

# Spotsylvania VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED  
2014



LIVE

WORK

PLAY

SHOP



# *County of Spotsylvania, Virginia*

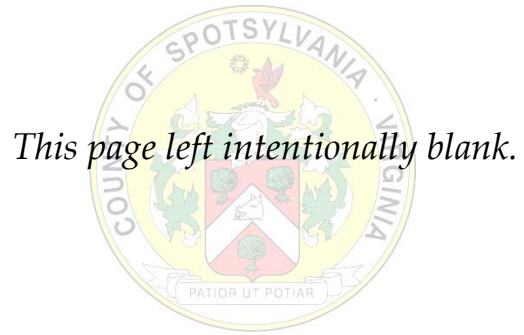
## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



Fiscal Year Ending June 30, 2014

C. Douglas Barnes, County Administrator  
Mark Cole, Deputy County Administrator  
Tammy D. Petrie, Director of Finance  
Rebecca R. Forry, Controller

Published by the Accounting Division  
of the Department of Finance



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## ***PART I: INTRODUCTORY SECTION***

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# County of Spotsylvania

## Founded 1721

**Board of Supervisors**  
GREG CEBULA  
ANN L. HEIDIG  
TIMOTHY J. McLAUGHLIN  
DAVID ROSS  
GARY F. SKINNER  
PAUL D. TRAMPE  
CHRIS YAKABOUSKI



**County Administrator**  
C. DOUGLAS BARNES  
**Deputy County Administrator**  
MARK L. COLE  
P.O. BOX 99  
SPOTSYLVANIA, VIRGINIA 22553  
Voice: (540) 507-7010  
FAX: (540) 507-7019

*Service, Integrity, Pride*

November 25, 2014

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* of the County of Spotsylvania, Virginia, (the County) for the fiscal year ended June 30, 2014. 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.

Management assumes full responsibility for the preparation and fair presentation of these financial statements; this includes the design, implementation, and maintenance of relevant internal controls. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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, 2014, which is presented on pages 15 – 17 of this report.

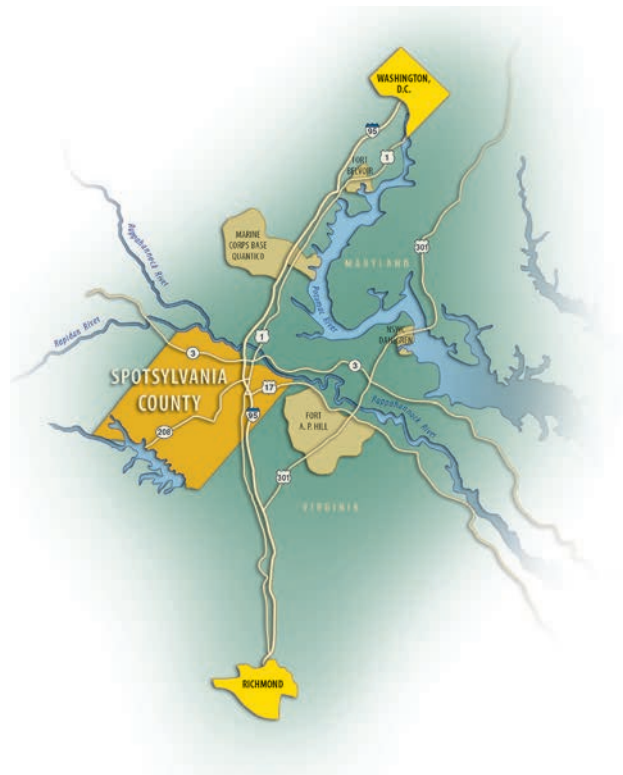
The management's discussion and analysis (MD&A) immediately following the independent auditor's report provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The County's annual audit must also include a single audit in conformity with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments

and Non-Profit Organizations. Information related to the single audit, including the schedule of federal financial assistance, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations are provided under separate report.

## 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. All 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 29,000 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. Due to the material relationship between the School Board and the County, the School Board is included as a discretely presented component unit in this report.

## 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 unemployment rate of 5.0%, in June of 2014, continues to remain below the statewide rate of 5.4% and the national rate of 6.3%. Additionally, the County's unemployment rate is very competitive within the State itself, as the 27<sup>th</sup> lowest in the State (out of 134 counties & cities) reported by the Virginia Employment Commission in June of 2014. Wealth and income levels continue to remain above state average and at 150% of the U.S. average, and per capita income levels are 12% higher than the national average.

The health of the County's real estate market continues to improve with residential building permits increasing over the past year by 37.0%. On January 1, 2014, a biennial real estate assessment was completed with residential property values increasing an average of 5.9%.

Retail sales returned to pre-recession levels for the first time in fiscal year 2014. The rate of growth, however, has fluctuated, with an increase of 2.9% in 2014 compared to 1.6% in 2013 and 4.6% in 2012. Going into the next year, the County is projecting growth of 4.1% in retail spending to reflect both population growth and new retail sites.

### *Local Industry*

Combined with local economic incentives, a skilled workforce and available undeveloped property, local industry continues to expand and diversify in County targeted industries of health care and manufacturing, defense.

Health care and social assistance, the County's largest industry, averages 586 establishments or 23% of the total base for Spotsylvania, and employs an average of 3,725 workers, the second highest in the County. The Spotsylvania Regional Medical Center (SMRC), employing approximately 600 employees, is the County's largest private employer, and is responsible for roughly \$1.7 million in taxes to the County. In Medicare's latest patient satisfaction survey, SRMC outscored nearby Mary Washington and Stafford hospitals in nine of ten survey areas. It also equaled or exceeded state and national averages in eight of ten areas.

The County's proximity to three nearby military bases, Quantico Marine Corps, Naval Surface Warfare Center, and Fort A.P. Hill, provide for jobs in defense, engineering and information technology, bringing in millions of federal dollars to the County annually. These types of businesses represent the fifth largest industry sector in Spotsylvania reporting a 10.7% increase in average employment.

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, Spotsylvania County currently ranks 17<sup>th</sup> out of 134 counties and incorporated cities within the Commonwealth for tourism, moving up from 18<sup>th</sup> in the prior year. Known as the "Crossroads of the Civil War," Spotsylvania County is rich in historical resources, and welcomes visitors to numerous battlefields within its National Military Park. As of the third quarter of 2013, there were 206 tourism-related firms such as hotels, restaurants and attractions, employing 4,486 workers. 2014 marked the 150<sup>th</sup> anniversary of the battles of Wilderness and Spotsylvania Courthouse. The County's reenactment drew over 8,000 visitors for staged battle reenactments at a 200-acre site in the historic courthouse area.

## 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.

### *Strong Reserve Levels*

As our financial advisors continue to advise, no single policy is as significant as our fiscal stability reserve, an emergency fund, which stipulates the County set aside at least 10% of operating revenues in case of unforeseen circumstances or financial emergencies. At the end of the fiscal year, after setting aside funds previously restricted or designated by the Board for specific purposes, the County's general fund reported \$43.1 million in unassigned fund balance, equal to approximately two months of general fund expenditures. Of this amount, \$37.6 million represents the County's stability reserve, leaving \$5.5 million in available excess unassigned fund balance.

The amount in excess of our fiscal stability reserve further strengthens the County's position with rating agencies, and provides a certain degree of flexibility to take advantage of opportunities that may arise. Per our fiscal policy, use of these funds are limited to one-time investments to reduce debt costs, promote economic growth, and enhance the quality of life for our citizens. During the current fiscal year, the County utilized approximately \$3.4 million in available fund balance for planned capital projects.

### *Debt Capacity*

The County's credit rating continues to be very strong, with a moderately low debt profile, reporting net overall debt equal to \$3,230 per capita, a decrease of 2.4% from the previous year. Debt service as a percentage of total governmental and school spending was 9.6%, well within the County's adopted policy of 10-12% and down from the 10.0% reported in the previous year.

## LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

### *Economic Development*

The County's primary economic development mission is to attract capital investment and business growth within the County in order to reduce the number of residents that commute

outside the County for employment. The County's Economic Development and Tourism Department and the Economic Development Authority continue to work jointly on understanding and tracking trends in the local economy, as well as evaluating the potential for future growth of existing industries. These activities are a reflection of a larger initiative by the County's Board of Supervisors to take better advantage of the County's opportunities and to evaluate the return on investment of resources in various government-sponsored development activities. In 2014, the Board saw such an opportunity when it approved the development of the Dominion Raceway. The facility which consists of 160-acres that will be used for an oval track for stock-car racing, a drag strip, a road course and a go-kart course is scheduled to open in early 2015. Its appeal to all ages and its location in the southern part of Spotsylvania, near the City of Richmond is expected generate strong local tax revenue.

As part of the County's strategic plan to reduce traffic congestion and spur economic development, the County, in conjunction with the Potomac and Rappahannock Transportation Commission (PRTC), entered into plans to build a Virginia Rail Express (VRE) station that will become the new end for the Fredericksburg line. The station, projected to be completed in 2015, is expected to draw 1,300 riders per day within the first six months, but more riders are anticipated with the potential addition of a 62 acre mixed-use development next to the future VRE station.

#### *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 almost \$239.7 million, up from \$221 in the previous year, and is comprised of \$75.0 million in general government projects, \$26.2 million in transportation, school projects of \$65.8 million, and \$72.7 million in water and sewer projects. A variety of funding sources including general obligation bonds, revenue bonds, capital leases, general fund revenues, and utility fund revenues will fund the projects, with approximately 72% funded through debt and 28% funded from pay-go sources.

#### **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, 2013. This was the nineteenth 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, 2014. This is the eighteenth 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,



C. Douglas Barnes  
County Administrator



Tammy D. Petrie  
Director of Finance

## Principal Officials

### Board of Supervisors



Chris Yakabouski  
**Battlefield District**



Greg Cebula  
**Berkeley District**



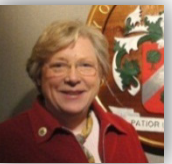
Timothy J. McLaughlin  
**Chancellor District**



David Ross  
**Courtland District**



Gary F. Skinner  
**Lee Hill District**



Ann L. Heidig  
**Livingston District**



Paul D. Trampe  
**Salem District**

## County of Spotsylvania

### *Constitutional Officers*

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

### *County Administrative Officers*

C. Douglas Barnes	County Administrator
Mark L. Cole	Deputy County Administrator
James R. Benkahla	County Attorney
Karl R. Holsten	Deputy County Attorney
Tammy D. Petrie	Director of Finance
Rebecca R. Forry	Controller

## Spotsylvania School Board

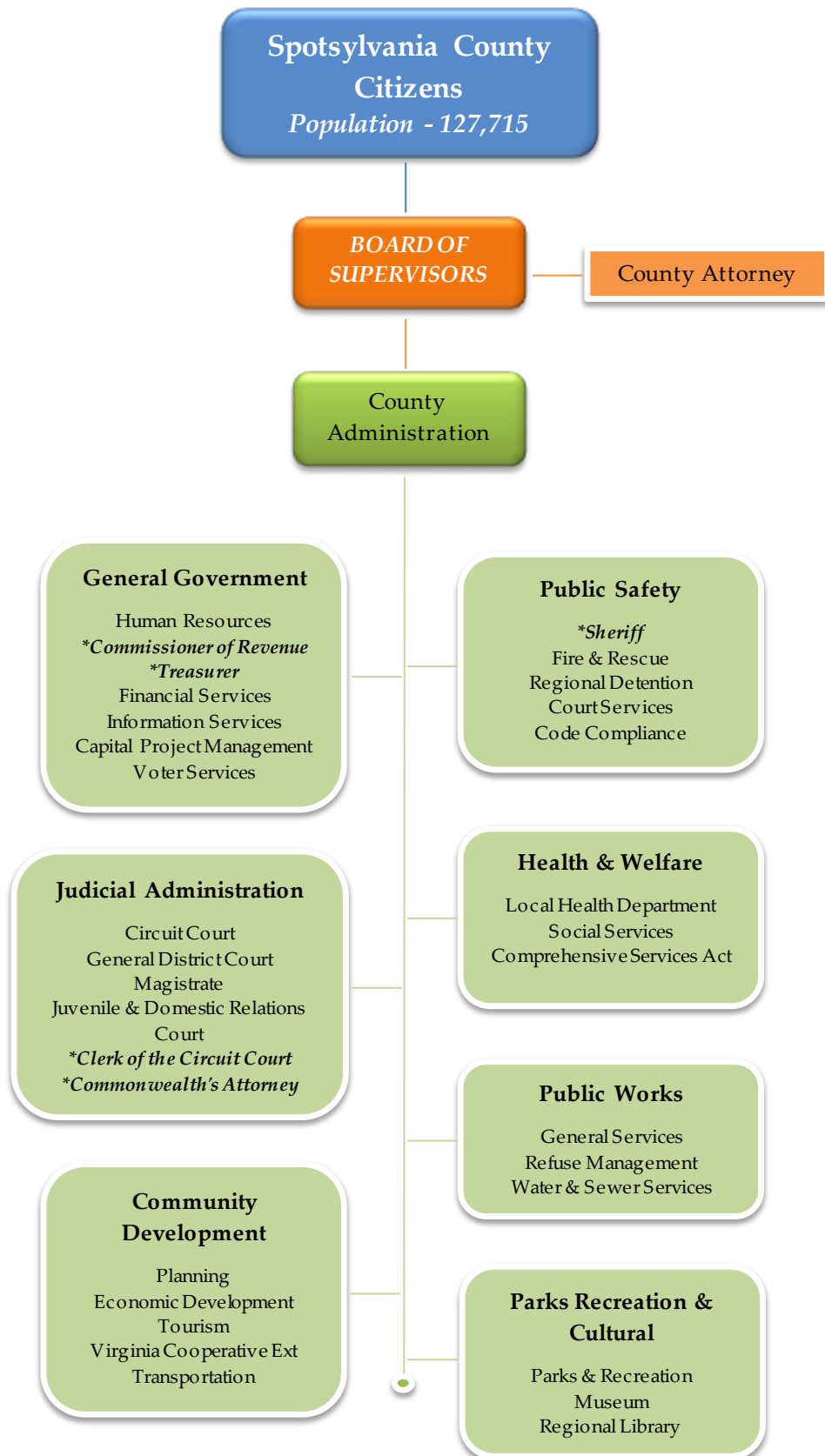
### *School Board*

Erin Grampp	Berkeley District
William M. Blaine, Jr.	Salem District
Amanda Blalock	Lee Hill District
Dr. James Meyer	Courtland District
Ray Lora	Livingston District
Baron Braswell	Battlefield District
Dawn Shelley	Chancellor District

### *School Administrative Officers*

Dr. S. Scott Baker	Superintendent
Carol Flenard	Assistant Superintendent of Instruction
LaShahn Gaines	Chief Financial Officer
Barbara Stombock	Director of Finance
Marcia 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, 2013**

Executive Director/CEO

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## ***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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate 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, 2014, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Spotsylvania, Virginia, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 20 to the basic financial statements, the net position as of June 30, 2013 of the governmental activities, business-type activities and aggregate discretely presented component unit has been restated. Our opinions are not modified with respect to this matter.

As discussed in Note 20 to the basic financial statements, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. Our opinions are not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund and Notes, and contribution trend information and Schedules of Funding Progress on pages 18-33, 88-89, and Notes 8 and 13, 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 of Spotsylvania, Virginia's basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section 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 20, 2014, on our consideration of the County of Spotsylvania, Virginia'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 of Spotsylvania, Virginia's internal control over financial reporting and compliance.



Richmond, Virginia  
November 20, 2014

# Management's Discussion & Analysis

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 3 of this report.

## Financial Highlights

### Government-wide financials

- ❖ The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$164.5 million (*net position*). Of this amount, \$58.3 million represents an unrestricted net deficit due to \$171.0 million in remaining debt issued on-behalf of the School Board. Elimination of this debt would result in \$112.7 million available to meet future obligations.
- ❖ The County's total net position increased by \$20.2 million versus \$15.9 million from the prior fiscal year. This increase was driven predominantly by earnings from water and sewer business-type activities of \$3.0 million, attributable to a combination of scheduled water rate increases and modest growth in capital contributions.

### Fund Financials

- ❖ At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$111.6 million. Approximately 38.6% of this amount (\$43.1 million) is available for spending at the government's discretion (*unassigned fund bal-*

*ance*). Of this amount, \$37.6 million is held as a fiscal stability reserve.

- ❖ The County's total governmental fund balances increased \$16.3 million for the year in comparison with the prior fiscal year. The two elements driving this increase are approximately \$12.6 million in unspent funds from new bond proceeds during the year, and \$3.4 million in unanticipated fuel tax revenues collected from a single fuel distributor under State audit.
- ❖ At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of fund balance) for the General Fund was \$55.5 million or approximately 23.7% of total General Fund expenditures.
- ❖ The County issued a total face amount of \$52.6 million in various general obligation and revenue bonds during the current fiscal year. Of this amount, \$32.6 million was used to refinance callable maturities of Series 2004 Water and Sewer (\$21.3M) and Series 2004 Economic Development Authority (\$11.3M) revenue bonds. The remaining proceeds of \$20 million are intended to finance various capital project needs in transportation, schools, and fire and rescue.
- ❖ The County and its component unit – School Board restated beginning net position to adopt GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, to correct previously underreported sales tax revenues and to adjust School Board health insurance claim reserves. Restatements for the governmental and business-type activities reduced net position by \$1.8 million and \$1.7 million, respectively. The School Board's net position increased \$5.2 million. The School Board also restated their beginning Operating Fund balance by \$6.5 million to change

its method of accounting for insurance claims. Details of these changes may be found in Note 20 in the notes to the financial statements. Fiscal year 2013 balances have been revised to assist in comparative analysis in this Management's Discussion and Analysis.

## Overview of the Financial Statements

The discussion and analysis provided herein is intended to serve as an introduction to the County's basic financial statements, which consists of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents financial information on all of the County's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

Both the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, judicial administration, health and social services, parks and recreation, waste collection and disposal, and community development. The business-type activities include water and sewer operations.

The government-wide financial statements include not only the County itself (known as the *Primary Government*), but also a legally separate School Board for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information of the Primary Government itself.

The government-wide financial statements can be found on pages 37 - 38 of this report.

### FUND FINANCIAL STATEMENTS

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

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable*

*ble resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental* activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains five individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Capital Projects Fund, which are considered major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the section of this report.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided, in the required supplementary information section of this report, for the General Fund to demonstrate compliance with this budget. Additional budgetary comparison for the Capital Projects Fund and non-major governmental funds can also be found in the other Supplementary Information section of this report.

The basic governmental fund financial statements can be found starting on page 40 of this report.

**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. The basic proprietary fund financial statements can be found on pages 44 - 47 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside of the government and are not reported in the government-wide financial statements because the resources are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The County has two *agency funds*, which report resources held by the County in a custodial capacity for individuals, private organizations and other governments. The agency fund financial statements can be found on page 48 of this report.

The **notes to the financial statements** provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 49 of this report.

**Other information** is provided in addition to the basic financial statements and accompanying notes starting on page 88 of this report. This section provides combining statements in connection with non-major governmental funds, as well as more detailed reporting of the County's agency funds and its component unit, the Spotsylvania County School Board.

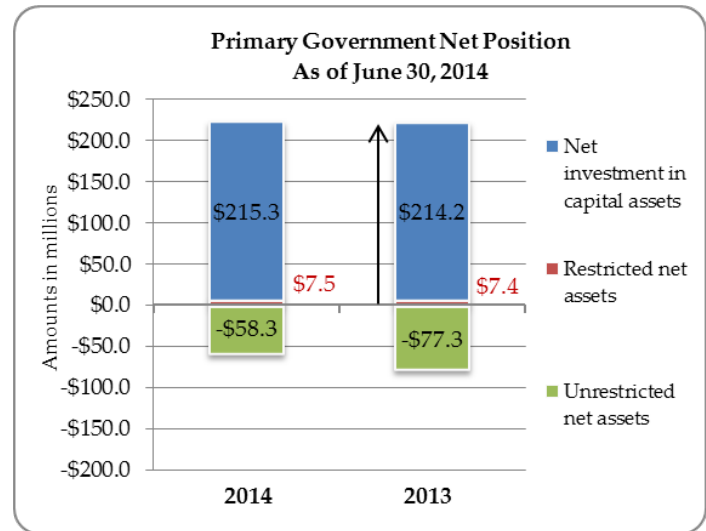
# Government-wide Overall Financial Analysis

## Net Position

Table 1 summarizes the Statement of Net Position for the Primary Government and its discretely presented component unit – School Board. For the Primary Government, assets and deferred outflows of resources exceeded liabilities by \$164.5 million, at the close of the most recent fiscal year, reporting an increase in net position of \$20.2 million or 14.0%.

The Primary Government's net position net investment in capital assets (e.g. land, buildings, equipment), less any related outstanding debt that was used to acquire those assets, totaled \$215.3 million as shown in Chart 1. Of this amount, 73.2% or \$157.6 million of represents the County's investment in its water and sewer system. Restricted net position of \$7.5 million, due to external restraints for debt service and capital projects, leaves an unrestricted net position deficit of \$58.3 million. Under State law, the County is

Chart 1



required to issue debt on the School Board's behalf. These net debt issuances, totaling \$171.0 million as of June 30, 2014, increase the liabilities of governmental activities with no corresponding asset, as the capital asset is owned by the School Board. As a result, the increased education expense of debt issued on-behalf of the School Board

Summary of Net Position								
As of June 30, 2014								
(Amounts in millions)								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit School Board	
	2014	2013*	2014	2013*	2014	2013*	2014	2013*
Current and other assets	\$ 233.6	\$ 213.9	\$ 90.2	\$ 89.4	\$ 323.8	\$ 303.3	\$ 47.7	\$ 35.6
Capital assets, net	120.9	117.0	297.3	298.6	418.2	415.6	315.5	322.6
<b>Total assets</b>	<b>354.5</b>	<b>330.9</b>	<b>387.5</b>	<b>388.0</b>	<b>742.0</b>	<b>718.9</b>	<b>363.2</b>	<b>358.2</b>
<b>Total deferred outflows</b>	<b>1.3</b>	<b>1.3</b>	<b>1.8</b>	<b>1.3</b>	<b>3.1</b>	<b>2.6</b>	<b>-</b>	<b>-</b>
Other liabilities	40.3	35.6	2.7	2.3	43.0	37.9	26.7	26.5
Long-term liabilities	319.3	319.5	145.3	148.7	464.6	468.2	95.5	79.9
<b>Total liabilities</b>	<b>359.6</b>	<b>355.1</b>	<b>148.0</b>	<b>151.0</b>	<b>507.6</b>	<b>506.1</b>	<b>122.2</b>	<b>106.4</b>
<b>Total deferred inflows</b>	<b>73.0</b>	<b>71.1</b>	<b>-</b>	<b>-</b>	<b>73.0</b>	<b>71.1</b>	<b>-</b>	<b>-</b>
Net position:								
Net investment in capital assets	57.7	56.4	157.6	157.8	215.3	214.2	315.5	322.6
Restricted	1.4	1.3	6.1	6.1	7.5	7.4	4.0	0.7
Unrestricted	(135.9)	(151.7)	77.6	74.4	(58.3)	(77.3)	(78.5)	(71.5)
<b>Total net position</b>	<b>\$ (76.8)</b>	<b>\$ (94.0)</b>	<b>\$ 241.3</b>	<b>\$ 238.3</b>	<b>\$ 164.5</b>	<b>\$ 144.3</b>	<b>\$ 241.0</b>	<b>\$ 251.8</b>

\* Numbers are restated. See note 20.

Table 1

decreases the unrestricted net position of the Primary Government.

A similar evaluation of the School Board's net position would result in a reduction of the net investments in capital assets by the remaining \$171.0 million in School Board debt issued by the County. There is no change in restricted or unrestricted net position with the majority of the unrestricted net deficit consisting of an accumulation of unfunded other postemployment obligations of \$86.6 million.

### Changes in Net Position

#### GOVERNMENTAL ACTIVITIES

As reflected in Table 2 below, the change in governmental activity net position was \$17.2 million for the current fiscal year, an increase of \$1.1 million or 6.8%. Key elements of year over year changes are provided in greater detail in this section, as well as additional information illustrating the County's revenues, expenses and net program costs.

Changes in Net Position								
For the Year ended June 30, 2014								
(Amounts in millions)								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit School Board	
	2014	2013*	2014	2013*	2014	2013*	2014	2013*
<b>Revenues:</b>								
Program Revenues:								
Charges for services	\$ 10.7	\$ 10.1	\$ 28.4	\$ 27.7	\$ 39.1	\$ 37.8	\$ 8.2	\$ 7.7
Operating grants and contributions	16.1	14.1	0.5	0.5	16.6	14.6	135.3	138.2
Capital grants and contributions	3.8	9.9	6.3	4.4	10.1	14.3	0.6	0.2
General Revenues:								
General property taxes	151.4	147.9	-	-	151.4	147.9	-	-
Other taxes	51.7	47.4	-	-	51.7	47.4	-	-
Grants not restricted	15.6	15.4	-	-	15.6	15.4	-	-
County contribution	-	-	-	-	-	-	102.5	92.7
Investment earnings	0.5	-	0.4	0.3	0.9	0.3	-	-
Miscellaneous	0.1	0.1	-	-	0.1	0.1	0.3	0.9
<b>Total Revenues</b>	<b>249.9</b>	<b>244.9</b>	<b>35.6</b>	<b>32.9</b>	<b>285.5</b>	<b>277.8</b>	<b>246.9</b>	<b>239.7</b>
<b>Expenses:</b>								
General government	13.9	13.4	-	-	13.9	13.4	-	-
Judicial administration	8.4	8.1	-	-	8.4	8.1	-	-
Public safety	48.2	49.1	-	-	48.2	49.1	-	-
Public works	12.6	9.2	-	-	12.6	9.2	-	-
Health and welfare	18.5	17.7	-	-	18.5	17.7	-	-
Education	102.7	92.9	-	-	102.7	92.9	257.7	258.4
Parks and recreation	7.9	8.1	-	-	7.9	8.1	-	-
Community development	8.3	17.0	-	-	8.3	17.0	-	-
Water and sewer	-	-	33.0	33.1	33.0	33.1	-	-
Interest on long-term debt	11.8	13.3	-	-	11.8	13.3	-	-
<b>Total Expenses</b>	<b>232.3</b>	<b>228.8</b>	<b>33.0</b>	<b>33.1</b>	<b>265.3</b>	<b>261.9</b>	<b>257.7</b>	<b>258.4</b>
Increase (decrease) in net position before transfers	17.6	16.1	2.6	(0.2)	20.2	15.9	(10.8)	(18.7)
Transfers	(0.4)	-	0.4	-	-	-	-	-
<b>Increase (decrease) in net position</b>	<b>17.2</b>	<b>16.1</b>	<b>3.0</b>	<b>(0.2)</b>	<b>20.2</b>	<b>15.9</b>	<b>(10.8)</b>	<b>(18.7)</b>
<b>Net position - beginning*</b>	<b>(94.0)</b>	<b>(110.1)</b>	<b>238.3</b>	<b>238.5</b>	<b>144.3</b>	<b>128.4</b>	<b>251.8</b>	<b>270.5</b>
<b>Net position - ending</b>	<b>\$ (76.8)</b>	<b>\$ (94.0)</b>	<b>\$ 241.3</b>	<b>\$ 238.3</b>	<b>\$ 164.5</b>	<b>\$ 144.3</b>	<b>\$ 241.0</b>	<b>\$ 251.8</b>

\* Numbers are restated. See note 20.

