

2010 Service, Integrity, Pride

SPOTSYLVANIA COUNTY,
VIRGINIA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Fiscal Year Ending June 30, 2010

Special Appreciation

Spotsylvania County would like to extend special thanks to Minuteman Press for providing quality printing services at a reduced price. Their support and dedication to the citizens of Spotsylvania is greatly appreciated.

SPOTSYLVANIA COUNTY, VIRGINIA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FISCAL YEAR 2010
(July 1, 2009 – June 30, 2010)



C. Douglas Barnes, County Administrator
Tammy D. Petrie, Director of Finance

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County of Spotsylvania

Founded 1721

Board of Supervisors
HENRY CONNORS, JR.
GARY JACKSON
JERRY I. LOGAN
EMMITT B. MARSHALL
BENJAMIN T. PITTS
GARY F. SKINNER
THOMAS C. WADDY, JR.



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Service, Integrity, Pride

November 23, 2010

To members of the Board of Supervisors and Citizens of Spotsylvania County:

INTRODUCTION

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, 2010 as required under Section 15.2-2511 of the Code of Virginia (1950), as amended. The report is designed to present fairly the financial position and results of financial operations of the County in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure so that the reader may gain the maximum understanding of the County's financial affairs.

The Finance Department, in conjunction with the County's auditors, Miller Foley Group, has prepared this report in accordance with the following standards:

- Accounting principles generally accepted in the United States, which are uniform minimum standards and guidelines for financial accounting and reporting (GAAP);
- Governmental accounting and financial reporting statements, interpretations and technical bulletins issued by the Governmental Accounting Standards Board (GASB);
- Uniform financial reporting standards for counties, cities and towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and
- Guidelines for financial reporting issued by the Government Finance Officers Association of the United States and Canada (GFOA).

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

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. The County was formed in 1721 and was named for Alexander Spotswood, who was Royal Colonial Governor of Virginia from 1710 to 1722.

The Board of Supervisors is the governing body of the County, being comprised of seven members, who are elected from districts for four-year staggered terms. The Board appoints a County Administrator to act as the Board's agent in the administration and operation of the departments and agencies. He serves at the pleasure of the Board. All departments report to the County Administrator except for the School Board and the Constitutional Offices - Clerk of 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 public safety, health and welfare, parks and recreation, solid waste, and community development. The County also operates a water and sewer utility system and participates in a regional jail and juvenile detention center, library, community services board, and juvenile group home. There are no incorporated municipalities within the County. Funds required to support these services are reflected in this report.

Spotsylvania County School financial information is reported as a discretely presented component unit, a legally separate entity for which the primary government is financially accountable. The school system is operated by an elected School Board consisting of seven members elected by district and appoints a Superintendent to administer its policies.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

The annual budget serves as the foundation for the County's financial planning and control. The County Administrator submits a proposed operating and capital budget to the Board of Supervisors in February each year. The budget includes proposed expenditures and the means of financing them. Work sessions are held with the Board of Supervisors and School Board to refine the proposal and align it with their goals and objectives. A public hearing is conducted to obtain citizen input on the budget and tax rates. Property tax rates and the adopted budget are approved by the Board in April. Budget-to-actual comparisons are provided in the "Supplementary Information" section of this document.

The County operates under a fully automated accounting and financial management information system. Budgetary control is maintained primarily at the fund and department level. The level at which expenditures may not legally exceed appropriations is the fund level.

INDEPENDENT AUDIT

Section 15.2-2511 of the Code of Virginia (1950), as amended, requires the County to have an annual audit of the financial statements by an approved independent certified public accountant. In the spring of 2010, Miller Foley Group was selected and approved by the Board of Supervisors to perform the audits for fiscal years 2010 through 2012. The auditors' unqualified report accompanies the financial statements in this Report.

The 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 included in a separate single audit report.

FINANCIAL POLICIES

Financial statement users analyze fund balance to identify available resources that can be used to maintain the fiscal stability of the government. Reserved fund balance is legally restricted and is not an available expendable resource. Designated fund balance represents management's tentative plans for future use of financial resources. The General Fund usually contains the bulk of funds which can be appropriated for general government activities.

The General Fund does not have any reservations as of June 30, 2010. Funds are designated for employee benefits and for future budget expenditures totaling \$5.5 million. In addition, the County's adopted Fiscal Policies require a designated Fiscal Stability Reserve of ten percent of the County's net operating governmental revenues in the Adopted Budget. The Reserve for FY 10 amounts to \$34.2 million. Excess amounts make up the undesignated fund balance.

Additional information regarding the County's financial policies is included in the MD&A section of this report.

LONG-TERM FINANCIAL PLANNING

The County prepares a five-year Capital Improvement Plan (CIP) annually. The CIP serves as a significant tool to assist in long range planning for municipal capital needs. The 2011 – 2015 CIP totals \$259.4 million and is comprised of County projects of \$139.2 million, including Transportation, School projects of \$29.7 million, and Utilities projects of \$90.5 million. A variety of funding sources including general obligation bonds, revenue bonds, capital leases, General Fund revenues, and Utilities Fund revenues will fund the projects. The County operates under a Debt Referendum Policy to encourage enhanced public participation in the decision making process related to major new construction projects in the County. All new construction projects that exceed available budgeted operating funds must be subject to voter referendum approval, unless financed through a revenue supported mechanism.

The CIP is a planning guide for development, modernization and/or replacement of County facilities. The first year of the CIP becomes the adopted capital budget. While it serves as a multi-year plan, the CIP is always subject to change.

ECONOMIC CONDITION AND OUTLOOK

The County's location midway between our Nation's capital and the State capital, rural character, and superior quality of life combine to make it an attractive, vital community. The state of the national economy and consumer confidence has had a major impact on unemployment across the country. Spotsylvania County's unemployment rate of

5.9% in June 2010 was the tenth lowest in the state and well below the national average (9.5%). The national economy continued to be in a deep recession in 2009 which contributed to the increase in 2010, up from 5.7% in 2009. However, the County remains diversified throughout its industry sectors and that played a major role in keeping total unemployment below 6.5% throughout that timeframe.

The non-retail commercial businesses locating or expanding in Spotsylvania County during FY 2010 showed increases in industrial sectors that included manufacturing, professional business services, and healthcare with strong concentration in government contractors, medical uses, and technology firms. Spotsylvania remains the fastest-growing small business sector in the U.S.

The County continued to demonstrate its pro-business and proactive approach in building a strong business base. A most recent effort involved expanding the County's Technology Zone Program that encompasses the Primary Settlement District. This program has proven to be successful in locating new and expanding businesses to the County. The program provides qualified new and/or existing businesses to receive tax rebates that provide a positive impact for the business. The County also offers a Targeted Industry Program that places qualified businesses on a fast-track development review process, therefore, allowing the business to become operational sooner.

The industrial market strengthened during the second quarter in the county and region and several properties, ranging from 50,000 to 150,000 square feet are currently under contract. The industrial leasing market for the remainder of 2010 is expected to have modest to flat growth. The government contractors and medical users increased leasing activity in existing-vacant space ranging from small to mid-size users.

The County has a successful existing business program that works in conjunction with the Virginia Department of Business Assistance providing a one-stop-service for technical assistance related to business formation, access to capital, and workforce development services. There are a growing number of businesses both new and existing which have utilized the resources offered by the VDBA through the County's outreach efforts. The County also conducts a business visitation program which provides an opportunity for businesses to connect with available resources and to address concerns.

It is important to note that Spotsylvania County has a variety of significant space well distributed among its major industry sectors between flex space and larger warehouse and distribution space as well as Class A and B office space. Though significant construction is down as the economy recovers, there are demonstrated opportunities and results to fill the existing space. Much of the leasing activity in the past year has centered on local tenants moving within the market for better terms and allowing for expansion opportunities. Interest from tenants located outside the immediate market has increased overall.

Major locations and/or expansions include the following:

New Business Locations:

- **Spotsylvania Regional Medical Center (SRMC)**, the County's first hospital, opened in June 2010. Ancillary development complimenting the location of the new SRMC includes a new 5,000 square foot physician office building whose specialists also operate offices in other parts of the region. Reese Medical Associates, a primary care practice, has plans to build a 6,000 square foot building across from the SRMC campus. A 40,000 square foot medical office building is being constructed across Interstate 95 from the hospital and Pratt Medical Center, a long-time local medical practice, has leased 20,000 square feet of the building. Approximately 60 acres around the hospital is developable. The new physician practices include Fredericksburg Orthopedic Associates, Virginia Interventional Spine, Southpointe OB-GYN, Cardiology Associates and Orthopedic Specialty Clinic. The SRMC continues to hire physicians for their multispecialty health group located in the Pogonia Medical Arts Building at the SRMC Campus.

SRMC has been selected as Mid-Atlantic Construction's Healthcare Project of the Year. The annual competition recognizes construction and design excellence in the region that includes Delaware, Maryland, Pennsylvania, Virginia and Washington, D.C.

- **Zope Corporation** relocated their corporate headquarters from the City of Fredericksburg to Lee's Hill Corporate Office Park and leased 9,000 square feet with 17 fulltime employees. Zope specializes in internet solutions for publishers and media groups powering over 550 media properties.
- **Medical Services of VA**, a medical consortium, leased 7,985 square feet in the Lafayette Crossing Office Park.
- **Green Tree Services** located their call center to Lee's Hill Corporate Office Park and occupies 9,500 square feet. Green Tree is one of the country's leading servicers of home loans.
- **Virginia Youth Soccer Association** relocated its corporate headquarters from Prince William County and is leasing 4,000 square feet of temporary office space until their new headquarters and fields are built in the County over the next several years
- **Merchants Square Building** is a new building located at the Courthouse Village, built and designed by the W.J. Vakos Company. Spotsylvania County Government recently relocated the Community Development Group consisting of Economic Development, Planning, Zoning and Building along with the Department of Social Services into 36,540 square feet. The building totals 54,540 square feet and is presently being built-out for future tenants.

Existing Business Relocations / Expansions:

- **A-T Solutions** has expanded into a 40,000 square foot facility. The company currently has 100 full time employees. They will be hiring 24 new employees. In

addition, the company leased 4,600 square feet of office and industrial space in Battlefield Industrial Park.

- **Tactical Micro** manufactures miscellaneous electrical equipment and components and expanded into an 8,000 square foot facility from 4,500 square feet and added 5 employees for a total of 12.
- **Virginia Employment Commission** relocated to 25,000 square feet of new office space at Lee's Hill Corporate Office Park along with eight other organizations under one umbrella. Service centers include: workforce development services, job training, job re-training, unemployment insurance, and several other related services.
- **CVS Distribution Center** expanded into an additional 85,000 square feet for warehousing purposes. The distribution center presently occupies 500,000 square feet.
- **Cargo Express** is a manufacturer and distributor of steel frame and aluminum frame enclosed trailers and has a nationwide presence located in the Lee Hill Industrial Park in a 15,000 square foot warehouse.
- **Creative Dimensions** expanded into an 85,000 square foot facility. The company manufactures high-quality wood cabinetry for museums, offices, etc. and currently has 60 employees.

Significant Projects Under Construction:

- **Stevenson Ridge** is building a 10,000 square foot event facility which will hold 200 guests and is updating some of the other existing structures on site. The total expansion and renovation will cost \$1.5 million.
- **Spotsylvania Courthouse Village**, opened its two mixed use buildings in July 2009, featuring 26 luxury apartments and 16,000 square feet of retail and office space. W. J. Vakos Companies, developer of the 52 acre project, is actively pursuing a variety of restaurants, offices and retailers.

Retail/Mixed Use:

As a result of renewed optimism and the stronger economy, there seem to be more plans for retailers to open stores in late 2010 and 2011. The majority of activity in retail centers is located in mixed-use or neighborhood centers such as the Spotsylvania Towne Center, Cosner Corner and the Courthouse Village. The Spotsylvania Towne Center (formerly Spotsylvania Mall) opened a newly developed open-air Lifestyle Centre consisting of 180,000 square feet which has attracted new and upscale retailers to the market. Peripheral development includes Muviville Entertainment Complex offering a 12-screen theater, bowling alley, restaurants and electronic gaming complex which opened in spring 2010.

AWARDS

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, 2009. This is the County's fifteenth award in as many years.


In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA.


The GFOA also presented the Distinguished Budget Presentation Award to the County for its annual budget for Fiscal Years 1997 through 2011. In order to achieve this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications medium.

ACKNOWLEDGMENTS

The County has established and continues to maintain a strong and stable financial position through progressive management of financial operations and through sound accounting and financial reporting practices. Appreciation is expressed to the members of the Spotsylvania County Board of Supervisors, the School Board, the Treasurer, and the Commissioner of the Revenue for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

The preparation of this Comprehensive Annual Financial Report was made possible by the dedicated service of the County Finance staff, the School Board Finance staff, the Treasurer's Office, and our audit firm, Miller Foley Group. All contributing individuals have our sincere appreciation for their contribution to both the timeliness and high quality reflected in this Report.


C. Douglas Barnes
County Administrator


Tammy D. Petrie
Director of Finance

**COUNTY OF SPOTSYLVANIA, VIRGINIA
PRINCIPAL OFFICIALS**

BOARD OF SUPERVISORS

Gary F. Skinner, Chair
Benjamin T. Pitts, Vice-Chair
Henry Connors, Jr.
Gary A. Jackson
Jerry I. Logan
Emmitt B. Marshall
Thomas C. Waddy, Jr.

