230,463)</u>
Change in net position	<u>\$ (230,463)</u>
Net position, beginning	<u>10,024,218</u>
Net position, ending	<u><u>\$ 9,793,755</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND - SCHOOL BOARD**

For the Year Ended June 30, 2016

*Schedule E-3*

	<u>Fleet Services Fund</u>
<b>Cash flows from operating activities:</b>	
Receipts from internal customers	\$ 2,430,153
Receipts from external customers	5,641
Receipts from miscellaneous revenue	22,166
Payments to suppliers and service providers	(1,113,143)
Payments to employees for salaries and benefits	<u>(1,227,292)</u>
Net cash provided by operating activities	<u>117,525</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	<u>(120,313)</u>
Net cash used in capital and related financing activities	<u>(120,313)</u>
 Net decrease in cash and cash equivalents	 (2,788)
<b>Cash and cash equivalents:</b>	
Beginning	<u>409,164</u>
Ending	<u><u>\$ 406,376</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (230,463)
Depreciation expense	349,345
Decrease in receivables	1,639
Increase in inventory	(26,735)
Decrease in accounts payable	(10,698)
Increase in pension and other postemployment benefits	<u>34,437</u>
Net cash provided by operating activities	<u><u>\$ 117,525</u></u>

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COUNTY OF SPOTSYLVANIA, VIRGINIA

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

June 30, 2016

*Schedule F-1*

	<u>OPEB Trust Fund</u>
<b>ASSETS</b>	
Investments:	
Common Trust Funds	<u>\$ 2,777,723</u>
Total assets	<u>\$ 2,777,723</u>
 <b>NET POSITION</b>	
Held in trust for other postemployment benefits	<u>\$ 2,777,723</u>
Total net position	<u><u>\$ 2,777,723</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

For the Year Ended June 30, 2016

*Schedule F-2*

	<u>OPEB Trust Fund</u>
<b>ADDITIONS</b>	
Investment earnings:	
Net decrease in the fair value of investments	\$ (11,980)
Total investment earnings	(11,980)
Less investment expense	500
Total additions	<u>\$ (12,480)</u>
<b>DEDUCTIONS</b>	
Administrative fees	<u>\$ 3,078</u>
Net decrease in net position	\$ (15,558)
Net position held in trust for other postemployment benefits	
Net position, beginning	<u>2,793,281</u>
Net position, ending	<u><u>\$ 2,777,723</u></u>

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## ***PART III: STATISTICAL SECTION***

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## 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
<b>Financial Trends Information</b> 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
<b>Revenue Capacity Information</b> 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
<b>Debt Capacity Information</b> 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
<b>Demographic and Economic Information</b> 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
<b>Operating Information</b> 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.*



COMPREHENSIVE ANNUAL FINANCIAL REPORT

COUNTY OF SPOTSYLVANIA, VIRGINIA  
**Net Position by Component**  
 Last Ten Fiscal Years

TABLE S-1

(Amounts in millions)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities</b>										
Net investment in capital assets	\$ -	\$ 26.3	\$ 23.1	\$ 14.7	\$ 11.6	\$ 18.3	\$ 22.6	\$ 57.7	\$ 60.8	\$ 60.1
Restricted	45.6	45.6	31.0	35.4	19.3	19.7	21.0	1.4	9.5	10.9
Unrestricted	<u>(249.9)</u>	<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>
<b>Total governmental activities net position</b>	<b><u>\$ (204.3)</u></b>	<b><u>\$ (188.3)</u></b>	<b><u>\$ (184.6)</u></b>	<b><u>\$ (161.2)</u></b>	<b><u>\$ (136.3)</u></b>	<b><u>\$ (109.0)</u></b>	<b><u>\$ (94.0)</u></b>	<b><u>\$ (76.8)</u></b>	<b><u>\$ (73.0)</u></b>	<b><u>\$ (71.7)</u></b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 161.2	\$ 148.7	\$ 177.9	\$ 175.7	\$ 170.5	\$ 166.1	\$ 164.7	\$ 157.6	\$ 177.0	\$ 178.8
Restricted	3.4	25.6	10.8	0.6	34.1	19.4	15.7	6.1	6.1	0.9
Unrestricted	<u>63.7</u>	<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>
<b>Total business-type activities net position</b>	<b><u>\$ 228.3</u></b>	<b><u>\$ 240.6</u></b>	<b><u>\$ 240.6</u></b>	<b><u>\$ 243.4</u></b>	<b><u>\$ 239.4</u></b>	<b><u>\$ 240.2</u></b>	<b><u>\$ 238.3</u></b>	<b><u>\$ 241.3</u></b>	<b><u>\$ 245.0</u></b>	<b><u>\$ 252.8</u></b>
<b>Primary Government</b>										
Net investment in capital assets	\$ 161.2	\$ 175.0	\$ 201.0	\$ 190.4	\$ 182.2	\$ 184.4	\$ 187.3	\$ 215.3	\$ 237.8	\$ 238.9
Restricted	49.0	71.2	41.8	36.0	53.4	39.1	36.7	7.5	15.6	11.8
Unrestricted	<u>(186.2)</u>	<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>
<b>Total Primary Government net position</b>	<b><u>\$ 24.0</u></b>	<b><u>\$ 52.3</u></b>	<b><u>\$ 56.0</u></b>	<b><u>\$ 82.2</u></b>	<b><u>\$ 103.2</u></b>	<b><u>\$ 131.2</u></b>	<b><u>\$ 144.3</u></b>	<b><u>\$ 164.5</u></b>	<b><u>\$ 172.0</u></b>	<b><u>\$ 181.1</u></b>
<b>Component unit - School Board (1)</b>										
Net investment in capital assets	\$ 305.9	\$ 335.3	\$ 350.5	\$ 349.3	\$ 328.3	\$ 330.6	\$ 322.6	\$ 315.5	\$ 306.9	\$ 301.8
Restricted	82.0	33.6	13.9	2.6	4.8	3.8	0.7	4.0	5.6	4.8
Unrestricted	<u>(3.9)</u>	<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>
<b>Total Component unit - School Board net position</b>	<b><u>\$ 384.0</u></b>	<b><u>\$ 356.9</u></b>	<b><u>\$ 342.2</u></b>	<b><u>\$ 309.2</u></b>	<b><u>\$ 289.1</u></b>	<b><u>\$ 268.4</u></b>	<b><u>\$ 251.8</u></b>	<b><u>\$ 241.0</u></b>	<b><u>\$ 8.2</u></b>	<b><u>\$ (3.0)</u></b>