Table 2

### Governmental Activities - Revenues by Source

For Years ending June 30, 2014 and 2013

(Amounts in millions)

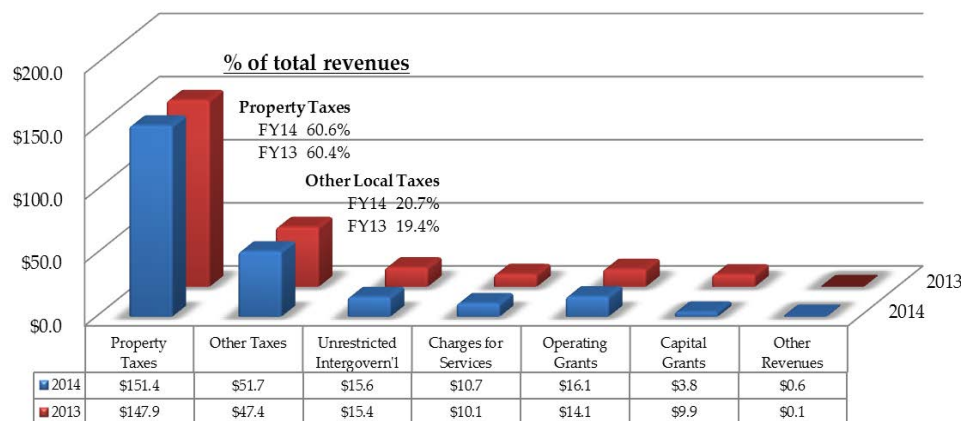


Chart 2

### Revenues

Revenues for fiscal year 2014 were \$249.9 million, an increase of \$5.0 million or 2.0%. Property tax revenues reported an increase of approximately \$3.5 million or 1.2% as a result of slightly less than equalization of the real property rate and an increase in the personal property tax rates affecting new and newer vehicles purchased or transferred into the County during the fiscal year. More information on this increase can be found in the analysis of the General Fund starting on page 27 of the MD&A. Other local taxes also saw an increase of \$4.3 million or 9.1% due to a one-time influx of fuel taxes from a single distributor under State audit. Also, for the second year in a row, charges for services increased in response to low commercial refuse disposal fees, netting the County an additional \$0.7 million in revenues. Operating grants and contributions increased by 14.2%, or \$2.0 million, from the elimination of the required *Local Aid to the Commonwealth* payment of \$0.5 million in 2014 and higher Federal and State public assis-

tance and welfare revenues of \$1.1 million, or 13.6%, due to increased service levels. In contrast, the County recognized \$6.1 million, or 61.6% less in capital grants mainly from reduced federal funding as the Route 3 Widening Project comes to a close.

### Expenses

Expenses for fiscal year 2014 were \$232.3 million, an increase of \$3.5 million or 3.5% mostly due to changes in public works, education, and community development functions. Public works increased

### Governmental Activities - Expenses by Function

For Years ending June 30, 2014 and 2013

(Amounts in millions)

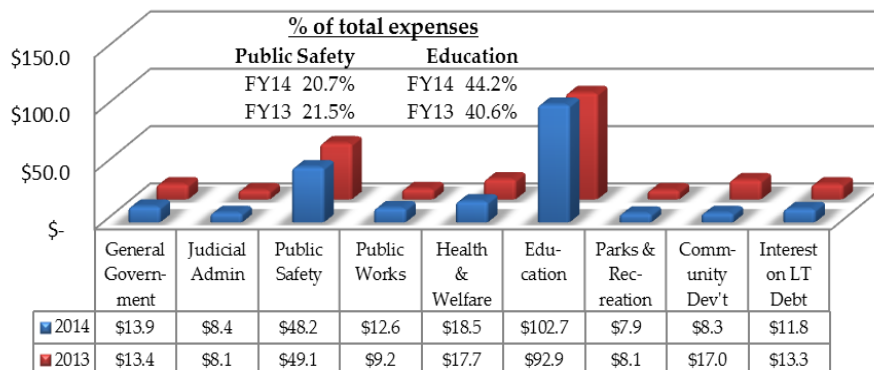


Chart 3

spending in 2014 by \$3.4 million, or 37.0%, driven by higher landfill costs of \$1.6 million from increased tonnage accelerating recognition of post closure care liabilities, and \$0.8 million in maintenance costs, such as roof replacements, that do not extend the useful life of the related asset and is therefore not capitalized. In 2014, the County issued \$11.7 million of School Board related debt, accounting for the \$9.8 million or 10.5% increase in education expense reported for the year. However, a majority of the aforementioned increases were offset by a drop in community development costs of \$8.7 million or 51.2% due to reductions in transportation improvement spending, the greater of which relates to the reduction of federally reimbursable expenditures as the Route 3 Widening Project comes to a close.

Chart 4 below depicts the total cost of each of the County's largest functions in relation to their program related revenues. Non-program related revenues, such as property taxes, are necessary to subsidize these functions, accounting for the difference between total cost and program revenues. For fiscal year 2014, total subsidized program revenues were \$201.7 million a \$7.7 million or 4.0% increase. Education and interest expense do not receive program related revenues and are supported entirely by general revenues.

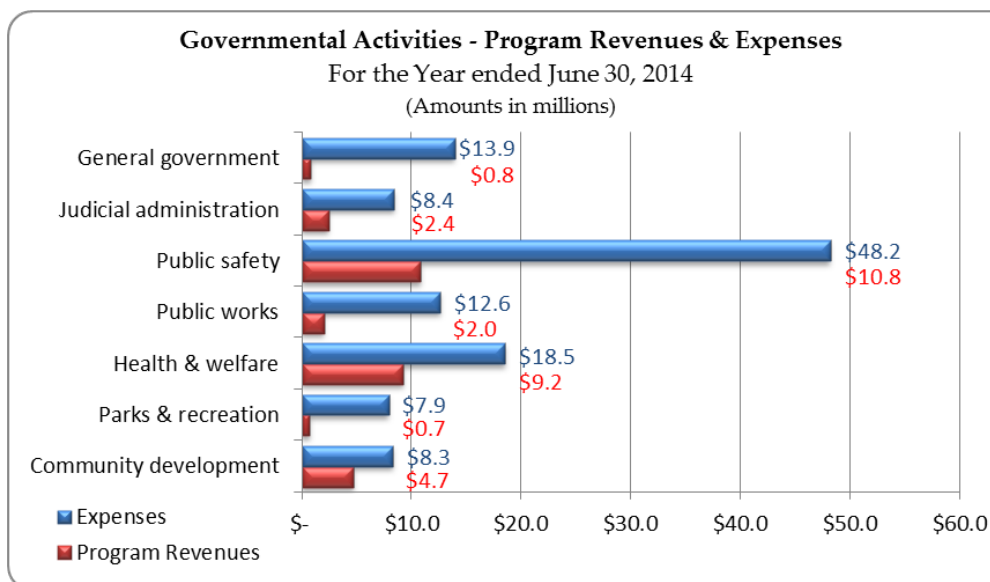


Chart 4

## BUSINESS-TYPE ACTIVITIES

For the County's business-type activities, net position increased by \$3.0 million, or 1.3%, to \$241.3 million. Water and sewer revenues, per Table 2, totaled \$35.6 million, an increase of \$2.8 million over the previous year. This overall improvement is the combination of increased charges for services of \$0.7 million or \$2.5%, relating to water & sewer rate increases, and \$1.9 million or 43.2% more in availability fees and developer donated infrastructure from increased commercial and residential growth to the system. Total expenses for the fiscal year were fairly level at \$33.0 million down from 33.1 million in the previous year.

## COMPONENT UNIT – SCHOOL BOARD

For fiscal year 2014, the School Board reported a deficit change in net position of \$10.8 million a decrease from the previous year of \$7.9 million or 42.2%. The improved position is the result of a combination of net new debt issued and contributed by the County of \$11.7 million versus \$0.7 million in the previous year and a decrease of operating grants and contributions of \$2.9 million due to the close out of the ARRA State Stabilization Funds in 2013.

### Net program costs funded by general revenues:

General government	\$ 13.1
Judicial administration	6.0
Public safety	37.4
Public works	10.6
Health & welfare	9.3
Parks & recreation	7.2
Community development	3.6
Education	102.7
Interest on long-term debt	11.8
	<u>\$ 201.7</u>

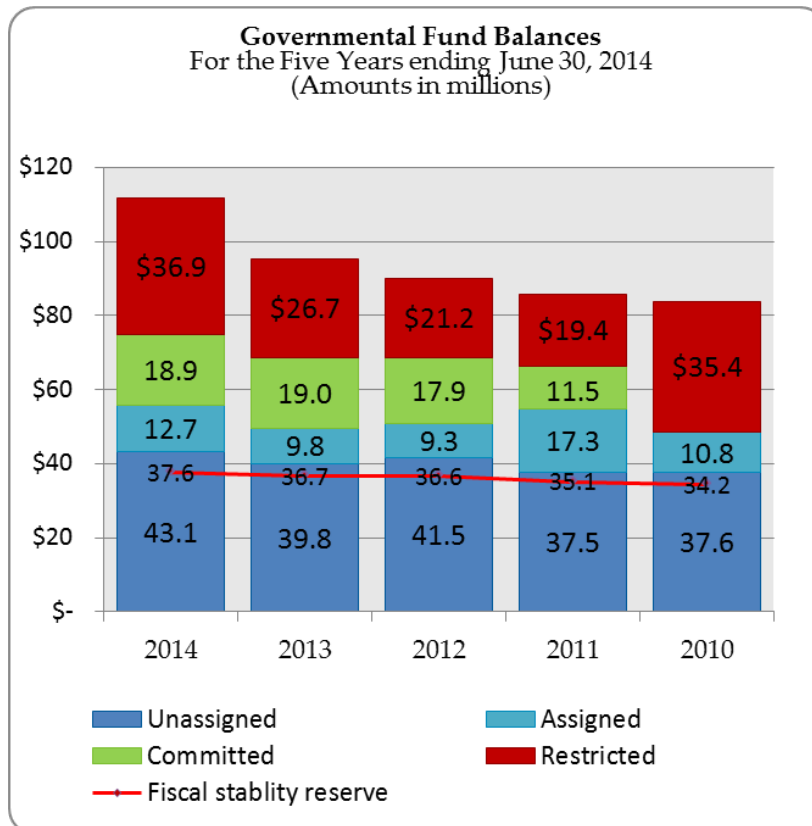
## Financial Analysis of Governmental Funds

The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent a portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, or the County itself.

At June 30, 2014, the County reported combined governmental fund balances of \$111.6 million (chart 5), an increase of \$16.3 million or 17.1% in comparison with the prior year. Approximately 38.6% of this amount (\$43.1M) constitutes *unassigned fund balance*, which is available for spending

at the government's discretion. Of the \$43.1 million in unassigned funds, \$37.6 million represents the County's fiscal stability reserve intended for emergency use, such as natural disasters, or other significant events that signal a need for stabilization.

The remaining fund balance is either *restricted*, *committed*, or *assigned* and is not considered available for new spending as it has already been allocated to cover 1) \$36.9 million or 33.1% in restricted resources to meet future capital projects from unspent bond proceeds, debt service, and grant obligations, 2) \$18.9 million or 16.9% in committed funding for capital improvements, including transportation, and line of duty benefits for public safety personnel, 3) \$12.7 million or 11.4% in assigned fund balance intended for school board expenditures, loss contingencies, employee benefits, and carryover of fiscal year 2014 unexpended budget.



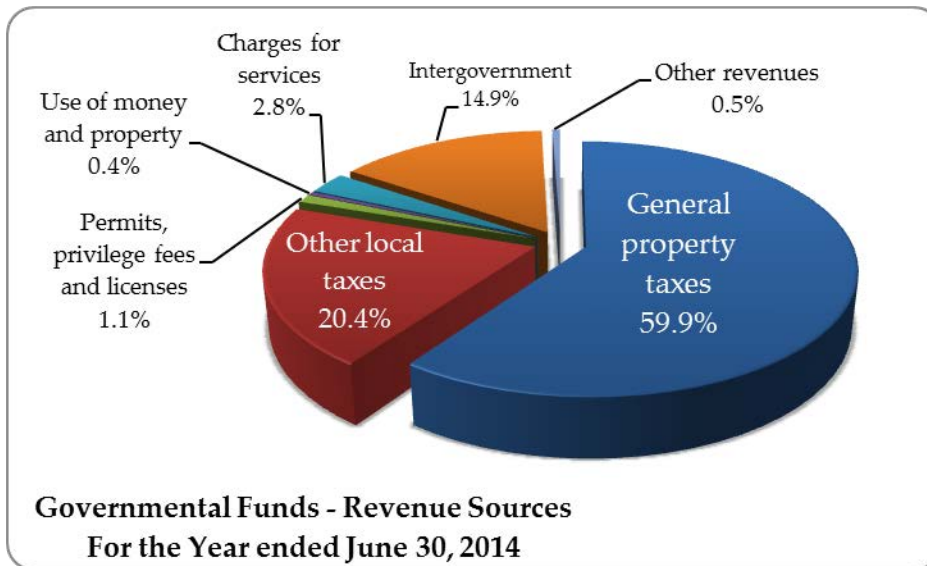
Reports the fund balances of the General Fund, Capital Projects Fund, and all other non-major governmental funds.

Chart 5

Governmental funds include the County's General Fund, Capital Projects Fund and various special revenue funds created by the Board. Charts 6 & 7 provide useful information on the percentage of consolidated revenues received by source and how

these funds were used by function. In addition, more noteworthy activity is discussed at the individual fund level and is intended to provide greater insight to the year over year changes in fund balance.

Chart 6



Revenue Sources (\$ in millions):	
General property taxes	\$ 151.9
Other local taxes	51.7
Permits, fees and licenses	2.7
Use of money and property	1.1
Charges for services	7.1
Intergovernmental	37.9
Other revenue	1.4
	<u>\$ 253.8</u>

Expenditure Uses (\$ in millions)	
General government	\$ 11.5
Judicial administration	6.8
Public safety	44.3
Public works	8.7
Health & welfare	18.0
Education	102.7
Parks & recreation	6.8
Community development	5.3
Capital projects	14.0
Non-departmental	0.8
Debt service	37.9
Total Expenditures:	<u>\$ 256.8</u>

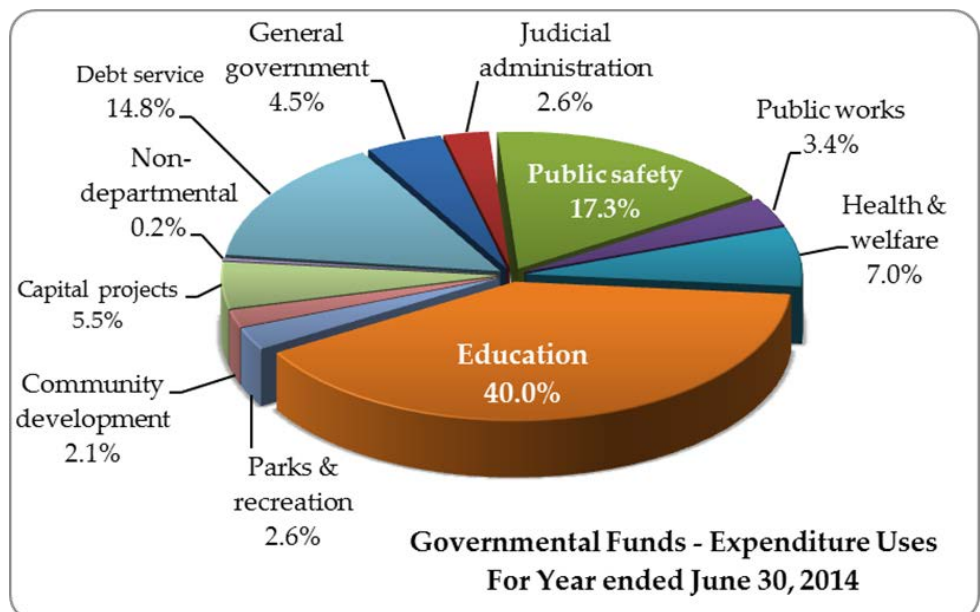


Chart 7

## GENERAL FUND

The General Fund is the primary operating fund accounting for all financial resources of the general government, except those required to be accounted for in another fund. At the end of the current fiscal year, total fund balance was \$57.1 million, an increase of \$1.8 million or 3.2%. Unassigned fund balance was \$43.1 million and increase of \$3.3 or 8.3%. The General Fund's liquidity remains strong with unassigned fund balance representing approximately 18.4%, or slightly over two months of general fund expenditures.

### Revenues

Overall revenues increased \$7.7 million or 3.5% from the previous year. With the exceptions of fines, forfeitures, permits and related revenues, all major categories of revenue saw year over year increases. The largest increases were in general property taxes and intergovernmental revenues of \$4.2 million or 2.9% and \$2.1 million or 7.0%, respectively.

*Real Estate:* 2014 represented a reassessment year for the County. Residential property values increased by 5.9% while commercial values declined by 2.3%, resulting in an overall increase in county-wide values of 4.2%. Upon adoption of the 2015 fiscal year budget, the Board elected to approve the real property tax rate at \$0.86, slightly less than

an equalized rate of \$0.863. The equalized tax rate, the rate that would yield 101% of the previous year's levy when applied to the new assessed values, is used to calculate first half tax bills due June 5th of 2014. The additional 0.5% (half of the additional 1% for the calendar year) combined with better collection rates yielded a \$1.4 million or 1.4% increase in current real property taxes collected. Collections for back taxes also improved totaling \$2.6 million, an increase of \$0.8 million or 47.1%.

*Personal Property:* Each year, the County updates the values of existing vehicles using NADA values. Based on these values the County was facing a 9.4% drop in existing values, yielding an estimated \$4.4 million decrease in revenue at the previous \$6.37 personal property rate. In an effort to bridge the gap, the Board adopted a 41-cent rate increase to \$6.78, to ensure school and public safety funding. Current year collections saw modest growth of \$0.9 million or 2.6%, with stronger growth in delinquent collections of 20.8% or \$1.1 million.

*Intergovernmental Revenues:* Due to increased service levels, the County saw a rise in Federal and State public assistance and welfare receipts of \$1.1 million or 13.2% over the previous year. Furthermore, the *Local Aid to Commonwealth* payment required in fiscal year 2014 of \$0.5 million was eliminated in fiscal year 2014.

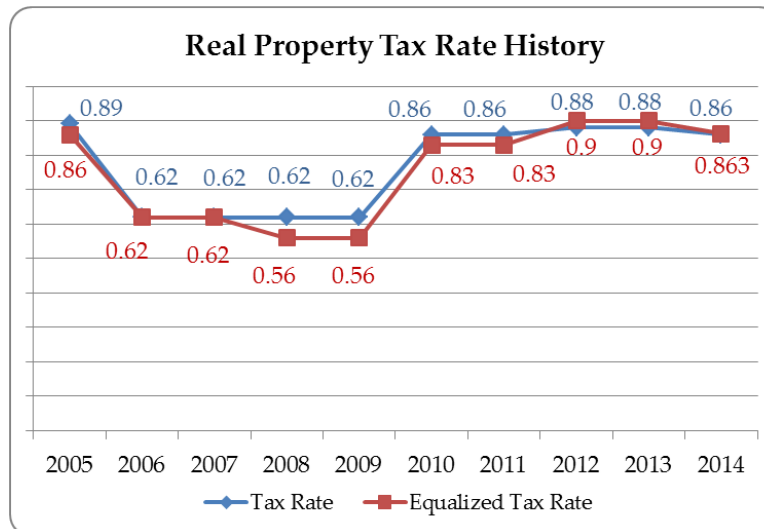


Chart 8

# Expenditures

Overall, expenditures increased \$7.9 million or 3.5% from the previous year. Two of the more remarkable changes were in the areas of education and debt service.

Education, as presented, reflects an increase of almost \$9.7 million or 10.5%. However, due to restrictions within State law, the County must issue and report debt on behalf of the School Board. The mechanics of this reporting may be misleading to readers when evaluating the County's funding of its public school system. In Table 3 below, actual payments to the School Board totaled \$116.2 million, a decrease of \$4.7 million or 3.9% from the

previous year as highlighted in blue. This decrease is the result of a one-time capital infusion to the Schools for \$6.7 million in fiscal year 2013 offset by increased expenditures in 2014 of \$2.3 million to fund the School Board's health insurance claims fluctuation reserve. More detailed information on the State law and its affects can be found in Note 9 in the notes to the financial statements.

Lastly, the County also reported a \$3.4 million or 9.0% decrease in debt service costs for fiscal year 2014 as a result of previous and current year debt refinancing.

Breakdown of County's Contribution to Public Schools				
For the year ended June 30, 2014				
	BUDGETED	ACTUAL SPENDING		
	2014	2014	2013	\$ Change
Required local effort	\$ 44,116,544			
Required local match for optional programs	1,650,255			
Debt service	25,622,391			
Additional local transfer	43,441,149			
	114,830,339			
Additional contributions in 2014:				
2013 carryforward of unexpended budget	2,726,521			
Other one-time funding	872,884	↓	↓	↓
<b>General Fund education expenditure prior to removal of school debt activity:</b>	<b>\$ 118,429,744</b>	<b>\$ 116,213,691</b>	<b>\$ 120,876,044</b>	<b>\$ (4,662,353)</b>
Removal of school debt activity required to be combined with other County debt:				
Net debt issuances - Schools	11,728,999	11,728,999	740,908	10,988,091
Debt Service - Schools	(25,622,391)	(25,488,469)	(28,899,073)	3,410,604
<b>General Fund education expenditure after removal of School debt activity:</b>	<b>\$ 104,536,352</b>	<b>\$ 102,454,221</b>	<b>\$ 92,717,879</b>	<b>\$ 9,736,342</b>

Report excludes non-School Board education expenditures of \$214,606 for both 2014 and 2013.

Table 3

## CAPITAL PROJECTS FUND

The Capital Projects fund, a major fund, had a \$10.0 million or 32.1% increase in fund balance as a result of 7.8 million in bond proceeds received during the year that remain unspent at June 30, 2014 and the collection of delayed federal grant payments totaling \$4.4 million. This increase brings the fund balance up to \$41.0 million with allocations between restricted, committed, and assigned remaining relatively consistent with the previous year at 64%, 30%, and 6%, respectively.

Current year revenues dropped \$5.4 million or 44.6% as project work completes on the Route 3 Widening project, and the County continues to receive payment from reimbursement requests on hold by the federal government pending approval. As of June 30, 2014, \$4.3 million in requests are expected to be received in 2015.

Current fiscal year spending decreased moderately by \$2.1 million or 13.0%. Transportation spending dropped 80% as work on the federally funded Route 3 Widening project moves toward final completion. In addition, public safety project costs increased \$7.4 million from \$153,031, in the previous year, as implementation work began on the replacement of the 16 year old public safety 800 MHz radio system.

## OTHER GOVERNMENTAL FUNDS

Other governmental funds include non-major special revenue funds, which are used to account for restricted and committed revenues as determined by the Board. For the fiscal year 2014, the combined fund balance for other governmental funds (*Fire/EMS Service, Code Compliance, and Transportation*) reflects a positive fund balance of \$13.5 million, an increase of 51.6% from the previous year. This increase is a result of unanticipated fuel tax revenues of \$3.4 million collected in the Transportation fund from a single fuel distributor under State audit.

## General Fund Budgetary Highlights

### ORIGINAL BUDGET TO FINAL BUDGET

During the fiscal year ended June 30, 2014, the County revised its General Fund budget on several occasions. The more significant amendments are as follows:

- ❖ \$3.3 million in carryover of unspent fiscal year 2013 funding. The majority of this funding is to be used for information services and public safety expenditures.
- ❖ \$3.6 million in School Board carryover funds and other one-time contributions from the County.

### FINAL BUDGET TO ACTUAL

As of June 30, the County's General Fund reported a positive budget variance of \$1.6 million. The more significant variances are described below.

- ❖ General property tax collections exceeded budget by \$3.6 million due to higher than anticipated current and delinquent property tax collections.
- ❖ Health insurance claims for active employees across multiple functions were under budget by 24% or \$1.9 million. These savings were partially offset by non-departmental retiree and cobra claims in excess of budget by \$0.2 million.
- ❖ General government had \$2.2 million available at year-end. Of this amount \$1.1 million was carried forward for contractual and program obligations not yet expended. The remaining difference is attributable to position vacancies and the aforementioned health insurance savings.
- ❖ Education expenditures fell under budget by \$2.2 million primarily due to salary and benefits lapses from vacancies and positions back-filled at lower pay levels.
- ❖ A Community development surplus of \$1.0 was largely attributable to savings from the

elimination of the Purchase Development Rights grant program.

- ❖ Most of the remaining functions, to varying degrees, including public safety, also saw budget surpluses due to insurance savings, position vacancies, and unexpended budget funding carried forward to fiscal year 2015.

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 investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounts to \$418.2 million (net of accumulated depreciation), and includes land, buildings, equipment, vehicles, as well as, water and sewer treatment and distribution systems. The total increase in net capital assets for the current fis-

cal year was approximately \$2.6 million or 0.6%. Capital assets as of June 30, 2014 and 2013 are summarized in Table 4 below.

Major capital asset events during the current fiscal year included the following:

- ❖ The County purchased land at a value of \$0.5 million to build a new fire and rescue station in the Lee Hill District.
- ❖ Various computer equipment purchases to update County information systems approximating \$1.0 million.
- ❖ The purchase of various vehicles at a total cost of \$0.5 million, with 86% funded for public safety.
- ❖ The County's public safety 800MHz radio system is reaching its end-of-life. The County has contracted for major system upgrade services totaling \$14.9 million. Related construction in progress as of the close of the fiscal year has reached \$8.1 million.