Lee Hill District
Battlefield District
Chancellor District
Salem District
Courtland District
Berkeley District
Livingston District

CONSTITUTIONAL OFFICERS

Christy M. Jett
William F. Neely
Larry K. Pritchett
Howard D. Smith
Deborah F. Williams

Clerk of Circuit Court
Commonwealth Attorney
Treasurer
Sheriff
Commissioner of Revenue

COUNTY ADMINISTRATIVE OFFICERS

C. Douglas Barnes
Ernest L. Pennington
Jacob P. Stroman, IV
James R. Benkahla
Tammy D. Petrie
Rebecca R. Forry, CPA

County Administrator
Deputy County Administrator
County Attorney
Deputy County Attorney
Director of Finance
Accounting Manager

**COUNTY OF SPOTSYLVANIA, VIRGINIA
PRINCIPAL OFFICIALS
(continued)**

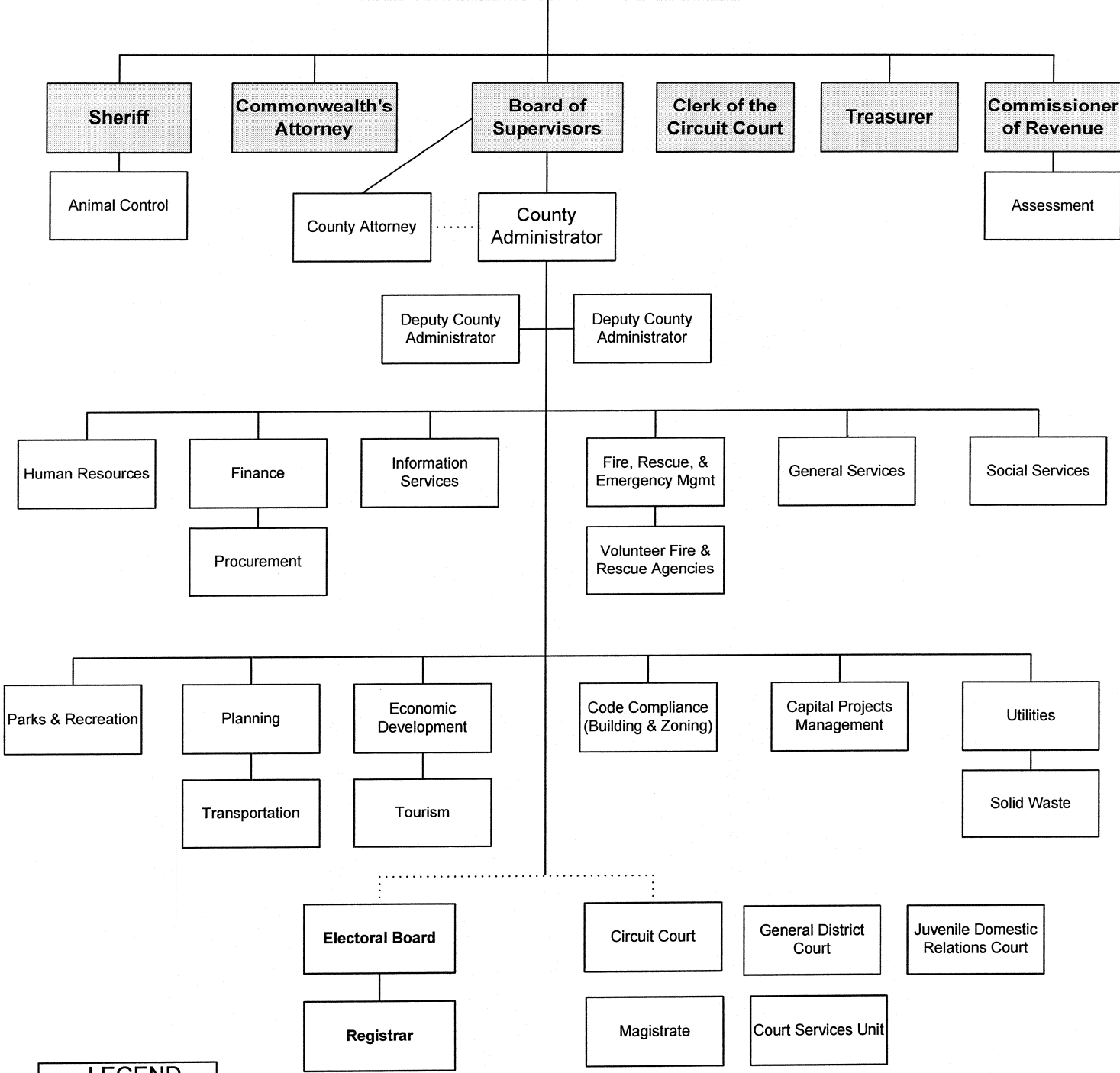
SCHOOL BOARD

J. Gilbert Seaux, Chair	Berkeley District
Amanda Blalock, Vice-Chair	Lee Hill District
James Gillespie	Courtland District
Donald R. Holmes	Salem District
Ray Lora	Livingston District
Linda Wieland	Battlefield District
Dr. Martin A. Wilder, Jr.	Chancellor District

SCHOOL ADMINISTRATIVE OFFICERS

Dr. Jerry W. Hill	Superintendent
Dr. James A. Meyer	Assistant Superintendent of Administrative Services
LaShahn Gaines, CPA	Chief Financial Officer
John R. Reeder, Jr.	Director of Finance
Marcia Carroll, CPA	Accounting Manager

Spotsylvania County Citizens



LEGEND

Elected Official	Appointed Official
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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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



MEMBERS, AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

tel 540.654.5500 ■ fax 540.654.5570 ■ www.millerfoley.com

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

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, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Spotsylvania, Virginia's management. 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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2010 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 to 15 and budgetary comparison information in Exhibit IX are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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, supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly stated in all material aspects in relation to the basic financial statements taken 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 express no opinion on them.

A handwritten signature in black ink that reads "Miller Foley Group". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Fredericksburg, Virginia
November 10, 2010

Management's Discussion and Analysis

(amounts expressed in millions)

As management of the County of Spotsylvania, Virginia, we offer the following discussion and analysis of the County's financial performance and overview of the County's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

- ❖ Total assets of the County exceeded its liabilities at the close of fiscal year 2010 by \$391.4 (*net assets*). Information on the breakdown per component is as follows:
 - *Governmental activities* reported a net deficit of \$161.2, a decrease of \$23.4 or 12.7% from the previous year. This positive change in net assets was largely the result of increased property tax revenues of \$10.3, a \$17.3 or 18.2% decrease in the County's allocation to the School Board, and a \$9.5 or 179% increase in Community Development net program expenses due to significant increase in transportation projects.
 - *Business-type activities* increased their net assets by \$2.8 or 1% to \$243.4 as a product of increases in water and sewer rates combined with stronger cost controls.
 - *Component unit – School Board* net assets of \$309.2 decreased from the previous year by \$33.0 or 9.6% as a result of a decreased allocation by the County, as mentioned above, and the loss of a one-time revenue influx of \$11.1 in capital contributions relating to the start up of the Joint Fleet Maintenance Facility in fiscal year 2009. In addition, the OPEB liability increased \$13 from the previous year, however was offset by continued cost reductions.
- ❖ Total primary government debt outstanding of \$428.5 decreased marginally (.08%) from the previous year. The slight decrease resulted from expected debt service payments offset by new 2010 general obligation public improvement bonds issued of \$27.6.

Highlights for Fund Financial Statements

- ❖ As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$83.7, an increase of \$22.7 or 37.2% in comparison with the prior year. Other financing source of \$27.6 related to debt issuance was the most significant factor of this increase. Approximately \$6.4 of the reported fund balance is available for spending at the government's discretion (*unreserved, undesignated fund balance*).

Other General Highlights

- ❖ The County reassesses property values bi-annually with the latest assessment in January 2010. Excluding new construction, property values declined 24% overall from the previous assessment, with residential property values declining 28.5%. To offset the decrease in

property values and maintain basic service levels, the County needed to increase the real property tax rate from \$0.62 to \$0.83 per \$100 of assessed value. An additional \$0.03 was needed to fund new debt service costs and the cash portion of the five-year Capital Improvements Plan.

- ❖ In October of 2009, Virginia Governor Tim Kaine joined state and local officials for a groundbreaking in Spotsylvania County to celebrate the State Route 3 widening project which will be primarily funded by \$25 million in American Recovery and Reinvestment Act (ARRA) funds. From Chewing Lane/Rutherford Drive to Gordon Road, the existing four-lane divided road will be widened to a six-lane divided road plus an auxiliary lane and sidewalks. This project in Spotsylvania County is the only locally administered federal design-build road widening project that is funded through federal stimulus funds in Virginia.
- ❖ For fiscal year 2010, the County adopted GASB Statement 51, “Accounting and Financial Reporting for Intangible Assets.” This statement establishes accounting and financial reporting requirements for intangible assets including easements, water and timber rights, patents, trademarks, and computer software. No significant changes resulted from this adoption since the County capital asset policy already required capitalization of all applicable intangible assets.
- ❖ Following presentations in June 2010 to the three major credit rating agencies, the County received an upgrade to its bond rating from Standard & Poor’s while maintaining its high bond ratings from Fitch and Moody’s:
 - Standard and Poor’s AA+
 - Moody’s Investors Service Aa2
 - Fitch Ratings AA

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the County’s basic financial statements, which comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements are designed to provide users with a broad overview of the County’s finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the County’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 government’s net assets changed during the most recent fiscal year. All changes in net assets 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 in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other 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 administration, judicial administration, public safety, health and social services, parks and recreation, solid waste, and community development. The County has one business-type activity, a water and sewer utility.

Fund financial statements focus on the County's most significant or major funds. Fund accounting does not present the overall financial position of the County as reported by the government-wide statements.

A fund is defined as a fiscal entity with a self-balancing set of accounts that record cash and other financial resources, together with all related liabilities and balances and changes therein, that are segregated for carrying on specific activities.

The County has three types of funds:

Governmental funds – Included in this category are the funds accounting for the County's basic services. They focus on (1) cash and other financial resources and (2) year end balances. Financial statements for governmental funds provide information to determine whether there are more or fewer financial resources available for future County needs at the end of the current fiscal year compared to the end of the previous year.

Proprietary funds –The County's water and sewer funds are used to account for the revenues and expenses of providing water and sewer services to citizens and businesses, where the intent is that the costs are financed through user charges.

Fiduciary funds – The County is the trustee, or fiduciary, for the County's agency funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The County excludes these funds from its government-wide financial statements because it cannot use fiduciary fund proceeds to finance regular County operations.

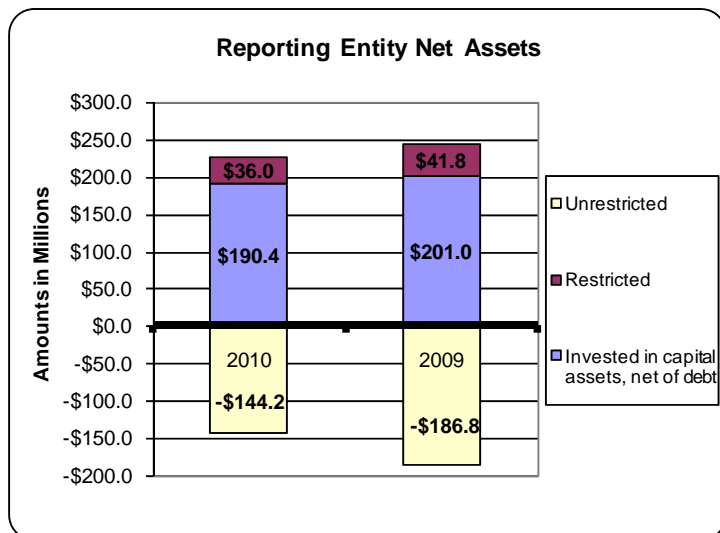
FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Assets:

The following table presents a summary of the Statement of Net Assets for the primary government and component unit as of June 30, 2010 and 2009:

Summary of Net Assets								
As of June 30, 2010 (in millions)								
	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2010	2009	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 203.9	\$ 162.2	\$ 76.3	\$ 83.7	\$280.2	\$245.9	\$ 32.5	\$ 28.0
Capital assets, net	81.0	80.4	294.8	290.3	375.8	370.7	349.3	350.6
Total assets	284.9	242.6	371.1	374.0	656.0	616.6	381.8	378.6
Other liabilities	141.8	127.0	12.0	14.0	153.8	141.0	30.3	5.8
Long-term liabilities	304.3	300.2	115.7	119.4	420.0	419.6	42.3	30.5
Total liabilities	446.1	427.2	127.7	133.4	573.8	560.6	72.6	36.3
Net assets:								
Invested in capital assets, net of debt	14.7	23.1	175.7	177.9	190.4	201.0	349.3	350.6
Restricted	35.4	31.0	0.6	10.8	36.0	41.8	2.6	13.9
Unrestricted	(211.3)	(238.7)	67.1	51.9	(144.2)	(186.8)	(42.7)	(22.2)
Total net assets	\$ (161.2)	\$ (184.6)	\$ 243.4	\$ 240.6	\$ 82.2	\$ 56.0	\$ 309.2	\$ 342.3

Net assets are composed of unrestricted, restricted, and invested in capital assets, net of related debt. As shown below, the largest portion of net assets is the investment in capital assets, net of related debt. Capital assets are used to provide services to the County and therefore cannot be used to liquidate current or future liabilities. In addition it should be noted that the Commonwealth does not allow financially dependent component units, like the County School Board, to issue debt. This results in the County issuing general obligation bonds to finance the acquisition and construction of school properties. These properties are maintained and reported as capital assets within the Component Unit – School Board with the corresponding debt reported under the governmental activities of the primary government. For fiscal year 2010, debt held in the primary government for school properties totaled \$224.4. The restricted net assets portion represents externally



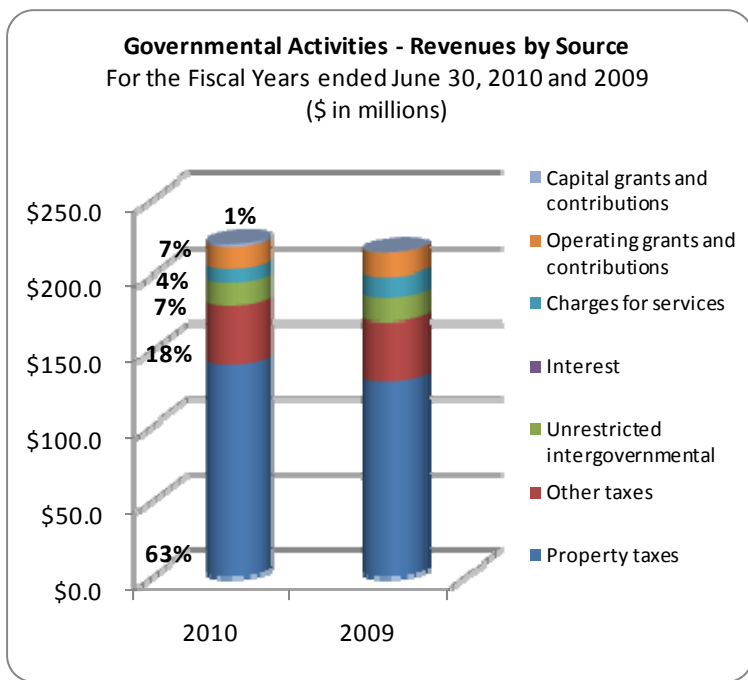
restricted resources. For fiscal year 2010, the County held \$36.0 restricted for capital projects and debt service. The County currently reports a negative unrestricted net asset balance at June 30, 2010 of \$144.2 a reduction of \$42.6 from the previous year.