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

**TABLE S-2**  
 Page 1

(Amounts in millions)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
<b>Governmental activities</b>										
General government	\$ 12.4	\$ 16.1	\$ 13.9	\$ 12.5	\$ 11.7	\$ 10.9	\$ 13.4	\$ 13.9	\$ 14.3	\$ 15.3
Judicial administration	5.2	5.9	5.9	6.1	7.3	7.3	5.7	8.4	9.1	8.7
Public safety	36.7	41.7	40.3	40.2	41.0	43.4	49.1	48.2	47.3	49.0
Public works	7.8	4.3	9.0	6.9	8.8	9.5	9.2	12.6	10.5	12.3
Health and welfare	15.8	17.2	16.7	17.1	17.5	17.5	17.7	18.5	18.1	19.8
Education	123.1	80.3	95.3	77.9	85.8	88.6	92.9	102.7	102.1	114.7
Parks, recreation & cultural	6.9	7.2	9.8	7.1	7.9	7.9	8.1	8.0	8.0	7.9
Community development	9.9	11.5	6.9	17.3	12.9	14.6	19.4	8.3	14.6	18.8
Interest on long-term debt	15.5	16.2	15.4	13.1	15.2	14.2	12.6	11.7	10.6	10.4
<b>Total governmental activities expenses</b>	<u>\$ 233.3</u>	<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>
<b>Business-type activities</b>										
Water and sewer	<u>\$ 32.0</u>	<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>
<b>Total business-type activities expenses</b>	<u>\$ 32.0</u>	<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>
<b>Total Primary Government expenses</b>	<u>\$ 265.3</u>	<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>
<b>Program revenues</b>										
<b>Governmental activities</b>										
<b>Charges for services</b>										
General government	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
Judicial administration	1.7	1.5	1.6	1.3	1.2	1.1	1.0	0.8	0.9	0.7
Public safety	5.7	5.6	7.3	4.5	4.4	4.4	5.8	5.9	6.6	7.5
Public works	2.3	2.7	2.9	0.5	0.7	0.8	1.3	1.9	2.4	2.5
Other	2.4	2.3	2.1	1.7	1.4	1.6	1.7	1.8	1.7	1.5
Operating grants & contributions	16.3	18.7	16.0	15.2	15.2	15.7	14.1	16.2	17.8	19.3
Capital grant & contributions	0.4	-	0.1	1.9	4.7	9.3	9.9	3.8	3.5	4.2
<b>Total governmental activities program revenues</b>	<u>\$ 29.0</u>	<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>

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

TABLE S-2  
Page 2

(Amounts in millions)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities										
Charges for services										
Water and sewer	\$ 26.6	\$ 26.4	\$ 24.8	\$ 26.1	\$ 25.3	\$ 25.7	\$ 27.7	\$ 28.4	\$ 30.3	\$ 31.8
Operating grants & contributions	-	-	-	-	-	0.5	0.5	0.5	0.5	0.5
Capital grants & contributions	6.6	8.8	3.0	3.6	2.8	7.0	4.4	6.3	8.2	8.1
Total business-type program revenues	\$ 33.2	\$ 35.2	\$ 27.8	\$ 29.7	\$ 28.1	\$ 33.2	\$ 32.6	\$ 35.2	\$ 39.0	\$ 40.4
Total Primary Government program revenues	\$ 61.3	\$ 64.2	\$ 58.8	\$ 59.9	\$ 53.5	\$ 66.4	\$ 66.7	\$ 66.9	\$ 72.2	\$ 76.4
Net expense										
Governmental activities	\$ (204.3)	\$ (169.4)	\$ (183.0)	\$ (172.8)	\$ (180.2)	\$ (180.8)	\$ (194.0)	\$ (201.7)	\$ (201.4)	\$ (220.9)
Business-type activities	0.1	7.4	(3.5)	(0.6)	5.4	0.7	(0.6)	2.2	5.4	7.1
Total Primary Government net expenses	\$ (204.2)	\$ (162.0)	\$ (186.5)	\$ (173.4)	\$ (174.8)	\$ (180.1)	\$ (194.6)	\$ (199.5)	\$ (196.0)	\$ (213.8)
General revenues and other changes in net assets										
Governmental activities:										
Property taxes	\$ 110.8	\$ 120.7	\$ 129.7	\$ 140.0	\$ 145.3	\$ 146.2	\$ 147.9	\$ 151.4	\$ 154.8	\$ 161.8
Other taxes	40.4	41.1	39.1	39.4	42.9	45.5	47.3	51.7	48.2	48.1
Grants and contributions not restricted	16.4	16.0	16.0	15.8	15.3	15.3	15.4	15.6	15.4	15.6
Interest and investment earnings	5.9	4.4	1.6	0.6	0.8	0.3	-	0.5	0.5	1.2
Gain on sale of property	-	(0.1)	0.2	0.2	0.4	-	-	-	-	-
Miscellaneous	0.2	0.2	0.1	-	0.5	0.5	0.2	0.1	0.2	0.2
Transfers	-	0.2	0.1	0.2	-	0.3	-	(0.4)	(0.2)	0.2
Special item	-	-	-	-	-	-	-	-	0.6	(2.0)
Total governmental activities	\$ 173.7	\$ 182.5	\$ 186.8	\$ 196.2	\$ 205.2	\$ 208.1	\$ 210.8	\$ 218.9	\$ 219.5	\$ 225.1
Business-type activities										
Grants and contributions not restricted	\$ -	\$ 0.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	7.1	3.7	2.6	0.8	0.9	0.4	0.3	0.4	0.3	0.8
Miscellaneous	1.4	1.2	1.0	1.6	0.5	-	-	-	-	0.1
Transfers	-	(0.1)	(0.1)	(0.2)	-	0.3	-	0.4	0.2	(0.2)
Total business-type activities	\$ 8.5	\$ 5.0	\$ 3.5	\$ 2.2	\$ 1.4	\$ 0.7	\$ 0.3	\$ 0.8	\$ 0.5	\$ 0.7
Total Primary Government	\$ 182.2	\$ 187.5	\$ 190.3	\$ 198.4	\$ 206.6	\$ 208.8	\$ 211.1	\$ 219.7	\$ 220.0	\$ 225.8
Change in net position										
Governmental activities	\$ (30.6)	\$ 13.0	\$ 3.8	\$ 23.4	\$ 25.0	\$ 27.3	\$ 16.8	\$ 17.2	\$ 18.1	\$ 4.2
Business-type activities	9.5	12.4	-	2.8	4.0	0.8	(0.3)	3.0	5.9	7.8
Total Primary Government	\$ (21.1)	\$ 25.4	\$ 3.8	\$ 26.2	\$ 29.0	\$ 28.1	\$ 16.5	\$ 20.2	\$ 24.0	\$ 12.0