### Capital Assets

For Years ending June 30, 2014 and 2013

	(Amounts in millions)			
	Governmental Activities	Business-type Activities	Total Primary Government	
			2014	2013
Land	\$ 15.9	\$ 9.8	\$ 25.7	\$ 25.0
Buildings & improvements	107.8	164.0	271.8	271.5
Furniture, equipment & vehicles	53.1	13.8	66.9	63.4
Water & sewer systems	-	226.5	226.5	223.5
Construction in progress	11.6	9.6	21.2	10.0
Total capital assets	\$ 188.4	\$ 423.7	\$ 612.1	\$ 593.4
Less: Accumulated depreciation	(67.5)	(126.4)	(193.9)	(177.8)
<b>Total capital assets, net</b>	<b>\$ 120.9</b>	<b>\$ 297.3</b>	<b>\$ 418.2</b>	<b>\$ 415.6</b>

Table 4

## Construction-in-Progress

As part of the County's fiscal year 2014 budget process, the Board approved a five-year Capital Improvements Plan totaling \$239.7 million detailed in Table 5 below. Funding for future improvements is currently estimated at 33% cash, 62% debt, and 5% from local, state and federal contributions.

### CAPITAL IMPROVEMENT PLAN 2015 - 2019

Projects	Amount
<b>General government facilities:</b>	
Judicial center renovation	\$ 9.4
Facility asset management program	7.8
Merchant Square reconfiguration	3.4
Other general government facility needs	1.6
<b>Information technology:</b>	
Replacement of public safety radio system	5.6
Replacement of computer aided dispatch system	5.2
Replacement of computers and servers	2.5
Other information technology projects	3.4
<b>Solid waste</b>	
East of I-95 Consolidated Waste Conv. Center	2.5
Refuse disposal/collection equipment replacement	2.8
Livingston Landfill development	2.6
Other solid waste projects	2.3
<b>Parks &amp; recreation</b>	
Ni River park	3.4
Other parks & recreation projects	3.4
<b>Fire &amp; rescue services</b>	
Replacement of fire and ems equipment	17.8
Other fire & rescue service needs	1.3
<b>Transportation</b>	
Improvements to interstate exits 118 and 126	20.0
Unpaved roads	2.5
Other intersection & road improvements	3.7
<b>School board system</b>	
Replacement school buses	17.1
Capital maintenance	32.1
Information technology repairs and replacements	16.6
<b>Water and sewer utilities</b>	
Facility and system improvements	7.6
Water treatment plant improvements/expansions	36.0
Other water system projects	9.8
Sewer system projects	19.3
	<u>\$ 239.7</u>

Table 5

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

## DEBT ADMINISTRATION

At the end of the current fiscal year, the County reported total bonded debt outstanding of \$426.1 million (Table 6). Of this amount, \$284.6 million is debt backed by the full faith and credit of the County, with the remainder secured by specific revenue sources. The balance of the County's long-term obligations of \$38.6 million is comprised mostly of the County's landfill closure and other postemployment benefit obligations.

### Outstanding Long-Term Obligations

For the Years ended June 30, 2014 and 2013

(Amounts in millions)

	Primary Government	
	2014	2013*
General obligation bonds - County	\$ 116.1	\$ 115.8
General obligation bonds - Schools	168.5	174.9
Revenue bonds - business type	141.5	145.3
<b>Total debt obligations:</b>	<u>426.1</u>	<u>436.0</u>
Landfill closure obligation	7.4	5.6
Compensated absences	4.9	4.5
OPEB obligation	25.4	20.8
Other long-term liabilities	0.9	1.2
<b>Total long-term obligations:</b>	<u>\$ 464.7</u>	<u>\$ 468.1</u>

\* Numbers restated. See note 20.

Table 6

Total bond obligations decreased by \$9.9 million or 2.3% during the current fiscal year. This decrease is the result of various debt issued during the year for an amount that was less than the regularly scheduled principal reductions on the existing debt and the portions of the existing debt refunded. A five year trend of bonded debt by purpose is provided in Chart 9. In addition to the new debt issued to fund various capital related projects, the County issued refunding bonds to refinance previously outstanding revenue bonds held by governmental and business-type activities of \$11.3 million and \$20.4 million, respectively. The result is an

expected decrease in future debt service payments of \$6.8 million.

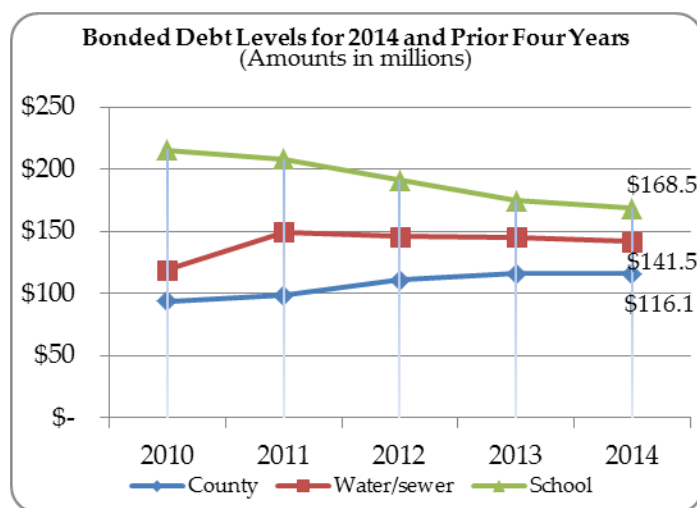


Chart 9

In June 2014, the County met with representatives from Fitch, Standard & Poor's, and Moody's for a review of the County's financial and economic progress. The County's credit rating continues to be defined as "very strong".

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

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

Subsequent to June 30, 2014, the County issued \$91.8 million in bonded debt to finance capital projects and refund certain outstanding maturities to take advantage of favorable interest rates and reduce future debt service.

Additional information on the County's long-term debt and subsequent debt issuances can be found in Note 9 and Note 21 in the notes to the financial statements.

## Economic Factors

The following economic factors currently affect the County and were considered in the development of the 2015 fiscal year budget.

- ❖ 2014 was a reassessment year. Overall, countywide values increased by 4.2%. Real property tax rates were set at \$0.86, \$374,000 short of equalization.
- ❖ Personal property tax rates rose from \$6.37 to \$6.78. This increase of \$0.41 is less than the projected needed rate of \$7.03 to cover a gap relating to an estimated 9.4% drop in NADA vehicle values.
- ❖ The County continues to report lower unemployment rates versus its State and National counterparts. The County's unemployment rate as of June 30, 2014 was 5.0% down from 5.3% in the prior year.
- ❖ County population and student enrollment saw modest growth over the past year of an estimated 1% and 0.2%, respectively.
- ❖ Estimated 4.6% increase in health insurance costs.
- ❖ A net of 19 new full-time positions, 11 in public safety, 2 in general government, and 4 in Utilities to meet workload demands.

## Debt Position Indicators

For Fiscal Years 2014 and 2013

	Ratio of debt service to expenditures	Ratio of debt to assessed value
2014	9.6%	1.9%
2013	10.0%	2.0%
Adopted Policy	Not to exceed 10-12%	Not to exceed 3-4%

Table 7

- ❖ 2% cost of living adjustment for county employees.

Additional information pertaining to the County's economic activity over the past year can be found in the transmittal letter of this report.

### **Request for Information**

This financial report is designed to provide our management, citizens, investors, and creditors 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.

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## ***BASIC FINANCIAL STATEMENTS***

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COUNTY OF SPOTSYLVANIA, VIRGINIA  
STATEMENT OF NET POSITION  
June 30, 2014

Exhibit I

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
<b>ASSETS</b>				
Cash and investments - pooled equity	\$ 90,739,384	\$ 67,938,802	\$ 158,678,186	\$ 3,403,905
Receivables, net	109,670,624	7,186,011	116,856,635	6,771,621
Prepaid items	831,259	215,418	1,046,677	204,258
Inventory	-	686,934	686,934	253,067
Due from Primary Government	-	-	-	24,477,536
Other assets	90	-	90	-
Restricted cash and investments	32,235,865	14,225,432	46,461,297	54,877
Claim reserves held by others	-	-	-	12,508,225
Capital assets, net:				
Non-depreciable assets	27,528,982	19,381,034	46,910,016	11,213,057
Depreciable assets	93,446,411	277,906,953	371,353,364	304,295,510
Total assets	<u>\$ 354,452,615</u>	<u>\$ 387,540,584</u>	<u>\$ 741,993,199</u>	<u>\$ 363,182,056</u>
<b>DEFERRED OUTFLOWS</b>				
Deferred loss on debt refunding	<u>\$ 1,324,224</u>	<u>\$ 1,747,459</u>	<u>\$ 3,071,683</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 4,435,834	\$ 1,728,500	\$ 6,164,334	\$ 3,455,125
Retainage payable	20,957	158,976	179,933	70,390
Accrued salaries and benefits	928,555	133,204	1,061,759	23,258,991
Accrued interest	4,404,432	394,824	4,799,256	-
Other accrued liabilities	2,008,319	131,013	2,139,332	-
Grant advancements	157,137	-	157,137	-
Due to component unit	24,477,536	-	24,477,536	-
Deposits	3,812,198	126,789	3,938,987	-
Noncurrent liabilities:				
Due within one year	23,805,471	4,700,025	28,505,496	5,455,517
Due in more than one year	295,528,346	140,638,802	436,167,148	89,969,567
Total liabilities	<u>\$ 359,578,785</u>	<u>\$ 148,012,133</u>	<u>\$ 507,590,918</u>	<u>\$ 122,209,590</u>
<b>DEFERRED INFLOWS</b>				
Unavailable revenues:				
Property taxes	\$ 72,753,432	\$ -	\$ 72,753,432	\$ -
Special assessments	250,401	-	250,401	-
Total deferred inflows	<u>\$ 73,003,833</u>	<u>\$ -</u>	<u>\$ 73,003,833</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 57,709,059	\$ 157,569,726	215,278,785	\$ 315,508,567
Restricted for:				
Debt service	-	5,898,528	5,898,528	-
Capital projects	1,391,848	151,167	1,543,015	3,992,891
Unrestricted	(135,906,686)	77,656,489	(58,250,197)	(78,528,992)
Total net position	<u>\$ (76,805,779)</u>	<u>\$ 241,275,910</u>	<u>\$ 164,470,131</u>	<u>\$ 240,972,466</u>

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

COUNTY OF SPOTSYLVANIA, VIRGINIA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

Exhibit II

Page 1

Functions/Programs	Expenses	Program Revenues			Primary Government
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contribution	Governmental Activities
Primary Government:					
General government	\$ 13,907,176	\$ 309,555	\$ 545,899	\$ -	\$ (13,051,722)
Judicial administration	8,437,972	795,886	1,587,030	712	(6,054,344)
Public safety	48,206,277	5,949,962	4,710,450	167,881	(37,377,984)
Public works	12,578,306	1,940,221	20,730	-	(10,617,355)
Health and welfare	18,523,550	5,754	9,206,450	-	(9,311,346)
Education	102,668,827	-	-	-	(102,668,827)
Parks, recreation and cultural	7,962,029	733,894	-	-	(7,228,135)
Community development	8,286,226	945,952	105,669	3,612,774	(3,621,831)
Interest on long-term debt	11,776,568	-	-	-	(11,776,568)
Total governmental activities	\$ 232,346,931	\$ 10,681,224	\$ 16,176,228	\$ 3,781,367	\$ (201,708,112)
Business-type activities:					
Water and sewer	33,002,558	28,425,379	500,244	6,292,370	
Total Primary Government	<u>\$ 265,349,489</u>	<u>\$ 39,106,603</u>	<u>\$ 16,676,472</u>	<u>\$ 10,073,737</u>	
Component unit:					
Public school system	<u>\$ 257,653,605</u>	<u>\$ 8,236,825</u>	<u>\$ 135,293,660</u>	<u>\$ 587,984</u>	
General revenues:					
Taxes					
Property taxes					\$ 151,439,589
Sales taxes					20,510,949
Utility taxes					3,289,592
Business licenses					4,025,617
Rental taxes					1,258,894
Motor vehicle licenses					2,829,608
Bank stock taxes					568,226
Recordation taxes					2,136,480
Meals taxes					7,630,538
Fuel taxes					9,368,106
Grants and contributions not restricted to specific programs					15,566,272
Payments from Primary Government					-
Interest and investment earnings					497,734
Miscellaneous					115,358
Transfers					(364,969)
Total general revenues and transfers					<u>\$ 218,871,994</u>
Change in net position					\$ 17,163,882
Net position, beginning, as restated (note 20)					(93,969,661)
Net position, ending					<u>\$ (76,805,779)</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

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		\$ (13,051,722)	
Judicial		(6,054,344)	
Public safety		(37,377,984)	
Public works		(10,617,355)	
Health and welfare		(9,311,346)	
Education		(102,668,827)	
Parks, recreation and cultural		(7,228,135)	
Community development		(3,621,831)	
Interest on long-term debt		(11,776,568)	
Total governmental activities		\$ (201,708,112)	
Business-type activities:			
Water and sewer	2,215,435	2,215,435	
Total Primary Government	\$ 2,215,435	\$ (199,492,677)	
Component unit:			
Public school system			\$ (113,535,136)
General revenues:			
Taxes			
Property taxes	\$ -	\$ 151,439,589	\$ -
Sales taxes	-	20,510,949	-
Utility taxes	-	3,289,592	-
Business licenses	-	4,025,617	-
Rental taxes	-	1,258,894	-
Motor vehicle licenses	-	2,829,608	-
Bank stock taxes	-	568,226	-
Recordation taxes	-	2,136,480	-
Meals taxes	-	7,630,538	-
Fuel taxes	-	9,368,106	-
Grants and contributions not restricted to specific programs	-	15,566,272	-
Payments from Primary Government	-	-	102,454,221
Interest and investment earnings	378,430	876,164	15,068
Miscellaneous	18,465	133,823	282,435
Transfers	364,969	-	-
Total general revenues and transfers	\$ 761,864	\$ 219,633,858	\$ 102,751,724
Change in net position	\$ 2,977,299	\$ 20,141,181	\$ (10,783,412)
Net position, beginning, as restated (note 20)	238,298,611	144,328,950	251,755,878
Net position, ending	\$ 241,275,910	\$ 164,470,131	\$ 240,972,466

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

COUNTY OF SPOTSYLVANIA, VIRGINIA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2014

Exhibit III

Page 1

	Governmental Funds			
	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments - pooled equity	\$ 70,023,997	\$ 15,967,284	\$ 4,748,103	\$ 90,739,384
Receivables, net	95,006,067	5,709,161	8,978,024	109,693,252
Other assets	-	-	90	90
Restricted cash and investments	-	31,187,432	1,048,433	32,235,865
Total assets	<u>\$ 165,030,064</u>	<u>\$ 52,863,877</u>	<u>\$ 14,774,650</u>	<u>\$ 232,668,591</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,468,811	\$ 1,913,761	\$ 53,262	\$ 4,435,834
Retainage payable	-	20,957	-	20,957
Accrued salaries and benefits	867,739	6,343	54,473	928,555
Other accrued liabilities	1,828,456	58,976	3,016	1,890,448
Due to component unit	19,583,751	4,893,785	-	24,477,536
Deposits	2,824,970	305,301	681,927	3,812,198
Grants advanced payments	157,137	-	-	157,137
Total liabilities	<u>\$ 27,730,864</u>	<u>\$ 7,199,123</u>	<u>\$ 792,678</u>	<u>\$ 35,722,665</u>
<b>DEFERRED INFLOWS</b>				
Unavailable revenue:				
Property taxes	\$ 78,365,539	\$ -	\$ 347,674	\$ 78,713,213
Special assessments	-	250,401	-	250,401
Other revenues	1,805,206	4,430,518	150,214	6,385,938
Total deferred inflows	<u>\$ 80,170,745</u>	<u>\$ 4,680,919</u>	<u>\$ 497,888</u>	<u>\$ 85,349,552</u>
<b>FUND BALANCES</b>				
Restricted	\$ 1,589,966	\$ 26,201,318	\$ 9,153,247	\$ 36,944,531
Committed	2,588,288	12,308,863	3,991,241	18,888,392
Assigned	9,858,745	2,473,654	339,596	12,671,995
Unassigned	43,091,456	-	-	43,091,456
Total fund balances	<u>\$ 57,128,455</u>	<u>\$ 40,983,835</u>	<u>\$ 13,484,084</u>	<u>\$ 111,596,374</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 165,030,064</u>	<u>\$ 52,863,877</u>	<u>\$ 14,774,650</u>	<u>\$ 232,668,591</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, 2014

Page 2

Total fund balances - governmental funds (Exhibit III) \$ 111,596,374

*Amounts reported for governmental activities in the Statement of Net Position (Exhibit II) are different because:*

Prepaid expenses used current resources and, therefore, are not reported in the governmental funds. 831,259

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Non-depreciable assets	\$ 27,528,982	
Depreciable assets	<u>93,446,411</u>	
		120,975,393

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 and notes payable, net of related costs	\$ (284,614,251)	
Deferred loss on debt refunding	1,324,224	
Accrued interest	(4,404,432)	
Compensated absences	(4,186,817)	
Landfill closure obligation	(7,350,617)	
Other postemployment benefits	(22,311,174)	
Insurance claims	(849,658)	
Other liabilities	<u>(43,926)</u>	
		(322,436,651)

Revenue not considered available in governmental funds is susceptible to full accrual on the entity-wide statements.

Property taxes	\$ 5,959,781	
Grant revenues	4,490,009	
Sales tax	1,436,772	
Other revenues	<u>459,157</u>	
		12,345,719

Expenses not due and payable in the current period and, therefore, are not reported in the governmental funds. (117,873)

Total net position - governmental activities (Exhibit I) \$ (76,805,779)

COUNTY OF SPOTSYLVANIA, VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

Exhibit IV

Page 1

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
General property taxes	\$ 151,223,334	\$ 33,621	\$ 688,865	\$ 151,945,820
Other local taxes	42,249,904	-	9,421,871	51,671,775
Permits, fees and regulatory licenses	246,380	-	2,438,789	2,685,169
Fines and forfeitures	544,449	-	-	544,449
From use of money and property	884,114	190,613	18,556	1,093,283
Charges for services	4,135,441	-	2,939,521	7,074,962
Gifts and donations	154,231	167,903	427,069	749,203
Miscellaneous	145,918	-	1,500	147,418
Intergovernmental	31,566,389	6,336,463	-	37,902,852
Total revenues	<u>\$ 231,150,160</u>	<u>\$ 6,728,600</u>	<u>\$ 15,936,171</u>	<u>\$ 253,814,931</u>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 11,212,302	\$ 321,958	\$ -	\$ 11,534,260
Judicial administration	6,766,622	-	-	6,766,622
Public safety	41,338,015	-	2,961,331	44,299,346
Public works	8,671,703	-	-	8,671,703
Health and welfare	18,041,782	-	-	18,041,782
Education	102,668,827	-	-	102,668,827
Parks, recreation and cultural	6,812,660	-	-	6,812,660
Community development	3,106,586	-	2,161,678	5,268,264
Non-departmental	847,548	-	-	847,548
Capital projects	-	14,020,816	-	14,020,816
Debt service:				
Principal retirement	23,047,275	-	2,121,487	25,168,762
Interest and other fiscal charges	11,069,463	-	1,482,460	12,551,923
Bond issuance costs	185,009	11,510	-	196,519
Total expenditures	<u>\$ 233,767,792</u>	<u>\$ 14,354,284</u>	<u>\$ 8,726,956</u>	<u>\$ 256,849,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,617,632)</u>	<u>\$ (7,625,684)</u>	<u>\$ 7,209,215</u>	<u>\$ (3,034,101)</u>
Other financing sources (uses):				
Transfers in (out)	\$ (7,540,201)	\$ 9,796,496	\$ (2,621,264)	\$ (364,969)
Proceeds from sale of bonds	11,802,716	7,800,284	-	19,603,000
Bonds issued for refunding	11,695,000	-	-	11,695,000
Payment to escrow for refunded debt	(11,583,708)	-	-	(11,583,708)
Total other financing sources (uses)	<u>\$ 4,373,807</u>	<u>\$ 17,596,780</u>	<u>\$ (2,621,264)</u>	<u>\$ 19,349,323</u>
Net change in fund balances	<u>\$ 1,756,175</u>	<u>\$ 9,971,096</u>	<u>\$ 4,587,951</u>	<u>\$ 16,315,222</u>
Fund balance, beginning	<u>55,372,280</u>	<u>31,012,739</u>	<u>8,896,133</u>	<u>95,281,152</u>
Fund balance, ending	<u><u>\$ 57,128,455</u></u>	<u><u>\$ 40,983,835</u></u>	<u><u>\$ 13,484,084</u></u>	<u><u>\$ 111,596,374</u></u>

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

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

June 30, 2014

Page 2

Net changes in governmental fund balances (Exhibit IV): \$ 16,315,222

*Amounts reported for governmental activities 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	\$ 11,051,982	
Depreciation expense	<u>(6,939,054)</u>	
		4,112,928

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	\$ (17,915,000)
Issuance of revenue and refunding bonds	(13,383,000)

Debt reductions:

Principal payments on bonds	25,168,762
Payment to escrow for refunded debt	<u>11,583,708</u>
	5,454,470

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements. (3,939,150)

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	\$ (3,998,111)	
Accrued interest	414,086	
Amortization of bond related costs	638,106	
Landfill closure obligation	(1,709,964)	
Compensated absences	(254,267)	
Insurance claims	(67,797)	
Other claims & judgments	482,122	
Change in prepaid expenses	(319,875)	
Other expenses	<u>36,112</u>	
		(4,779,588)

Change in net position - governmental activities (Exhibit II) \$ 17,163,882

COUNTY OF SPOTSYLVANIA, VIRGINIA  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
June 30, 2014

Exhibit V

	<u>Water &amp; Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments - pooled equity	\$ 67,938,802
Receivables, net	7,186,011
Inventory	686,934
Prepaid items	215,418
Restricted cash and investments	<u>14,225,432</u>
Total current assets	<u>\$ 90,252,597</u>
Noncurrent assets:	
Capital assets, net:	
Land and construction in progress	\$ 19,381,034
Depreciable assets	<u>277,906,953</u>
Total noncurrent assets	<u>\$ 297,287,987</u>
Total assets	<u>\$ 387,540,584</u>
<b>DEFERRED OUTFLOWS</b>	
Deferred loss on debt refunding	<u>\$ 1,747,459</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 1,728,500
Retainage payable	158,976
Accrued salaries and benefits	133,204
Accrued interest payable	394,824
Other accrued liabilities	131,013
Customer deposits	126,789
Current portion of long-term debt	<u>4,700,025</u>
Total current liabilities	<u>\$ 7,373,331</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>\$ 140,638,802</u>
Total noncurrent liabilities	<u>\$ 140,638,802</u>
Total liabilities	<u>\$ 148,012,133</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 157,569,726
Restricted for:	
Debt service	5,898,528
Capital projects	151,167
Unrestricted	<u>77,656,489</u>
Total net position	<u><u>\$ 241,275,910</u></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 NET POSITION -  
 PROPRIETARY FUND**  
 Year Ended June 30, 2014

*Exhibit VI*

	Water & Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 26,648,567
Other operating revenues	<u>1,776,812</u>
Total operating revenues	<u>\$ 28,425,379</u>
OPERATING EXPENSES	
Personnel services	\$ 6,072,802
Fringe benefits	3,073,674
Contractual services	1,923,196
Materials and supplies	2,144,815
Depreciation	10,079,272
Other services and charges	<u>3,748,632</u>
Total operating expenses	<u>\$ 27,042,391</u>
Operating income	<u>\$ 1,382,988</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and fiscal charges	\$ (5,812,437)
Bond issuance costs	(147,730)
Interest income	378,430
Intergovernmental revenues	500,244
Miscellaneous income	<u>18,465</u>
Total non-operating revenues (expenses), net	<u>\$ (5,063,028)</u>
Loss before contributions and transfers	<u>\$ (3,680,040)</u>
Capital contributions:	
Availability fees	\$ 3,776,270
Other capital contributions	<u>2,516,100</u>
Total capital contributions	<u>\$ 6,292,370</u>
Transfers from other funds	<u>364,969</u>
Total capital contributions and transfers	<u>\$ 6,657,339</u>
Change in net position	<u>\$ 2,977,299</u>
Net position, beginning, as restated (note 20)	<u>238,298,611</u>
Net position, ending	<u><u>\$ 241,275,910</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  
Year Ended June 30, 2014

Exhibit VII

Page 1

Water &  
Sewer Fund

Cash flows from operating activities:	
Receipts from water and sewer customers	\$ 26,697,763
Receipts from other operating revenues	1,836,613
Receipt of customer deposits	12,530
Payments to suppliers and service providers	(7,538,648)
Payments to employees for salaries and benefits	(8,599,675)
Return of customer deposits	(20,338)
Net cash provided by operating activities	<u>\$ 12,388,245</u>
Cash flows from noncapital financing activities	
Receipt of intergovernmental revenue	\$ 500,244
Transfers in	364,969
Net cash provided by noncapital financing activities	<u>\$ 865,213</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (7,241,282)
Principal paid on capital debt	(4,220,000)
Interest paid on capital debt	(6,387,112)
Proceeds from revenue refunding bonds issued	21,330,000
Payment to escrow agent for refunded debt	(21,330,745)
Receipt of capital grants	857,909
Receipt of availability fees	3,739,659
Net cash used for capital and related financing activities	<u>\$ (13,251,571)</u>
Cash flows from investing activities:	
Purchase of investment securities	\$ (76,287,203)
Sale of investment securities	75,643,553
Interest on investments	758,288
Net cash provided by investing activities	<u>\$ 114,638</u>
Net increase in cash and cash equivalents	\$ 116,525
Cash and cash equivalents:	
Beginning	21,392,943
Ending	<u><u>\$ 21,509,468</u></u>
Shown on the combined balance sheet as:	
Cash and investments - pooled equity	\$ 67,938,802
Restricted cash and investments	14,225,432
	<u>\$ 82,164,234</u>
Less investments	60,654,766
Cash and cash equivalents, unrestricted and restricted	<u><u>\$ 21,509,468</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
Year Ended June 30, 2014

Exhibit VII

Page 2

	<u>Water &amp; Sewer Fund</u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 1,382,988
Depreciation	10,079,272
Changes in assets and liabilities:	
Decrease in accounts receivable	108,998
Increase in inventory	(86,255)
Increase in accounts payable	364,249
Increase in salary and benefits payable	546,801
Decrease in customer deposits payable	<u>(7,808)</u>
Net cash provided by operating activities	<u>\$ 12,388,245</u>
Noncash investing, capital and financing activities:	
Contribution of capital assets	\$ 1,168,559
Net change in fair value of investments	(2,298)

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

COUNTY OF SPOTSYLVANIA, VIRGINIA  
STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2014

*Exhibit VIII*

	Agency Funds
ASSETS	
Cash	\$ 306,534
Total assets	<u>\$ 306,534</u>
LIABILITIES	
Amounts held for others	\$ 306,534
Total liabilities	<u>\$ 306,534</u>

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

## Note 1

### Summary of Significant Accounting Policies

#### BASIS OF PRESENTATION

The accompanying financial statements of the County of Spotsylvania, Virginia (County), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States. The following is a summary of the County's significant accounting policies.