Statement of Activities:

The following table presents the changes in net assets for the primary government and component unit for the fiscal years ended June 30, 2010 and 2009:

Changes in Net Assets									
For the Fiscal Year ended June 30, 2010									
(in millions)									
	Governmental		Business-Type		Total Primary		Component Unit		
	Activities		Activities		Government		School Board		
	2010	2009	2010	2009	2010	2009	2010	2009	
Revenues:									
Program Revenues:									
Charges for services	\$ 8.3	\$ 14.0	\$ 26.1	\$ 24.8	\$ 34.4	\$ 38.8	\$ 7.6	\$ 8.5	
Operating grants and contributions	15.2	16.0	-	-	15.2	16.0	219.1	226.8	
Capital grants and contributions	1.9	0.1	3.6	3.0	5.5	3.1	0.2	11.3	
General Revenues:									
General property taxes	140.0	129.7	-	-	140.0	129.7	-	-	
Other taxes	39.4	39.1	-	-	39.4	39.1	-	-	
Grants not restricted	15.8	16.0	-	-	15.8	16.0	-	-	
Investment earnings	0.6	1.6	0.8	2.6	1.4	4.2	0.2	0.4	
Miscellaneous	0.1	0.4	1.6	1.0	1.7	1.4	0.7	0.3	
Total Revenues	221.3	216.9	32.1	31.4	253.4	248.3	227.8	247.3	
Expenses:									
General government	12.5	13.9	-	-	12.5	13.9	-	-	
Judicial administration	6.0	5.9	-	-	6.0	5.9	-	-	
Public safety	40.2	40.3	-	-	40.2	40.3	-	-	
Public works	7.0	9.0	-	-	7.0	9.0	-	-	
Health and welfare	17.1	16.7	-	-	17.1	16.7	-	-	
Education	77.9	95.3	-	-	77.9	95.3	260.8	262.0	
Parks, recreatiocultural	7.1	9.8	-	-	7.1	9.8	-	-	
Community development	17.3	6.9	-	-	17.3	6.9	-	-	
Water and sewer	-	-	29.1	31.3	29.1	31.3	-	-	
Interest on long-term debt	13.1	15.4	-	-	13.1	15.4	-	-	
Total Expenses	198.2	213.2	29.1	31.3	227.3	244.5	260.8	262.0	
Increase (decrease) in net assets before transfers	23.1	3.7	3.0	0.1	26.1	3.8	(33.0)	(14.7)	
Transfers	0.2	0.1	(0.2)	(0.1)	-	-	-	-	
Increase (decrease) in net assets	23.3	3.8	2.8	0.0	26.1	3.8	(33.0)	(14.7)	
Net assets - beginning	(184.5)	(188.3)	240.6	240.6	56.1	52.3	342.2	356.9	
Net assets - ending	\$(161.2)	\$(184.5)	\$243.4	\$240.6	\$82.2	\$56.1	\$309.2	\$342.2	

Governmental activities - revenues were \$221.3 for the current year, an increase of \$4.4 or 2% over the previous year. The following chart illustrates the County's revenues by source and as a percentage of total governmental revenues:



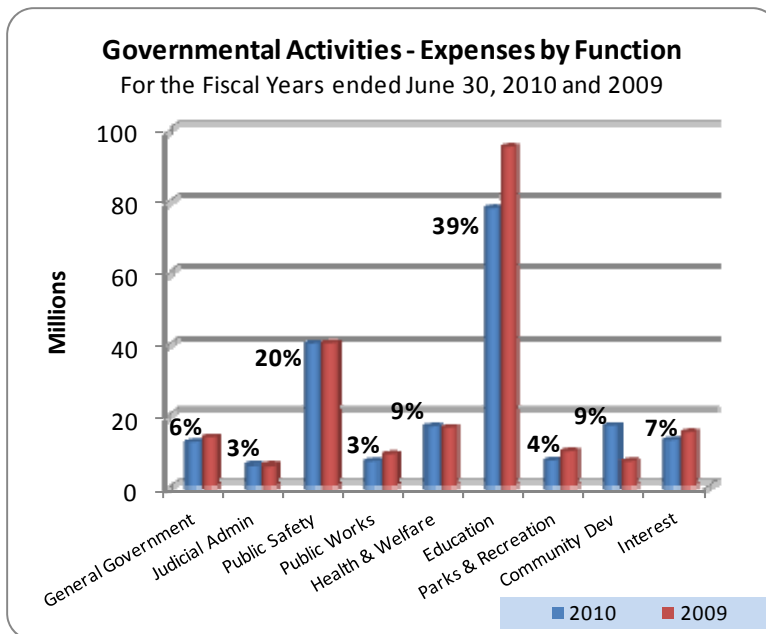
General property taxes generated was \$140.0, an increase of \$10.3 (7.9%). The combination of three events drive this increase, 1) a three penny tax increase to fund portions of the CIP plan and debt service related to new judicial and public safety facilities; 2) a 10.9% increase in personal and business property values over the previous year, and 3) the first full year of revenue from the 2009 personal property rate increase to \$6.26.

In fiscal year 2010 the County joined the Virginia Railway Express (VRE). Through this joint venture, the County is authorized by the State to levy a 2% fuel tax to fund transportation projects. The County collected \$1.2 beginning in mid-February 2010, and estimates next year's collections to be \$4.3. Other taxes

remained relatively stable in total due to the new fuel tax that offset overall general declines in other local tax streams. Two areas of decrease relate to charges for services and investment earnings. A drop of \$5.7 (41%) in charges for services is due mainly to decreased demands in home construction. To help boost the local economy, the County also offered a period of reduced fees for construction permits. Investment earnings continue to decline as the County moves into more secure investment vehicles and as nationwide interest rates remained low.

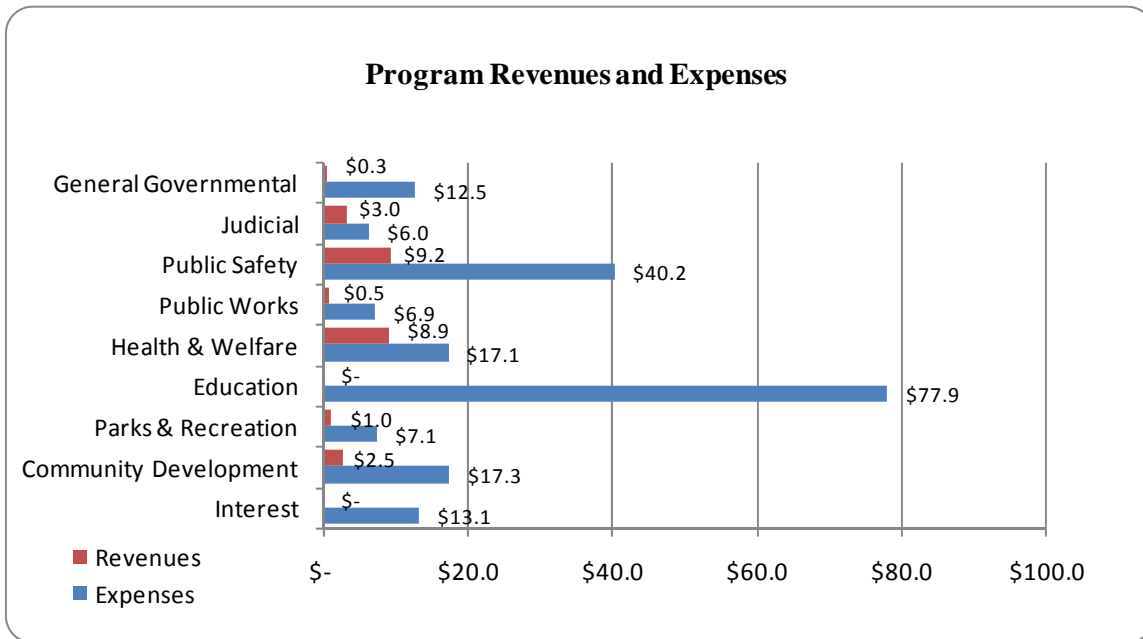
Governmental activities - expenses were \$198.2 for the current year, a decrease of \$15.0 or 7% over the previous year. This chart illustrates the County's expenses by function and as a percentage of total governmental expenses.

Most programs saw a 10 to 20% decrease in overall expenditures



due to continued cost controls during the year. However, Community Development had the most notable increase of \$10.4 (151%) to fund transportation needs no longer supplemented by the State.

The table below depicts the total cost of each of the County’s largest functions, as well as any program specific revenues generated:



Business-Type activities – consist of the County’s water and sewer systems financed primarily through user service charges and availability fees. For fiscal year 2010, the public utility revenues, totaled \$32.1 (per chart above), a \$0.7 or 2.2% increase over last year. This increase was primarily the result of increased service charges and capital contributions from developers. Total expenses for the fiscal year were \$29.1, a decrease of \$2.2 or 7.0% from last year. This decrease resulted mainly from increased cost controls over contractual services and operating supplies.

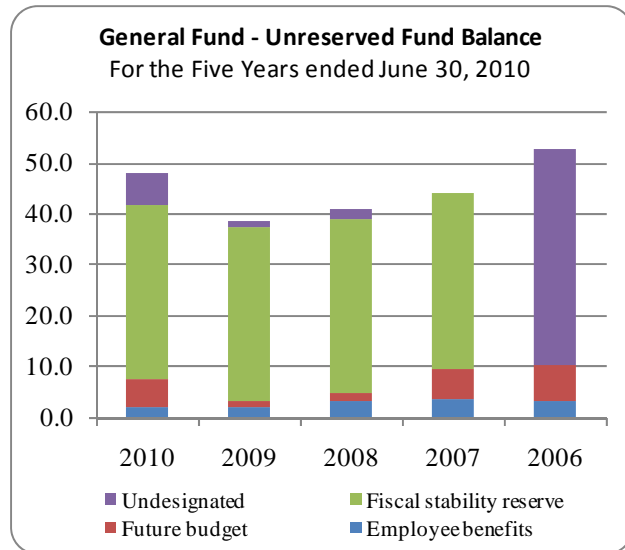
Component Unit activities – consist of the County’s independent school system funded predominately through intergovernmental funds from the county, state and federal governments. For fiscal year 2010 revenues totaled \$227.8, a decrease of \$19.5 or 7.9% over last year. This decrease was the result of less local appropriations and the loss of a one-time revenue influx of \$11.1 in capital contributions relating to the start up of the Joint Fleet Maintenance Facility in fiscal year 2009. During fiscal year 2010, the County School System received approximately \$17.0, or 152% increase in federal funding. The 152% rise in federal funding relates to increased Federal Stimulus dollars of \$14.7 over the previous year. The State Fiscal Stabilization Fund accounts for \$12.4 or 84% of that increase; therefore, intergovernmental funding in total did not rise, but shifted from state to federal support.

For fiscal year 2010 expenditures totaling \$260.8 decreased by \$1.2 or less than one percent from the previous year. The County School System continued to implement cost controls measures within the operational budget to compensate for revenue shortfalls and temporary federal stimulus funding.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. At the end of the year, the County's governmental funds reported a combined \$83.8 fund balance, an increase of \$22.7 or 37% from the prior year. General Fund revenues showed moderate growth of 1.5%, while expenditures decreased 5.5% creating a \$13.1 surplus of revenues over expenditures prior to transfers. The Capital Projects fund also experienced a fund balance increase of \$11.4, resulting from debt issuance net proceeds of \$27.4 that were offset by an 82% increase in capital project expenditures to \$19.9 for the current fiscal year. Transportation and other non-major governmental funds reported no significant changes over the prior year.

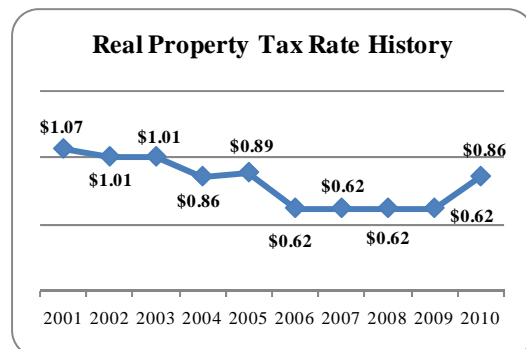
During FY 07, the Board revised their fiscal policy guideline regarding the fund balance to designate 10% of governmental fund net operating revenues as a Fiscal Stability Reserve. This Reserve balance is approximately \$34.2 a slight increase over fiscal year 2009. The General Fund unreserved fund balance is broken down into designated and undesignated funds. Designated funds are restricted for employee benefits, future budget, and the fiscal stability reserve and total \$41.7 as of June 30, 2010, total undesignated was \$6.4.



Governmental funds

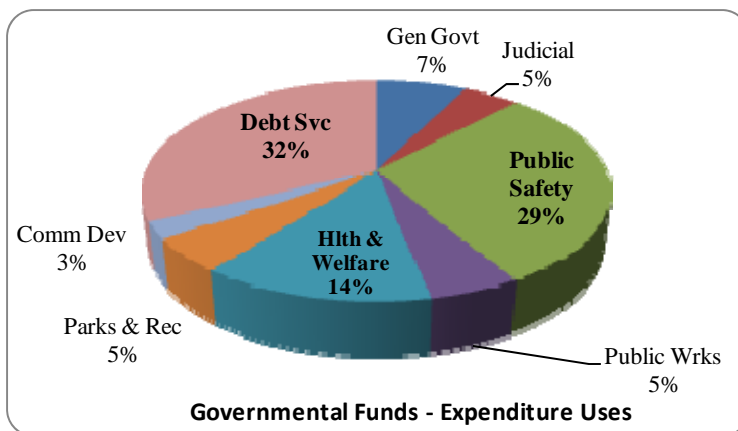
For the fiscal year ended June 30, 2010, revenues for governmental funds totaled \$217.2, an increase of \$2.1, less than a 1% increase over the previous year. Expenditures totaled \$222.2, a decrease of \$3.3 or 1.5% from the previous year. Below represents the financial highlights for fiscal year 2010.