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

**TABLE S-2**  
 Page 3

(Amounts in millions)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Component unit - School Board (1)										
Expenses										
Education	\$ 228.9	\$ 257.6	\$ 262.0	\$ 260.8	\$ 243.1	\$ 244.9	\$ 261.5	\$ 257.7	\$ 264.6	\$ 281.6
Program revenues										
Charges for services	\$ 6.1	\$ 8.2	\$ 8.5	\$ 7.6	\$ 7.6	\$ 7.8	\$ 7.7	\$ 8.2	\$ 7.9	\$ 8.5
Operating grants & contributions	132.1	139.1	142.9	141.2	128.9	127.3	138.2	135.3	141.0	143.7
Capital grants & contributions	-	-	11.3	0.2	-	-	0.2	0.6	0.3	0.9
Total Component unit - School Board program revenue	138.2	147.3	162.7	149.0	136.5	135.1	146.1	144.1	149.2	153.1
Total Component unit - School Board net (expense)/revenue	\$ (90.7)	\$ (110.3)	\$ (99.3)	\$ (111.8)	\$ (106.6)	\$ (109.8)	\$ (115.4)	\$ (113.6)	\$ (115.4)	\$ (128.5)
General revenues and other changes in net position										
Payments from primary government	\$ 122.8	\$ 80.4	\$ 83.9	\$ 77.9	\$ 85.8	\$ 88.4	\$ 92.7	\$ 102.5	\$ 101.7	\$ 114.5
Interest and investment earnings	2.3	3.0	0.4	0.2	-	-	-	-	-	0.1
Miscellaneous	2.3	(0.2)	0.2	0.7	0.6	0.8	0.9	0.3	0.3	0.5
Total general revenues and transfers	\$ 127.4	\$ 83.2	\$ 84.5	\$ 78.8	\$ 86.4	\$ 89.2	\$ 93.6	\$ 102.8	\$ 102.0	\$ 115.1
Total Component unit - School Board change in net position	\$ 36.7	\$ (27.1)	\$ (14.8)	\$ (33.0)	\$ (20.2)	\$ (20.6)	\$ (21.8)	\$ (10.8)	\$ (13.4)	\$ (13.4)

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

TABLE S-3

(Amounts in millions)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Prior to GASB 54:										
Unreserved										
Designated	\$ 43.9	\$ 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
Committed (1)	-	-	-	-	1.2	10.5	4.8	2.6	3.0	48.9
Assigned (1)	-	-	-	-	16.0	8.6	9.3	9.9	15.7	16.7
Unassigned	-	-	-	-	37.5	41.6	39.8	43.0	46.6	5.4
Total General Fund	<u>\$ 43.9</u>	<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>
All other governmental funds:										
Prior to GASB 54:										
Reserved	\$ 45.6	\$ 35.2	\$ 27.8	\$ 35.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Special Revenue funds	4.7	(4.4)	(5.2)	1.7	-	-	-	-	-	-
Capital Projects Fund	6.9	-	-	(2.0)	-	-	-	-	-	-
Effective with GASB 54:										
Restricted	-	-	-	-	19.2	19.7	25.2	35.4	34.8	34.2
Committed	-	-	-	-	10.2	7.4	14.2	16.3	22.4	27.3
Assigned	-	-	-	-	0.8	0.7	0.5	2.8	3.4	2.1
Unassigned	-	-	-	-	(1.5)	0.1	-	-	-	-
Total all other governmental funds	<u>\$ 57.2</u>	<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>