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

The accompanying financial statements present the County and its component unit, an entity for which the County is considered to be financially accountable. Blended component units are, in substance, part of the Primary Government's operations, even though they are legally separate enti-

ties. 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 School Board (School Board) has been included as a discretely presented component unit of the County. The School Board is a corporate body vested with all the duties, obligations, and responsibilities imposed upon a School Board by law. This includes the ability to sue, be sued, contract, be contracted with, and purchase, take, hold, lease, and convey school property, both real and personal. School Board members are elected to four-year terms by the voters of the district in which the member resides. The County Board of Supervisors administers the School Board's appropriation of funds and authorizes school debt issuances. The School Board does not issue separate financial statements.

#### FINANCIAL REPORTING STRUCTURE

The basic financial statements include government-wide financial statements and fund financial statements. The County presents its financial information in conformance with GAAP.

#### ***Government-wide Financial Statements***

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the County as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the County as well as its discretely presented component unit. In the Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis using an accrual basis and the economic resources measurement focus, which incorporates capital assets and long-term debt and

obligations. The Statement of Activities reflects both the gross and net cost per government function. Functional expenses, which include depreciation and amortization, are netted against program revenues to present the net cost of each function. Certain general government administrative overhead expenses are charged to various other functions of the County as direct expenses. Program revenues represent charges for services, operating and capital grants, and contributions that are directly associated with the function or business activity. Non-program specific revenues (e.g. such as taxes, interest, and multi-purpose grants) are reported as general revenues.

Fiduciary funds are presented in the fund financial statements by type. The assets of fiduciary funds are held for the benefit of others and cannot be used to address activities or obligations of the government. They are, therefore, not incorporated in the government-wide financial statements.

### Fund Financial Statements

The County uses funds, a self-balancing set of accounts, to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance, the source and use of financial resources, and how the County's actual experience conforms to the budget. Separate statements for each fund category - governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Since the fund financial statements are presented using a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation between the two statements is provided to explain adjustments nec-

essary to restate the fund based financial statements to the government-wide presentation.

#### *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 inter-governmental 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** accounts for the activities of the water and sewage treatment plants, sewage pumping stations and collection systems, and the water distribution system.

#### *County's Fiduciary Funds:*

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

#### *County's Non-major Special Revenue Funds:*

The **Fire and EMS Service Fee Fund** was established 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.

#### MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL PRESENTATION

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 transactions or events for recognition in the financial statements.

The *government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column. Bond premi-

ums and discounts are deferred and amortized over the life of the bonds and bonds payable is reported net of the applicable bond premium or discount. Prepaid insurance related to debt issuances are reported in the asset section of the Statement of Net Position and amortized over the life of the bonds.

The *governmental fund financial statements* are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County its Component Unit – School Board generally considers revenues to be available if they are collected within 45 days after year-end.

Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as deferred inflows – unavailable revenues. Derived tax revenues, such as fuel and utility taxes that are collected by the Commonwealth or utility companies and subsequently remitted to the County, are recognized as revenues and receivables when the underlying exchange transaction occurs, which is generally two months preceding receipt by the County. For purposes of revenue recognition, the County and School Board consider sales tax payments received within 30 days of year-end to be available. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Intergovernmental revenues are considered available when collected by the County and School Board within 45 and 90 days from the end of the fiscal year, re-

spectively. Interest revenues are recorded as earned. All other revenue items are considered to be measurable and available when cash is received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

*Proprietary funds* are reported using the *economic resources measurement focus* and the *accrual basis of accounting* similar to the government-wide financial statements.

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. Operating expenses include the direct costs of providing these services, administrative expenses, depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Agency funds* have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

## BUDGET INFORMATION

### *Budgetary Basis of Accounting*

Annual budgets are adopted on a basis consistent with GAAP for the General Fund with the exception of the reporting of debt service for School Board related debt. For GAAP purposes, School

Board debt is reported in the Primary Government; however, the County reports these debt service payments in the component unit - School Board for budgetary purposes. A detailed reconciliation between GAAP and budgetary basis of reporting is provided in the Notes to the Required Supplementary Information for the Budgetary Comparison Schedule – General Fund.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. 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.

### ***Cash and Cash Equivalents***

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### ***Investments***

Investments for the County, as well as its component unit, are reported at fair value based on quoted market prices. Positions in the Local Government's Investment Pool (LGIP) and the Virginia State Non-Arbitrage Program (SNAP) operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, each is reported at the net asset value per share which approximates fair value.

The County utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated only when contractually or legally required. All investment earnings not legally or contractually assigned are credited to the General Fund.

### ***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, 2014. All receivables are reported net of an allowance for uncollectible accounts using the aging analysis method.

### ***Property Taxes***

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 – unavailable revenues since 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.

### ***Interfund Balances and Transfers***

During the course of operations, the County has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Exceptions to this general rule are for charges between the County's Water and Sewer Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

### ***Inventories***

Business-type activity inventories consist of expendable supplies and necessary repair and spare parts for vehicles, water and wastewater systems. Inventories are expensed when consumed and are valued at the lower of cost or market and adjusted annually for obsolescence.

### ***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide state-

ments and recorded as an expense when consumed rather than when purchased.

### **Capital Assets**

Capital assets, which include property, plant, equipment, 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 estimated fair market value on the acquisition date. 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 2014, the Water & Sewer Fund incurred \$6.2 million in interest costs of which \$4 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. The term depreciation is used in the accompanying financial statements to describe both depreciation and amortization. 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

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the financial statements may report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. Currently, the County only reports one item, a deferred loss on refunding reported in Statement of Net Position. A deferred loss 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 refunding debt.

In addition to liabilities, the financial statements may report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Cur-

rently, the County only reports unavailable revenues, in both the modified accrual Balance Sheet – Governmental Funds and the full accrual Statement of Net Position. Unavailable revenues may result from revenue of a governmental fund that is not recognized solely because it is not yet considered to be *available*, and property taxes and special assessments received or recognized as a receivable prior to the period they are intended to finance.

### ***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.

### **Fund Balance**

The County reports fund balance in the following classifications which describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

*Nonspendable* - amounts that cannot be spent because they are not in spendable form, or are required to remain intact legally or contractually.

*Restricted Fund Balance* – Amounts constrained to a specific purpose by their providers, through constitutional provisions, or by enabling legislation.

*Committed Fund Balance* – Amounts constrained to specific purposes by the County, using its highest level of decision-making authority (i.e. Board). To be reported as committed, amounts cannot be used for any other purpose unless the County

takes the same highest level action to remove or change the constraint.

*Assigned Fund Balance* – Amounts that the County intends to use for specific purposes, but that do not meet the criteria as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent the intent as expressed by the Board, however, unlike commitments, assignments generally only exist temporarily and additional action is not normally required to be taken for the removal of assignments.

*Unassigned Fund Balance* – Amounts that are available for any purpose.

### ***Fund Balance Classification***

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.

### ***Net Position***

Net position is comprised of three categories: Net investments in capital assets; restricted net position; and unrestricted net position.

Net investments in capital assets reflects 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 are either externally imposed by creditors or imposed by law. Net position which is neither restricted nor related to capital assets is reported as unrestricted net position. 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. The County reports this debt, whereas the School Board reports the related capital assets.

**Table 1**  
**Reclassification of County Issued School Debt**

	<b>Primary Government</b>	<b>Component Unit School Board</b>	<b>School Board Related Debt</b>	<b>Total Reporting Entity</b>
Net investment in capital assets	\$ 215,278,785	\$ 315,508,567	\$ (170,963,564)	\$ 359,823,788
Restricted	7,441,543	3,992,891	-	11,434,434
Unrestricted	(58,250,197)	(78,528,992)	170,963,564	34,184,375
Total net position	<u>\$ 164,470,131</u>	<u>\$ 240,972,466</u>	<u>\$ -</u>	<u>\$ 405,442,597</u>

As a result, in the Statement of Net Position (Exhibit I), the debt reduces unrestricted net position for the Primary Government, while the capital assets are reported in the School Board's net investments in capital assets. The School Board's debt amount of \$171.0 million is reclassified as shown above in Table 1 to present the total reporting entity column of Exhibit I.

## Note 2

### Deposits and Investments

#### DEPOSITS

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia (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 are considered fully collateralized.

#### 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 (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper, negotiable bank and certain corporate notes, banker's acceptances; repurchase agreements, and the State Treasurer's Local Governmental Investment Pool (LGIP), and the Virginia State Non-Arbitrage Program (SNAP).

#### *External Investment Pools*

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. The LGIP reports to the Treasury Board at their regularly scheduled meetings, and the fair value of the position in the LGIP is the same as the value of the pool shares. Investments authorized by the LGIP are the same as those authorized for local governments in Section 2.2-4500 et seq. of the Code of Virginia.

The County also invests in SNAP. The Virginia Treasury Board sponsors the SNAP program and has hired investment managers to provide investment, accounting and arbitrage calculation services for the proceeds of tax-exempt financings of Virginia governments. The Fund invests only in those instruments in which such governmental units are permitted to invest directly under Section 2.2-4500 of the Code of Virginia. The Fund is managed in accordance with Rule 2a-7 under the Investment Company Act of 1940, as amended. In keeping with Rule 2a-7, and with procedures established by the SNAP Board of Trustees, SNAP limits its investments to those that the advisor believes presents minimal credit risk and maintains a

stable net asset value of \$1.00 per share.

### POOLED CASH AND INVESTMENTS

As of June 30, 2014, the County and its discretely presented component unit pooled cash and investments of \$208.9 million, including \$306,534 in agency funds, are subject to various interest rate, credit, concentration of credit, and custodial credit risk as described below.

#### *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,

**Table 2**  
**Fair Value and Weighted Average Maturity of Investments**

<b>Pooled Cash &amp; Investments by Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (in years)</b>
Local Government Investment Pool (LGIP)	\$ 5,071,282	0.0002
State Non-Arbitrage Program (SNAP)	39,624,797	0.0015
Other money markets & mm mutual funds	29,699,152	0.0011
Repurchase agreements	1,831,872	0.0028
U.S. Treasury obligations	17,610,006	2.1378
Federal agency obligations	52,282,612	2.1986
Commercial paper	12,196,413	0.2251
Corporate notes	15,700,751	1.7418
Certificates of deposit	20,001,195	0.7520
Total investments:	\$ 194,018,080	
Portfolio weighted average maturity:		1.0420
Cash on hand	3,255	
Deposits	14,883,464	
<b>Total pooled cash and investments:</b>	<b>208,904,799</b>	
<b>Reconciliation of pooled cash and investments:</b>		
Exh I: Primary government cash and investments	\$ 205,139,483	
Exh I: Component unit cash and investments	3,458,782	
Exh VIII: Agency funds cash	306,534	
	<b>\$ 208,904,799</b>	

however, debt service reserve funds with longer term investment horizons may be invested in securities exceeding five years if the maturity of such investment is made to coincide with the expected use of funds. The County manages its exposure to declines in fair values by limiting the weighted

average maturity (WAM) of its investment portfolio to less than 3 years as shown in Table 2. 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 3 below defines the level of quality acceptable by investment type.

Table 3 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 of one year or less and at least AA for maturities over one year	20%	5%
Money market mutual funds	AAA or equivalent and complies with Rule 2(a)7	100%	50%
Repurchase agreements	AA or equivalent	35%	35%

Pooled investments reported by credit quality and exposure consist of the following at June 30, 2014:

Table 4 Pooled Investments Reported by Credit Quality and Exposure			
Investments by Type	Fair Value	Credit Quality Rating	Credit Exposure
Local Government Investment Pool (LGIP)	\$ 5,071,282	AAAm	2.61%
State Non-Arbitrage Program (SNAP)	39,624,797	AAAm	20.42%
Other money market mutual funds	29,699,152	AAAm	15.31%
Repurchase agreements	1,831,872	AAA	0.94%
U.S. Treasury obligations	17,610,006	AA	9.08%
Federal agency obligations	52,282,612	AA	26.95%
Commercial paper	12,196,413	A-1	6.29%
Corporate notes	15,700,751	AAA(6%)/ AA(94%)	8.09%
Certificates of deposit	20,001,195	AA(14%)/ A(86%)	10.31%
<b>Total investments:</b>	<b>\$ 194,018,080</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, 2014, investments in the following issuers exceeded five percent of the pooled investments.

**Issuer**

Federal National Mortgage Association	10.47%
Federal Home Loan Bank	7.29%
Federal Home Loan Mortgage Corporation	6.02%

*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, 2014 consist of the following:

<b>Table 5</b>				
<b>Receivables</b>				
	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>School Board</b>
Special assessments	\$ 250,401	\$ -	\$ 250,401	\$ -
Property taxes				
Delinquent	11,331,210	-	11,331,210	-
Not yet due	72,753,432	-	72,753,432	-
Fuel taxes	8,059,757	-	8,059,757	-
EMS transport fees	1,524,072	-	1,524,072	-
Utility operations	-	7,520,046	7,520,046	-
Accounts - other	6,211,405	-	6,211,405	276,858
Intergovernmental - Federal	5,326,625	-	5,326,625	2,168,991
Intergovernmental - State	8,485,293	24,762	8,510,055	4,325,772
Gross receivables	\$ 113,942,195	\$ 7,544,808	\$ 121,487,003	\$ 6,771,621
Allowance for uncollectibles	(4,271,571)	(358,797)	(4,630,368)	-
<b>Net total receivables</b>	<b>\$ 109,670,624</b>	<b>\$ 7,186,011</b>	<b>\$ 116,856,635</b>	<b>\$ 6,771,621</b>

## Note 4

### Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

**Table 6**  
**Capital Assets - Governmental Activities**

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 15,250,924	\$ 635,792	\$ -	\$ 15,886,716
Intangibles	57,563	-	57,563	-
Construction in progress	4,249,488	8,596,053	1,203,275	11,642,266
Total capital assets, not being depreciated	\$ 19,557,975	\$ 9,231,845	\$ 1,260,838	\$ 27,528,982
Capital assets being depreciated:				
Buildings & improvements	\$ 107,510,618	\$ 293,582	\$ 26,065	\$ 107,778,135
Furniture, equipment & vehicles	51,247,014	2,729,830	860,280	53,116,564
Total capital assets, being depreciated	158,757,632	3,023,412	886,345	160,894,699
Less accumulated depreciation for:				
Buildings & improvements	28,247,608	3,829,432	26,066	32,050,974
Furniture, equipment & vehicles	33,062,031	3,109,622	774,339	35,397,314
Total accumulated depreciation	61,309,639	6,939,054	800,405	67,448,288
Total capital assets being depreciated, net	\$ 97,447,993	\$ (3,915,642)	\$ 85,940	\$ 93,446,411
<b>Governmental activities capital assets, net</b>	<b>\$ 117,005,968</b>	<b>\$ 5,316,203</b>	<b>\$ 1,346,778</b>	<b>\$ 120,975,393</b>

Depreciation expense was charged to the functions of the governmental activities of the Primary Government as follows:

General government	\$ 1,142,233
Judicial administration	1,254,622
Public safety	2,780,801
Public works	626,884
Health and welfare	28,047
Parks and recreation	1,063,197
Community development	43,270
	<u>\$ 6,939,054</u>

Construction in progress from governmental activities for the year ended June 30, 2014 was as follows:

**Table 7**  
**Construction in Progress - Governmental Activities**

	<b>Project Authorization</b>	<b>Spent to Date</b>	<b>Committed Funding</b>	<b>Required Future Financing</b>
<b>Governmental Activity Projects</b>				
Replace fire station no. 5	\$ 5,132,079	\$ 726,509	\$ 4,405,570	\$ -
Lee Hill fire & rescue station	3,463,002	203,383	3,259,619	-
Enterprise-wide fiber network	1,501,457	763,307	738,150	-
Land assessment & tax systems	1,530,446	793,310	737,136	-
Public safety radio system enhancement	14,614,684	8,117,301	6,497,383	-
Financial system upgrade	649,170	220,624	428,546	-
Courthouse area streetscape	1,631,243	208,832	1,422,411	-
Other projects	739,451	609,000	130,451	-
	<u>\$ 29,261,532</u>	<u>\$ 11,642,266</u>	<u>\$ 17,619,266</u>	<u>\$ -</u>

Capital asset activity of the Water and Sewer Fund for the year ended June 30, 2014 was as follows:

**Table 8**  
**Capital Assets - Business-type Activities**

	<b>Balance July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>
Capital assets, not being depreciated:				
Land	\$ 9,749,070	\$ 109,160	\$ 77,000	\$ 9,781,230
Construction in progress	5,688,118	5,119,136	1,207,450	9,599,804
Total capital assets, not being depreciated	<u>\$ 15,437,188</u>	<u>\$ 5,228,296</u>	<u>\$ 1,284,450</u>	<u>\$ 19,381,034</u>
Capital assets being depreciated:				
Buildings & improvements	\$ 163,981,969	\$ -	\$ 14,392	\$ 163,967,577
Furniture, equipment & vehicles	12,159,868	1,807,621	200,657	13,766,832
Water & sewer systems	221,448,518	3,020,893	-	224,469,411
Purchased sewer capacity	2,073,958	-	-	2,073,958
Total capital assets, being depreciated	<u>399,664,313</u>	<u>4,828,514</u>	<u>215,049</u>	<u>404,277,778</u>
Less accumulated depreciation for:				
Buildings & improvements	48,816,848	4,675,769	12,053	53,480,564
Furniture, equipment & vehicles	5,389,473	774,506	200,654	5,963,325
Water & sewer systems	62,194,241	4,587,518	-	66,781,759
Purchased sewer capacity	103,698	41,479	-	145,177
Total accumulated depreciation	<u>116,504,260</u>	<u>10,079,272</u>	<u>212,707</u>	<u>126,370,825</u>
Total capital assets being depreciated, net	<u>\$ 283,160,053</u>	<u>\$ (5,250,758)</u>	<u>\$ 2,342</u>	<u>\$ 277,906,953</u>
<b>Business-type activities capital assets, net</b>	<u><b>\$ 298,597,241</b></u>	<u><b>\$ (22,462)</b></u>	<u><b>\$ 1,286,792</b></u>	<u><b>\$ 297,287,987</b></u>

Capital asset activity of the Component unit – School Board for the year ended June 30, 2014 was as follows:

<b>Table 9</b>				
<b>Capital Assets - Component Unit - School Board</b>				
	<b>Balance July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>
<b>Component unit - School Board</b>				
Capital assets, not being depreciated:				
Land	\$ 9,640,200	\$ 8,451	\$ -	\$ 9,648,651
Construction in progress	494,509	1,337,408	267,511	1,564,406
Total capital assets, not being depreciated	\$ 10,134,709	\$ 1,345,859	\$ 267,511	\$ 11,213,057
Capital assets being depreciated:				
Buildings & improvements	\$ 424,342,747	\$ 2,007,425	\$ -	\$ 426,350,172
Furniture, equipment & vehicles	78,996,873	4,538,523	1,460,572	82,074,824
Total capital assets, being depreciated	503,339,620	6,545,948	1,460,572	508,424,996
Less accumulated depreciation for:				
Buildings & improvements	140,507,782	10,253,935	-	150,761,717
Furniture, equipment & vehicles	50,380,935	4,316,342	1,329,508	53,367,769
Total accumulated depreciation	190,888,717	14,570,277	1,329,508	204,129,486
Total capital assets being depreciated, net	\$ 312,450,903	\$ (8,024,329)	\$ 131,064	\$ 304,295,510
<b>Component Unit - School Board capital assets, net</b>	<b>\$ 322,585,612</b>	<b>\$ (6,678,470)</b>	<b>\$ 398,575</b>	<b>\$ 315,508,567</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, 2014 was as follows

<b>Table 10</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>
<b>Component unit - School Board</b>				
Lee Hill Elementary heat pump	\$ 686,923	\$ 652,577	\$ 34,346	\$ -
Lee Hill Elementary partial roof replacement	249,300	3,465	245,835	-
Salem Elementary partial roof replacement	839,390	431,378	408,012	-
Career & Technical Center HVAC	1,107,725	249,988	857,737	-
Elementary School #18	29,831,067	226,998	29,604,069	-
	<u>\$ 32,714,405</u>	<u>\$ 1,564,406</u>	<u>\$ 31,149,999</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 11 summarizes transfers between funds for the Primary Government.

Table 11 Transfers - Primary Government					
Transfers in	Transfers out				Total
	General Fund	Capital Projects Fund	Other Gov't Funds	Water & Sewer Fund	
General fund	\$ -	\$ 322,286	\$ 3,139,060	\$ -	\$ 3,461,346
Capital projects fund	9,864,510	-	473,384	53,614	10,391,508
Other gov't funds	954,363	216,355	-	-	1,170,718
Water and sewer fund	182,674	56,371	179,538	-	418,583
Total	\$ 11,001,547	\$ 595,012	\$ 3,791,982	\$ 53,614	

## 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 \$24.5 million at June 30, 2014 resulted from the time lag between 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 \$166,665, 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

#### PLAN DESCRIPTION

The County participates in the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System).

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn

one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible

to purchase prior public service, active duty military service, periods of leave and previously re-funded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has a different eligibility and benefit structure as set out in the table below:

VRS PLAN 1		VRS PLAN 2	HYBRID RETIREMENT PLAN	
			DEFINED BENEFIT	DEFINED CONTRIBUTION
ABOUT				
Both VRS Plan 1 and 2 are defined benefit plans.			The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan.	
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.	
RETIREMENT CONTRIBUTIONS				
Members contribute up to 5% of their compensation pre-taxed each month. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.			A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Members may also choose to make voluntary contributions to the defined contribution plan that must be matched by the employer according to specified percentages.	
CREDITABLE SERVICE				
Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted.				
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.	
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.	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.	
PURCHASE OF PRIOR SERVICE			
Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service.			Not applicable for defined contribution plans.

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

<http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>

### FUNDING POLICY

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees.

Contribution rates for the County and School Board's non-professional employee group for the fiscal year ended June 30, 2014, were 11.32% and 8.33%, respectively, of their covered payrolls. The contribution rate for the School Board's professional employee group was 11.66% of annual covered payroll, with annual contributions to the teacher cost sharing pool for the fiscal years ending 2014, 2013, and 2012 of \$19,835,388, \$17,608,500, and \$13,114,269 respectively, and

were equal to the actuarially determined required contributions for each year.

### ANNUAL PENSION COST

For fiscal year 2014, the County and School Board's annual pension cost of \$6,825,819 and \$1,179,901 respectively, was equal to the required and actual contributions.

Three-year trend information for Spotsylvania County as follows:

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>% of APC Contributed</b>
June 30, 2014	\$ 6,825,819	100%
June 30, 2013	6,547,886	100%
June 30, 2012	5,418,449	100%

Three-year trend information for Spotsylvania County School Board Non-professional employees as follows:

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>% of APC Contributed</b>
June 30, 2014	\$ 1,179,901	100%
June 30, 2013	1,081,233	100%
June 30, 2012	1,139,170	100%

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for local general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment

rate of return and the projected salary increases also include an inflation component of 2.50%.

The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the

market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued liability (UAAL) was 30 years.

## FUNDED STATUS AND FUNDING PROGRESS

The following schedules of funding progress for the Primary Government and Component Unit - School Board (non-professional), presented as required supplemental information (RSI), presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Table 12 Schedule of Funding Progress - 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
June 30, 2013	\$ 100,776,383	\$ 128,326,767	\$27,550,384	78.53%	\$ 40,463,225	68.09%
June 30, 2012*	93,666,100	124,821,518	31,155,418	75.04%	37,937,681	82.12%
June 30, 2011*	90,410,215	117,501,441	27,091,226	76.94%	37,109,144	73.00%

Table 13 Schedule of Funding Progress - Component Unit - School Board Non-Professional Group						
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
June 30, 2013	\$ 20,474,607	\$ 24,397,086	\$ 3,922,479	83.92%	\$ 9,136,309	42.93%
June 30, 2012*	19,600,593	24,148,836	4,548,243	81.17%	8,480,389	53.63%
June 30, 2011*	19,392,022	23,134,354	3,742,332	83.82%	8,488,154	44.09%

\* Required supplementary information is unaudited.

## Note 9

### Long-term Liabilities

The following Tables 14 and 15 provide a summary of changes in long-term obligations of the reporting entity for the year ended June 30, 2014:

Table 14

## Long-term Liabilities - Primary Government

	Balance July 1, 2013 (Restated)	Increases	Decreases	Balance June 30, 2014	Due Within One Year
<i>Governmental Activities</i>					
General obligation bonds payable:					
Principal of bonds payable	\$ 281,160,027	\$ 31,298,000	\$ 36,508,762	\$ 275,949,265	\$ 22,517,652
Unamortized premiums	9,521,442	-	856,456	8,664,986	-
Total bonds payable*	290,681,469	31,298,000	37,365,218	284,614,251	22,517,652
Compensated absences	3,932,550	4,918,906	4,664,639	4,186,817	264,317
Landfill closure obligation	5,640,653	1,807,508	97,544	7,350,617	152,544
Insurance claims payable	917,455	8,628,820	8,696,617	849,658	849,658
Arbitrage liability	18,750	2,550	-	21,300	21,300
Other postemployment benefits	18,313,063	4,709,000	710,889	22,311,174	-
<b>Total governmental activities</b>	<b>\$ 319,503,940</b>	<b>\$ 51,364,784</b>	<b>\$ 51,534,907</b>	<b>\$ 319,333,817</b>	<b>\$ 23,805,471</b>
<i>Business-type Activities</i>					
Revenue bonds payable:					
Principal of bonds payable	\$ 140,388,333	\$ 21,330,000	\$ 24,630,000	\$ 137,088,333	\$ 4,557,000
Unamortized premiums	4,938,509	-	560,821	4,377,688	-
Total bonds payable*	145,326,842	21,330,000	25,190,821	141,466,021	4,557,000
Compensated absences	658,901	941,186	939,738	660,349	15,273
Insurance claims payable	127,266	1,263,753	1,263,267	127,752	127,752
Other postemployment benefits	2,542,330	722,000	179,625	3,084,705	-
<b>Total business-type activities</b>	<b>\$ 148,655,339</b>	<b>\$ 24,256,939</b>	<b>\$ 27,573,451</b>	<b>\$ 145,338,827</b>	<b>\$ 4,700,025</b>
<b>Total Primary Government</b>	<b>\$ 468,159,279</b>	<b>\$ 75,621,723</b>	<b>\$ 79,108,358</b>	<b>\$ 464,672,644</b>	<b>\$ 28,505,496</b>

\* Restated - see Note 20

Table 15

## Long-term Liabilities - Component Unit - School Board

	Balance July 1, 2013*	Increases	Decreases	Balance June 30, 2014	Due Within One Year
<i>Component unit - School Board</i>					
Compensated absences	\$ 5,586,171	\$ 2,169,718	\$ 2,178,730	\$ 5,577,159	\$ 2,178,729
Insurance claims payable*	3,388,673	32,047,611	32,159,496	3,276,788	3,276,788
Termination benefits	3,052	-	3,052	-	-
Other postemployment benefits	74,352,853	17,753,000	5,534,716	86,571,137	-
<b>Total Component unit - School Board</b>	<b>\$ 83,330,749</b>	<b>\$ 51,970,329</b>	<b>\$ 39,875,994</b>	<b>\$ 95,425,084</b>	<b>\$ 5,455,517</b>

\* Restated - see Note 20

Long-term liabilities of governmental activities are generally liquidated by the General Fund with the exception of compensated absences, of which, approximately 5% is liquidated by other governmental funds, and general obligation bonds payable, of which, approximately 64% is liquidated by the School Board's operating fund.