- Property values, excluding new construction, decreased 24% from the 2008 assessment year. In order to offset these unprecedented declines, the Board "equalized" the property tax levy, as allowed by State law, by 21 cents to ensure the County maintains basic, mandated service levels. The additional increase of 3 cents for debt service related to new judicial and public safety facilities, and the five-year CIP, demonstrates the County's

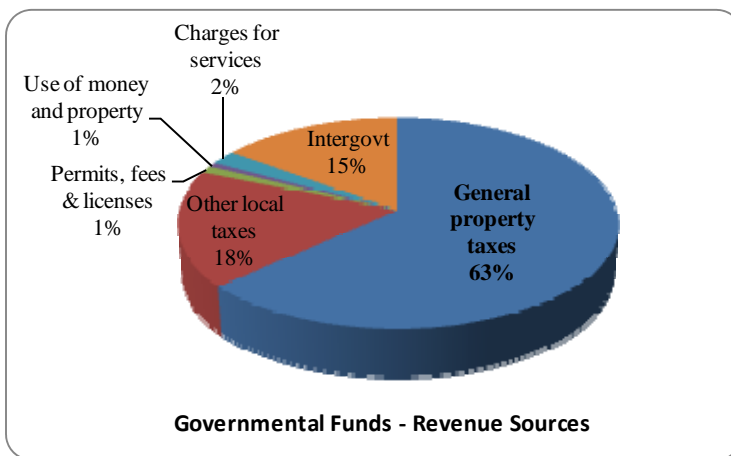


adherence to its strategic goals of public safety and transportation. During this difficult economy, the Board struggled with the decision to raise taxes. However, due to the County's continuing efforts to control costs, Spotsylvania continues to have one of the lowest tax rates in the area, lower than rates in each of the last 15 years with the exception of 2006 through 2009. In addition, of sixteen counties and cities near Spotsylvania, the County ranks 6th lowest per \$100 of assessed value.

- Other local taxes continued to decline in fiscal year 2010 dropping almost \$1 million to \$38.2. Most significant areas of decline due to the continued slumping economy are sales, communication and business license taxes by 5% and recordation tax by 12.5%.
- Intergovernmental revenues increased almost \$1 million due to an influx of federal stimulus funds relating to the new State Route 3 widening project.



- Most functions experienced moderate declines in overall expenditures in fiscal year 2010. Health and Welfare saw a minimal increase to respond to community demands. The most significant change relates to Capital Project Fund expenditures reporting an increase of \$8.9 or 82% over last year. Of that amount \$8.1 represents increased spending on critical transportation projects not funded through the Commonwealth.



BUDGETARY HIGHLIGHTS

During the fiscal year, the Board of Supervisors amended the budget several times to 1) reappropriate monies from the prior fiscal year which had not yet been expended for specific projects, 2) to appropriate additional Federal, State and other revenues upon notice of receipt, and 3) to reduce the budget due to anticipated shortfalls in revenues.

Actual General Fund revenues were less than original budgeted revenues by \$1.3 and higher than amended budgeted revenues by \$1.3 during FY 10. Actual General Fund expenditures were less than the original and amended budget by \$12.0 and \$11.5 respectively. Highlights of the comparison of final budget to actual balances are as follows:

- Actual property tax revenues exceeded budgeted amounts by \$4.1 due to the “windfall” of tax revenues received on the June 2010 billing for the increased property tax rate approved in April 2010 for real property and public service corporation property taxes.
- Budgeted intergovernmental revenues exceeded actual amounts by \$3.1 due to State Social Services revenues where the expenditures were not necessary, therefore no reimbursement was received, and additional State reductions for Constitutional Offices.
- General Fund actual expenditures were \$11.5 or 5.8%, less than budgeted as a result of managing position vacancies, reduced overtime, and travel and training expenditures. All functions reported savings; however, three functions incurred the most significant savings of \$2.1 in general government administration, \$2.5 in public safety, and \$2.9 in education.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets as of June 30, 2010, totaling \$375.7 million (net of accumulated depreciation and amortization), represents an increase of \$4.9 million, or 1.3% over last year. Capital assets as of June 30, 2010 and 2009 are summarized below:

	(\$ in millions)			
	Governmental Activities	Business-Type Activities	Total Primary Government	
			2010	2009
Land	\$ 26.0	\$ 9.2	\$ 35.2	\$ 34.6
Buildings and improvements	52.3	150.6	202.9	186.0
Furniture, fixtures and equipment	40.6	8.8	49.4	48.1
Infrastructure	-	207.7	207.7	202.2
Construction in progress	8.3	7.7	16.0	21.6
Total capital assets	\$ 127.2	\$ 384.0	\$ 511.2	\$ 492.5
Less: Accumulated depreciation and amortization	46.3	89.2	135.5	121.7
Total capital assets, net	\$ 80.9	\$ 294.8	\$ 375.7	\$ 370.8

The major capital asset activity for fiscal year 2010 included the following:

- The County completed the Livingston Compost Facility expansion and renovation at a cost of \$16.7 million, funded through utility revenue bonds and connection fee revenue.
- The County began construction on two new facilities for circuit court and public safety operations with costs to date totaling \$5.9 and \$1.5 million respectively. Both projects are funded through general obligation public improvement bonds.
- The County completed construction on two new elevated water tanks at a combined cost of \$3.8 million. Both projects were funded through connection fee revenue.

During the fiscal year 2011 budget process, the Board approved a five-year Capital Improvements Plan (CIP) that totaled \$259.4 million for all funds. Major projects included in the plan are as follows:

Project	Amount
General government facilities	\$ 46.1
Fire and rescue facilities and equipment	20.5
Transportation projects	41.9
Information Technology software and equipment	20.3
School buses and capital maintenance	24.4
Water and sewer projects	90.5
Solid waste facilities and related equipment	11.6
Park projects	4.1
	\$ 259.4

Debt Administration

The following is a summary of the County's long term obligation and position as of June 30, 2010. Additional information is presented in note 7 to the financial statements.

Outstanding Long-Term Debt

For the Years ended June 30, 2010 and 2009

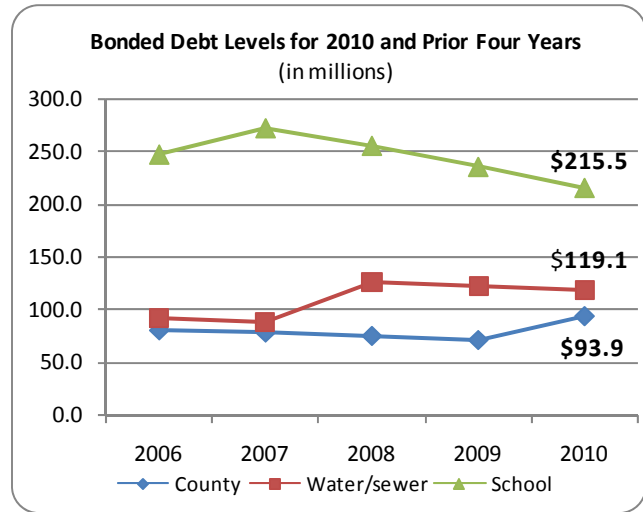
	Primary Government	
	2010	2009
General obligation bonds - County	\$ 85.1	\$ 60.7
General obligation bonds - Schools	215.5	235.7
Revenue bonds - business type	119.1	122.7
State literary fund loans	8.8	9.8
Total bonded debt	428.5	428.9
Accrued landfill closure liability	5.4	5.5
Compensated absences	3.6	3.7
OPEB obligation	7.0	4.7
Capital leases and other	1.0	1.5
Total long-term obligations	\$ 445.5	\$ 444.3

Debt Position Indicators		
For Fiscal Years 2010 and 2009		
	Ratio of debt service to expenditures	Ratio of debt to assessed value
2010	11.0%	2.3%
2009	11.2%	1.8%
<i>Adopted Policy</i>	<i>Not to exceed 10-12%</i>	<i>Not to exceed 3-4%</i>

At the end of the current fiscal year, County governmental activities reported total bonded debt outstanding of \$428.5. Of this amount, \$309.4 is debt backed by the full faith and credit of the County. The remainder of the County's debt is secured by specific revenue sources. As of June 30, 2010, the County had a total of \$445.5 million in outstanding long term debt and other obligations, an increase of \$1.2 million, from the prior year. In July 2009, the County sold \$27.6 million in General Obligation public improvement bonds to fund various transportation projects and new Circuit Court and public safety buildings. Spotsylvania secured an "all-in" interest rate of 3.48% on the bonds.

The County also issues new debt to finance the construction of school facilities for the component unit because the School Board does not have borrowing or taxing authority. This debt is reported in the primary government but segregated here for information purposes. For fiscal year 2010, no additional debt issuances were made.

Subsequent to June 30, 2010, two events increased future debt obligation. First, the County entered into a \$14.2 capital lease for new governmental facilities. These new facilities allow for a more centralized government in the Courthouse area. Second, the County issued \$17.1 in general obligation bonds to fund the remaining portions of the new Circuit Court and Public Safety buildings. The County received a 3.16% “all- in” interest rate.



ECONOMIC FACTORS

Spotsylvania County’s unemployment rate grew from 5.7% in FY 2009 to 5.9% in 2010. This slight increase of 0.2% reflects the continuing effects of the recent recession in the national economy. The County’s rate continues to compare favorably to the State’s and national average unemployment rate of 7.0% and 9.5%, respectively.

In February 2010 the County joined the Virginia Railway Express, a joint venture developed to meet increasing transportation needs in Virginia. Through this joint venture, the County is authorized by the State to levy a 2% fuel tax to fund transportation projects. The County expects to earn \$4.3 in fuel tax revenues for fiscal year 2011.

During the fiscal year, the County expanded its Technology Zone Program that encompasses the Primary Settlement District. This program has proven to be successful in locating new and expanding businesses to the County and provides qualified new and/or existing businesses to receive tax rebates. The opening of the new Spotsylvania Regional Medical Center for operation in June 2010 and the related ancillary medical building provided the most significant contribution to business growth in the County.

The business sector also included increases in manufacturing and professional business services, with strong concentration in government contractors, medical uses, and technology firms. Additional details on the County’s economic growth are included in the transmittal letter included in this CAFR.

In fiscal year 2010, projected population growth in the County increased by less than 1% from prior year estimates. This rate continues to fall below the County’s adopted Comprehensive Plan goal of 2% annual population growth, which was set by the County to reduce the pace of new school construction, allowing the County to focus its capital construction on transportation and public safety initiatives.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability in handling financial matters. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Director of Finance, Marshall Center, P O Box 215, 8800 Courthouse Road, Spotsylvania, Virginia, 22553, or e-mail to finance@spotsylvania.va.us.

EXHIBITS

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COUNTY OF SPOTSYLVANIA, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2010

Exhibit I

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board
ASSETS				
Cash and investments	\$ 70,851,921	\$ 64,902,218	\$ 135,754,139	\$ 2,089,884
Receivables, net	94,587,229	7,805,832	102,393,061	9,614,894
Inventory	-	1,029,180	1,029,180	-
Prepaid expenses	401,191	-	401,191	187,520
Due from primary government	-	-	-	18,006,705
Other assets	2,609,258	2,015,740	4,624,998	-
Restricted cash and investment	35,448,597	601,059	36,049,656	2,607,219
Capital assets, net:				
Non-depreciable assets	34,255,385	16,889,509	51,144,894	11,846,998
Depreciable assets	<u>46,708,492</u>	<u>277,901,605</u>	<u>324,610,097</u>	<u>337,472,772</u>
Total assets	<u>\$ 284,862,073</u>	<u>\$ 371,145,143</u>	<u>\$ 656,007,216</u>	<u>\$ 381,825,992</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 17,395,175	\$ 5,064,224	\$ 22,459,399	\$ 24,728,838
Unearned revenue	69,459,450	-	69,459,450	-
Due to component unit	18,006,705	-	18,006,705	-
Other liabilities	6,063,581	3,581,999	9,645,580	-
Noncurrent liabilities:				
Due within one year:				
General county	9,675,573	3,395,000	13,070,573	-
Component unit	21,121,650	-	21,121,650	5,559,010
Due in more than one year:				
General county	101,078,300	115,665,443	216,743,743	-
Component unit	<u>203,255,189</u>	<u>-</u>	<u>203,255,189</u>	<u>42,327,629</u>
Total liabilities	<u>\$ 446,055,623</u>	<u>\$ 127,706,666</u>	<u>\$ 573,762,289</u>	<u>\$ 72,615,477</u>
NET ASSETS				
Invested capital assets, net of related debt	\$ 14,690,076	\$ 175,730,671	\$ 190,420,747	\$ 349,319,770
Restricted for:				
Capital projects	35,448,597	-	35,448,597	2,607,219
Debt service	-	601,059	601,059	-
Unrestricted	<u>(211,332,223)</u>	<u>67,106,745</u>	<u>(144,225,478)</u>	<u>(42,716,474)</u>
Total net assets	<u>\$ (161,193,550)</u>	<u>\$ 243,438,475</u>	<u>\$ 82,244,925</u>	<u>\$ 309,210,515</u>

See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Exhibit II
Page 1

Functions/Programs	Expenses	Program Revenues			Primary Government
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Primary government:					
General governmental administration	\$ 12,541,130	\$ 262,143	\$ -	\$ -	\$ (12,278,987)
Judicial administration	6,049,911	1,310,582	1,537,324	144,940	(3,057,065)
Public safety	40,162,357	4,465,169	4,638,176	110,151	(30,948,862)
Public works	6,899,529	524,696	16,440	-	(6,358,392)
Health and welfare	17,072,339	196,219	8,671,167	-	(8,204,952)
Education	77,944,196	-	-	-	(77,944,196)
Parks, recreation and cultural	7,138,682	712,601	237,495	-	(6,188,585)
Community development	17,282,274	823,564	88,273	1,595,916	(14,774,521)
Interest on long-term debt	<u>13,080,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,080,478)</u>
Total governmental activities	\$ 198,170,895	\$ 8,294,974	\$ 15,188,876	\$ 1,851,007	\$ (172,836,038)
Business-type activities:					
Water and sewer	<u>29,147,243</u>	<u>26,163,170</u>	<u>-</u>	<u>3,576,150</u>	<u>-</u>
Total primary government	<u>\$ 227,318,138</u>	<u>\$ 34,458,144</u>	<u>\$ 15,188,876</u>	<u>\$ 5,427,157</u>	<u>\$ (172,836,038)</u>
Component units:					
Public school system	<u>\$ 260,829,017</u>	<u>\$ 7,582,616</u>	<u>\$ 219,161,412</u>	<u>\$ 184,890</u>	
General revenues:					
Taxes					
Property taxes					\$ 140,031,938
Sales tax					18,833,753
Utility tax					3,175,521
Business license					3,664,929
Rental tax					1,139,622
Motor vehicle licenses					2,592,743
Bank stock taxes					393,644
Recordation taxes					2,068,461
Meals tax					6,351,285
Fuel tax					1,202,212
Grants and contributions not restricted to specific programs					15,764,784
Interest and investment earnings					612,749
Miscellaneous					156,095
Transfers					<u>233,860</u>
Total general revenues and transfers					\$ 196,221,595
Change in net assets					\$ 23,385,557
Net assets, beginning					<u>(184,579,107)</u>
Net assets, ending					<u>\$ (161,193,550)</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