(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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
General property taxes	\$ 110.2	\$ 119.5	\$ 128.8	\$ 136.8	\$ 144.9	\$ 147.2	\$ 147.8	\$ 151.9	\$ 156.7	\$ 161.7
Other local taxes	40.4	41.1	39.1	38.2	42.1	45.6	47.2	51.7	48.3	48.1
Permits, privilege fees and regulatory licenses	3.9	3.4	3.2	2.3	2.3	2.4	2.7	2.7	3.2	4.3
Fines and forfeitures	0.9	1.0	1.2	1.0	0.9	0.8	0.6	0.5	0.6	0.5
Revenues from use of money and property	6.3	5.0	2.8	1.5	1.5	1.1	0.7	1.1	1.2	1.9
Charges for services	7.1	7.2	7.5	4.7	4.6	5.5	6.4	7.1	7.6	7.0
Miscellaneous	1.7	2.0	1.0	0.5	0.5	0.6	0.7	0.9	0.5	1.2
Intergovernmental	31.7	33.3	31.4	32.2	33.9	31.6	41.2	37.9	39.0	38.4
Payment from component unit	0.3	-	-	-	-	-	-	-	-	-
Total revenues	<u>\$ 202.5</u>	<u>\$ 212.5</u>	<u>\$ 215.0</u>	<u>\$ 217.2</u>	<u>\$ 230.7</u>	<u>\$ 234.8</u>	<u>\$ 247.3</u>	<u>\$ 253.8</u>	<u>\$ 257.1</u>	<u>\$ 263.1</u>
<b>Expenditures</b>										
General government	\$ 12.0	\$ 13.4	\$ 12.2	\$ 9.3	\$ 9.9	\$ 10.6	\$ 11.6	\$ 11.5	\$ 11.9	\$ 11.6
Judicial administration	5.1	5.7	5.6	5.8	5.8	6.2	6.4	6.8	7.0	7.3
Public safety	34.9	38.9	37.2	36.4	37.0	39.4	44.4	44.3	43.9	45.8
Public works	7.5	7.8	7.4	6.6	7.2	8.0	8.3	8.7	8.5	8.5
Health and welfare	15.8	16.9	16.5	16.7	17.3	17.2	17.3	18.0	18.0	19.6
Education (2)	123.1	86.0	83.9	77.9	85.8	84.5	92.9	102.7	101.9	114.7
Parks, recreation and cultural	6.3	6.8	6.6	6.3	6.8	6.8	6.8	6.8	6.8	6.8
Community development	5.1	4.1	3.8	3.2	2.9	4.3	7.7	5.3	6.3	8.4
Non-departmental	0.2	0.3	0.4	0.5	0.5	0.5	0.5	0.7	1.0	1.1
Capital projects	26.4	27.7	11.0	19.9	43.2	27.0	16.2	14.0	21.0	27.5
Debt service:										
Principal (1)	18.8	21.8	25.4	25.0	26.0	27.1	26.8	25.2	23.2	25.4
Interest (1)	13.4	15.7	15.6	14.6	15.6	14.7	13.5	12.6	11.6	11.2
Bond issuance costs	1.0	-	-	(0.1)	0.1	(0.5)	0.9	0.2	0.9	0.3
Total expenditures	<u>\$ 269.6</u>	<u>\$ 245.1</u>	<u>\$ 225.6</u>	<u>\$ 222.1</u>	<u>\$ 258.1</u>	<u>\$ 245.8</u>	<u>\$ 253.3</u>	<u>\$ 256.8</u>	<u>\$ 262.0</u>	<u>\$ 288.2</u>
<b>Other financing sources (uses)</b>										
Bond proceeds (1)	\$ 41.1	\$ -	\$ -	\$ 27.6	\$ 19.8	\$ 11.5	\$ 10.7	\$ 19.6	\$ 20.0	\$ 34.2
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)

Continued from page 1

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Transfers in(out), net	-	0.1	0.1	0.2	-	0.3	-	-	(0.2)	0.2
Total other financing sources, net	\$ 41.1	\$ 0.1	\$ 0.1	\$ 27.8	\$ 27.1	\$ 16.2	\$ 11.4	\$ 19.3	\$ 20.6	\$ 34.5
Special Item										
Proceeds from sale of land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.6	\$ -
Net Change in Fund Balance	\$ (26.0)	\$ (32.5)	\$ (10.5)	\$ (22.9)	\$ (0.3)	\$ (5.2)	\$ 5.4	\$ 16.3	\$ 16.4	\$ 9.4
Debt Service as a Percentage of Noncapital Expenditures: (1)										
Primary Government:										
Total debt service	\$ 32.2	\$ 37.5	\$ 41.0	\$ 39.6	\$ 41.6	\$ 42.2	\$ 40.3	\$ 37.7	\$ 35.7	\$ 36.9
Total expenditures	269.6	245.1	225.6	222.1	258.1	246.8	253.3	256.8	261.9	288.2
Capital outlay Primary Government only (2)	23.0	50.7	31.0	4.2	34.0	15.1	6.0	11.1	11.9	16.6
Non-capital expenditures	246.6	194.4	194.6	217.9	224.1	231.7	247.3	245.7	250.0	271.6
Debt service as a percentage of non-capital expenditures: (Primary Government only)	13.1%	19.3%	21.1%	18.2%	18.6%	18.2%	16.3%	15.3%	14.3%	13.6%
Component unit - School Board:										
School expenditures excluding County contribution	109.9	110.0	167.7	164.1	139.0	136.5	147.7	135.5	144.7	152.8
Capital outlay component unit - School Board only (2)	12.1	43.6	16.7	14.9	4.1	7.4	6.4	7.6	5.6	9.1
Non-capital expenditures	97.8	66.4	151.0	149.2	134.9	129.1	141.3	127.9	139.1	143.7
Total Reporting Entity (1):										
Total debt service	32.2	37.5	41.0	39.6	41.6	42.2	40.3	37.7	35.7	36.9
Total non-capital expenditures	\$ 344.4	\$ 260.8	\$ 345.6	\$ 367.1	\$ 359.0	\$ 360.8	\$ 388.6	\$ 373.6	\$ 389.1	\$ 415.3
Debt service as a percentage of non-capital expenditures: Total Reporting Entity	9.3%	14.4%	11.9%	10.8%	11.6%	11.7%	10.4%	10.1%	9.2%	8.9%