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

#### *New Debt Issuance*

On July 31, 2013, the County issued \$17.9 million in General Obligation (GO) Public Improvement Bonds, Series 2013 with a fixed interest rate of 2.55% until final maturity on June 1, 2033. Bonds are subject to an optional put on the aggregate unpaid principal plus accrued and unpaid interest to June 1, 2028. Bond proceeds will be used to a) finance road and rail transportation projects, b) school facility projects, and c) pay the costs of issuance associated with the Series 2013 Bonds.

On August 6, 2013, the County issued \$21.3 million in Water and Sewer Revenue Refunding Bonds, Series 2013 with fixed interest rate of 2.59% until final maturity on June 1, 2035. Bonds are subject to an optional put on the aggregate unpaid principal plus accrued and unpaid interest to August 6, 2028. Bond proceeds are being used to a) refinance the callable maturities of the County's outstanding Water and Sewer Revenue Bonds, Series 2004 and, b) pay the costs of issuance associated with the Series 2013 Bonds.

On August 8, 2013, the County issued \$13.4 million in Economic Development Authority Public Facility Revenue and Refunding Bonds, Series 2013 with fixed interest rate of 2.61% until final maturity on June 1, 2035. Proceeds will be used to a) refinance the callable maturities of Economic Development Authority's outstanding Public Facility Revenue Bonds, Series 2004, b) finance certain school facility projects and fire & rescue apparatus, and c) pay the costs of issuance associated with the Series 2013 Bonds.

#### *Advance Refunding*

As part of the County's current year debt issuance a portion of the proceeds were used to refinance (refund) certain callable Series 2004 maturities. To secure future debt service payments on the refunded debt, net proceeds are required to be es-

crowed into an irrevocable trust. As a result, these advance refunded bonds are considered defeased and the liability removed from the Statement of Net Position. Total defeased debt including prior years balances, which have not been called or repaid, at June 30, 2014 was \$19.7 million.

When these bonds are defeased, a deferred charge is normally created, accounting for the difference between the reacquisition price and the net carrying amount of the old debt. This deferred charge is reported separately on the Statement of Net position as a deferred inflow or outflow and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Tables 16 and 17 provide a summary of changes in deferred losses and other information related to refunded debt as of June 30, 2014.

**Table 16**  
**Deferred Loss on Refunded Debt**

	Governmental Activities	Business- type Activities
July 1, 2013*	\$ 1,298,865	\$ 1,256,264
Increases	124,584	583,853
Decreases	99,225	92,658
June 30, 2014	<u>\$ 1,324,224</u>	<u>\$ 1,747,459</u>

\* Restated - see Note 20

**Table 17**  
**Advance Refunded Debt**

Refunded Issue	Deferred Loss on Refunding	Reduction		Economic Gain
		Debt Service in Years	Debt Service Payments	
IDA Public Improvement Bonds Series 2004	\$124,584	17	\$ 1,764,962	\$ 1,437,461
Water and Sewer Revenue Bonds Series 2004	583,853	22	5,018,383	3,824,370

### *Amortization of Debt Service*

Principal and interest to maturity for the County's General Obligation Bonds and Utility Fund Revenue Bonds outstanding at June 30, 2014 are as follows:

**Table 18**  
**Future Debt Service - Primary Government**

Fiscal Year	Governmental Activities General Obligation Bonds		Business-type Activities Utility Revenue Bonds		Total Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 22,517,652	\$ 11,546,592	\$ 4,557,000	\$ 6,144,732	\$ 27,074,652	\$ 17,691,324
2016	22,242,102	10,646,618	5,197,000	5,948,137	27,439,102	16,594,755
2017	22,628,841	9,740,527	5,397,000	5,751,499	28,025,841	15,492,026
2018	20,886,073	8,838,946	5,636,000	5,537,418	26,522,073	14,376,364
2019	20,073,594	8,031,990	5,855,000	5,294,466	25,928,594	13,326,456
2020 - 2024	88,491,432	28,384,163	32,989,000	22,507,197	121,480,432	50,891,360
2025 - 2029	64,377,000	10,858,793	31,314,000	14,796,166	95,691,000	25,654,959
2030 - 2034	14,251,000	1,236,086	27,613,000	8,287,158	41,864,000	9,523,244
2035 - 2039	481,571	14,400	16,647,000	2,714,014	17,128,571	2,728,414
2040 - 2044	-	-	1,883,333	105,506	1,883,333	105,506
<b>Totals:</b>	<u>\$ 275,949,265</u>	<u>\$ 89,298,115</u>	<u>\$ 137,088,333</u>	<u>\$ 77,086,293</u>	<u>\$ 413,037,598</u>	<u>\$ 166,384,408</u>

### Schedule of Outstanding General Obligation Debt Issuances

General obligation bonds payable at June 30, 2014, requiring semi-annual installments ranging annually from \$0.5 to \$6.9 million and backed by the full faith and credit of the County, are comprised of the following individual issues:

Table 19 Outstanding General Obligation Debt Issuances - Governmental Activities					
	<u>Sale Date</u>	<u>Final Maturity</u>	<u>Interest Rates to Maturity (%)</u>	<u>Original Borrowing</u>	<u>Principal Outstanding</u>
<b>Spotsylvania County:</b>					
EDO Lease Revenue Bonds	05/ 2001	05/ 2021	6.16	\$ 700,000	\$ 347,488
Public Improvements (Refunding)	05/ 1998	07/ 2014	3.80 - 5.50	3,041,000	63,345
Public Improvements	06/ 2006	07/ 2027	3.73 - 5.00	53,000,000	39,810,000
Public Improvements (Series A)	07/ 2009	07/ 2019	1.40 - 3.00	11,665,000	7,800,000
Public Improvements (Series B)	07/ 2009	07/ 2034	5.20 - 5.90	15,905,000	15,905,000
Public Improvements (Series A)	07/ 2010	07/ 2020	2.07	8,680,000	5,070,000
Public Improvements (Series B)	07/ 2010	07/ 2030	3.38	8,435,000	8,435,000
Public Improvements (Series A)	07/ 2011	01/ 2031	3.00 - 4.00	6,939,045	5,635,063
Public Improvements (Refunding)	07/ 2011	01/ 2024	3.00 - 4.00	5,650,000	4,990,000
EDO Public Facility Revenue Bonds	10/ 2011	06/ 2032	2.00 - 4.00	11,275,000	9,090,000
Public Improvements (Series A)	07/ 2012	06/ 2032	2.00 - 3.00	8,995,000	7,685,000
Qualified Energy Conservation Bonds	07/ 2012	06/ 2032	1.00 - 3.80	1,240,000	1,125,000
Public Improvements	07/2013	06/ 2033	2.55	6,112,284	5,830,797
EDA Public Facility Revenue Bonds	08/2013	02/ 2030	2.61	1,688,000	1,533,000
<b>Total General Obligation Bonds - Spotsylvania County</b>					<b>\$ 113,319,693</b>
<b>Component Unit - School Board:</b>					
Virginia Public School Authority Bonds	11/ 1994	07/ 2014	6.10 - 6.60	\$ 1,926,936	\$ 122,822
Virginia Public School Authority Bonds	12/ 1995	07/ 2015	5.10 - 6.10	838,515	97,978
Virginia Public School Authority Bonds	05/ 1996	07/ 2016	4.60 - 5.80	2,200,000	330,000
Virginia Public School Authority Bonds	07/ 1997	07/2016	5.10 - 6.10	4,620,000	690,000
Virginia Public School Authority Bonds	11/ 1997	07/ 2017	4.35 - 5.23	8,940,000	1,640,000
Virginia Public School Authority Bonds	11/ 1997	07/ 2017	4.35 - 5.23	8,422,232	1,917,276
Virginia Public School Authority Bonds	04/ 1998	07/ 2018	4.10 - 5.35	14,975,000	3,350,000
Virginia Public School Authority Bonds	05/ 1998	07/ 2014	3.80 - 5.50	21,683,825	451,655
Virginia Public School Authority Bonds	11/ 1998	07/ 2018	4.35 - 5.10	10,795,000	2,175,000
Virginia Public School Authority Bonds	11/ 1998	07/ 2018	3.60 - 5.10	4,345,729	1,189,701
Virginia Public School Authority Bonds	04/ 1999	07/ 2019	4.35 - 5.23	3,570,000	540,000
Virginia Public School Authority Bonds	05/ 2000	07/ 2020	4.35 - 5.23	7,740,000	2,600,000
<b>Subtotal General Obligation Bonds - Component Unit - School Board</b>					<b>\$ 15,104,432</b>

Table 19 (continued)

Outstanding General Obligation Debt Issuances - Governmental Activities

	<u>Sale Date</u>	<u>Final Maturity</u>	<u>Interest Rates to Maturity (%)</u>	<u>Original Borrowing</u>	<u>Principal Outstanding</u>
<b>Subtotal of General Obligation Bonds - Component Unit - School Board (continued from previous page):</b>					\$ 15,104,432
Virginia Public School Authority Bonds	05/ 2001	07/ 2021	4.10 - 5.60	10,170,000	3,785,000
Virginia Public School Authority Bonds	11/ 2001	07/ 2021	3.10 - 5.35	9,500,000	3,200,000
Virginia Public School Authority Bonds	05/ 2002	07/ 2022	3.60 - 5.60	17,315,000	7,380,000
Virginia Public School Authority Bonds	11/ 2002	07/ 2023	2.35 - 5.10	11,885,000	4,950,000
Public Improvements (Refunding)	09/ 2004	07/ 2017	2.00 - 5.00	14,915,000	4,935,000
IDA Lease Revenue Bonds	06/ 2005	07/ 2031	3.25 - 5.00	37,855,000	26,985,000
Public Improvements	07/ 2007	07/ 2027	3.73 - 5.00	23,665,000	11,165,000
Public Improvements	06/ 2007	01/ 2027	4.25 - 5.00	41,110,000	20,650,000
Qualified School Construction Bonds	06/ 2010	06/ 2027	5.31	2,630,000	2,015,000
Public Improvements (Series A)	07/ 2011	01/ 2031	3.00 - 4.00	3,975,956	3,129,937
EDA Revenue Bonds (Refunding)	07/ 2012	06/ 2029	2.00 - 5.00	33,785,000	30,910,000
Public Improvements (Refunding)	07/ 2012	06/ 2029	2.00 - 5.00	7,210,000	5,825,000
Public Improvements	07/ 2013	06/ 2033	2.55	11,802,716	10,906,203
EDA Revenue Bonds (Refunding)	08/ 2013	02/ 2030	2.61	11,695,000	11,689,000
<b>Total General Obligation Bonds - Component Unit - School Board</b>					<b>\$ 162,629,572</b>
<b>Total Governmental Activities - General Obligation Bonds</b>					<b>\$ 275,949,265</b>

Table 19 (continued)

Outstanding General Obligation Debt - Business-type Activities

	<u>Sale Date</u>	<u>Final Maturity</u>	<u>Interest Rates to Maturity (%)</u>	<u>Original Borrowing</u>	<u>Principal Outstanding</u>
<i>Business-type Activities</i>					
Utility Revenue Bonds (Refunding)	02/ 2005	06/ 2026	3.00 - 5.00	37,875,000	\$ 26,473,333
Utility Revenue Bonds	08/ 2007	06/ 2037	4.25 - 5.00	39,700,000	34,790,000
Utility Revenue Bonds (Refunding)	08/ 2010	06/ 2032	3.15	28,405,000	25,170,000
Utility Revenue Build America Bonds	08/ 2010	06/ 2040	3.15	29,450,000	29,450,000
Utility Revenue Bonds (Refunding)	08/ 2013	06/ 2035	2.59	21,330,000	21,205,000
<b>Total Business-type Activities</b>					<b>\$ 137,088,333</b>
<b>Total Indebtedness - Primary Government</b>					<b>\$ 413,037,598</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. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the EDA, the County, the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

At June 30, 2014, there was one series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$4.5 million.

## 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 \$0.9 million and \$6.4 million for closed and operating landfills, respectively, which is based on 100% and 63.6% usage, respectively. It is estimated that an additional \$2.6 million will be recognized as closure and post-closure care expenses between the date of the balance sheet 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 (\$7.3 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, 2014. 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

### Land Use Taxation

In 1978, the County adopted land use taxation of real estate whereby the land owners are assessed valuations based on “use” of property instead of its actual fair market value. Such reduced valuations are primarily for farm and timber property and the related tax reductions are subject to payment only if the qualifying use of the property is

changed within a five-year period from the year of assessment.

The County maintains the following suspended land use receivables as of June 30, 2014:

<b>Year Assessed</b>	<b>Amount</b>
2014	\$ 3,042,323
2013	3,142,455
2012	3,082,376
2011	3,270,881
2010	3,084,947
	<b>\$ 15,622,982</b>

## Note 13

### Postemployment Health Care Benefits

#### *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 will provide 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. In addition, line of duty disabilities will receive full subsidization of their coverage regardless of years of service or hire date with the County.

As of July 1, 2013, the most recent actuarial valuation date, membership in the Plan consisted of the following:

Number of Participants:	
Active Employees	689
Retirees (Pre-Medicare)	41
Retirees (Pre-Medicare)	71

The terms of the Plan are governed by the Board of Supervisors and can be amended by board action at any time.

#### FUNDING POLICY

The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the Board of Supervisors. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.

#### 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 Table 20 below 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.

<b>Table 20</b>	
<b>Change in Net OPEB Obligation - Primary Government</b>	
Annual required contribution	\$ 5,565,000
Interest on net OPEB obligation	814,000
Adjustment to ARC	(948,000)
Annual OPEB cost (expense)	\$ 5,431,000
Contributions made	(890,511)
Increase in net OPEB obligation	\$ 4,540,489
Net OPEB obligation - beginning of year	20,855,390
<b>Net OPEB obligation - end of year</b>	<b>\$ 25,395,879</b>
Governmental activities	\$ 22,311,174
Business-type activities	3,084,705
	<b>\$ 25,395,879</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 on Table 21.

## 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, 2013 actuarial valuation, the projected unit credit method was used. The actuarial value of the assets is determined by their market value. The actuarial assumptions included a 4% 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 8.0% initially, reduced by decrements to an ultimate rate of 3.4% by 2099. 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, 2014, was twenty-five years.

**Table 21**  
**Annual OPEB Cost - Primary Government**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>% of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2014	\$ 5,431,000	16.4%	\$ 25,395,879
June 30, 2013	5,118,000	11.8%	20,855,390
June 30, 2012	4,868,000	12.6%	16,342,574

## FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2013, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$55.9 million and the actuarial value of assets was zero, resulting in an UAAL of \$55.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$41.8 million, and the ratio of the UAAL to the covered payroll was 133.6 percent.

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. The schedule of funding progress, presented as required supplementary information in Table 22 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 22 Required Supplementary Information - Schedule of Funding Progress for the Primary Government							
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, 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%	

\* Required Supplementary Information is unaudited.

### 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.

Activity related to the School Board's Plan is considered part of the School Board's financial reporting entity and is included in the School Board's financial statements as an OPEB Trust Fund.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of accounting*

The Trust's financial statements are prepared using the accrual basis of accounting. Employer con-

tributions 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, 2014.

### 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 Schools. In addition, the individual and their dependents must have been eligible to enroll in the School Board's health insurance program for a period of one year prior to seeking retiree medical benefits. Once a retiree reaches Medicare eligibility age, the retiree must apply for and receive Medicare coverage (parts A and B). 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. Surviving spouses of retired employees are able to continue medical coverage; however, the surviving spouse 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, 2013, the most recent actuarial valuation date, membership in the Plan consisted of the following:

#### **Number of Participants:**

Active employees	2,238
Retirees (pre-Medicare)	352
Retirees (Medicare age)	497

### 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 23 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.

<b>Table 23</b> <b>Change in Net OPEB Obligation - Component Unit - School Board</b>	
Annual required contribution	\$ 18,225,000
Interest on net OPEB obligation	2,577,000
Adjustment to ARC	(3,049,000)
Annual OPEB cost (expense)	\$ 17,753,000
Contributions made	(5,534,716)
Increase in net OPEB obligation	\$ 12,218,284
Net OPEB obligation - beginning of year	74,352,853
<b>Net OPEB obligation - end of year</b>	<b>\$ 86,571,137</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 on Table 24.

## 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, 2013 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 8.0% initially, reduced by decrements to an ultimate rate of 3.4% by 2099. 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, 2014, was twenty-five years.

**Table 24**  
**Annual OPEB Cost - Component Unit - School Board**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>% of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2014	\$ 17,753,000	31.2%	\$ 86,571,137
June 30, 2013	20,271,000	25.3%	74,352,853
June 30, 2012	16,224,000	28.8%	59,220,096

## FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2013, the most recent actuarial valuation date, the plan was 0.73% funded. The actuarial accrued liability for benefits was \$196.3 million, and the actuarial value of assets was \$1.4 million, resulting in an unfunded actuarial accrued liability of \$194.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$131.2 million and the ratio of the UAAL to the covered payroll was 148.6%.

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. 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 25****Required Supplementary Information - Schedule of Funding Progress for the Component Unit - School Board**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as of % of Covered Payroll (b-a/c)</b>
July 1, 2013	\$ 1,439,000	\$ 196,279,000	\$ 194,840,000	0.73%	\$ 131,150,000	148.6%
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 14

### FUND BALANCE REPORTING

The General Fund's unassigned fund balance includes \$37.6 million for the County's Fiscal Stability Reserve (Reserve). Established by resolution of the County's Board of Supervisors, no less than 10% of the subsequent fiscal year's budgeted net operating revenue must be maintained for emergency or other significant unexpected event. Net operating revenue includes total general fund revenue plus total School Board general operating revenue.

Use of the Reserve may be necessary from time to time due to state budget cuts or unfunded mandates, natural disasters, immediate capital needs,

and other significant events, conditions or circumstances that signal a need for stabilization. By policy, no appropriation from the Reserve may occur without formal action by the Board of Supervisors through a majority vote. Resolution by the Board must include a plan and timeline for replenishing the Reserve to its minimum 10% level.

The County's governmental fund Balance Sheet, located on Exhibit III, displays restricted, committed, assigned and unassigned classifications of fund balance in the aggregate for ease of presentation. Definitions of classifications can be found in Note 1 - Fund Balance of this report.

Table 26 below provides more specific purpose information by fund type at June 30, 2014:

<b>Table 26</b>				
<b>Fund Balance Classification</b>				
	<b>General Fund</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Restricted for:</b>				
Special service district transportation	\$ -	\$ -	\$ 1,079,750	\$ 1,079,750
PRTC transportation improvements	-	-	8,073,497	8,073,497
Available bond proceeds:				
Transportation	-	17,055,558	-	17,055,558
Fire and rescue facilities	-	8,778,605	-	8,778,605
Other	-	358,855	-	358,855
Grants and other contributions:				
Public safety operations	1,144,979	-	-	1,144,979
Other	444,987	8,300	-	453,287
<b>Total restricted fund balance:</b>	<b>\$ 1,589,966</b>	<b>\$ 26,201,318</b>	<b>\$ 9,153,247</b>	<b>\$ 36,944,531</b>
<b>Committed for:</b>				
Information technology	\$ -	\$ 8,726,799	\$ -	\$ 8,726,799
Fire and rescue facilities	2,000,000	2,136,298	-	4,136,298
General government facilities	-	1,232,928	-	1,232,928
Economic development incentives	88,288	-	-	88,288
Public safety line of duty benefits	500,000	-	-	500,000
Fire and rescue services	-	-	455,345	455,345
Transportation needs	-	-	3,535,896	3,535,896
Other	-	212,838	-	212,838
<b>Total committed fund balance:</b>	<b>\$ 2,588,288</b>	<b>\$ 12,308,863</b>	<b>\$ 3,991,241</b>	<b>\$ 18,888,392</b>
<b>Assigned to:</b>				
Future budget:				
General government	\$ 1,344,052	\$ -	\$ -	\$ 1,344,052
Public safety	759,483	846,925	-	1,606,408
Public works	-	1,200,524	-	1,200,524
Health and welfare	111,459	-	-	111,459
Parks and recreation	-	426,205	-	426,205
Economic development and tourism	857,158	-	-	857,158
Other future budget needs	22,960	-	-	22,960
Employee benefits	2,886,881	-	-	2,886,881
Loss contingencies	1,650,000	-	-	1,650,000
School Board potential carryover	2,226,752	-	-	2,226,752
Code compliance services	-	-	339,596	339,596
<b>Total assigned fund balance:</b>	<b>\$ 9,858,745</b>	<b>\$ 2,473,654</b>	<b>\$ 339,596</b>	<b>\$ 12,671,995</b>
<b>Unassigned:</b>	<b>\$ 43,091,456</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 43,091,456</b>
<b>Total fund balance:</b>	<b>\$ 57,128,455</b>	<b>\$ 40,983,835</b>	<b>\$ 13,484,084</b>	<b>\$ 111,596,374</b>

## Note 15

### COMMITMENTS AND CONTINGENCIES

#### COMMITMENTS

The County has various contracts for general government and utility capital projects approximating \$7.8 million and \$3.6 million, respectively, at June 30, 2014. The School Board has commitments to complete school construction of \$29.6 million at June 30, 2014.

Bonds authorized at June 30, 2014 but not issued are as follows:

Public safety and general capital projects	\$ 33,597,853
Parks and libraries	897,540
Schools	18,183,024
Transportation	10,034,575
	<u>\$ 62,712,992</u>

#### CONTINGENCIES

##### *Grants*

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

##### *Litigation*

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

The County has received a work order request in the amount of \$3.9 million in relation to the federally funded Route 3 Design-Build Widening Project. The contractor alleges it was delayed on the

project and is entitled to additional compensation. An evaluation of the request has not been completed at this time. Any final claims are not considered reimbursable through the federal grant and Management has reserved \$1.5M in funding for a potential loss contingency.

## 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 approximately 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 assigned approximately \$2.9 million of the General Fund's fund balance at June 30, 2014 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 adminis-

trator to record self-insurance liabilities, including IBNR, at year-end. Amounts due in future years on claims as of June 30, 2014 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 27.

### **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 contributed approximately \$5.4 million in appropriated funds to the administrator to be held, with any premium surpluses, as a reserve. The amount of reserve held on deposit as of June 30, 2014 is \$12.5 million and is 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 27.

### **Property and Casualty**

#### **Spotsylvania County & School Board**

Both the County and School Board participate in the Virginia Group Self-Insurance Risk Pools for its property, automobile, general liability, public officials, and workers' compensation coverage. Contributions and assessments, based upon classifications and rates, from which expenses of the provider and claims and awards are to be paid. Any deficits incurred in the Risk Pool are recovered through a pro-rata assessment based on members' annual to total pool contributions.

### **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

<b>Table 27</b>					
<b>Change in Self-funded Health and Dental Insurance Claim Liabilities</b>					
<b>Fiscal Year</b>	<b>Insurance Claim Liability July 1, 2013</b>	<b>Claims and Other Charges Processed</b>	<b>Claim Payments</b>	<b>Insurance Claim Liability June 30, 2014</b>	
<i>Primary Government</i>					
2014	\$ 1,044,721	\$ 9,892,574	\$ 9,959,885	\$ 977,410	
2013	757,531	9,871,604	9,584,414	1,044,721	
<i>Component Unit - School Board*</i>					
2014	\$ 3,388,673	\$ 32,047,611	\$ 32,159,496	\$ 3,276,788	
2013	3,104,728	31,818,326	31,534,381	3,388,673	

\* Restated - see Note 20

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, 2014.

## Note 17

### Interjurisdictional Agreement

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 Ha-

zel 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

#### 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 PTRC's use of motor fuel tax proceeds from that jurisdiction, they do not have an explicit, measurable equity interest in the PTRC.

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

The County is required to fund its share of administrative expenses and subsidies, which includes both the existing VRE related debt service and any new VRE related debt service as authorized by the County. For fiscal year 2014, the County received \$9.4 million in Motor Fuel Tax and paid \$1.3 million in subsidies. As of June 30, 2014, PTRC holds \$8.1 million in County fuel tax receipts available for future transportation project appropriations.

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

#### 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, 2014 totaled \$4.1 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.

#### 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, 2014 of \$1.6 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

#### 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, 2014, the County's appropriation to the Library was \$4.0 million.

#### 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 Group Home 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 Commission currently operates a single facility in Stafford County and is opening a new facility in Fredericksburg. The County's appropriation to the Group Home for the year ended June 30, 2014 was \$188,650.

## Note 20

### Change in Accounting Principle and Restatement of Prior Period Net Position

#### CHANGE IN ACCOUNTING PRINCIPLE

##### DEBT ISSUANCE COSTS (Table 29, 1, 2)

For fiscal year 2014, the County and School Board adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The result of this

mandatory change in accounting principle is a restatement of June 30, 2013 net position of the Primary Government for bond issuance costs incurred prior to 2014. Under the new GASB standard, these costs are expensed as incurred.

##### HEALTH INSURANCE CLAIMS (Table 28)

The Component Unit – School Board elected to change its method of accounting for insurance claims to the consumption method, whereas in all prior years claims were valued using the purchasing method. The School Board believes that the consumption method is preferable to better present payments made to build insurance reserves separately from actual claims incurred. As a result of this change, all payments in excess of actual and estimated claims incurred that were formally expensed under the purchases method when paid, will be displayed as an asset on the School Board's balance sheet.