*Exhibit II
Page 2*

Functions/Programs	Net (Expense) Revenue & Changes in Net Assets		
	Primary Government		Component Unit
	Business-Type Activities	Total	School Board
Primary government:			
General governmental administration		\$ (12,278,986)	
Judicial administration		(3,057,065)	
Public safety		(30,948,862)	
Public works		(6,358,392)	
Health and welfare		(8,204,952)	
Education		(77,944,196)	
Parks, recreation and cultural		(6,188,585)	
Community development		(14,774,521)	
Interest on long-term debt		(13,080,478)	
Total governmental activities		<u>\$ (172,836,038)</u>	
Business-type activities:			
Water and sewer	\$ 592,077	\$ 592,077	
Total primary government	<u>\$ 592,077</u>	<u>\$ (172,243,961)</u>	
Component unit:			
Public school system			<u>\$ (33,900,099)</u>
General revenues:			
Taxes			
Property taxes	\$ -	\$ 140,031,938	\$ -
Sales tax	-	18,833,753	-
Utility tax	-	3,175,521	-
Business license	-	3,664,929	-
Rental tax	-	1,139,622	-
Motor vehicle licenses	-	2,592,743	-
Bank stock taxes	-	393,644	-
Recordation taxes	-	2,068,461	-
Meals tax	-	6,351,285	-
Fuel taxes	-	1,202,212	-
Grants and contributions not restricted to specific programs	-	15,764,784	-
Interest and investment earnings	829,776	1,442,525	177,963
Miscellaneous	1,597,271	1,753,365	718,562
Transfers	(233,859)	-	-
Total general revenues and transfers	<u>\$ 2,193,188</u>	<u>\$ 198,414,782</u>	<u>\$ 896,525</u>
Change in net assets	\$ 2,785,265	\$ 26,170,822	\$ (33,003,575)
Net assets, beginning	<u>240,653,210</u>	<u>56,074,103</u>	<u>342,214,090</u>
Net assets, ending	<u>\$ 243,438,475</u>	<u>\$ 82,244,925</u>	<u>\$ 309,210,515</u>

See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2010

Exhibit III

	Governmental Funds				Total Governmental Funds
	General	Capital Projects	Transportation	Other Governmental Funds	
ASSETS					
Equity in pooled cash and investments	\$ 55,594,822	\$ 8,355,847	\$ 5,769,355	\$ 1,131,877	\$ 70,851,900
Receivables, net	90,447,069	828,889	1,202,212	2,109,060	94,587,230
Restricted cash and investments	-	34,691,421	757,178	-	35,448,599
Total assets	<u>\$ 146,041,891</u>	<u>\$ 43,876,157</u>	<u>\$ 7,728,745</u>	<u>\$ 3,240,937</u>	<u>\$ 200,887,729</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 7,057,595	\$ 3,016,742	\$ 271,653	\$ 170,525	\$ 10,516,515
Payable to component unit	14,256,366	3,750,338	-	-	18,006,704
Deferred revenues	76,675,904	437,262	1,202,212	1,790,374	80,105,752
Tax anticipation notes	-	-	8,500,000	-	8,500,000
Total liabilities	<u>\$ 97,989,866</u>	<u>\$ 7,204,342</u>	<u>\$ 9,973,865</u>	<u>\$ 1,960,899</u>	<u>\$ 117,128,971</u>
Fund balances:					
Reserved:					
Construction	\$ -	\$ 34,691,421	\$ -	\$ -	\$ 34,691,421
Special service district	-	-	757,178	-	757,178
Unreserved:					
Designated:					
Employee benefits	1,921,459	-	-	-	1,921,459
Future budget	5,508,523	-	-	-	5,508,523
Fiscal stability reserve	34,244,760	-	-	-	34,244,760
Designated non-major special revenue funds:					
Future budget	-	1,980,394	-	236,584	2,216,978
Undesignated	6,377,283	-	(3,002,298)	-	3,374,985
Undesignated non-major special revenue funds	-	-	-	1,043,454	1,043,454
Total fund balances	<u>\$ 48,052,025</u>	<u>\$ 36,671,815</u>	<u>\$ (2,245,120)</u>	<u>\$ 1,280,038</u>	<u>\$ 83,758,758</u>
Total liabilities and fund balances	<u>\$ 146,041,891</u>	<u>\$ 43,876,157</u>	<u>\$ 7,728,745</u>	<u>\$ 3,240,937</u>	<u>\$ 200,887,729</u>
<i>Adjustments for the Statement of Net Assets</i>					
Total fund balances, above					\$ 83,758,758
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds					80,963,880
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds					(336,404,341)
Prepaid expenses used current resources and therefore are not reported in the governmental funds					401,191
Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements					10,086,962
Net assets of governmental activities					<u>\$(161,193,550)</u>

See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

Year Ended June 30, 2010

Exhibit IV

	General	Capital Projects	Transportation	Other Governmental Funds	Total Governmental Funds
Revenues:					
General property taxes	\$ 135,717,710	\$ 39,896	\$ 1,071,302	\$ -	\$ 136,828,908
Other local taxes	38,219,958	-	-	-	38,219,958
Permits, privilege fees and regulatory licenses	213,325	-	16,688	2,114,259	2,344,271
Fines and forfeitures	1,006,947	-	-	300	1,007,247
Revenues from use of money and property	1,072,035	68,637	10,134	301,794	1,452,600
Charges for services	2,497,016	-	-	2,181,382	4,678,398
Miscellaneous	436,510	51,745	-	585	488,840
Intergovernmental	30,355,473	1,851,007	-	-	32,206,480
	<u>\$ 209,518,972</u>	<u>\$ 2,011,285</u>	<u>\$ 1,098,124</u>	<u>\$ 4,598,321</u>	<u>\$ 217,226,702</u>
Expenditures:					
Current:					
General governmental administration	\$ 9,268,494	\$ -	\$ -	\$ -	\$ 9,268,494
Judicial administration	5,750,140	-	-	-	5,750,140
Public safety	33,327,930	-	-	3,033,619	36,361,549
Public works	6,617,355	-	-	-	6,617,355
Health and welfare	16,752,016	-	-	-	16,752,016
Education	77,944,196	-	-	-	77,944,196
Parks, recreation and cultural	6,338,037	-	-	-	6,338,037
Community development	2,233,678	-	820,929	132,125	3,186,732
Non-departmental	524,021	-	-	-	524,021
Capital Projects	-	19,900,516	-	-	19,900,516
Debt service:					
Principal retirement	24,454,109	-	495,000	29,206	24,978,315
Interest and other charges	13,249,784	-	1,300,116	32,542	14,582,442
	<u>\$ 196,459,759</u>	<u>\$ 19,900,516</u>	<u>\$ 2,616,045</u>	<u>\$ 3,227,491</u>	<u>\$ 222,203,812</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 13,059,213</u>	<u>\$ 17,889,231</u>	<u>\$ (1,517,921)</u>	<u>\$ 1,370,829</u>	<u>\$ (4,977,110)</u>
Other financing sources (uses):					
Debt issuance	\$ -	\$ 27,570,000	\$ -	\$ -	\$ 27,570,000
Debt issuance premiums (discounts)	-	(125,453)	-	-	(125,453)
Transfers in (out)	<u>\$ (3,468,890)</u>	<u>\$ 1,861,904</u>	<u>\$ 3,138,317</u>	<u>\$ (1,297,471)</u>	<u>\$ 233,859</u>
	<u>\$ (3,468,890)</u>	<u>\$ 29,306,451</u>	<u>\$ 3,138,317</u>	<u>\$ (1,297,471)</u>	<u>\$ 27,678,406</u>
Net change in fund balances	<u>\$ 9,590,323</u>	<u>\$ 11,417,219</u>	<u>\$ 1,620,396</u>	<u>\$ 73,358</u>	<u>\$ 22,701,295</u>
Fund balance, beginning	<u>38,461,702</u>	<u>25,254,596</u>	<u>(3,865,515)</u>	<u>1,206,680</u>	<u>61,057,463</u>
Fund balance, ending	<u>\$ 48,052,025</u>	<u>\$ 36,671,815</u>	<u>\$ (2,245,120)</u>	<u>\$ 1,280,038</u>	<u>\$ 83,758,758</u>
Adjustments for the Statement of Activities:					
Net change in fund balances					\$ 22,701,295
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives					535,338
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements					3,707,475
Bond proceeds provide current financial resources for governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of borrowed principal is an expenditure in the governmental funds, but the repayment reduces the liability in the statement of net assets					(3,959,742)
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					401,191
Change in net assets of governmental activities					<u>\$ 23,385,557</u>

See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2010

Exhibit V

ASSETS

Current assets:

Cash and investments	\$	64,902,218
Receivables, net		7,805,832
Inventory		1,029,180
Other assets		2,015,740
Restricted cash and investments		601,059
Total current assets	\$	76,354,029

Noncurrent assets:

Capital assets, net		
Land and construction in progress	\$	16,889,509
Depreciable assets		277,901,605
Total noncurrent assets	\$	294,791,114
Total assets	\$	371,145,143

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$	5,064,224
Other liabilities		3,581,999
Current maturities of long-term debt		3,395,000
Total current liabilities	\$	12,041,223

Noncurrent liabilities:

Revenue bonds payable, less current maturities	\$	115,665,443
Total liabilities	\$	127,706,666

NET ASSETS

Invested in capital assets, net of related debt	\$	175,730,671
Restricted for debt service		601,059
Unrestricted		67,106,745
Total net assets	\$	243,438,475

See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUND

Year Ended June 30, 2010

Exhibit VI

Operating revenues:	
Charges for services - water and sewer	\$ 22,645,295
Miscellaneous	1,597,271
	<u>\$ 24,242,566</u>
Operating expenses:	
Personal service	\$ 5,940,968
Fringe benefits	2,283,104
Depreciation	8,987,601
Other	7,045,356
	<u>\$ 24,257,029</u>
Operating income (loss)	<u>\$ (14,463)</u>
Non-operating revenues (expenses):	
Connection fees	\$ 3,517,875
Interest and fiscal charges	(4,692,225)
Interest income	829,776
Other	(159,372)
	<u>\$ (503,946)</u>
Income (loss) before contributions and transfers	<u>\$ (518,409)</u>
Capital contributions	\$ 3,537,534
Transfers to other funds	(233,859)
	<u>\$ 3,303,675</u>
Change in net assets	<u>\$ 2,785,265</u>
Net assets, beginning	<u>240,653,210</u>
Net assets, ending	<u><u>\$ 243,438,475</u></u>

See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

Year Ended June 30, 2010

*Exhibit VII
Page 1*

Cash flows from operating activities:	
Cash received from customers	\$ 21,505,545
Cash payments to suppliers for goods and services	(9,490,187)
Cash payments to employees for services	(8,224,072)
Other operating revenues	373,043
Net cash provided by operating activities	<u>\$ 4,164,329</u>
Cash flows from noncapital financing activities	
Transfers out	(233,859)
Net cash (used in) noncapital financing activities	<u>\$ (233,859)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (10,096,078)
Principal paid on revenue bonds	(3,265,000)
Interest paid on revenue bonds	(5,078,696)
Connection fees	3,517,875
Net cash (used in) capital and related financing activities	<u>\$ (14,921,899)</u>
Cash flows from investing activities:	
Purchase of investment securities	\$ (73,314,731)
Sale of investment securities	69,252,111
Interest on investments	1,268,244
Net cash (used in) investing activities	<u>\$ (2,794,376)</u>
	Net (decrease) in cash and cash equivalents
	\$ (13,785,805)
Cash and cash equivalents:	
Beginning	26,412,945
Ending	<u>\$ 12,627,140</u>
Shown on the combined balance sheet as:	
Equity in pooled cash and investments	\$ 64,902,218
Restricted cash and investments	601,059
	<u>\$ 65,503,276</u>
Less investments	52,876,136
Cash and cash equivalents, unrestricted and restricted	<u>\$ 12,627,140</u>
Unrestricted cash	\$ 12,627,140
	<u>\$ 12,627,140</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

Year Ended June 30, 2010

Exhibit VII
Page 2

Adjustments to reconcile net income to net cash flows from operating activities:

Operating income (loss)	\$	(14,463)
Depreciation		8,987,601
Changes in assets and liabilities:		
(Increase) decrease in assets		
Receivables and accrued revenues		(2,363,977)
Inventory		(1,029,177)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		(1,415,654)
Net cash provided by operating activities	\$	<u>4,164,329</u>

Supplemental Schedule of Non-Cash Investing, Capital and Financing Activities

Capital assets donated by developers	\$	<u>3,537,534</u>
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See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2010

Exhibit VIII

	Agency Funds
ASSETS	
Cash	\$ 183,483
Total assets	<u>\$ 183,483</u>
LIABILITIES	
Amounts held for others	\$ 183,483
Total liabilities	<u>\$ 183,483</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the County of Spotsylvania, Virginia (the County), have been prepared in conformity with accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies of the County are described below.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

A. The Financial Reporting Entity

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units. As defined by GASB No. 14, component units are legally separate entities that are included in the County's reporting entity because of the significance of their operating or financial relationships with the County.

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

The organization does not issue separate financial reports.

B. Government-Wide and Fund Financial Statements

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the County prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to the analysis the private-sector provides in their annual reports.

NOTES TO FINANCIAL STATEMENTS

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Statement of Net Assets - The statement of net assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component unit. Governments report all capital assets, including infrastructure, in the government-wide statement of net assets and report depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

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. GASB 34 requires comparison of the government's original and final budget and actual results.

The government reports the following 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.

The *capital projects fund* is used to account for financial resources to be used for the construction of major general capital expenditures not financed by the proprietary fund.

The *transportation fund* is used to account for revenues and expenditures related to transportation issues, including set asides from new development as directed by the Board of Supervisors.

The other governmental funds include non-major *special revenue funds* which are used to account for financial resources required to be accounted for separately. The special revenue fund consists of the Fire/EMS Service Fee fund, the Code Compliance fund and the Economic Development Opportunity fund.

The government reports the following major proprietary 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.

Additionally, the government reports the following fund types:

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. The agency funds consist of the special welfare fund and the contribution fund.

Private-sector standards of accounting and financial reporting issues prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

NOTES TO FINANCIAL STATEMENTS

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

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than program revenues. Likewise, general revenues include all taxes.