- (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	Other Taxes	
2016	\$ 160,136,405	\$ 17,123,500	\$ 7,115,193	\$ 20,491,125	\$ 204,866,223
2015	155,425,369	16,437,035	7,277,122	19,755,059	198,894,585
2014	150,750,977	15,778,707	7,262,945	19,208,252	193,000,881
2013	146,393,586	15,355,413	7,256,197	19,186,113	188,191,309
2012	145,533,200	15,110,445	7,172,207	18,324,183	186,140,035
2011	142,518,661	14,442,629	7,447,080	17,835,593	182,243,963
2010	135,397,845	13,971,811	7,351,172	16,896,976	173,617,804
2009	127,061,340	14,383,878	7,396,550	17,322,548	166,164,316
2008	118,160,263	15,559,570	7,742,044	17,797,795	159,259,672
2007	109,399,710	14,679,664	5,962,982	19,778,583	149,820,939
% Change 2016/2015	3.0%	4.2%	(2.2)%	3.7%	3.0%
% Change 2016/2007	46.4%	16.6%	19.3%	3.6%	36.7%
Category % of Total Taxes	78.2%	8.4%	3.5%	9.9%	100.0%

(1) Administrative collection fees of \$701,473 are excluded in the reporting of general property taxes.



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	Permits, Fees, Licenses	Fines & Forfeitures	Use of Money & Property (1)	Charges for Services (1)	Miscellaneous (1)(2)	Inter- governmental (1)	Total Revenues
2016	\$ 161,724,970	\$48,124,898	\$ 4,338,229	\$ 516,791	\$ 1,957,329	\$15,016,889	\$ 1,693,088	\$ 179,752,278	\$413,124,472
2015	156,655,140	48,251,198	3,184,983	634,822	1,172,402	15,049,360	1,051,706	180,043,340	406,042,951
2014	151,945,820	51,671,775	2,685,169	544,449	1,108,352	14,808,265	1,687,726	173,282,339	397,733,895
2013	147,829,247	47,212,193	2,654,404	642,498	743,743	13,618,541	1,606,764	179,531,380	393,838,770
2012	147,205,885	45,551,370	2,387,611	834,900	1,086,961	12,728,380	1,465,681	158,922,765	370,183,553
2011	144,911,369	42,098,596	2,210,433	933,327	1,528,698	11,822,621	1,113,581	162,801,128	367,419,753
2010	136,828,908	38,219,958	2,344,271	1,007,247	1,630,563	11,870,306	1,225,134	173,635,842	366,762,229
2009	128,835,304	39,102,978	3,176,811	1,163,163	3,243,952	15,722,456	1,358,757	174,310,233	366,913,654
2008	119,490,196	41,099,409	3,437,935	974,608	8,044,111	15,479,460	3,695,857	170,863,780	363,085,356
2007	110,215,192	40,421,229	3,944,784	948,944	9,213,415	13,220,974	5,640,099	162,989,330	346,593,967
% Change 2016/2015	3.2%	(0.3)%	36.2%	(18.6)%	67.0%	(0.2)%	61.0%	(0.2)%	1.7%
% Change 2016/2007	46.7%	19.1%	10.0%	(45.5)%	(78.8)%	13.6%	(70.0)%	10.3%	19.2%
% of Total Revenues	39.2%	11.7%	1.1%	0.0%	0.4%	3.7%	0.3%	43.6%	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 \$114,532,357.

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

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
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
2007	13,821,768	17,583	1,372,859	24,857	18,272	233,059	15,488,399	0.79
% Change 2016/2015	6.3%	(1.1)%	3.5%	8.5%	8.6%	4.1%	6.0%	
% Change 2016/2007	0.7%	(35.8)%	22.8%	16.6%	(17.3)%	51.1%	3.4%	
Category % of Total AV, CY 2016	86.9%	0.1%	10.5%	0.2%	0.1%	2.2%	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
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
2007	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 2015			Calendar Year 2006		
	Assessed Value	Rank	% of Total County Taxable Assessed Value	Assessed Value	Rank	% of Total County Taxable Assessed Value
Spotsylvania Towne Centre	\$ 192,845	1	1.39%	\$ 113,569	1	0.78%
Dominion Virginia Power	129,515	2	0.93%	72,220	2	0.50%
Spotsylvania Regional Medical Ctr	80,128	3	0.58%	--		--
Rappahannock Electric Cooperative	76,249	4	0.55%	60,168	3	0.41%
CVS Pharmacy	9,120	5	0.07%	--		--
Comcast of VA	8,482	6	0.06%	--		--
Verizon VA (1)	47,910	7	0.35%	43,990	4	0.30%
Lee Property Harrison Crossing	34,831	8	0.25%	--		--
GLL BVK Prop LP	33,994	9	0.25%	--		--
Station Square at Cosner's Corner	31,802	10	0.23%	--		--
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>\$ 644,876</u>		<u>4.66%</u>	<u>\$ 399,008</u>		<u>2.74%</u>