**Table 28**

#### Restatement of Prior Period Fund Balance

<b>Component Unit - School Board</b>	
	<b>Operating Fund</b>
Fund Balance, beginning of year as previously reported	\$ 10,699
Health insurance reserve	6,515,876
Fund Balance, beginning of year, as restated	<u>\$ 6,526,575</u>

### RESTATEMENTS DUE TO ERRORS OR OMISSIONS

##### SALES TAX RECEIVABLE (Table 29, 1, 3)

The beginning net position balance of governmental activities of the Primary Government and Component Unit – School Board was adjusted to correct an understatement in the balance of sales tax receivables reported in prior years. Sales tax is a derived revenue requiring recognition of a re-

**Table 29****Restatement of Prior Period Net Position**

	<b>Governmental Activities (1)</b>	<b>Business-type Activities (2)</b>	<b>Component Unit School Board (3)</b>
Net Position, beginning of year as previously reported	\$ (92,175,555)	\$ 239,996,319	\$ 246,607,830
Debt issuance costs	(3,190,727)	(1,697,708)	-
Sales tax receivables	1,396,621	-	2,047,896
Health insurance reserve	-	-	3,100,152
Net Position, beginning of year, as restated	<u>\$ (93,969,661)</u>	<u>\$ 238,298,611</u>	<u>\$ 251,755,878</u>

ceivable and related revenue when the underlying exchange, or sale, is made. During the County's implementation of GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, June sales tax earned and subsequently remitted by the Commonwealth in late August, to the County and School Board, was not recorded.

#### HEALTH INSURANCE RESERVE (Table 29, 3)

The beginning net position of the Component Unit – School Board was adjusted to correct an understatement of the asset account *Claim reserves held by others*. During fiscal year 2013, the Component Unit – School Board opened, and made payments into, a separate account with their third party administrator to accumulate funds for a health insurance fluctuation reserve. The balance in this account was inadvertently omitted resulting in an overstatement of School Board expenses.

## Note 21

### Subsequent Events

On August 25, 2014, the County issued \$59.0 million in General Obligation (GO) Public Improvement Bonds, Series 2014 with fixed interest rates ranging from 2-5% and a final maturity date of

January 15, 2034. Proceeds will be used, together with other funds, to finance and refinance a portion of the costs associated with a program of capital improvements, including replacement of school buses, school technology upgrades, various school maintenance projects, and transportation projects. A portion of the proceeds will also be used to refund certain outstanding maturities of the County's General Obligation School Refunding Bonds, Series 2004A and General Obligation Public Improvement Bonds, Series 2006 as well as pay the costs of issuance associated with the Series 2014 Bonds.

On August 27, 2014, the County issued \$32.8 million in Economic Development Authority Revenue and Refunding Bonds, Series 2014 with fixed interest rates ranging from 2-5% and a final maturity date of June 1, 2034. Proceeds will be used to a) advance refund certain obligations of the County's EDA Revenue Bonds, Series 2005, b) acquire certain fire and public safety radio equipment and, c) pay the costs of issuance associated with the Series 2014 Bonds.

## ***REQUIRED SUPPLEMENTARY INFORMATION***

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In accordance with the Governmental Accounting Standards Board Statements No. 34, the following information is a required part of the basic financial statements.

COUNTY OF SPOTSYLVANIA, VIRGINIA  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
For the Year Ended June 30, 2014

Exhibit IX

Page 1

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
<b>REVENUES</b>				
General property taxes	\$ 146,892,076	\$ 147,663,465	\$ 151,223,334	\$ 3,559,869
Other local taxes	41,763,648	41,940,766	42,249,904	309,138
Permits, fees and regulatory licenses	371,500	272,800	246,380	(26,420)
Fines and forfeitures	938,800	621,800	544,449	(77,351)
From use of money and property	533,713	624,423	815,849	191,426
Charges for services	3,319,276	4,099,622	4,135,441	35,819
Gifts and donations	38,200	473,619	154,231	(319,388)
Miscellaneous	74,950	116,852	145,917	29,065
Intergovernmental	30,454,734	31,332,712	31,566,389	233,677
Total revenues	<u>\$ 224,386,897</u>	<u>\$ 227,146,059</u>	<u>\$ 231,081,894</u>	<u>\$ 3,935,835</u>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 12,346,387	\$ 13,387,878	\$ 11,212,302	\$ 2,175,576
Judicial administration	6,981,837	7,264,477	6,766,622	497,855
Public safety	40,356,422	42,991,491	41,338,015	1,653,476
Public works	8,909,363	9,192,106	8,671,703	520,403
Health and welfare	16,849,264	17,585,088	18,041,782	(456,694)
Education	115,044,945	118,644,350	116,428,297	2,216,053
Parks, recreation and cultural	6,966,034	6,994,588	6,812,660	181,928
Community development	2,743,917	3,435,107	2,473,837	961,270
Non-departmental	1,198,657	835,318	847,548	(12,230)
Debt service:				
Principal retirement	5,231,192	5,153,430	5,153,430	-
Interest and other fiscal charges	3,388,272	3,409,444	3,413,092	(3,648)
Total expenditures	<u>\$ 220,016,290</u>	<u>\$ 228,893,277</u>	<u>\$ 221,159,288</u>	<u>\$ 7,733,990</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,370,607</u>	<u>\$ (1,747,218)</u>	<u>\$ 9,922,607</u>	<u>\$ 11,669,825</u>
Other financing uses:				
Transfers out	<u>\$ (7,412,958)</u>	<u>\$ (8,685,929)</u>	<u>\$ (8,295,719)</u>	<u>\$ 390,210</u>
	<u>\$ (7,412,958)</u>	<u>\$ (8,685,929)</u>	<u>\$ (8,295,719)</u>	<u>\$ 390,210</u>
Net change in fund balances	<u>\$ (3,042,351)</u>	<u>\$ (10,433,147)</u>	<u>\$ 1,626,888</u>	<u>\$ 12,060,035</u>
Fund balance, beginning	<u>3,042,351</u>	<u>10,433,147</u>	<u>54,576,222</u>	<u>44,143,075</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 56,203,110</u></u>	<u><u>\$ 56,203,110</u></u>

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

COUNTY OF SPOTSYLVANIA, VIRGINIA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2014

Exhibit IX

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 reported in Exhibit IX - Budgetary Comparison Schedule - General Fund and Exhibit IV - Statement of Revenues, Expenditures and Changes in Fund Balances 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 IX)	School Debt Service (Note 1)	EDO Fund Activity (Note 2)	GAAP Basis (Exh IV)
<b>REVENUES</b>				
From use of money and property	\$ 815,849	\$ -	\$ 68,265	\$ 884,114
<b>EXPENDITURES</b>				
Current:				
Education	116,428,297	(13,759,470)	-	102,668,827
Community development	2,473,837	-	632,749	3,106,586
Debt service:				
Principal retirement	5,153,430	17,856,330	37,515	23,047,275
Interest and other charges	3,413,092	7,632,139	24,232	11,069,463
Bond issuance costs	-	185,009	-	185,009
Other financing sources (uses):				
Transfers in (out)	(8,295,719)	-	755,518	(7,540,201)
Proceeds from sale of bonds	-	11,802,716	-	11,802,716
Bonds issued for refunding	-	11,695,000	-	11,695,000
Payment to escrow for refunded debt	-	(11,583,708)	-	(11,583,708)
Total reconciling adjustments:		\$ -	\$ 129,287	

Net change in fund balances (Exh IX & IV)	\$ 1,626,888	\$ -	\$ 129,287	\$ 1,756,175
Fund balance, beginning (Exh IX & IV)	54,576,222	-	796,058	55,372,280
Fund balance, ending (Exh IX & IV)	<u>\$ 56,203,110</u>	<u>\$ -</u>	<u>\$ 925,345</u>	<u>\$ 57,128,455</u>

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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, 2014

Schedule A

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
REVENUES				
General property taxes	\$ 30,000	\$ 30,000	\$ 33,621	\$ 3,621
From use of money and property	-	-	190,613	190,613
Gifts and donations	55,526	121,179	167,903	46,724
Miscellaneous	-	11,000	-	(11,000)
Intergovernmental	2,969,624	20,564,364	6,336,463	(14,227,901)
Total revenues	<u>\$ 3,055,150</u>	<u>\$ 20,726,543</u>	<u>\$ 6,728,600</u>	<u>\$ (13,997,943)</u>
EXPENDITURES				
Current:				
General government	\$ 328,294	\$ 330,347	\$ 321,958	\$ 8,389
Capital projects	13,145,291	66,048,027	14,020,816	52,027,211
Debt Service:				
Bond issuance costs	-	16,250	11,510	4,740
Total expenditures	<u>\$ 13,473,585</u>	<u>\$ 66,394,624</u>	<u>\$ 14,354,284</u>	<u>\$ 52,040,340</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (10,418,435)</u>	<u>\$ (45,668,081)</u>	<u>\$ (7,625,684)</u>	<u>\$ 38,042,397</u>
Other financing sources:				
Transfers in	\$ 8,887,808	\$ 10,206,472	\$ 9,796,496	\$ (409,976)
Proceeds from sale of bonds	-	7,800,284	7,800,284	-
	<u>\$ 8,887,808</u>	<u>\$ 18,006,756</u>	<u>\$ 17,596,780</u>	<u>\$ (409,976)</u>
Net change in fund balances	\$ (1,530,627)	\$ (27,661,325)	\$ 9,971,096	\$ 37,632,421
Fund balance, beginning	1,530,627	27,661,325	31,012,739	3,351,414
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,983,835</u>	<u>\$ 40,983,835</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 State 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, 2014

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	\$ 35,312	\$ 517,683	\$ 4,195,108	\$ 4,748,103
Receivables, net	570,157	436	8,407,431	8,978,024
Other assets	90	-	-	90
Restricted cash and investments	-	-	1,048,433	1,048,433
Total assets	<u>\$ 605,559</u>	<u>\$ 518,119</u>	<u>\$ 13,650,972</u>	<u>\$ 14,774,650</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 49,605	\$ 3,657	\$ 53,262
Accrued salaries and benefits	-	49,553	4,920	54,473
Other accrued liabilities	-	3,016	-	3,016
Deposits	-	76,349	605,578	681,927
Total liabilities	<u>\$ -</u>	<u>\$ 178,523</u>	<u>\$ 614,155</u>	<u>\$ 792,678</u>
<b>DEFERRED INFLOWS</b>				
Unavailable revenue:				
Property taxes	\$ -	\$ -	\$ 347,674	\$ 347,674
Other revenues	150,214	-	-	150,214
Total deferred inflows	<u>\$ 150,214</u>	<u>\$ -</u>	<u>\$ 347,674</u>	<u>\$ 497,888</u>
<b>FUND BALANCE</b>				
Restricted	\$ -	\$ -	\$ 9,153,247	\$ 9,153,247
Committed	455,345	-	3,535,896	3,991,241
Assigned	-	339,596	-	339,596
Total fund balances	<u>\$ 455,345</u>	<u>\$ 339,596</u>	<u>\$ 12,689,143</u>	<u>\$ 13,484,084</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 605,559</u>	<u>\$ 518,119</u>	<u>\$ 13,650,972</u>	<u>\$ 14,774,650</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS  
 Year Ended June 30, 2014

Schedule B-2

	Fire/EMS Service Fee Fund	Code Compliance Fund	Transportation Fund	Total Other Governmental Funds
<b>REVENUES</b>				
General property taxes	\$ -	\$ -	\$ 688,865	\$ 688,865
Other local taxes	-	-	9,421,871	9,421,871
Permits, privilege fees and regulatory licenses	-	2,427,339	11,450	2,438,789
From use of money and property	-	-	18,556	18,556
Charges for services	2,749,522	189,999	-	2,939,521
Gifts and donations	-	-	427,069	427,069
Miscellaneous	-	1,500	-	1,500
Total revenues	<u>\$ 2,749,522</u>	<u>\$ 2,618,838</u>	<u>\$ 10,567,811</u>	<u>\$ 15,936,171</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ -	\$ 2,961,331	\$ -	\$ 2,961,331
Community development	-	-	2,161,678	2,161,678
Debt service:				
Principal retirement	-	-	2,121,487	2,121,487
Interest and other fiscal charges	-	-	1,482,460	1,482,460
Total expenditures	<u>\$ -</u>	<u>\$ 2,961,331</u>	<u>\$ 5,765,625</u>	<u>\$ 8,726,956</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 2,749,522	\$ (342,493)	\$ 4,802,186	\$ 7,209,215
Other financing sources (uses):				
Transfers in (out)	(2,735,749)	548,312	(433,827)	(2,621,264)
	<u>\$ (2,735,749)</u>	<u>\$ 548,312</u>	<u>\$ (433,827)</u>	<u>\$ (2,621,264)</u>
Net change in fund balances	\$ 13,773	\$ 205,819	\$ 4,368,359	\$ 4,587,951
Fund balance, beginning	441,572	133,777	8,320,784	8,896,133
Fund balance, ending	<u>\$ 455,345</u>	<u>\$ 339,596</u>	<u>\$ 12,689,143</u>	<u>\$ 13,484,084</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA  
**BUDGETARY COMPARISON SCHEDULE - FIRE/EMS SERVICE FEE FUND**  
 For the Year Ended June 30, 2014

*Schedule B-3.1*

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
REVENUES				
Charges for services	\$ 2,462,500	\$ 2,462,500	\$ 2,749,522	\$ 287,022
Total revenues	<u>\$ 2,462,500</u>	<u>\$ 2,462,500</u>	<u>\$ 2,749,522</u>	<u>\$ 287,022</u>
Other financing uses:				
Transfers out	\$ (2,614,893)	\$ (2,614,893)	\$ (2,735,749)	\$ (120,856)
	<u>\$ (2,614,893)</u>	<u>\$ (2,614,893)</u>	<u>\$ (2,735,749)</u>	<u>\$ (120,856)</u>
Net change in fund balances	\$ (152,393)	\$ (152,393)	\$ 13,773	\$ 166,166
Fund balance, beginning	<u>152,393</u>	<u>152,393</u>	<u>441,572</u>	<u>289,179</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 455,345</u></u>	<u><u>\$ 455,345</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA  
 BUDGETARY COMPARISON SCHEDULE - CODE COMPLIANCE FUND  
 For the Year Ended June 30, 2014

Schedule B-3.2

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
REVENUES				
Permits, privilege fees and regulatory licenses	\$ 2,019,953	\$ 2,019,953	\$ 2,427,339	\$ 407,386
Charges for services	157,981	157,981	189,999	32,018
Miscellaneous	5,840	5,840	1,500	(4,340)
Total revenues	<u>\$ 2,183,774</u>	<u>\$ 2,183,774</u>	<u>\$ 2,618,838</u>	<u>\$ 435,064</u>
EXPENDITURES				
Public safety	\$ 3,411,447	\$ 3,433,682	\$ 2,961,331	\$ 472,351
Total expenditures	<u>\$ 3,411,447</u>	<u>\$ 3,433,682</u>	<u>\$ 2,961,331</u>	<u>\$ 472,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,227,673)</u>	<u>\$ (1,249,908)</u>	<u>\$ (342,493)</u>	<u>\$ 907,415</u>
Other financing sources:				
Transfers in	\$ 1,228,002	\$ 1,248,541	\$ 548,312	\$ (700,229)
	<u>\$ 1,228,002</u>	<u>\$ 1,248,541</u>	<u>\$ 548,312</u>	<u>\$ (700,229)</u>
Net change in fund balances	\$ 329	\$ (1,367)	\$ 205,819	\$ 207,186
Fund balance, beginning	<u>(329)</u>	<u>1,367</u>	<u>133,777</u>	<u>132,410</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 339,596</u>	<u>\$ 339,596</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA  
BUDGETARY COMPARISON SCHEDULE - TRANSPORTATION FUND  
For the Year Ended June 30, 2014

Schedule B-3.3

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
<b>REVENUES</b>				
General property taxes	\$ 603,264	\$ 603,264	\$ 688,865	\$ 85,601
Other local taxes	4,024,729	4,024,729	9,421,871	5,397,142
Permits, privilege fees and regulatory licenses	15,000	15,000	11,450	(3,550)
From use of money and property	10,000	10,000	18,556	8,556
Gifts and donations	186,894	186,894	427,069	240,175
Total revenues	<u>\$ 4,839,887</u>	<u>\$ 4,839,887</u>	<u>\$ 10,567,811</u>	<u>\$ 5,727,924</u>
<b>EXPENDITURES</b>				
Current:				
Community development	\$ 2,166,345	\$ 2,171,023	\$ 2,161,678	\$ 9,345
Debt service:				
Principal retirement	2,371,459	2,121,487	2,121,487	-
Interest and other fiscal charges	1,352,141	1,482,460	1,482,460	-
Bond issuance costs	-	38,472	-	38,472
Total expenditures	<u>\$ 5,889,945</u>	<u>\$ 5,813,442</u>	<u>\$ 5,765,625</u>	<u>\$ 47,817</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,050,058)</u>	<u>\$ (973,555)</u>	<u>\$ 4,802,186</u>	<u>\$ 5,775,741</u>
Other financing sources (uses):				
Transfers in (out), net	64,286	(94,503)	(433,827)	(339,324)
	<u>\$ 64,286</u>	<u>\$ (94,503)</u>	<u>\$ (433,827)</u>	<u>\$ (339,324)</u>
Net change in fund balances	\$ (985,772)	\$ (1,068,058)	\$ 4,368,359	\$ 5,436,417
Fund balance, beginning	985,772	1,068,058	8,320,784	7,252,726
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,689,143</u>	<u>\$ 12,689,143</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, 2014

*Schedule C-1*

	Special Welfare	Contribution Fund	Total
<b>ASSETS</b>			
Cash	\$ 20,044	\$ 286,490	\$ 306,534
Total assets	<u>\$ 20,044</u>	<u>\$ 286,490</u>	<u>\$ 306,534</u>
<b>LIABILITIES</b>			
Amounts held for others	\$ 20,044	\$ 286,490	\$ 306,534
Total liabilities	<u>\$ 20,044</u>	<u>\$ 286,490</u>	<u>\$ 306,534</u>

## COUNTY OF SPOTSYLVANIA, VIRGINIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2014

## Schedule C-2

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>SPECIAL WELFARE</b>				
<b>ASSETS</b>				
Cash	\$ 13,066	\$ 133,103	\$ 126,125	\$ 20,044
Total assets	<u>\$ 13,066</u>	<u>\$ 133,103</u>	<u>\$ 126,125</u>	<u>\$ 20,044</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 13,066	\$ 133,103	\$ 126,125	\$ 20,044
Total liabilities	<u>\$ 13,066</u>	<u>\$ 133,103</u>	<u>\$ 126,125</u>	<u>\$ 20,044</u>
<b>CONTRIBUTION FUND</b>				
<b>ASSETS</b>				
Cash	\$ 173,606	\$ 487,748	\$ 374,864	\$ 286,490
Total assets	<u>\$ 173,606</u>	<u>\$ 487,748</u>	<u>\$ 374,864</u>	<u>\$ 286,490</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 173,606	\$ 867,900	\$ 755,016	\$ 286,490
Total liabilities	<u>\$ 173,606</u>	<u>\$ 867,900</u>	<u>\$ 755,016</u>	<u>\$ 286,490</u>
<b>TOTAL - ALL FIDUCIARY FUNDS</b>				
<b>ASSETS</b>				
Cash	\$ 186,672	\$ 620,851	\$ 500,989	\$ 306,534
Total assets	<u>\$ 186,672</u>	<u>\$ 620,851</u>	<u>\$ 500,989</u>	<u>\$ 306,534</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 186,672	\$ 1,001,003	\$ 881,141	\$ 306,534
Total liabilities	<u>\$ 186,672</u>	<u>\$ 1,001,003</u>	<u>\$ 881,141</u>	<u>\$ 306,534</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 post employment benefits.

COUNTY OF SPOTSYLVANIA, VIRGINIA  
 COMBINING BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNIT -  
 SCHOOL BOARD  
 June 30, 2014

Schedule D-1

	Operating	Cafeteria	Capital Projects	Total
<b>ASSETS</b>				
Cash and investments - pooled equity	\$ -	\$ 2,734,803	\$ 377,608	\$ 3,112,411
Receivables, net	6,536,762	234,333	-	6,771,095
Due from Primary Government	20,585,419	-	3,892,117	24,477,536
Restricted cash and investments	-	-	54,877	54,877
Claim reserves held by others	12,508,225	-	-	12,508,225
Total assets	<u>\$ 39,630,406</u>	<u>\$ 2,969,136</u>	<u>\$ 4,324,602</u>	<u>\$ 46,924,144</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,038,767	\$ 1,120,757	\$ 261,321	\$ 3,420,845
Retainage payable	-	-	70,390	70,390
Accrued salaries and benefits	22,949,069	309,922	-	23,258,991
Total liabilities	<u>\$ 24,987,836</u>	<u>\$ 1,430,679</u>	<u>\$ 331,711</u>	<u>\$ 26,750,226</u>
<b>DEFERRED INFLOWS</b>				
Unavailable revenues	<u>\$ 2,123,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,123,646</u>
<b>FUND BALANCE</b>				
Restricted for:				
Capital projects	\$ -	\$ -	\$ 3,992,891	\$ 3,992,891
Committed for:				
Food service	-	1,538,457	-	1,538,457
Assigned to:				
Health insurance reserve	12,508,225	-	-	12,508,225
Unassigned	10,699	-	-	10,699
Total fund balance	<u>\$ 12,518,924</u>	<u>\$ 1,538,457</u>	<u>\$ 3,992,891</u>	<u>\$ 18,050,272</u>
Total liabilities and fund balance	<u>\$ 39,630,406</u>	<u>\$ 2,969,136</u>	<u>\$ 4,324,602</u>	<u>\$ 46,924,144</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, 2014

Page 2

Total fund balances - Component Unit School Board (Schedule D-1)	\$ 18,050,272
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*Amounts reported for the Component Unit - School Board in the  
Statement of Net Position (Exhibit II) are different because:*

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the governmental funds.

Non-depreciable assets	\$ 11,118,657	
Depreciable assets, net	<u>293,901,057</u>	
		305,019,714

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

Other postemployment benefits	\$ (86,127,451)	
Claims and judgments	(3,276,788)	
Compensated absences	<u>(5,577,160)</u>	
		(94,981,399)

Revenue not considered available in governmental funds is susceptible to full accrual on the entity-wide statements.	2,123,646
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Prepaid expenses used current resources and, therefore, are not reported in the governmental funds.	204,258
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Internal service fund included in entity-wide statements (Sch E-1).	<u>10,555,975</u>
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Total net position - Component Unit School Board (Exhibit I)	<u><u>\$ 240,972,466</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

Year Ended June 30, 2014

Schedule D-2

	Operating	Cafeteria	Capital Projects	Total
<b>REVENUES</b>				
From use of money and property	\$ -	\$ -	\$ 15,068	\$ 15,068
Charges for services	3,127,172	4,606,130	-	7,733,302
Miscellaneous	382,953	30,547	-	413,500
Gifts and donations	377,608	-	-	377,608
Intergovernmental	130,733,705	4,645,781	-	135,379,486
Payments from Primary Government	90,725,222	-	11,728,999	102,454,221
Total revenues	<u>\$ 225,346,660</u>	<u>\$ 9,282,458</u>	<u>\$ 11,744,067</u>	<u>\$ 246,373,185</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 218,920,833	\$ 8,704,718	\$ -	\$ 227,625,551
Capital projects	-	-	10,344,252	10,344,252
Total expenditures	<u>\$ 218,920,833</u>	<u>\$ 8,704,718</u>	<u>\$ 10,344,252</u>	<u>\$ 237,969,803</u>
Excess of revenues over expenditures	<u>\$ 6,425,827</u>	<u>\$ 577,740</u>	<u>\$ 1,399,815</u>	<u>\$ 8,403,382</u>
Other financing sources (uses):				
Transfers in (out)	<u>\$ (433,478)</u>	<u>\$ 55,870</u>	<u>\$ 377,608</u>	<u>\$ -</u>
	<u>\$ (433,478)</u>	<u>\$ 55,870</u>	<u>\$ 377,608</u>	<u>\$ -</u>
Net change in fund balances	\$ 5,992,349	\$ 633,610	\$ 1,777,423	\$ 8,403,382
Fund balance, beginning, as restated (note 20)	<u>6,526,575</u>	<u>904,847</u>	<u>2,215,468</u>	<u>9,646,890</u>
Fund balance, ending	<u><u>\$ 12,518,924</u></u>	<u><u>\$ 1,538,457</u></u>	<u><u>\$ 3,992,891</u></u>	<u><u>\$ 18,050,272</u></u>

## COUNTY OF SPOTSYLVANIA, VIRGINIA

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

June 30, 2014

Page 2

Net change in fund balance Component Unit - School Board (Schedule D-2): \$ 8,403,382

*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	\$ 7,575,497	
Depreciation expense	<u>(14,220,189)</u>	(6,644,692)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements. (55,314)

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	\$ (12,140,181)	
Claims & judgments	111,885	
Compensated absences	9,011	
Other expenses	<u>(57,873)</u>	(12,077,158)

Change in Internal Service Fund (Sch E-1) included in the entity-wide statements. (409,630)

Change in net position - Component Unit - School Board (Exhibit II) \$ (10,783,412)

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

Year Ended June 30, 2014

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	2,920,223	2,920,223	3,127,172	206,949	5,525,142	5,525,142	4,606,130	(919,012)
Miscellaneous	1,011	497,541	382,953	(114,588)	20,000	20,000	30,547	10,547
Gifts and donations	-	377,608	377,608	-	-	-	-	-
Intergovernmental	130,570,378	130,570,378	130,733,705	163,327	4,443,353	4,443,353	4,645,781	202,428
Payments from Primary Government	114,830,339	118,429,744	116,213,691	(2,216,053)	-	-	-	-
Total revenues	<u>\$ 248,321,951</u>	<u>\$ 252,795,494</u>	<u>\$ 250,835,129</u>	<u>\$ (1,960,365)</u>	<u>\$ 9,988,495</u>	<u>\$ 9,988,495</u>	<u>\$ 9,282,458</u>	<u>\$ (706,037)</u>
Expenditures								
Current:								
Education	\$ 222,643,690	\$ 226,858,916	\$ 218,920,833	\$ 7,938,083	\$ 10,044,365	\$ 10,102,496	\$ 8,704,718	\$ 1,397,778
Capital projects	-	-	-	-	-	-	-	-
Debt service:								
Principal	17,941,257	17,821,966	17,856,330	(34,364)	-	-	-	-
Interest and fiscal charges	7,681,134	7,681,134	7,632,139	48,995	-	-	-	-
Bond issuance costs	-	111,292	111,292	-	-	-	-	-
Total expenditures	<u>\$ 248,266,081</u>	<u>\$ 252,473,308</u>	<u>\$ 244,520,594</u>	<u>\$ 7,952,714</u>	<u>\$ 10,044,365</u>	<u>\$ 10,102,496</u>	<u>\$ 8,704,718</u>	<u>\$ 1,397,778</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 55,870</u>	<u>\$ 322,186</u>	<u>\$ 6,314,535</u>	<u>\$ 5,992,349</u>	<u>\$ (55,870)</u>	<u>\$ (114,001)</u>	<u>\$ 577,740</u>	<u>\$ 691,741</u>
Other financing sources (uses):								
Proceeds from sale of bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds issued for refunding	-	11,697,015	11,695,000	(2,015)	-	-	-	-
Payment to escrow for refunded debt	-	(11,585,723)	(11,583,708)	2,015	-	-	-	-
Transfers	(55,870)	(433,478)	(433,478)	-	55,870	55,870	55,870	-
Total other financing sources (uses)	<u>\$ (55,870)</u>	<u>\$ (322,186)</u>	<u>\$ (322,186)</u>	<u>\$ -</u>	<u>\$ 55,870</u>	<u>\$ 55,870</u>	<u>\$ 55,870</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,992,349</u>	<u>\$ 5,992,349</u>	<u>\$ -</u>	<u>\$ (58,131)</u>	<u>\$ 633,610</u>	<u>\$ 691,741</u>
Fund balance, beginning, as restated (note 20)	<u>-</u>	<u>-</u>	<u>6,526,575</u>	<u>6,526,575</u>	<u>-</u>	<u>58,131</u>	<u>904,847</u>	<u>846,716</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,518,924</u>	<u>\$ 12,518,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,538,457</u>	<u>\$ 1,538,457</u>

Budgets are prepared on a modified accrual basis adjusted for school debt service activity. The amounts presented here include net school debt service payments and school bonds issued of \$13,759,470 that are obligations of the Primary Government. Details may be found in Exhibit IX, Notes to Required Supplementary Information.