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

C. Measurement Focus, Basis of Accounting and Financial Presentation

The government-wide financial statements are reported using the *economic resource measurement focus and the accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements.

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.

Governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred revenues and property taxes receivable when billed. Real and personal property taxes recorded at June 30, 2010, and received within the first 45 days after year-end are included in tax revenues, with the related amount reduced from deferred revenues. Sales and utility taxes, which are collected by the State or utility companies and subsequently remitted to the County, are recognized as revenues and accounts receivable when the underlying exchange transaction occurs, which is generally one to two months preceding receipt by the County. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of specific funding are recognized when earned or at the time of the specific reimbursable expenditure. Revenues from general purpose grants are recognized during the period to which the grants apply.

NOTES TO FINANCIAL STATEMENTS

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include: 1) accumulated unpaid vacation leave, sick leave, and other employee amounts, which are recorded as compensated absences, and are recognized when paid, and 2) principal and interest payments on general long-term debt, both of which are recognized when paid.

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except for the reporting of debt service for debt related to school capital assets. For GAAP purposes, this debt is reported in the primary government (see note on long-term debt for more detailed discussion). However, the County reports these debt service payments in the component unit - School Board for budgetary purposes. Annual appropriations lapse at fiscal year-end for all funds except the Capital Projects Funds (General, School and Utilities).

The budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The Board made several supplemental budgetary appropriations throughout the year, including:

\$ in Thousands

	General Fund	Capital Projects Fund	Non Major Funds	Utilities Fund	Schools
Carryover from the prior year	\$ 1,549	\$ 400	\$ 50	\$ 824	\$ 93
Revenue (reductions) additions	(1,346)	22,640	(719)	(435)	(1,224)
Adjustments to projects	278	55,771	(466)	14,827	-

E. Equity in Pooled Cash and Investments

Cash resources of the individual funds in the General Fund, Special Revenue Funds, Capital Projects Fund, Proprietary Fund, Fiduciary Funds, and discretely presented component unit (School Board) are combined to form a pool of cash and investments to maximize interest earnings. Investments in the pool consist of repurchase agreements and obligations of the Federal Government and are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. All investment earnings not legally or contractually required to be credited to individual accounts or funds are credited to the General Fund.

For purposes of the statement of cash flows, the Proprietary Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments for the government, as well as for its component units, are reported at fair value. The Local Government's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

NOTES TO FINANCIAL STATEMENTS

F. Receivables and Payables

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All accounts and property tax receivables are shown net of an allowance for uncollectibles. Accounts receivable utilize the aging analysis method; whereas, receivables are stratified based on the number of days outstanding and alternative percentages are applied to the different strata. The property tax receivable is calculated based on criteria established by the Virginia Auditor of Public Accounts.

The County levies real estate taxes on all real property, except that exempted by statute, at a rate enacted by the Board of Supervisors on the assessed value of property as determined by the Commissioner of Revenue of the County of Spotsylvania, Virginia. All property is assessed at estimated fair market value and reassessed biannually as of January 1. For real estate assessed on January 1, payment is due in two equal installments on June 5 and December 5. Real estate taxes reported as revenue in the government-wide statements are the second installment (December 5) of the January 1, 2009 levy, and the first installment (June 5) of the assessed value at January 1, 2010. The installment due on December 5, 2010 is included as unearned revenue since these taxes are restricted for use until the next fiscal year. Liens are placed on the property on the date real estate taxes are delinquent, and must be satisfied prior to the sale or transfer of the property.

Personal property tax assessments on motor vehicles, mobile homes, boats, aircraft and tangible business property are based upon the percentage of fair market value on January 1 of each year. Assessments on tangible business property are based on a declining scale of 50% to 20% of the original purchase price and the year the property was acquired. Motor vehicles are assessed at 50% of fair value and the tax may be prorated for the length of time the vehicle has situs in the County. Personal property taxes reported as revenue in the government-wide statements are the second installment (December 5) of the January 1, 2009 levy, and the first installment (June 5) of the assessed value at January 1, 2010. The installment due on December 5, 2010 is included as unearned revenue since these taxes are restricted for use until the next fiscal year. Personal property taxes do not create a lien on property; however, a hold on the issuance of Virginia Department of Motor Vehicles license plates may be issued to any individual having outstanding personal property taxes.

Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), tax relief is provided on the first \$20,000 of value of vehicles not used for business purposes. In 2003, the Virginia General Assembly froze the tax reduction at 70% and in 2005 capped total reimbursement to localities to \$950 million per tax year beginning in fiscal year 2007. The County receives a fixed share of \$14.5 million per year with the remaining levy collected by the County. For 2009, the State reimbursement was 51% while the 2010 reimbursement was 47%.

NOTES TO FINANCIAL STATEMENTS

G. Inventory

The purchases method of accounting for inventories is used in the governmental funds. Under this method, the cost is recorded as an expenditure at the time individual items are purchased. At year end, a portion of the fund balance is reserved for the ending balances, if material.

The proprietary funds use the consumption method of accounting for inventories. Under this method, inventories are expensed as they are consumed as operating supplies and spare parts in the period to which they apply. Inventory is valued at cost and adjusted annually for obsolescence.

H. Prepaid Items

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

I. Restricted Assets

Certain proceeds of the County's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The County has no general infrastructure assets.

NOTES TO FINANCIAL STATEMENTS

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Building improvements	10-50
Water and sewer systems	20-50
Vehicles	5-15
Equipment	3-20
Software	3-10
Furniture and fixtures	5-15

K. Accrued Compensated Absences

The County and School Board employees accrue compensated absences (annual and sick leave benefits) when vested. The cost of accrued leave is recorded in the government-wide financial statements.

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

M. Reservations and Designations

Governmental fund balance reserves are used to indicate that portion of the fund balance which is appropriated for expenditures or is legally segregated for a specific future use. Reservations reflect amounts reserved for the unused portion of bond proceeds which are legally restricted in use and for special assessments taxes pledged for debt service. Designations of portions of the fund balance are established to indicate tentative plans for financial resource utilization in a future period.

NOTES TO FINANCIAL STATEMENTS

N. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.

The details of this difference are as follows:

	\$ in Thousands	
Bonds and notes payable		\$ (309,454)
Accrued interest		(6,668)
Compensated absences		(3,646)
Original issue discount/bond premiums, net of amortization		(3,454)
Landfill liability		(5,421)
OPEB liability		(7,041)
Claims and adjustments		(720)
		<u>\$ (336,404)</u>

O. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense".

The details of this difference are as follows:

	\$ in Thousands	
Capital outlay		\$ 6,659
Depreciation		(5,952)
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.		(172)
		<u>\$ 535</u>

NOTES TO FINANCIAL STATEMENTS

P. Fund Balance Deficit

The transportation fund carries a fund balance deficit as funds were expended for transportation construction using tax anticipation notes (TANs). The TANs are a liability of the fund as opposed to another financing source for bond proceeds since they are temporary in nature. The TANs are expected to be repaid through special assessments by the property owners in the special assessment districts.

Q. Net Assets

Net assets are comprised of three categories: Net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The first category reflects the portion of net assets which is associated with non-liquid, capital assets, less the outstanding debt (net) related to these capital assets. The related debt (net) is the debt less the outstanding liquid assets and any associated unamortized costs. Restricted net assets are restricted assets, net of related debt. Net assets which are neither restricted nor related to capital assets are reported as unrestricted net assets. The County issues debt to finance the construction of school facilities for the School Board Component Unit 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 and unspent bond proceeds. As a result, in the Statement of Net Assets (Exhibit I), the school debt does not reduce unrestricted net assets invested in capital assets, net of related debt. The debt amount of \$245 million is reclassified as shown below to present the total reporting entity column of Exhibit I.

	\$ in Thousands			
	<u>Primary Government</u>	<u>Component Units</u>	<u>Reclassification of Debt Issued for School Facilities</u>	<u>Total Reporting Entity</u>
Invested in capital assets, net of related debt	\$ 190,420	\$ 349,320	\$ (224,377)	\$ 315,363
Restricted	36,050	2,607	-	38,657
Unrestricted	<u>(144,225)</u>	<u>(42,716)</u>	<u>224,377</u>	<u>37,436</u>
Total net assets	<u>\$ 82,245</u>	<u>\$ 309,211</u>	<u>\$ -</u>	<u>\$ 391,456</u>

R. Transfers

Transfers between funds are made to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

Deposits: In addition to the Federal Depository Insurance Act (FDIC), all cash of the County is maintained in accordance with the Virginia Security for Public Disclosures Act (the Act), Sec. 2.2-4400 et seq. of the Code of Virginia. Per the Act, banks holding deposits in excess of FDIC limits must pledge collateral in the amount of 50% of excess deposits to the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The Act provides for the pooling of the collateral to satisfy claims of governmental entities should any member bank fail. If the pool's collateral were insufficient to cover the loss, additional amounts are assessed on a pro-rata basis to the members of the collateral pool. The ability to provide additional assessments when required ensures funds deposited in accordance of the Act are considered fully secured and are not subject to credit risk.

Investments: In accordance with section 2.2-4500 of the Code of Virginia (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 other states not in default; 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; overnight, term and open repurchase agreements; money market mutual funds; the State Treasurer's Local Governmental Investment Pool (LGIP) and the State Treasurer's Non-Arbitrage Program (SNAP).

As of June 30, 2010, the County and its discretely presented component unit's pooled cash and investments, including \$183,483 in agency funds, are subject to various interest rate, credit, concentration, and custodial risks as presented below:

Interest rate risk. Through its investment policy, the County manages its exposure to fair value losses arising from interest rate risk to limiting the maturities of investments. To meet the investment objectives of safety and liquidity, portfolio pools of differing maturities have been created: a minimum of 10% of the portfolio must be invested in securities maturing within 30 days; 50% within one year or less; and allows for a maximum of 50% to be invested with maturities of 1 to 3 years. Investments with maturities greater than 3 years are not allowed without the express written approval of the County Treasurer.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

The pooled investment portfolio reflecting the levels of maturity are presented below using the segmented time distribution reporting method:

\$ in Thousands

Investment Type	Fair Value	Investment Maturities (in years)	
		Less than 1	1 to 3
Demand and time deposits	\$ 250	\$ 250	\$ -
Money market and money market mutual funds:			
Local Government Investment Pool (LGIP)	10,513	10,513	-
State Non-Arbitrage Program (SNAP)	37,298	37,298	-
Other money market mutual funds	30,668	30,668	-
Repurchase agreements	1,615	1,615	-
Commercial paper	1,498	1,498	-
U.S. government and agency bonds	86,181	51,456	34,725
Corporate notes and bonds	8,476	4,502	3,974
	<u>\$ 176,499</u>	<u>\$ 137,800</u>	<u>\$ 38,699</u>
		78.18%	21.82%
Total cash on hand	3		
Total deposits	<u>182</u>		
Total deposits and investments	<u><u>\$ 176,684</u></u>		

As of June 30, 2010 the portfolio held 50.4% of securities maturing within 30 days.

Credit risk. The primary investment objectives are safety, liquidity and return on investment. County policy follows State statute when determining minimum credit ratings allowable. It is also County policy to restrict any investment in derivative products or any security having unusual features or is not specifically authorized within the policy.

\$ in Thousands

Type	Fair Value	Credit Quality Rating	Credit Exposure as a % of Total Investments
Demand and time deposits	\$ 250	AA	0.13%
Money market and money market mutual funds:			
Local Government Investment Pool (LGIP)	10,513	AAA	5.96%
State Non-Arbitrage Program (SNAP)	37,298	AAA	21.13%
Other money market mutual funds	30,668	AAA	17.38%
Repurchase agreements	1,615	AAA	0.92%
Commercial paper	1,498	A-1	0.85%
U.S. government and agency bonds	86,181	AAA	48.83%
Corporate notes and bonds	8,476	A or Higher*	4.80%
	<u>\$ 176,499</u>		<u>100.00%</u>

* 91% of corporate note and bond investments held at June 30, 2010 were rated at AA or higher.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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, 2010, investments in the following issuers exceeded five percent of the pooled investments: Federal Home Loan Bank (FHLB) 6.5%, Federal Home Loan Mortgage Corporation (FHLMC) 13.6%, and Federal National Mortgage Association (FNMA) 19%.

Custodial Credit Risk. Custodial 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, 2010 consist of the following:

\$ in Thousands

	Primary Government			Component Unit
	Governmental Funds	Proprietary Fund	Total	School Board
Special assessments	\$ 340	\$ -	\$ 340	\$ -
Property taxes				
Delinquent	11,486	-	11,486	-
Not yet due	69,077	-	69,077	-
Motor fuel tax	1,202	-	1,202	-
EMS transport fees	3,426	-	3,426	-
Utility operations	-	8,129	8,129	-
Accounts - other	3,805	-	3,805	951
Intergovernmental - Federal	1,090	39	1,129	5,795
Intergovernmental - State	7,655	-	7,655	2,868
Gross receivables	\$ 98,081	\$ 8,168	\$ 106,249	\$ 9,614
Allowance for uncollectibles	(3,494)	(362)	(3,856)	-
Net total receivables	\$ 94,587	\$ 7,806	\$ 102,393	\$ 9,614

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

\$ in Thousands

	<u>Governmental Funds</u>	<u>Government- wide</u>
	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Delinquent property taxes	\$ 7,388	\$ -
Property taxes not yet due	69,077	69,077
Special assessments	340	340
Motor fuel tax	1,202	-
EMS transport fees	1,790	-
Other	309	42
	<u>\$ 80,106</u>	<u>\$ 69,459</u>

Note 4. Capital Assets

A summary of changes in capital assets follows:

\$ in Thousands

	<u>Balance July 1, 2009</u>	<u>Additions/ Transfers in</u>	<u>Deletions/ Transfers out</u>	<u>Balance June 30, 2010</u>
Primary Government:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 25,976	\$ 6	\$ 3	\$ 25,979
Construction in progress	<u>3,943</u>	<u>5,352</u>	<u>1,019</u>	<u>8,276</u>
Total capital assets, not being depreciated	<u>\$ 29,919</u>	<u>\$ 5,358</u>	<u>\$ 1,022</u>	<u>\$ 34,255</u>
Capital assets, being depreciated:				
Buildings	\$ 51,733	\$ 704	\$ 108	\$ 52,329
Furniture and other equipment	<u>39,604</u>	<u>1,616</u>	<u>589</u>	<u>40,631</u>
Total capital assets, being depreciated	<u>\$ 91,337</u>	<u>\$ 2,320</u>	<u>\$ 697</u>	<u>\$ 92,960</u>
Less accumulated depreciation for:				
Buildings	\$ 16,253	\$ 2,426	\$ 52	\$ 18,627
Furniture and other equipment	<u>24,574</u>	<u>3,526</u>	<u>475</u>	<u>27,625</u>
Total accumulated depreciation	<u>\$ 40,827</u>	<u>\$ 5,952</u>	<u>\$ 527</u>	<u>\$ 46,252</u>
Total capital assets, net governmental activities	<u>\$ 80,429</u>	<u>\$ 1,726</u>	<u>\$ 1,192</u>	<u>\$ 80,963</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 8,639	\$ 595	\$ -	\$ 9,234
Construction in progress	<u>17,619</u>	<u>12,279</u>	<u>22,242</u>	<u>7,656</u>
Total capital assets, not being depreciated	<u>\$ 26,258</u>	<u>\$ 12,874</u>	<u>\$ 22,242</u>	<u>\$ 16,890</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

	Balance July 1, 2009	Additions/ Transfers in	Deletions/ Transfers out	Balance June 30, 2010
Capital assets, being depreciated:				
Buildings	\$ 134,311	\$ 19,861	\$ 3,555	\$ 150,617
Equipment	3,999	177	113	4,063
Mains	202,160	5,585	41	207,704
Meters and connections	2,633	260	-	2,893
Vehicles	1,841	13	-	1,854
Total capital assets, being depreciated	\$ 344,944	\$ 25,896	\$ 3,709	\$ 367,131
Less accumulated depreciation for:				
Buildings	\$ 32,349	\$ 4,244	\$ 516	\$ 36,077
Equipment	2,360	330	95	2,595
Mains	44,275	4,173	6	48,442
Meters and connections	453	93	-	546
Vehicles	1,422	148	-	1,570
Total accumulated depreciation	\$ 80,859	\$ 8,988	\$ 617	\$ 89,230
Total capital assets, net - business-type activities	\$ 290,343	\$ 29,782	\$ 25,334	\$ 294,791
Total capital assets, net - primary government	\$ 370,772	\$ 31,508	\$ 26,526	\$ 375,754

Depreciation was charged to governmental functions as follows:

\$ in Thousands

General government administration	\$ 2,364
Judicial administration	13
Public safety	2,431
Public works	338
Health and welfare	13
Parks and recreation	756
Community development	37
Total	\$ 5,952

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

	\$ in Thousands			
	<u>Balance July 1, 2009</u>	<u>Additions/ Transfers in</u>	<u>Deletions/ Transfers out</u>	<u>Balance June 30, 2010</u>
Component unit - School Board				
Capital assets not being depreciated:				
Land and land improvements	\$ 11,454	\$ 166	\$ -	\$ 11,620
Construction in progress	<u>6,588</u>	<u>5,922</u>	<u>12,283</u>	<u>227</u>
Total capital assets, not being depreciated	<u>\$ 18,042</u>	<u>\$ 6,088</u>	<u>\$ 12,283</u>	<u>\$ 11,847</u>
Other capital assets:				
Buildings	\$ 402,021	\$ 13,879	\$ 251	\$ 415,649
Furniture and other equipment	<u>68,348</u>	<u>4,747</u>	<u>1,138</u>	<u>71,957</u>
Total other capital assets	<u>\$ 470,369</u>	<u>\$ 18,626</u>	<u>\$ 1,389</u>	<u>\$ 487,606</u>
Less accumulated depreciation for:				
Buildings	\$ 100,989	\$ 9,670	\$ 224	\$ 110,435
Furniture and other equipment	<u>36,872</u>	<u>3,972</u>	<u>1,146</u>	<u>39,698</u>
Total accumulated depreciation	<u>\$ 137,861</u>	<u>\$ 13,642</u>	<u>\$ 1,370</u>	<u>\$ 150,133</u>
Total capital assets, net - component unit - school board	<u>\$ 350,550</u>	<u>\$ 11,072</u>	<u>\$ 12,302</u>	<u>\$ 349,320</u>

All depreciation was charged to education.

Primary Government

Construction in progress for governmental activities is composed of the following:

	\$ in Thousands			
	<u>Project Authorization</u>	<u>Expended to June 30, 2010</u>	<u>Committed</u>	<u>Required Future Financing</u>
Replace fire station #5	\$ 864	\$ 157	\$ 707	\$ -
New circuit court building	10,566	5,933	4,633	-
Judicial center project	487	487	-	-
Public safety building	9,076	1,505	7,571	-
Various minor projects	<u>911</u>	<u>194</u>	<u>717</u>	<u>-</u>
	<u>\$ 21,904</u>	<u>\$ 8,276</u>	<u>\$ 13,628</u>	<u>\$ -</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Component Unit - School Board

Construction in progress for the component unit - School Board is composed of the following:

	\$ in Thousands			
<u>Project</u>	<u>Project Authorization</u>	<u>Expended to June 30, 2010</u>	<u>Committed</u>	<u>Required Future Financing</u>
Elementary 18	\$ 29,831	\$ 227	\$ 29,604	\$ -
Total	<u>\$ 29,831</u>	<u>\$ 227</u>	<u>\$ 29,604</u>	<u>\$ -</u>

Note 5. Defined Benefit Pension Plan

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. The employer has assumed this 5.00% member contribution. In addition, the County and the School Board are 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. The County's and the School Board's non-professional contribution rate for the fiscal year ended 2010 was 8.92% and 8.84% of annual covered payroll, respectively. The School Board's required contribution to the statewide teacher's pool for professional employees was \$13,957,271, \$17,901,021 and \$19,226,535 for 2010, 2009 and 2008, respectively. 100% of the required contribution was paid for each year.

C. Annual Pension Cost

For fiscal year 2010, the County and School Board's annual pension cost of \$5,190,127 and \$1,216,021 respectively, was equal to the County and School Board's required and actual contributions.

Three-Year Trend Information for Spotsylvania County

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 5,190,127	100%	\$ 0
June 30, 2009	\$ 5,688,625	100%	\$ 0
June 30, 2008	\$ 5,903,127	100%	\$ 0

Three-Year Trend Information for Spotsylvania County School Board Non-Professional Employees

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 1,216,021	100%	\$ 0
June 30, 2009	\$ 1,248,530	100%	\$ 0
June 30, 2008	\$ 1,297,765	100%	\$ 0

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age - actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% 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. Both the investment rate of return and the projected salary increases 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 a level percentage of projected payroll on an open basis.

D. Schedule of Funding Progress

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Spotsylvania County

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2009	\$80,109,148	\$96,325,035	\$16,215,887	83%	\$38,160,163	42%
June 30, 2008	\$73,877,816	\$88,056,377	\$14,178,561	84%	\$38,245,883	37%
June 30, 2007	\$63,199,985	\$73,971,718	\$10,771,733	85%	\$34,425,696	31%

School Board Non-Professional

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2009	\$18,312,523	\$19,956,403	\$ 1,643,880	92%	\$ 8,963,200	18%
June 30, 2008	\$17,441,384	\$18,066,208	\$ 624,824	97%	\$ 8,506,365	7%
June 30, 2007	\$17,652,833	\$21,186,205	\$ 3,533,372	83%	\$ 8,127,218	43%

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Tax Anticipation Notes

The County issued tax anticipation notes in advance of property tax collections, depositing the proceeds in its Transportation Fund. These notes are necessary because the County is spending funds currently on road improvements to be paid for by special assessments in the special tax districts. These notes are as follows:

\$ in Thousands

Series	Interest Rate (%)	Issue Date	Final Maturity Date	Annual Principal Payments	Original Issue	Principal Outstanding
2007A	4.36	9/1/2007	9/5/2012	\$ -	\$ 5,500	\$ 5,500
2007B	4.36	9/1/2007	9/5/2012	-	3,000	3,000
				<u>\$ -</u>	<u>\$ 8,500</u>	<u>\$ 8,500</u>

Short-term debt activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Issued	Redeemed	Balance June 30, 2010
Tax anticipation notes	<u>\$ 8,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,500</u>

Amortization of the tax anticipation notes is as follows:

	Principal	Interest
2011	\$ -	\$ 371
2012	-	371
2013	8,500	185
	<u>\$ 8,500</u>	<u>\$ 927</u>

The County has pledged approximately \$1,645,107 in property taxes to pay this debt. The total pledge amount of \$10.1 million consists of total principal and interest payments on the debt. Total debt service during the year was \$376,600.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations of the reporting entity for the year ended June 30, 2010:

	\$ in Thousands				
	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities:					
General obligation bonds payable:					
Other	\$ 60,727	\$ 27,570	\$ 3,220	\$ 85,077	\$ 3,611
Related to schools	235,713	-	20,181	215,532	20,200
State Literary Loan Fund	9,775	-	930	8,845	922
Compensated absences payable	3,666	4,217	4,238	3,645	3,645
Landfill closure and post-closure obligation	5,495	220	294	5,421	1,350
Obligations under capital leases	650	-	650	-	-
OPEB liability	4,671	2,852	482	7,041	-
Claims incurred but not reported	-	720	-	720	720
Arbitrage liability	975	-	626	349	349
Total governmental activities - Primary Government	<u>\$ 321,672</u>	<u>\$ 35,579</u>	<u>\$ 30,621</u>	<u>\$ 326,630</u>	<u>\$ 30,797</u>
Business-type activities:					
Revenue bonds payable	\$ 122,651	\$ -	\$ 3,591	\$ 119,060	\$ 3,395
Total long-term liabilities - Primary Government	<u>\$ 444,323</u>	<u>\$ 35,579</u>	<u>\$ 34,212</u>	<u>\$ 445,690</u>	<u>\$ 34,192</u>
COMPONENT UNIT					
School Board					
Compensated absences payable	\$ 5,909	\$ 2,362	\$ 2,556	\$ 5,715	\$ 2,556
OPEB liability	22,566	16,233	2,844	35,955	-
Termination benefits	2,060	6,006	1,849	6,217	3,003
Total long-term liabilities - Component Unit	<u>\$ 30,535</u>	<u>\$ 24,601</u>	<u>\$ 7,249</u>	<u>\$ 47,887</u>	<u>\$ 5,559</u>

The utility fund makes payment on the utility revenue bonds. The School Board makes payment on the school general obligation debt. Liquidation of the liability for compensated absences is the responsibility of each fund that holds the liability. Repayment of all other long-term debt reported above is paid through the general fund.

Under state law, School Boards may not incur debt. Rather, the local government incurs debt *on behalf* of the local School Board. As a result, all school debt is reported as an obligation of the primary government. The related assets are reported as assets of the component unit - School Board. A bill passed by the general assembly during the fiscal year ended June 30, 2002 creates a *tenancy in common* with the School Board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Under the provisions of this legislation, local governments may elect not to acquire a tenancy in common by adopting a resolution which states that the locality does not wish to have a tenancy in common. The Spotsylvania County Board of Supervisors adopted a resolution stating that it did not wish to acquire a tenancy in common at a board meeting in June, 2002. Therefore, the general obligation debt of the School Board is included in debt of the primary government, and the related assets are reported in component unit - School Board.

Principal and interest to maturity (in thousands) for the County's General Obligation Bonds, State Literary Fund Loans and Utility Fund Revenue Bonds outstanding at June 30, 2010, are as follows:

	Governmental Activities General Obligation		Business-Type Activity Utility Fund Revenue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 24,733	\$ 14,161	\$ 3,395	\$ 5,648	\$ 28,128	\$ 19,809
2012	24,457	13,019	3,515	5,523	27,972	18,542
2013	23,738	11,912	3,645	5,389	27,383	17,301
2014	20,673	10,910	3,785	5,249	24,458	16,159
2015	17,828	10,006	3,955	5,080	21,783	15,086
2016-2020	81,703	38,256	22,850	22,336	104,553	60,592
2021-2025	68,092	21,105	28,890	16,217	96,982	37,322
2026-2030	43,800	6,245	23,930	9,250	67,730	15,495
2031-2035	4,430	397	20,395	3,929	24,825	4,326
2036-2040	-	-	4,700	356	4,700	356
Totals	\$ 309,454	\$ 126,011	\$ 119,060	\$ 78,977	\$ 428,514	\$ 204,988

General obligation bonds payable at June 30, 2010, backed by the full faith and credit of the County, are comprised of the following individual issues:

\$ in Thousands

Series	Interest Rate (%)	Issue Date	Final Maturity Date	Annual Principal Payments	Original Issue	Principal Outstanding
Governmental activities						
General obligation bonds						
General county:						
Series 1998 refunding	3.80 - 5.50	05/01/1998	07/01/2014	\$ 5 - 410	\$ 3,041	\$ 1,293
Series 2003 refunding	4.35 - 5.10	04/01/2003	03/01/2011	430 - 545	3,998	555
Series 2003 public improvement bonds	4.39	12/23/2003	01/15/2024	373 - 591	10,000	7,317
Series 2006 public improvement bonds	3.73 - 5.00	06/20/2006	07/15/2027	3,185 - 5,135	53,000	47,855