(1) Formerly Bell Atlantic

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)
2016	\$ 153,044	\$ 145,122	94.82%	\$ -	\$ 145,122	94.82%
2015	148,548	141,151	95.02%	6,548	147,699	99.43%
2014	145,866	137,564	94.31%	6,736	144,300	98.93%
2013	141,195	134,557	95.30%	6,333	140,890	99.78%
2012	141,382	132,979	94.06%	6,873	139,852	98.92%
2011	137,989	130,423	94.52%	6,971	137,394	99.57%
2010	131,069	123,576	94.28%	6,927	130,503	99.57%
2009	119,257	112,873	94.65%	5,919	118,792	99.61%
2008	114,440	108,901	95.16%	5,498	114,399	99.96%
2007	105,414	100,292	95.14%	4,942	105,234	99.83%

(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
	Virginia Public									
	General Obligation Bonds	School Authority Bonds	Lease Revenue Bonds	Capital Leases	State Literary Fund Loans	Revenue Bonds				
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	
2007	161,886	82,275	95,712	2,603	11,634	89,025	443,135	1.07%	3.73	

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			
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
2007	161,886	82,275	95,712	339,873	2.19%	2.86

(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	
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
2007	35,089	16,313	18,776	3,333	9,324	12,657	1.48

(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  
**Demographic and Economic Statistics**  
 Last Ten Fiscal Years

TABLE S-13

Fiscal Year	Population (1)	Total Personal Income (2)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate (4)
2016	131,305	\$ 5,869,029	\$ 44,698	23,678	4.0%
2015	130,674	5,684,634	44,698	23,817	5.1%
2014	129,188	5,619,990	44,698	23,773	5.5%
2013	127,696	5,555,084	43,502	23,725	6.0%
2012	126,137	5,543,651	43,949	23,775	6.5%
2011	124,823	5,409,559	43,338	23,868	6.9%
2010	122,397	5,115,679	41,796	24,084	7.0%
2009	120,977	4,981,949	41,181	24,202	5.7%
2008	120,015	4,934,254	41,114	24,390	3.4%
2007	118,939	4,760,254	40,023	24,186	2.6%

- (1) Estimated for July 1 of each year  
 2007 - 2015 U.S. Bureau of the Census  
 2016 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 2007 - 2014 (the last year available). Per Capita Personal Income for 2015 and 2016 is assumed to be equal to 2014, the last year for which personal income data is available. Personal Income amounts for 2015 and 2016 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  
Principal Employers  
Current Year and Nine Years Ago

TABLE S-14

Employer	FY 2016			FY 2007		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Spotsylvania County School Board	Over 1,000	1	9.1%	Over 1,000	1	10.9%
County of Spotsylvania	Over 1,000	2	3.0%	500 to 999	2	2.6%
HCA Virginia Health System	500 to 999	3	2.2%	--		
Wal Mart	250 to 499	4	1.1%	500 to 999	3	2.5%
Food Lion	250 to 499	5	1.1%	250 to 499	5	1.2%
CVS, Inc.	250 to 499	6	1.1%	500 to 999	4	2.5%
Germanna Community College	250 to 499	7	1.1%	250 to 499	6	1.2%
Rappahannock Goodwill Industries	250 to 499	8	1.1%	--		
McDonald's	100 to 249	9	0.5%	100 to 249	8	0.6%
Professional Employer Resource	100 to 249	10	0.5%	--		
Carriage Hill Nursing Home	--			100 to 249	7	0.6%
Open First	--			100 to 249	9	1.2%
Target Corp	--			100 to 249	10	0.6%
Total employment	34,008			30,302		

Source: Virginia Employment Commission, Top 50 Employers  
Percentage of total County employment based on the midpoint of the ranges given.

COUNTY OF SPOTSYLVANIA, VIRGINIA  
**Full-Time County Government Employees by Function**  
 Last Ten Fiscal Years

TABLE S-15

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government	111	117	115	115	116	116	122	124	128	127
Judicial administration	34	36	36	35	35	38	38	38	38	38
Public safety	372	393	399	382	381	374	401	416	438	452
Public works	55	57	56	49	49	44	48	48	49	50
Health and welfare	74	74	77	77	77	82	83	83	85	85
Parks, recreation & cultural	23	24	24	24	24	23	23	23	23	23
Community development	24	29	26	22	22	32	38	36	36	36
Total governmental activities	<u>693</u>	<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>
Business-type activities:										
Water and sewer	<u>105</u>	<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>
Total business-type activities	<u>105</u>	<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>
Total full-time employees	<u>798</u>	<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>