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

Year Ended June 30, 2014

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	\$ -	\$ -	\$ 15,068	\$ 15,068	\$ -	\$ -	\$ 15,068	\$ 15,068
Charges for services	-	-	-	-	8,445,365	8,445,365	7,733,302	(712,063)
Miscellaneous	377,608	-	-	-	398,619	517,541	413,500	(104,041)
Gifts and donations	-	-	-	-	-	377,608	377,608	-
Intergovernmental	-	-	-	-	135,013,731	135,013,731	135,379,486	365,755
Payments from Primary Government	-	-	-	-	114,830,339	118,429,744	116,213,691	(2,216,053)
Total revenues	<u>\$ 377,608</u>	<u>\$ -</u>	<u>\$ 15,068</u>	<u>\$ 15,068</u>	<u>\$ 258,688,054</u>	<u>\$ 262,783,989</u>	<u>\$ 260,132,655</u>	<u>\$ (2,651,334)</u>
Expenditures								
Current:								
Education	\$ -	\$ -	\$ -	\$ -	\$ 232,688,055	\$ 236,961,412	\$ 227,625,551	\$ 9,335,861
Capital projects	377,608	13,220,363	10,344,252	2,876,111	377,608	13,220,363	10,344,252	2,876,111
Debt service:								
Principal	-	-	-	-	17,941,257	17,821,966	17,856,330	(34,364)
Interest and fiscal charges	-	-	-	-	7,681,134	7,681,134	7,632,139	48,995
Bond issuance costs	-	73,717	73,717	-	-	185,009	185,009	-
Total expenditures	<u>\$ 377,608</u>	<u>\$ 13,294,080</u>	<u>\$ 10,417,969</u>	<u>\$ 2,876,111</u>	<u>\$ 258,688,054</u>	<u>\$ 275,869,884</u>	<u>\$ 263,643,281</u>	<u>\$ 12,226,603</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (13,294,080)</u>	<u>\$ (10,402,901)</u>	<u>\$ 2,891,179</u>	<u>\$ -</u>	<u>\$ (13,085,895)</u>	<u>\$ (3,510,626)</u>	<u>\$ 9,575,269</u>
Other financing sources (uses):								
Proceeds from sale of bonds	\$ -	\$ 11,802,716	\$ 11,802,716	\$ -	\$ -	\$ 11,802,716	\$ 11,802,716	\$ -
Bonds issued for refunding	-	-	-	-	-	11,697,015	11,695,000	(2,015)
Payment to escrow for refunded debt	-	-	-	-	-	(11,585,723)	(11,583,708)	2,015
Transfers	-	377,608	377,608	-	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 12,180,324</u>	<u>\$ 12,180,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,914,008</u>	<u>\$ 11,914,008</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (1,113,756)</u>	<u>\$ 1,777,423</u>	<u>\$ 2,891,179</u>	<u>\$ -</u>	<u>\$ (1,171,887)</u>	<u>\$ 8,403,382</u>	<u>\$ 9,575,269</u>
Fund balance, beginning, as restated (note 20)	<u>-</u>	<u>1,113,756</u>	<u>2,215,468</u>	<u>1,101,712</u>	<u>-</u>	<u>1,171,887</u>	<u>9,646,890</u>	<u>8,475,003</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,992,891</u>	<u>\$ 3,992,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,050,272</u>	<u>\$ 18,050,272</u>

Budgets are prepared on a modified accrual basis adjusted for school debt activity. The amounts presented here include net school debt service payments and school bonds issued of \$13,759,470 that are obligations of the Primary Government. Details may be found in Exhibit IX, Notes to Required Supplementary Information.

COUNTY OF SPOTSYLVANIA, VIRGINIA  
 STATEMENT OF NET POSITION - INTERNAL SERVICE FUND  
 June 30, 2014

Schedule E-1

Fleet Services  
Fund

ASSETS

Current assets:

Cash and investments - pooled equity	\$ 291,494
Receivables, net	526
Inventory	<u>253,067</u>
Total current assets	<u>545,087</u>

Noncurrent assets:

Capital assets, net:

Land and construction in progress	94,400
Depreciable assets	<u>10,394,453</u>
Total noncurrent assets	<u>10,488,853</u>
Total assets	<u>\$ 11,033,940</u>

LIABILITIES

Current liabilities:

Accounts payable	\$ 34,280
Total current liabilities	<u>34,280</u>

Noncurrent liabilities:

Other postemployment benefits	<u>443,685</u>
Total noncurrent liabilities	<u>443,685</u>
Total liabilities	<u>\$ 477,965</u>

NET POSITION

Net investment in capital assets	\$ 10,488,853
Unrestricted	<u>67,122</u>
Total net position	<u>\$ 10,555,975</u>

## COUNTY OF SPOTSYLVANIA, VIRGINIA

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

Year Ended June 30, 2014

*Schedule E-2*

	Fleet Services Fund
OPERATING REVENUES	
Charges for services	\$ 2,315,610
OPERATING EXPENSES	
Personnel services	\$ 827,087
Fringe benefits	461,812
Contractual services	36,228
Materials and supplies	984,467
Depreciation	350,088
Other services and charges	114,357
Total operating expenses	<u>\$ 2,774,039</u>
Operating loss	<u>\$ (458,429)</u>
NON-OPERATING REVENUES	
Capital contributions	<u>\$ 48,799</u>
Change in net position	<u>\$ (409,630)</u>
Net position, beginning	<u>10,965,605</u>
Net position, ending	<u><u>\$ 10,555,975</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA  
**STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND**  
 For the Fiscal Year Ended June 30, 2014

*Schedule E-3*

	Fleet Services Fund
Cash flows from operating activities:	
Cash received from internal customers	\$ 2,296,610
Cash received from external customers	18,646
Cash received from miscellaneous revenue	1,963
Cash payments to suppliers for goods and services	(1,130,926)
Cash payments to employees for services	(1,210,796)
Net cash used in operating activities	<u>(24,503)</u>
 Net decrease in cash and cash equivalents	 (24,503)
Cash and cash equivalents:	
Beginning	<u>315,997</u>
Ending	<u><u>\$ 291,494</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (458,429)
Depreciation expense	350,088
Decrease in receivables	1,609
Decrease in inventory	3,402
Increase in accounts payable	724
Increase in other postemployment benefits	78,103
Net cash used in operating activities	<u><u>\$ (24,503)</u></u>
Noncash investing, capital and financing activities:	
Contribution of capital assets	\$ 48,779

COUNTY OF SPOTSYLVANIA, VIRGINIA  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
 June 30, 2014

*Schedule F-1*

	School Board OPEB Trust Fund
<b>ASSETS</b>	
Investments:	
Common Trust Funds	\$ 1,727,336
Total assets	<u>\$ 1,727,336</u>
 <b>NET POSITION</b>	
Net position held in trust for other postemployment benefits	<u>1,727,336</u>
Total net position	<u><u>\$ 1,727,336</u></u>

## COUNTY OF SPOTSYLVANIA, VIRGINIA

## STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year Ended June 30, 2014

*Schedule F-2*

	School Board OPEB Trust Fund
<b>ADDITIONS</b>	
Investment earnings:	
Net increase in the fair value of investments	\$ 197,128
Total investment earnings	197,128
Less investment expense	500
Total additions	<u>\$ 196,628</u>
<b>DEDUCTIONS</b>	
Administrative fees	<u>\$ 1,899</u>
Net increase in net position	\$ 194,729
Net position held in trust for other postemployment benefits	
Net position, beginning	<u>1,532,607</u>
Net position, ending	<u><u>\$ 1,727,336</u></u>

## ***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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities</b>										
Net investment in capital assets	\$ 13.2	\$ 7.7	\$ -	\$ 26.3	\$ 23.1	\$ 14.7	\$ 11.6	\$ 18.3	\$ 22.6	\$ 57.7
Restricted	7.6	59.0	45.6	45.6	31.0	35.4	19.3	19.7	21.0	1.4
Unrestricted	<u>(201.3)</u>	<u>(240.3)</u>	<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>
Total governmental activities net position	<u>\$ (180.5)</u>	<u>\$ (173.6)</u>	<u>\$ (204.3)</u>	<u>\$ (188.3)</u>	<u>\$ (184.6)</u>	<u>\$ (161.2)</u>	<u>\$ (136.3)</u>	<u>\$ (109.0)</u>	<u>\$ (94.0)</u>	<u>\$ (76.8)</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 129.4	\$ 141.0	\$ 161.2	\$ 148.7	\$ 177.9	\$ 175.7	\$ 170.5	\$ 166.1	\$ 164.7	\$ 157.6
Restricted	26.3	22.3	3.4	25.6	10.8	0.6	34.1	19.4	15.7	6.1
Unrestricted	<u>52.6</u>	<u>55.4</u>	<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>
Total business-type activities net position	<u>\$ 208.3</u>	<u>\$ 218.7</u>	<u>\$ 228.3</u>	<u>\$ 240.6</u>	<u>\$ 240.6</u>	<u>\$ 243.4</u>	<u>\$ 239.4</u>	<u>\$ 240.2</u>	<u>\$ 238.3</u>	<u>\$ 241.3</u>
<b>Primary Government</b>										
Net investment in capital assets	\$ 142.6	\$ 148.7	\$ 161.2	\$ 175.0	\$ 201.0	\$ 190.4	\$ 182.2	\$ 184.4	\$ 187.3	\$ 215.3
Restricted	33.9	81.3	49.0	71.2	41.8	36.0	53.4	39.1	36.7	7.5
Unrestricted	<u>(148.7)</u>	<u>(184.9)</u>	<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>
Total Primary Government net position	<u>\$ 27.8</u>	<u>\$ 45.1</u>	<u>\$ 24.0</u>	<u>\$ 52.3</u>	<u>\$ 56.0</u>	<u>\$ 82.2</u>	<u>\$ 103.2</u>	<u>\$ 131.2</u>	<u>\$ 144.3</u>	<u>\$ 164.5</u>
<b>Component unit - School Board (1)</b>										
Net investment in capital assets	\$ 286.0	\$ 301.9	\$ 305.9	\$ 335.3	\$ 350.5	\$ 349.3	\$ 328.3	\$ 330.6	\$ 322.6	\$ 315.5
Restricted	53.2	48.5	82.0	33.6	13.9	2.6	4.8	3.8	0.7	4.0
Unrestricted	<u>(11.0)</u>	<u>(4.0)</u>	<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>
Total Component unit - School Board net position	<u>\$ 328.2</u>	<u>\$ 346.4</u>	<u>\$ 384.0</u>	<u>\$ 356.9</u>	<u>\$ 342.2</u>	<u>\$ 309.2</u>	<u>\$ 289.1</u>	<u>\$ 268.4</u>	<u>\$ 251.8</u>	<u>\$ 241.0</u>

(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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities										
General government	\$ 13.0	\$ 12.1	\$ 12.4	\$ 16.1	\$ 13.9	\$ 12.5	\$ 11.7	\$ 10.9	\$ 13.4	\$ 13.9
Judicial administration	4.2	4.7	5.2	5.9	5.9	6.1	7.3	7.3	5.7	8.4
Public safety	26.1	31.3	36.7	41.7	40.3	40.2	41.0	43.4	49.1	48.2
Public works	5.1	7.1	7.8	4.3	9.0	6.9	8.8	9.5	9.2	12.6
Health and welfare	13.0	13.5	15.8	17.2	16.7	17.1	17.5	17.5	17.7	18.5
Education	128.0	99.8	123.1	80.3	95.3	77.9	85.8	88.6	92.9	102.7
Parks, recreation & cultural	6.0	6.0	6.9	7.2	9.8	7.1	7.9	7.9	8.1	8.0
Community development	4.0	4.1	9.9	11.5	6.9	17.3	12.9	14.6	19.4	8.3
Interest on long-term debt	11.1	11.8	15.5	16.2	15.4	13.1	15.2	14.2	12.6	11.7
Total governmental activities expenses	\$ 210.5	\$ 190.4	\$ 233.3	\$ 200.4	\$ 213.2	\$ 198.2	\$ 208.1	\$ 213.9	\$ 228.1	\$ 232.3
Business-type activities										
Water and sewer	\$ 22.0	\$ 26.8	\$ 32.0	\$ 27.8	\$ 31.3	\$ 29.1	\$ 33.6	\$ 32.5	\$ 33.2	\$ 33.0
Total business-type activities expenses	\$ 22.0	\$ 26.8	\$ 32.0	\$ 27.8	\$ 31.3	\$ 29.1	\$ 33.6	\$ 32.5	\$ 33.2	\$ 33.0
Total Primary Government expenses	\$ 232.5	\$ 217.2	\$ 265.3	\$ 228.2	\$ 244.5	\$ 227.3	\$ 241.7	\$ 246.4	\$ 261.3	\$ 265.3
Program revenues										
Governmental activities										
Charges for services										
General government	\$ 1.4	\$ -	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
Judicial administration	2.0	2.0	1.7	1.5	1.6	1.3	1.2	1.1	1.0	0.8
Public safety	5.0	7.9	5.7	5.6	7.3	4.5	4.4	4.4	5.8	5.9
Public works	1.0	2.3	2.3	2.7	2.9	0.5	0.7	0.8	1.3	1.9
Other	0.9	1.8	2.4	2.3	2.1	1.7	1.4	1.6	1.7	1.8
Operating grants & contributions	12.6	13.2	16.3	18.7	16.0	15.2	15.2	15.7	14.1	16.2
Capital grant & contributions	-	0.9	0.4	-	0.1	1.9	4.7	9.3	9.9	3.8
Total governmental activities program revenues	\$ 22.9	\$ 28.1	\$ 29.0	\$ 31.0	\$ 30.2	\$ 25.4	\$ 27.9	\$ 33.2	\$ 34.1	\$ 30.7

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities										
Charges for services										
Water and sewer	\$ 28.6	\$ 26.4	\$ 26.6	\$ 26.4	\$ 24.8	\$ 26.1	\$ 25.3	\$ 25.7	\$ 27.7	\$ 28.4
Operating grants & contributions	-	-	-	-	-	-	-	0.5	0.5	0.5
Capital grants & contributions	9.3	6.3	6.6	8.8	3.0	3.6	2.8	7.0	4.4	6.3
Total business-type program revenues	\$ 37.9	\$ 32.7	\$ 33.2	\$ 35.2	\$ 27.8	\$ 29.7	\$ 28.1	\$ 33.2	\$ 32.6	\$ 35.2
Total Primary Government program revenues	\$ 60.1	\$ 55.6	\$ 61.3	\$ 64.2	\$ 58.8	\$ 59.9	\$ 53.5	\$ 66.4	\$ 66.7	\$ 66.9
Net expense										
Governmental activities	\$ (187.6)	\$ (162.3)	\$ (204.3)	\$ (169.4)	\$ (183.0)	\$ (172.8)	\$ (180.2)	\$ (180.8)	\$ (194.0)	\$ (201.7)
Business-type activities	15.9	5.9	0.1	7.4	(3.5)	(0.6)	5.4	0.7	(0.6)	2.2
Total Primary Government net expenses	\$ (171.7)	\$ (156.4)	\$ (204.2)	\$ (162.0)	\$ (186.5)	\$ (173.4)	\$ (174.8)	\$ (180.1)	\$ (194.6)	\$ (199.5)
General revenues and other changes in net assets										
Governmental activities:										
Property taxes	\$ 95.4	\$ 104.5	\$ 110.8	\$ 120.7	\$ 129.7	\$ 140.0	\$ 145.3	\$ 146.2	\$ 147.9	\$ 151.4
Other taxes	37.2	41.9	40.4	41.1	39.1	39.4	42.9	45.5	47.3	51.7
Grants and contributions not restricted	15.8	17.9	16.4	16.0	16.0	15.8	15.3	15.3	15.4	15.6
Interest and investment earnings	1.0	2.3	5.9	4.4	1.6	0.6	0.8	0.3	-	0.5
Gain on sale of property	-	-	-	(0.1)	0.2	0.2	0.4	-	-	-
Miscellaneous	0.1	2.1	0.2	0.2	0.1	-	0.5	0.5	0.2	0.1
Transfers	-	-	-	0.2	0.1	0.2	-	0.3	-	(0.4)
Total governmental activities	\$ 149.5	\$ 168.7	\$ 173.7	\$ 182.5	\$ 186.8	\$ 196.2	\$ 205.2	\$ 208.1	\$ 210.8	\$ 218.9
Business-type activities										
Grants and contributions not restricted	\$ -	\$ -	\$ -	\$ 0.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	1.6	3.9	7.1	3.7	2.6	0.8	0.9	0.4	0.3	0.4
Gain on sale of property	-	0.5	-	-	-	-	-	-	-	-
Miscellaneous	-	0.1	1.4	1.2	1.0	1.6	0.5	-	-	-
Transfers	-	-	-	(0.1)	(0.1)	(0.2)	-	0.3	-	0.4
Total business-type activities	\$ 1.6	\$ 4.5	\$ 8.5	\$ 5.0	\$ 3.5	\$ 2.2	\$ 1.4	\$ 0.7	\$ 0.3	\$ 0.8
Total Primary Government	\$ 151.1	\$ 173.2	\$ 182.2	\$ 187.5	\$ 190.3	\$ 198.4	\$ 206.6	\$ 208.8	\$ 211.1	\$ 219.7
Change in net position										
Governmental activities	\$ (38.1)	\$ 6.4	\$ (30.6)	\$ 13.0	\$ 3.8	\$ 23.4	\$ 25.0	\$ 27.3	\$ 16.8	\$ 17.2
Business-type activities	17.5	10.4	9.5	12.4	-	2.8	4.0	0.8	(0.3)	3.0
Total Primary Government	\$ (20.6)	\$ 16.8	\$ (21.1)	\$ 25.4	\$ 3.8	\$ 26.2	\$ 29.0	\$ 28.1	\$ 16.5	\$ 20.2

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Component unit - School Board (1)										
Expenses										
Education	\$ 187.8	\$ 205.1	\$ 228.9	\$ 257.6	\$ 262.0	\$ 260.8	\$ 243.1	\$ 244.9	\$ 261.5	\$ 257.7
Program revenues										
Charges for services	\$ 6.0	\$ 7.1	\$ 6.1	\$ 8.2	\$ 8.5	\$ 7.6	\$ 7.6	\$ 7.8	\$ 7.7	\$ 8.2
Operating grants & contributions	232.8	213.2	254.9	219.5	226.8	219.1	214.7	215.7	230.9	135.3
Capital grants & contributions	-	0.7	-	-	11.3	0.2	-	-	0.2	0.6
Total Component unit - School Board program revenue	238.8	221.0	261.0	227.7	246.6	226.9	222.3	223.5	238.8	144.1
Net (expense)/revenue	\$ 51.0	\$ 15.9	\$ 32.1	\$ (29.9)	\$ (15.4)	\$ (33.9)	\$ (20.8)	\$ (21.4)	\$ (22.7)	\$ (113.6)
General revenues and other changes in net position										
Payments from Primary Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102.5
Interest and investment earnings	0.3	1.3	2.3	3.0	0.4	0.2	-	-	-	-
Miscellaneous	0.7	0.7	2.3	(0.2)	0.2	0.7	0.6	0.8	0.9	0.3
Total general revenues and transfers	\$ 1.0	\$ 2.0	\$ 4.6	\$ 2.8	\$ 0.6	\$ 0.9	\$ 0.6	\$ 0.8	\$ 0.9	\$ 102.8
Total Component unit - School Board change in net position	\$ 52.0	\$ 17.9	\$ 36.7	\$ (27.1)	\$ (14.8)	\$ (33.0)	\$ (20.2)	\$ (20.6)	\$ (21.8)	\$ (10.8)

(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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Prior to GASB 54:										
Reserved	\$ 2.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated	6.6	10.2	43.9	38.9	37.1	41.6	-	-	-	-
Undesignated	35.5	42.3	-	1.8	1.4	6.4	-	-	-	-
Effective with GASB 54:										
Restricted	-	-	-	-	-	-	0.2	1.5	1.5	1.6
Committed	-	-	-	-	-	-	1.2	10.5	4.8	2.6
Assigned	-	-	-	-	-	-	16.0	8.6	9.3	9.9
Unassigned	-	-	-	-	-	-	37.5	41.6	39.8	43.0
Total General Fund	<u>\$ 44.1</u>	<u>\$ 52.5</u>	<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>
All other governmental funds:										
Prior to GASB 54:										
Reserved	\$ 7.6	\$ 59.0	\$ 45.6	\$ 35.2	\$ 27.8	\$ 35.5	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Special Revenue funds	2.1	3.2	4.7	(4.4)	(5.2)	1.7	-	-	-	-
Capital Projects Fund	8.3	10.4	6.9	-	-	(2.0)	-	-	-	-
Effective with GASB 54:										
Restricted	-	-	-	-	-	-	19.2	19.7	25.2	35.4
Committed	-	-	-	-	-	-	10.2	7.4	14.2	16.3
Assigned	-	-	-	-	-	-	0.8	0.7	0.5	2.8
Unassigned	-	-	-	-	-	-	(1.5)	0.1	-	-
Total all other governmental funds	<u>\$ 18.0</u>	<u>\$ 72.6</u>	<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>

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
General property taxes	\$ 95.3	\$ 104.1	\$ 110.2	\$ 119.5	\$ 128.8	\$ 136.8	\$ 144.9	\$ 147.2	\$ 147.8	\$ 151.9
Other local taxes	37.1	41.9	40.4	41.1	39.1	38.2	42.1	45.6	47.2	51.7
Permits, privilege fees and regulatory licenses	4.1	6.3	3.9	3.4	3.2	2.3	2.3	2.4	2.7	2.7
Fines and forfeitures	0.8	0.9	0.9	1.0	1.2	1.0	0.9	0.8	0.6	0.5
Revenues from use of money and property	1.3	2.7	6.3	5.0	2.8	1.5	1.5	1.1	0.7	1.1
Charges for services	4.9	6.5	7.1	7.2	7.5	4.7	4.6	5.5	6.4	7.1
Miscellaneous	1.1	1.4	1.7	2.0	1.0	0.5	0.5	0.6	0.7	0.9
Intergovernmental	28.3	31.1	31.7	33.3	31.4	32.2	33.9	31.6	41.2	37.9
Payment from component unit	-	-	0.3	-	-	-	-	-	-	-
Total revenues	<u>\$ 172.9</u>	<u>\$ 194.9</u>	<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>
<b>Expenditures</b>										
General government	\$ 9.8	\$ 10.9	\$ 12.0	\$ 13.4	\$ 12.2	\$ 9.3	\$ 9.9	\$ 10.6	\$ 11.6	\$ 11.5
Judicial administration	4.1	4.7	5.1	5.7	5.6	5.8	5.8	6.2	6.4	6.8
Public safety	25.5	29.7	34.9	38.9	37.2	36.4	37.0	39.4	44.4	44.3
Public works	5.6	6.7	7.5	7.8	7.4	6.6	7.2	8.0	8.3	8.7
Health and welfare	13.4	13.4	15.8	16.9	16.5	16.7	17.3	17.2	17.3	18.0
Education (2)	127.6	99.8	123.1	86.0	83.9	77.9	85.8	84.5	92.9	102.7
Parks, recreation and cultural	5.4	5.9	6.3	6.8	6.6	6.3	6.8	6.8	6.8	6.8
Community development	2.6	3.0	5.1	4.1	3.8	3.2	2.9	4.3	7.7	5.3
Non-departmental	0.3	0.2	0.2	0.3	0.4	0.5	0.5	0.5	0.5	0.7
Capital projects	4.2	7.7	26.4	27.7	11.0	19.9	43.2	27.0	16.2	14.0
Debt service:										
Principal (1)	15.7	17.4	18.8	21.8	25.4	25.0	26.0	27.1	26.8	25.2
Interest (1)	11.3	11.3	13.4	15.7	15.6	14.6	15.6	14.7	13.5	12.6
Bond issuance costs	(0.2)	2.1	1.0	-	-	(0.1)	0.1	(0.5)	0.9	0.2
Total expenditures	<u>\$ 225.3</u>	<u>\$ 212.8</u>	<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>
<b>Other financing sources (uses)</b>										
Bond proceeds (1)	\$ 55.4	\$ 76.7	\$ 41.1	\$ -	\$ -	\$ 27.6	\$ 19.8	\$ 11.5	\$ 10.7	\$ 19.6
Refunding bond proceeds	14.9	-	-	-	-	-	-	17.7	44.2	11.7
Payment to refund bond escrow agent	(14.0)	-	-	-	-	-	-	(6.0)	(43.5)	(11.6)
Lease proceeds and extinguishments	1.2	-	-	-	-	-	7.3	(7.3)	-	-
Transfers in	4.2	5.8	5.3	5.1	2.4	0.2	-	0.3	-	(0.4)
Transfers out (2)	(4.2)	(5.8)	(5.3)	(5.0)	(2.3)	-	-	-	-	-
Total other financing sources (uses)	<u>\$ 57.5</u>	<u>\$ 76.7</u>	<u>\$ 41.1</u>	<u>\$ 0.1</u>	<u>\$ 0.1</u>	<u>\$ 27.8</u>	<u>\$ 27.1</u>	<u>\$ 16.2</u>	<u>\$ 11.4</u>	<u>\$ 19.3</u>
Net change in fund balances	<u>\$ 5.1</u>	<u>\$ 58.8</u>	<u>\$ (26.0)</u>	<u>\$ (32.5)</u>	<u>\$ (10.5)</u>	<u>\$ 22.9</u>	<u>\$ (0.3)</u>	<u>\$ 5.2</u>	<u>\$ 5.4</u>	<u>\$ 16.3</u>