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General government</b>										
Commissioner of Revenue										
Taxable real estate parcels (1)	58,395	58,768	58,990	59,122	59,248	59,682	59,803	60,459	60,765	61,040
Percentage of fair market value (2)	80.90%	109.50%	133.70%	90.30%	94.70%	90.20%	82.70%	89.50%	85.40%	n/a
Treasurer										
Real estate tax bills generated	123,592	142,231	133,784	125,530	127,740	127,923	132,219	135,270	131,710	130,725
Personal property tax bills generated (1)	259,610	290,750	271,542	245,127	248,054	268,067	293,817	298,844	305,300	306,102
Registrar										
Number of registered voters	66,897	70,410	74,600	75,854	77,350	79,900	81,922	82,355	83,220	84,754
<b>Judicial administration</b>										
Clerk of the Circuit Court										
Number of deeds recorded (1)	34,697	24,819	24,745	23,098	21,458	25,702	28,618	20,024	22,080	n/a
Commonwealth Attorney										
Average caseload per attorney (1)	2,306	1,864	2,174	1,931	1,792	1,666	1,400	1,280	1,319	n/a
Number of circuit court cases (1)	1,786	1,936	2,115	2,217	2,157	1,998	2,278	1,962	2,076	n/a
Number of General District Court cases (1)	10,746	11,235	12,362	11,945	10,700	9,974	8,667	8,028	8,245	n/a
Number of Juvenile & Domestic Relations Court cases (1)	5,923	3,611	4,004	5,143	3,267	3,018	3,062	2,817	2,873	n/a
<b>Public safety</b>										
Sheriff										
Calls for service	167,720	167,523	180,105	172,762	153,069	150,598	144,996	129,761	116,336	122,067
Calls for service per road deputy	3,289	2,792	2,814	2,657	2,430	2,091	2,013	1,802	1,615	1,695
Civil process papers served	50,610	49,711	45,326	48,010	60,512	49,999	38,281	43,224	42,149	43,441
Warrants served	13,012	13,404	13,279	12,880	12,280	11,019	11,055	9,986	10,714	10,917
Emergency Communications										
Total calls received	215,984	205,535	217,365	213,419	202,674	203,414	188,361	184,615	179,219	183,563
911 calls received	51,826	52,600	52,600	50,941	50,008	52,816	47,832	49,189	45,984	44,244
Fire, Rescue and Emergency Management										
Calls for service (3)	16,576	17,021	16,749	16,540	15,458	15,622	16,974	15,355	16,219	16,526
Animal Control										
Calls for service (all types)	5,844	6,102	6,275	8,035	8,517	8,387	8,212	8,386	8,084	8,803
<b>Public works</b>										
Refuse Disposal										
Solid waste - tons (1)	56,989	53,081	46,535	45,872	41,518	40,064	73,737	108,500	132,524	125,935
Recycling										
Recycled materials - tons	15,002	17,662	11,087	21,183	20,960	22,758	23,360	26,446	20,000	21,000
Sludge composted - tons	12,246	12,037	12,573	12,369	14,492	15,580	18,828	22,924	19,945	19,596

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

**TABLE S-16**  
*Page 2*

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Health and welfare										
Social Services										
SNAP applications	2,140	2,434	2,793	3,739	3,628	4,250	4,530	4,709	4,658	4,319
Medicaid applications	2,526	2,425	2,558	2,024	2,250	3,766	3,960	4,786	4,833	4,033
Medicaid (avg monthly ongoing caseload)	5,199	5,780	6,588	7,561	8,295	8,612	6,760	6,869	7,651	8,298
Foster care children (avg monthly county)	97	111	116	134	121	97	90	82	78	88
Parks, recreation and cultural										
Parks and Recreation										
Sports league participants	8,431	7,998	7,964	7,762	7,669	7,540	7,293	7,024	7,037	6,466
Special interest/leisure participants	13,532	12,274	12,308	12,842	11,426	11,555	11,120	10,671	11,540	14,217
Park visitors	1,079,500	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
Community development										
Planning										
Final platted lots approved (1)	656	152	64	48	441	110	278	236	252	n/a
Economic Development										
Average "annual" salary census of wages (Virginia Employment Commission)	\$ 33,852	\$ 33,384	\$ 34,190	\$ 33,787	\$ 33,787	\$ 31,014	\$ 31,995	\$ 32,965	\$ 34,341	n/a
Tourism										
Tourists visiting area (1)	504,103	514,738	601,949	782,505	624,786	736,492	799,887	849,000	935,538	n/a
Extension Office (4)										
Requests for educational information	6,752	3,773	8,237	15,453	6,486	7,043	3,694	2,462	10,392	15,970
Individuals participating in programs (1)	7,005	6,178	9,210	4,127	13,946	15,196	13,494	9,672	18,125	19,874
Other funds										
Code Compliance										
Community development permits issued	3,541	3,504	3,000	2,788	3,009	2,852	3,068	3,111	2,996	3,628
Building inspections	38,394	28,871	15,166	14,361	12,786	11,851	13,442	14,682	15,672	16,731
Utilities										
Average daily water consumption (mgd)	6.10	6.40	6.65	6.06	7.21	6.77	6.81	7.14	6.78	6.98
Average effluent flows (mgd)	8.10	8.21	7.88	8.27	6.72	7.50	7.50	9.54	8.13	8.90
Water customers	27,396	27,586	27,939	28,311	28,391	28,800	28,976	29,390	29,658	30,104
Sewer customers	26,609	26,757	27,065	27,352	27,435	27,416	27,691	28,095	28,338	28,768

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Sheriff:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	185	195	199	205	205	201	201	201	201	206
Fire & Rescue:										
Stations	14	13	13	13	13	13	13	13	13	13
Response units	58	61	65	65	67	67	67	69	69	69
Public works										
Solid waste convenience centers	13	13	13	13	13	13	13	13	13	13
Collection trucks	12	12	12	12	12	13	13	13	16	16
Landfills	3	3	3	3	3	3	3	3	3	3
Square footage of buildings maintained	365,276	459,989	470,659	471,659	471,659	661,497	649,397	649,721	649,721	649,721
Parks, recreation and cultural										
Parks	9	11	11	11	11	11	13	13	13	13
Park acreage	331	482	482	482	482	482	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	20	32	32	32	32	32	37	37	37	37
Community centers	5	5	6	6	6	6	7	7	6	6
Public boat ramps	1	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	2	1	1	1	1	1	1	1	1
Public utilities										
Water mains (miles)	457	462	496	502	514	517	517	536	542	553
Water treatment plants	2	2	2	2	2	2	2	2	2	2
Maximum daily capacity (thousands of gallons)	18,000	18,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Sewer										
Sanitary sewers (miles)	451	453	455	457	496	497	497	497	500	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	12,300	13,700	13,700	13,700	13,700	13,700
Reservoirs	3	3	3	3	3	3	3	3	3	3
Pumping stations	59	56	56	56	53	52	52	51	52	50
Fleet management										
Vehicles maintained (1)	n/a	n/a	1,057	1,101	1,227	1,197	1,074	1,057	1,070	1,061

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Kindergarten	1,673	1,702	1,714	1,588	1,565
Elementary (grades 1-7)	12,373	12,429	12,450	12,518	12,316
Secondary (grades 8-12)	9,405	9,251	9,282	9,355	9,437
Pre-K/Headstart (SpEd)	<u>324</u>	<u>385</u>	<u>327</u>	<u>356</u>	<u>360</u>
<b>Total enrollment (1)</b>	<b><u>23,775</u></b>	<b><u>23,767</u></b>	<b><u>23,773</u></b>	<b><u>23,817</u></b>	<b><u>23,678</u></b>
Teachers and administrators	1,895	1,901	1,891	1,898	1,932
Other employees	<u>1,136</u>	<u>1,126</u>	<u>1,119</u>	<u>1,120</u>	<u>1,147</u>
<b>Total employees (2)</b>	<b><u>3,031</u></b>	<b><u>3,027</u></b>	<b><u>3,010</u></b>	<b><u>3,018</u></b>	<b><u>3,079</u></b>
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>
<b>Total buildings</b>	<b><u>31</u></b>	<b><u>31</u></b>	<b><u>31</u></b>	<b><u>31</u></b>	<b><u>31</u></b>

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				
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
K	1,673	1,702	1,714	1,588	1,565	1,607	1,541	1,698	1,696	1,693
1	1,755	1,696	1,760	1,774	1,612	1,621	1,667	1,727	1,728	1,728
2	1,766	1,772	1,680	1,798	1,776	1,632	1,647	1,763	1,754	1,755
3	1,725	1,774	1,782	1,713	1,801	1,787	1,649	1,628	1,781	1,773
4	1,792	1,745	1,820	1,791	1,716	1,824	1,814	1,640	1,656	1,809
5	1,768	1,794	1,778	1,842	1,812	1,737	1,849	1,804	1,667	1,684
6	1,811	1,777	1,801	1,787	1,785	1,815	1,762	1,862	1,842	1,728
7	1,756	1,871	1,829	1,813	1,814	1,833	1,886	1,793	1,915	1,914
8	1,879	1,755	1,901	1,836	1,867	1,849	1,883	1,901	1,830	1,970
9	2,012	2,070	1,976	2,087	2,017	2,071	2,052	2,050	2,109	2,049
10	1,864	1,861	1,892	1,835	1,928	1,850	1,915	1,872	1,916	1,966
11	1,864	1,721	1,732	1,828	1,773	1,845	1,779	1,820	1,823	1,857
12	1,786	1,844	1,781	1,769	1,852	1,824	1,908	1,818	1,905	1,899
Pre-K*	324	385	327	356	360	360	360	360	360	360
Total	<u>23,775</u>	<u>23,767</u>	<u>23,773</u>	<u>23,817</u>	<u>23,678</u>	<u>23,655</u>	<u>23,712</u>	<u>23,736</u>	<u>23,982</u>	<u>24,185</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	2015 - 2016 Enrollment
<i>Elementary:</i>						
Battlefield	K-5	30.0 Acres	1974	2000	833	645
Berkeley	K-5	17.0 Acres	1961	1971, 1979, 2000, 2005	353	255
Brock Road	K-5	24.4 Acres	1992	2004	907	693
Cedar Forest	K-5	52.2 Acres	2008	-	936	727
Chancellor	K-5	12.0 Acres	1940	1948, 1961, 2000	455	418
Courthouse Road	K-5	25.0 Acres	1994	2005	907	828
Courtland (1)	K-5	- Acres	1989	2000	789	563
Harrison Road (2)	K-5	- Acres	2001	2006	936	806
Lee Hill	K-5	21.0 Acres	1977	1990, 1999	807	648
Livingston	K-5	15.5 Acres	1961	1971, 1992	504	433
Parkside	K-5	26.8 Acres	2001	-	936	765
Riverview	K-5	25.0 Acres	1994	2005	907	696
Robert E. Lee	K-5	14.1 Acres	1952	1977	585	519
Salem	K-5	20.0 Acres	1979	1989, 1999	815	666
Smith Station	K-5	23.0 Acres	1991	1999, 2004	986	716
Spotswood	K-5	20.0 Acres	1965	1971, 2000	641	528
Wilderness	K-5	25.0 Acres	1998	2003	936	736
						<u>10,642</u>
<i>Middle:</i>						
Battlefield	6-8	30.0 Acres	1978	2003	807	817
Chancellor (2)	6-8	- Acres	1989	-	857	825
Freedom	6-8	76.7 Acres	2003	-	948	824
Ni River	6-8	75.0 Acres	1999	-	774	745
Post Oak (3)	6-8	- Acres	2007	-	948	747
Spotsylvania	6-8	41.7 Acres	1968	1973	907	800
Thornburg	6-8	50.0 Acres	1994	-	790	708
						<u>5,466</u>
<i>Secondary:</i>						
Chancellor	9-12	100.0 Acres	1988	-	1517	1,337
Courtland	9-12	100.0 Acres	1980	-	1265	1,173
Massaponax	9-12	100.0 Acres	1998	2005	1830	1,964
Riverbend	9-12	90.7 Acres	2004	-	1995	1,933
Spotsylvania	9-12	100.0 Acres	1994	-	1611	1,163
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>7,570</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

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