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

TABLE S-4

Page 2

(Amounts in millions)	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Service as a Percentage of Noncapital Expenditures: (1)										
Primary Government:										
Total debt service	<u>\$ 27.0</u>	<u>\$ 28.7</u>	<u>\$ 32.2</u>	<u>\$ 37.5</u>	<u>\$ 41.0</u>	<u>\$ 39.6</u>	<u>\$ 41.6</u>	<u>\$ 42.2</u>	<u>\$ 40.3</u>	<u>\$ 37.7</u>
Total expenditures	225.3	212.8	269.6	245.1	225.6	222.1	258.1	246.8	253.3	256.8
Capital outlay Primary Government only (2)	<u>4.2</u>	<u>7.7</u>	<u>23.0</u>	<u>50.7</u>	<u>31.0</u>	<u>4.2</u>	<u>34.0</u>	<u>15.1</u>	<u>6.0</u>	<u>11.1</u>
Non-capital expenditures	<u>221.1</u>	<u>205.1</u>	<u>246.6</u>	<u>194.4</u>	<u>194.6</u>	<u>217.9</u>	<u>224.1</u>	<u>231.7</u>	<u>247.3</u>	<u>245.7</u>
Debt service as a percentage of non-capital expenditures: (Primary Government only)	12.2%	14.0%	13.1%	19.3%	21.1%	18.2%	18.6%	18.2%	16.3%	15.3%
Component unit - School Board:										
School expenditures excluding County contribution	83.8	121.4	109.9	110.0	167.7	164.1	139.0	136.5	147.7	135.5
Capital outlay Component unit - School Board only (2)	<u>25.7</u>	<u>24.8</u>	<u>12.1</u>	<u>43.6</u>	<u>16.7</u>	<u>14.9</u>	<u>4.1</u>	<u>7.4</u>	<u>6.4</u>	<u>7.6</u>
Non-capital expenditures	<u>58.1</u>	<u>96.6</u>	<u>97.8</u>	<u>66.4</u>	<u>151.0</u>	<u>149.2</u>	<u>134.9</u>	<u>129.1</u>	<u>141.3</u>	<u>127.9</u>
Total Reporting Entity (1):										
Total debt service	<u>27.0</u>	<u>28.7</u>	<u>32.2</u>	<u>37.5</u>	<u>41.0</u>	<u>39.6</u>	<u>41.6</u>	<u>42.2</u>	<u>40.3</u>	<u>37.7</u>
Total non-capital expenditures	<u>\$ 279.2</u>	<u>\$ 301.7</u>	<u>\$ 344.4</u>	<u>\$ 260.8</u>	<u>\$ 345.6</u>	<u>\$ 367.1</u>	<u>\$ 359.0</u>	<u>\$ 360.8</u>	<u>\$ 388.6</u>	<u>\$ 373.6</u>
Debt service as a percentage of non-capital expenditures: Total Reporting Entity	9.8%	9.5%	9.3%	14.4%	11.9%	10.8%	11.6%	11.7%	10.4%	10.1%

(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	
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
2006	104,056,712	15,263,732	5,166,223	21,473,841	145,960,508
2005	95,278,685	12,980,307	4,129,832	20,039,665	132,428,489
% Change 2014/2013	3.0%	2.8%	0.1%	0.1%	2.6%
% Change 2014/2005	58.2%	21.6%	75.9%	(4.1)%	45.7%
Category % of Total Taxes	78.1%	8.2%	3.7%	10.0%	100.0%

(1) Administrative collection fees of \$472,357 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	Miscellaneous (1)(2)	Inter- governmental (1)	Total Revenues
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
2006	104,056,712	41,903,796	6,303,089	903,098	4,644,992	13,531,860	1,848,506	144,542,410	317,734,463
2005	95,278,685	37,149,804	4,125,987	792,711	1,877,137	11,011,050	1,848,627	133,476,043	285,560,044
% Change 2014/2013	2.8%	9.4%	1.2%	(15.3)%	49.0%	8.7%	5.0%	(3.5)%	1.0%
% Change 2014/2005	59.5%	39.1%	(34.9)%	(31.3)%	(41.0)%	34.5%	(8.7)%	29.8%	39.3%
% of Total Revenues	38.5%	12.2%	1.0%	0.1%	0.2%	3.8%	0.3%	43.9%	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 \$102,454,221.

(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
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
2006	13,233,227	17,494	1,339,692	27,415	19,687	210,222	14,847,737	0.80
2005	8,901,142	17,647	1,201,570	29,020	13,557	167,305	10,330,240	1.08
% Change 2014/2013	4.2%	(8.5)%	2.2%	37.0%	26.5%	3.0%	4.0%	
% Change 2014/2005	45.3%	(33.5)%	33.5%	(0.4)%	4.5%	85.2%	44.2%	
Category % of Total AV, CY 2014	86.8%	0.1%	10.8%	0.2%	0.1%	2.1%	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.

Sources: Property Books from the Commissioner of Revenue for 2006 through 2014, State Corporation Commission Certified Statements of Assessed Value for Public Service Corp. 2005 through 2011, and Spotsylvania County FY 2005 CAFR for 2005

## 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	Business Furniture & Fixtures	Machinery & Tools	Heavy Construction Equipment
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
2006	0.62	5.00	5.00	2.50	2.00
2005	0.89	5.00	5.00	2.50	2.00

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 2013			Calendar Year 2004		
	Assessed Value	Rank	% of Total County Taxable Assessed Value	Assessed Value	Rank	% of Total County Taxable Assessed Value
Spotsylvania Mall Company	\$ 185,160	1	1.42%	\$ 101,340	1	1.21%
Spotsylvania Regional Medical Ctr	86,111	2	0.66%	--		--
Dominion Virginia Power	95,305	3	0.73%	57,529	2	0.69%
Rappahannock Electric Cooperative	71,023	4	0.54%	45,230	3	0.54%
Comcast of Va	9,833	5	0.08%	--		--
Verizon VA (1)	54,767	6	0.42%	32,854	4	0.39%
GLL BVK Prop L P	39,368	7	0.30%	--		--
CVS Pharmacy	5,615	8	0.04%	--		--
Lee Property Harrison Crossing	32,191	9	0.25%	--		--
Columbia Gas of VA Inc	29,251	10	0.22%	--		--
General Motors	--		--	11,343	5	0.14%
NTS/Virginia Development	--		--	25,117	6	0.30%
Adelphia Communications (2)	--		--	5,347	7	0.06%
Brittany III Ltd Partnership	--		--	20,472	8	0.24%
MGP Fred Operating B-II	--		--	19,532	9	0.23%
Breezewood Apartment Association	--		--	18,226	10	0.02%
	<u>\$ 608,624</u>		<u>4.66%</u>	<u>\$ 336,990</u>		<u>3.82%</u>

(1) Formerly Bell Atlantic

(2) Formerly Prestige Cable

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	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)
2014	\$ 138,051	\$ 129,769	94.00%	\$ -	\$ 129,769	94.00%
2013	133,114	126,568	95.08%	5,416	131,984	99.15%
2012	132,788	124,581	93.82%	6,212	130,793	98.50%
2011	129,556	122,179	94.31%	6,590	128,769	99.39%
2010	123,221	116,108	94.23%	6,492	122,600	99.50%
2009	119,262	112,873	94.64%	5,889	118,762	99.58%
2008	114,440	108,901	95.16%	5,493	114,394	99.96%
2007	105,414	100,292	95.14%	4,941	105,233	99.83%
2006	99,211	94,916	95.67%	4,231	99,147	99.94%
2005	90,614	86,986	96.00%	3,564	90,550	99.93%

(1) Does not include land redemptions.

(2) Exclusive of penalties and interest.

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

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	Government Activities						Business-type Activities	Total Primary Government	Percentage of Personal Income (2)	Per Capita
	Virginia Public									
	General Obligation Bonds (1)	School Authority Bonds	Lease Revenue Bonds (1)	Capital Leases	State Literary Fund Loans	Revenue Bonds				
2014	\$ 165,705	\$ 34,621	\$ 84,288	\$ -	\$ -	\$ 141,466	\$ 426,080	1.55%	3.34	
2013	159,200	39,385	82,574	-	-	140,390	421,549	1.57%	3.31	
2012	158,787	45,060	87,236	-	7,263	144,258	442,604	1.49%	3.52	
2011	163,511	51,331	80,475	7,253	7,924	147,855	458,349	1.40%	3.68	
2010	157,507	58,634	84,466	-	8,845	119,389	428,841	1.40%	3.50	
2009	142,581	66,044	88,332	650	9,775	122,654	430,036	1.29%	3.55	
2008	154,012	73,995	92,080	1,649	10,704	125,089	457,529	1.22%	3.82	
2007	161,886	82,275	95,712	2,603	11,634	89,025	443,135	1.21%	3.73	
2006	125,475	91,063	99,237	3,513	12,563	92,357	424,208	1.20%	3.60	
2005	53,316	100,215	101,231	4,391	13,493	94,600	367,246	1.26%	3.20	

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

- (1) General obligation and lease revenue bonds include debt issued on behalf of the School Board. Lease revenue bonds are issued for general government purposes and are paid from general government resources.
- (2) Latest available data for FY 2012, per US Department of Commerce, Bureau of Economic Analysis. Used 2012 personal and per capita income for 2012 through 2014 calculations. Personal and per capita income reported per US Department of Commerce includes the City of Fredericksburg.

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			
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
2006	125,475	91,063	99,237	315,775	2.13%	2.68
2005	53,316	100,215	101,231	254,762	2.47%	2.22

(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  
Revenue Bond Coverage - Water and Sewer Revenue Bonds  
Last Ten Fiscal Years

TABLE S-12

(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	
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
2006	30,956	13,939	17,017	2,242	6,714	8,956	1.90
2005	30,134	11,331	18,803	1,815	5,007	6,822	2.76

(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)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate (4)
2014	127,715	N/A	23,773	5.0%
2013	126,494	N/A	23,725	5.3%
2012	125,684	\$ 43,218	23,775	5.0%
2011	124,477	40,893	23,868	5.6%
2010	122,397	39,298	24,084	6.0%
2009	120,977	38,202	24,202	5.7%
2008	120,015	38,824	24,390	3.4%
2007	118,939	38,195	24,186	2.5%
2006	117,718	36,261	23,811	2.4%
2005	114,909	34,382	22,955	2.7%

- (1) Estimated for July 1 of each year  
2005 - 2012 US Bureau of the Census  
2013 - 2014 Spotsylvania County Planning Department
- (2) 2005 - 2012 US Bureau of the Census - includes Spotsylvania County and City of Fredericksburg
- (3) As of October 1 of each fiscal year
- (4) Virginia Employment Commission: 2005 - 2012 reports on calendar year-end, 2013 and years going forward represent data as of fiscal year-end.
- N/A Not available

COUNTY OF SPOTSYLVANIA, VIRGINIA  
Principal Employers  
Current Year and Nine Years Ago

TABLE S-14

Employer	FY 2014			FY 2005		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Spotsylvania County School Board	Over 1,000	1	3.1%	Over 1,000	1	3.5%
County of Spotsylvania	Over 1,000	2	3.1%	500 to 999	2	2.6%
HCA Virginia Health System	500 to 999	3	2.3%	--		
Wal Mart	500 to 999	4	1.2%	500 to 999	4	2.6%
Food Lion	250 to 499	5	1.2%	250 to 499	5	1.3%
CVS, Inc.	250 to 499	6	1.2%	500 to 999	3	2.6%
A T Solutions Inc.	250 to 499	7	1.2%	--		
Germanna Community College	250 to 499	8	1.2%	--		
Carmax	100 to 249	9	0.5%	--		
Giant Food	100 to 249	10	0.5%	--		
Collegiate Funding Services	--			250 to 499	6	1.3%
Lowe's Home Centers Inc.	--			250 to 499	7	1.3%
Open First	--			250 to 499	8	1.3%
Motion Control Industries	--			250 to 499	9	1.3%
Carriage Hill Nursing Home	--			100 to 249	10	0.6%
Total employment	31,946			28,772		

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
General government	99	106	111	117	115	115	116	116	122	124
Judicial administration	29	32	34	36	36	35	35	38	38	38
Public safety	317	321	372	393	399	382	381	374	401	416
Public works	45	46	55	57	56	49	49	44	48	48
Health and welfare	67	67	74	74	77	77	77	82	83	83
Parks, recreation & cultural	21	22	23	24	24	24	24	23	23	23
Community development	20	21	24	29	26	22	22	32	38	36
Total governmental activities	<u>598</u>	<u>615</u>	<u>693</u>	<u>730</u>	<u>733</u>	<u>704</u>	<u>704</u>	<u>709</u>	<u>753</u>	<u>768</u>
Business-type activities:										
Water and sewer	<u>100</u>	<u>102</u>	<u>105</u>	<u>111</u>	<u>111</u>	<u>113</u>	<u>113</u>	<u>113</u>	<u>114</u>	<u>115</u>
Total business-type activities	<u>100</u>	<u>102</u>	<u>105</u>	<u>111</u>	<u>111</u>	<u>113</u>	<u>113</u>	<u>113</u>	<u>114</u>	<u>115</u>
Total full-time employees	<u>698</u>	<u>717</u>	<u>798</u>	<u>841</u>	<u>844</u>	<u>817</u>	<u>817</u>	<u>822</u>	<u>867</u>	<u>883</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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Commissioner of Revenue										
Taxable real estate parcels (1)	56,359	57,473	58,395	58,768	58,990	59,122	59,248	59,682	59,803	60,459
Percentage of fair market value (2) (3)	58.50%	74.70%	80.90%	109.50%	133.70%	90.30%	94.70%	90.20%	n/a	n/a
Treasurer										
Real estate tax bills generated	124,680	127,680	123,592	142,231	133,784	125,530	127,740	127,923	132,219	135,270
Personal property tax bills generated (1)	231,427	206,776	259,610	290,750	271,542	245,127	248,054	268,067	293,817	298,844
Registrar										
Number of registered voters	64,503	65,901	66,897	70,410	74,600	75,854	77,350	79,900	81,922	82,355
Judicial administration										
Clerk of the Circuit Court										
Number of deeds recorded (1)	55,161	44,312	34,697	24,819	24,745	23,098	21,458	25,702	28,618	n/a
Commonwealth Attorney										
Average caseload per attorney (1)	2,149	1,683	2,306	1,864	2,174	1,931	1,792	1,666	1,400	n/a
Number of circuit court cases (1)	2,162	1,772	1,786	1,936	2,115	2,217	2,157	1,998	2,278	n/a
Number of General District Court cases (1)	10,498	9,386	10,746	11,235	12,362	11,945	10,700	9,974	8,667	n/a
Number of Juvenile & Domestic Relations Court cases (1)	3,463	3,990	5,923	3,611	4,004	5,143	3,267	3,018	3,062	n/a
Public safety										
Sheriff										
Calls for service	158,650	166,330	167,720	167,523	180,105	172,762	153,069	150,598	144,996	129,761
Calls for service per road deputy	3,324	3,696	3,289	2,792	2,814	2,657	2,430	2,091	2,013	1,802
Civil process papers served	51,221	47,912	50,610	49,711	45,326	48,010	60,512	49,999	38,281	43,224
Warrants served	9,279	12,497	13,012	13,404	13,279	12,880	12,280	11,019	11,055	9,986
Emergency Communications										
Total calls received	335,577	222,722	215,984	205,535	217,365	213,419	202,674	203,414	188,361	184,615
911 calls received	56,497	52,118	51,826	52,600	52,600	50,941	50,008	52,816	47,832	49,189
Fire, Rescue and Emergency Management										
Calls for service (4)	15,249	15,802	16,576	17,021	16,749	16,540	15,458	15,622	16,974	15,355
Animal Control										
Calls for service (all types)	6,119	5,776	5,844	6,102	6,275	8,035	8,517	8,387	8,212	8,386
Public works										
Refuse Disposal										
Solid waste - tons (1)	53,408	59,060	56,989	53,081	46,535	45,872	41,518	40,064	73,737	108,500
Recycling										
Recycled materials - tons	14,925	14,998	15,002	17,662	11,087	21,183	20,960	22,758	23,360	26,446
Sludge composted - tons	11,223	11,479	12,246	12,037	12,573	12,369	14,492	15,580	18,828	22,924

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

TABLE S-16  
 Page 2

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Health and welfare										
Social Services										
SNAP applications	1,931	2,108	2,140	2,434	2,793	3,739	3,628	4,250	4,530	4,709
Medicaid applications	2,487	2,404	2,526	2,425	2,558	2,024	2,250	3,766	3,960	4,786
Medicaid (avg monthly ongoing caseload)	5,032	5,267	5,199	5,780	6,588	7,561	8,295	8,612	6,760	6,869
Foster care children (avg monthly county)	101	94	97	111	116	134	121	97	90	82
Parks, recreation and cultural										
Parks and Recreation										
Sports league participants	8,334	8,533	8,431	7,998	7,964	7,762	7,669	7,540	7,293	7,024
Special interest/leisure participants	10,419	12,007	13,532	12,274	12,308	12,842	11,426	11,555	11,120	10,671
Park visitors	1,037,000	1,068,400	1,079,500	1,136,200	1,137,700	1,143,200	1,151,800	1,284,500	1,312,800	1,313,800
Community development										
Planning										
Final platted lots approved (1)	1,147	1,071	656	152	64	48	441	110	278	n/a
Economic Development										
Average "annual" salary census of wages (Virginia Employment Commission)	\$ 33,748	\$ 37,336	\$ 33,852	\$ 33,384	\$ 34,190	\$ 33,787	\$ 33,787	\$ 31,014	\$ 31,995	n/a
Tourism										
Tourists visiting area (1)	449,734	428,450	504,103	514,738	601,949	782,505	624,786	736,492	799,887	n/a
Extension Office (5)										
Requests for educational information	n/a	n/a	6,752	3,773	8,237	15,453	6,486	7,043	3,694	2,462
Individuals participating in programs (1)	n/a	n/a	7,005	6,178	9,210	4,127	13,946	15,196	13,494	9,672
Other funds										
Code Compliance										
Community development permits issued	4,456	3,854	3,796	3,504	2,941	2,788	3,009	2,890	3,437	3,165
Building inspections	40,031	38,795	38,394	28,871	15,166	14,361	12,786	11,851	13,442	14,682
Utilities										
Average daily water consumption (mgd)	6.00	6.03	6.10	6.40	6.65	6.06	7.21	6.77	6.81	7.14
Average effluent flows (mgd)	7.60	6.81	8.10	8.21	7.88	8.27	6.72	7.50	7.50	9.54
Water customers	26,166	26,925	27,396	27,586	27,939	28,311	28,391	28,800	28,976	29,390
Sewer customers	25,386	26,155	26,609	26,757	27,065	27,352	27,435	27,416	27,691	28,095

n/a Not available

(1) Reported on a calendar year basis.

(2) Prior to 2005, non-reassessment years reported as average of prior two fiscal years. In 2005, began reporting using information provided by the Commonwealth.

(3) Final 2013 State sales ratio will be issued late 2015.

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

(5) 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Sheriff:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	169	171	185	195	199	205	205	201	201	201
Fire & Rescue:										
Stations	14	14	14	13	13	13	13	13	13	13
Response units	56	58	58	61	65	65	67	67	67	69
Public works										
Solid waste convenience centers	13	13	13	13	13	13	13	13	13	13
Collection trucks	9	12	12	12	12	12	12	13	13	13
Landfills	3	3	3	3	3	3	3	3	3	3
Square footage of buildings maintained	365,276	365,276	365,276	459,989	470,659	471,659	471,659	661,497	649,397	649,721
Parks, recreation and cultural										
Parks	9	9	9	11	11	11	11	11	13	13
Park acreage	331	331	331	482	482	482	482	482	536	536
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	8	8	7	7	7	7	7	7	7	7
Athletic fields maintained	20	20	20	32	32	32	32	32	37	37
Community centers	5	5	5	5	6	6	6	6	7	7
Public boat ramps	1	1	1	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	1	2	2	2	1	1	1	1	1	1
Public utilities										
Water mains (miles)	435	448	457	462	496	502	514	517	517	536
Water treatment plants	2	2	2	2	2	2	2	2	2	2
Maximum daily capacity (thousands of gallons)	18,000	18,000	18,000	18,000	21,000	21,000	21,000	21,000	21,000	21,000
Sewer										
Sanitary sewers (miles)	429	437	451	453	455	457	496	497	497	497
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	12,300	12,300	13,700	13,700	13,700
Reservoirs	3	3	3	3	3	3	3	3	3	3
Pumping stations	58	59	59	56	56	56	53	52	52	51
Fleet management										
Vehicles maintained (1)	n/a	n/a	n/a	n/a	1,057	1,101	1,227	1,197	1,074	1,057

n/a - not available

(1) Joint Fleet 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

	2010	2011	2012	2013	2014
Kindergarten	1,752	1,686	1,673	1,702	1,714
Elementary (grades 1-7)	12,499	12,427	12,373	12,429	12,450
Secondary (grades 8-12)	9,661	9,394	9,405	9,251	9,282
Pre-K/Headstart (SpEd)	301	361	324	385	327
Total enrollment (1)	<u>24,213</u>	<u>23,868</u>	<u>23,775</u>	<u>23,767</u>	<u>23,773</u>
Teachers and administrators	1,961	1,907	1,895	1,901	1,891
Other employees	<u>1,232</u>	<u>1,147</u>	<u>1,136</u>	<u>1,126</u>	<u>1,119</u>
Total employees (2)	<u>3,193</u>	<u>3,054</u>	<u>3,031</u>	<u>3,027</u>	<u>3,010</u>
Elementary and intermediate	24	24	24	24	24
Secondary (includes vocational)	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
Total buildings	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>

Source: Superintendent of Schools, Spotsylvania County, Virginia.

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

(2) As budgeted.

COUNTY OF SPOTSYLVANIA, VIRGINIA  
Summary of Certain School Statistics  
Actual and Projected Average Daily Enrollment by Grade

TABLE S-18

Page 2

Grade	Actual Average Daily Student Enrollment by Grade					Projected Average Daily Student Enrollment by Grade				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
K	1,752	1,686	1,673	1,705	1,714	1,609	1,669	1,619	1,624	1,624
1	1,739	1,750	1,755	1,696	1,760	1,733	1,644	1,692	1,636	1,641
2	1,792	1,726	1,766	1,772	1,680	1,779	1,768	1,667	1,709	1,653
3	1,731	1,781	1,725	1,774	1,782	1,699	1,814	1,791	1,684	1,726
4	1,846	1,754	1,792	1,745	1,820	1,801	1,737	1,837	1,808	1,701
5	1,746	1,824	1,768	1,794	1,778	1,839	1,834	1,760	1,854	1,825
6	1,842	1,748	1,811	1,777	1,801	1,800	1,858	1,861	1,781	1,875
7	1,803	1,844	1,756	1,870	1,829	1,824	1,837	1,885	1,882	1,802
8	1,818	1,809	1,879	1,755	1,901	1,845	1,852	1,856	1,899	1,896
9	2,212	2,025	2,012	2,070	1,976	2,051	2,012	2,001	2,010	2,055
10	1,904	1,990	1,864	1,861	1,892	1,871	1,954	1,917	1,890	1,897
11	1,841	1,750	1,864	1,721	1,732	1,915	1,906	1,981	1,938	1,910
12	1,886	1,850	1,786	1,854	1,781	1,762	1,956	1,939	2,012	1,973
Pre-K*	301	331	324	331	327	327	327	327	327	327
Total	24,213	23,868	23,775	23,725	23,773	23,855	24,168	24,133	24,054	23,905

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	20130 - 2014 Enrollment	
<i>Elementary:</i>							
Battlefield	0.00	30.0	Acres	1974	2000	833	644
Berkeley	K-5	17.0	Acres	1961	1971, 1979, 2000, 2005	353	306
Brock Road	K-5	24.4	Acres	1992	2004	907	753
Cedar Forest	K-5	52.2	Acres	2008	-	936	771
Chancellor	K-5	12.0	Acres	1940	1948, 1961, 2000	455	387
Courthouse Road	K-5	25.0	Acres	1994	2005	907	829
Courtland (1)	K-5	-	Acres	1989	2000	789	564
Harrison Road (2)	K-5	-	Acres	2001	2006	936	822
Lee Hill	K-5	21.0	Acres	1977	1990, 1999	807	702
Livingston	K-5	15.5	Acres	1961	1971, 1992	504	444
Parkside	K-5	26.8	Acres	2001	-	936	728
Riverview	K-5	25.0	Acres	1994	2005	907	712
Robert E. Lee	K-5	14.1	Acres	1952	1977	585	502
Salem	K-5	20.0	Acres	1979	1989, 1999	815	635
Smith Station	K-5	23.0	Acres	1991	1999, 2004	986	762
Spotswood	K-5	20.0	Acres	1965	1971, 2000	641	537
Wilderness	K-5	25.0	Acres	1998	2003	936	763
							10,861
<i>Middle:</i>							
Battlefield	6-8	30.0	Acres	1978	2003	807	798
Chancellor (2)	6-8	-	Acres	1989	-	857	858
Freedom	6-8	76.7	Acres	2003	-	948	883
Ni River	6-8	75.0	Acres	1999	-	774	715
Post Oak (3)	6-8	-	Acres	2007	-	948	781
Spotsylvania	6-8	41.7	Acres	1968	1973	907	805
Thornburg	6-8	50.0	Acres	1994	-	790	691
							5,531
<i>Secondary:</i>							
Chancellor	9-12	100.0	Acres	1988	-	1517	1,373
Courtland	9-12	100.0	Acres	1980	-	1265	1,190
Massaponax	9-12	100.0	Acres	1998	2005	1830	1,829
Riverbend	9-12	90.7	Acres	2004	-	1995	1,866
Spotsylvania	9-12	100.0	Acres	1994	-	1611	1,123
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
							7,381

- (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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