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Series	Interest Rate (%)	Issue Date	Final Maturity Date	Annual Principal Payments	Original Issue	Principal Outstanding
Series 2009A public improvement bonds	1.40 - 3.00	7/9/2009	7/15/2019	260 - 1,315	11,665	11,665
Series 2009B public improvement bonds	5.20 - 5.90	7/9/2009	7/15/2034	1,320 - 1,415	15,905	15,905
EDO Lease Revenue	6.16	05/01/2001	05/01/2021	8 - 59	700	487
Total general obligation bonds - general county					<u>\$ 98,309</u>	<u>\$ 85,077</u>
Schools:						
1990B VPSA	6.40 - 7.10	08/30/1990	07/15/2010	55 - 95	\$ 1,605	\$ 95
1991A VPSA	6.35 - 7.80	05/23/1991	12/15/2010	175 - 470	8,905	470
1991B VPSA	4.85 - 6.60	07/31/1991	07/15/2012	84 - 123	2,069	244
1992 VPSA IRSP	4.90 - 6.35	11/12/1992	07/15/2013	68 - 98	1,593	286
1994A VPSA refunding	6.38 - 6.94	12/15/1993	12/15/2011	510 - 3,280	40,725	1,025
1994A VPSA	6.10 - 6.60	11/22/1994	07/15/2014	79 - 123	1,926	575
1995C VPSA	5.10 - 6.10	12/21/1995	07/15/2015	37 - 49	838	283
1996A VPSA	4.60 - 5.80	05/02/1996	07/15/2016	110	2,200	770
1996B VPSA	5.10 - 6.10	07/01/1997	07/01/2016	235	4,620	1,610
1997A VPSA	4.35 - 5.23	11/01/1997	07/01/2017	372 - 495	8,940	3,280
1997B VPSA	4.35 - 5.23	11/01/1997	07/01/2017	410 - 490	8,422	3,692
1998A VPSA	4.10 - 5.35	04/01/1998	07/01/2018	665 - 975	14,975	6,030
1998 GO refunding	3.80 - 5.50	05/01/1998	07/01/2014	39 - 2,925	21,684	9,217
1998B VPSA	4.35 - 5.10	11/01/1998	07/01/2018	435 - 650	10,795	3,915
1998C VPSA IRS	3.60 - 5.10	11/01/1998	07/01/2018	197 - 247	4,346	2,075
1999A VPSA	4.35 - 5.23	04/01/1999	07/01/2019	90 - 265	3,570	920
2000A VPSA - 20	4.35 - 5.23	05/01/2000	07/01/2020	370 - 405	7,740	4,100
2000A VPSA - 10	4.35 - 5.23	05/01/2000	07/01/2020	370 - 405	incl in above	25
2001A VPSA - 20	4.10 - 5.60	05/01/2001	07/01/2021	470 - 545	10,170	5,685
2001A VPSA - 10	4.10 - 5.60	05/01/2001	07/01/2021	470 - 545	incl in above	130
2001B VPSA - 20	3.10 - 5.35	11/01/2001	07/01/2021	400 - 555	9,500	5,090
2002A VPSA - 20	3.60 - 5.60	05/01/2002	07/01/2022	820 - 915	17,315	10,660
2002A VPSA - 10	3.60 - 5.60	05/01/2002	07/01/2022	820 - 815	incl in above	270
2002B VPSA combine	2.35 - 5.10	11/01/2002	07/01/2023	550 - 645	11,885	7,405
2003 IDA lease revenue bonds	2.00 - 5.00	06/01/2003	07/01/2028	530 - 1,280	19,480	16,120
2003B IDA Lease	2.00 - 5.00	10/01/2003	07/01/2029	805 - 1,630	26,300	21,610
2004A GO refunding	2.00 - 5.00	09/01/2004	07/01/2017	130 - 1,730	14,915	10,625
2004 IDA Lease R	3.00 - 4.38	10/01/2004	07/01/2030	550 - 960	17,505	13,970
2005 IDA Lease R	3.25 - 5.00	06/30/2005	07/01/2031	1,045 - 2,220	37,855	32,280
2006 GO	3.73 - 5.00	07/15/2007	07/15/2027	3,185 - 5,135	23,665	18,795

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Series	Interest Rate (%)	Issue Date	Final Maturity Date	Annual Principal Payments	Original Issue	Principal Outstanding
2007 GO	4.25 - 5.00	06/21/2007	01/15/2027	1,490 - 3,415	41,110	34,280
Total general obligation bonds - schools					<u>\$ 374,653</u>	<u>\$ 215,532</u>
Chancellor High	3.00	04/26/1989	09/15/2010	100	\$ 2,000	\$ 100
Chancellor Intermediate	3.00	12/20/1989	09/15/2010	100	2,000	100
Salem Elementary Harrison Road	3.00	05/31/1990	09/15/2010	69	1,372	61
Elementary Parkside	3.00	08/01/2002	08/01/2022	301	6,020	3,913
Elementary	3.00	08/01/2002	08/01/2022	359	7,187	4,671
Total State Literary Fund Loans					<u>\$ 18,579</u>	<u>\$ 8,845</u>
Total governmental activities					<u>\$ 491,541</u>	<u>\$ 309,454</u>
Business-type activities						
2001	3.00 - 5.00	11/08/2001	07/01/2032	540 - 11,550	\$ 30,850	\$ 26,035
2004	3.00	11/17/2004	06/01/2035	460 - 1,480	25,120	22,665
2005 Refunding	3.00	02/01/2005	06/01/2026	80 - 2,035	37,875	32,510
2007	4.25 - 5.00	08/22/2007	06/01/2037	495 - 2,410	39,700	37,850
Total business-type activity					<u>\$ 133,545</u>	<u>\$ 119,060</u>
Total bond indebtedness - primary government					<u>\$ 625,086</u>	<u>\$ 428,514</u>

Note 8. 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, 2010, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$5.4 million.

Note 9. 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 three 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.

NOTES TO FINANCIAL STATEMENTS

The estimated liability for landfill closure and post-closure care costs is \$1.2 million and \$4.3 million for closed and operating landfills, respectively, which is based on 100% and 48% usage, respectively. It is estimated that an additional \$4.6 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 (2023). The estimated total current cost of the landfill closure and post-closure care (\$5.4 million for all landfills) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2010. 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 10. 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 actual “fair market value” of the property. Such reduced valuations are primarily for farm and timber property and tax reductions (deferrals) 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 amounts of such deferred taxes on the records of the County as of June 30, 2010 are as follows:

	\$ in Thousands	
2006		\$ 2,485
2007		2,367
2008		3,276
2009		3,225
2010		3,248
		<u>\$ 14,601</u>

Note 11. Operating Leases

The EDA currently leases its office building to Spotsylvania County and two private-sector enterprises. Lease income is from three non-cancelable leases with varying expiration dates. The leases require annual rents to be adjusted according to changes in the Consumer Price Index.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Future minimum rentals on non-cancelable leases in the aggregate and for each of the next five fiscal years are as follows:

	\$ in Thousands	
2011		\$ 61
2012		64
2013		67
2014		71
2015		74
		<u>\$ 337</u>

Rental income was \$98,374 for the fiscal year ended June 30, 2010.

Note 12. Post-Employment Health Care Benefits

Primary Government:

Plan Description. The County has a single-employer health insurance post-employment benefit plan. Retirees can continue the same medical coverage they had (including family coverage) as active employees. Participants who retire with at least 10 years of service with the County and meet the full retirement eligibility requirements in the applicable pension plan receive 100% of the individual health care premiums subsidized. The County has the authority to amend plan benefits at any time.

Deferred retirements are not allowed to elect coverage at the time of retirement.

Line of duty disabilities receive 100% of the individual health care premium subsidized regardless of years of service at disability.

Once a retiree reaches the age of 65, the retiree must apply for and receive Medicare coverage. Simultaneously, the retiree must convert to a Medicare carve-out policy.

In September 2007 the Plan was amended for employees hired on or after November 1, 2007. Employees hired on or after November 1, 2007 must have 20 years of service to receive a benefit, and must have 30 years of service to receive the full subsidy.

Funding Policy. These benefits are financed on a pay-as-you-go basis. For fiscal year 2009, the county contributed \$359,487 to the plan for current premiums.

An actuarial valuation was performed as of June 30, 2009 to determine the Net OPEB obligation. The plan is not funded. The valuation used the projected unit cost method, with linear pro-ration to assumed benefit commencement.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Annual OPEB Cost and Net OPEB Obligation. The County's annual other post-employment 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 GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

	\$ in Thousands	
Annual required contribution (ARC)	\$	3,239
Interest on net OPEB obligation		217
Adjustment to ARC		<u>(194)</u>
Annual OPEB cost	\$	3,262
Contributions made		<u>(630)</u>
Increase in net OPEB obligation	\$	2,632
Net OPEB obligation - beginning of year		<u>5,419</u>
 Net OPEB obligation - end of year	\$	<u><u>8,051</u></u>
 Governmental activities	\$	7,041
Business-type activities		<u>1,010</u>
	\$	<u><u>8,051</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the preceding two years were as follows:

	\$ in Thousands		
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 3,262	19.3%	\$ 8,051
June 30, 2009	\$ 3,009	11.9%	\$ 5,419
June 30, 2008	\$ 3,056	9.4%	\$ 2,769

Funded Status and Funding Progress. As of June 30, 2009, the most recent actuarial valuation date, the plan was 0% funded. The unfunded actuarial accrued liability (UAAL) is \$8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$37 million, and the ratio of the UAAL to the covered payroll was 21.6 percent.

NOTES TO FINANCIAL STATEMENTS

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 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.

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 June 30, 2009, actuarial valuation, the projected unit credit cost method was used. 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% initially, reducing gradually to an ultimate rate of 4.1% after 2090. Both rates included a 3.2% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over thirty years.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the County
(\$ in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
June 30, 2009	\$ -	\$ 30,666	\$ 30,666	0.0%	\$ 37,285	82.2%
June 30, 2008	\$ -	\$ 27,889	\$ 27,889	0.0%	\$ 38,461	72.5%
June 30, 2007	\$ -	\$ 13,511	\$ 13,511	0.0%	\$ 37,653	35.9%

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Component Unit - School Board:

Plan Description: The School Board has a single-employer health insurance post-employment benefit plan. Retirees can continue the same medical coverage they had (including family coverage) as active employees. Participants who retire with at least 10 years of service with the School Board and meet the full retirement eligibility requirements in the applicable pension plan receive 100% of the individual health care premiums subsidized. The School Board has the authority to amend plan benefits at any time.

Deferred retirements are not allowed to elect coverage at the time of retirement.

Line of duty disabilities receive 100% of the individual health care premium subsidized regardless of years of service at disability.

Once a retiree reaches the age of 65, the retiree must apply for and receive Medicare coverage. Simultaneously, the retiree must convert to a Medicare carve-out policy.

Funding Policy. These benefits are financed on a pay-as-you-go basis.

An actuarial valuation was performed as of June 30, 2009 to determine the Net OPEB obligation. The plan is not funded. The valuation used the projected unit cost method, with linear pro-ration to assumed benefit commencement.

Annual OPEB Cost and Net OPEB Obligation. The School Board's annual other post-employment 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 GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation.

	\$ in Thousands	
Annual required contribution		\$ 16,142
Interest on net OPEB obligation		884
Adjustment to annual required contribution		<u>(793)</u>
Annual OPEB cost (expense)		\$ 16,233
Contributions made		<u>(2,844)</u>
Increase in net OPEB obligation		\$ 13,389
Net OPEB obligation - beginning of year		<u>22,566</u>
Net OPEB obligation - end of year		<u><u>\$ 35,955</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the preceding two years were as follows:

\$ in Thousands

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 16,233	17.5%	\$ 35,955
June 30, 2009	\$ 13,679	17.1%	\$ 22,566
June 30, 2008	\$ 12,685	11.5%	\$ 11,230

Funded Status and Funding Progress. As of June 30, 2009, the most recent actuarial valuation date, the plan was 0% funded. The unfunded actuarial accrued liability (UAAL) was \$36 million. The covered payroll (annual payroll of active employees covered by the plan) was \$13.3 million, and the ratio of the UAAL to the covered payroll was 103.6 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 following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 June 30, 2009, actuarial valuation, the projected unit credit cost method was used. 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 8.5% initially, reduced by decrements to an ultimate rate of 5.5% after three years. The UAAL is being amortized as a level percentage of projected payroll on an open basis over thirty years.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the School Board
(\$ in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
June 30, 2009	\$ -	\$ 137,293	\$ 137,293	0.0%	\$ 132,534	103.6%
June 30, 2008	\$ -	\$ 119,296	\$ 119,296	0.0%	\$ 138,645	86.0%
June 30, 2007	\$ -	\$ 106,789	\$ 106,789	0.0%	\$ 135,592	78.8%

Note 13. Commitments and Contingencies

The County currently has construction contracts for capital projects and utility projects. The total commitment to complete these projects was approximately \$13 million and \$8 million, respectively, at June 30, 2010.

The School Board has commitments to complete school construction of \$30 million at June 30, 2010.

At June 30, 2010, outstanding, in substance defeased debt is as follows:

	\$ in Thousands
General fund	\$ 1,293
Schools	9,217
	<u>\$ 10,510</u>

Funds have been escrowed into irrevocable agreements to pay off these debts.

Bonds authorized at June 30, 2010 but not issued were as follows:

	\$ in Thousands
Public safety & general capital projects	\$ 50,713
Parks & library	898
Transportation	116,142
Fire and rescue	7,175
Schools	41,172
	<u>\$ 216,100</u>

The County has commitments under an economic incentive agreement to pay one half of the local sales tax revenue generated by a retail store back to that store for calendar years' June 30, 2008 through 2012, subject to annual appropriation by the County.

NOTES TO FINANCIAL STATEMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Note 14. Risk Management and Litigation

Primary Government

The County is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by a combination of commercial insurance purchased from independent third parties and participation in public entity risk pools. There have not been any significant reductions in insurance coverage as compared to the previous year. Settled claims from these risks have not exceeded commercial coverage for the past three fiscal years. The County is a defendant in a number of suits, none of which are expected to have a material impact on the financial statements. Management is defending these cases vigorously.

The County participates in the Virginia Association of Counties Group Self-Insurance Risk Pool (VACoRP), which is a public entity risk pool that provides property, commercial general liability, automobile and other types of insurance coverage to Virginia localities. The combination of excess and primary liability coverage limits results in \$8 million per occurrence to pay for tort liability claims against the County.

The County participates in the Virginia Association of Counties Group Self-Insurance Association (VACoGSIA), which is a public entity risk pool providing coverage for workers' compensation per the Virginia Workers' Compensation Act. In the case of both pools, if there is a loss deficit and depletion of all assets and available insurance of the pool, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County has chosen to partially retain the risk associated with the employees' health and dental insurance plan. Risk is retained up to an individual stop loss amount of \$100,000 for individual claims during the contract year and an aggregate plan stop loss of 125% of expected claims. The health and dental insurance plan is administered by a commercial carrier and premiums paid are based upon the number insured and the benefits provided.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR).

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Changes in balances of claim liabilities during the past three years are as follows:

Fiscal Year	Payable (Receivable) Beginning of Year	Claims and Other Charges Processed (including IBNR)	Claim Payments	Payable (Receivable) End of Year
2010	\$ 1,336,294	\$ 7,878,414	\$ 8,119,410	\$ 1,095,298
2009	\$ 794,785	\$ 7,894,704	\$ 7,353,195	\$ 1,336,294
2008	\$ (500,038)	\$ 7,918,657	\$ 6,623,834	\$ 794,785

School System

The school system participates in the Virginia Municipal Liability Pool (VMLP) and the VACoGSIA. The school system is insured for liability up to \$1,000,000 per claim with a deductible of \$1,000.

The school system also has fleet insurance through VMLP with limits of \$1,000,000 per accident.

The school system participates in the VACoGSIA for coverage under the Virginia Workmen's Compensation Act.

The school system contracted with a commercial carrier to provide health insurance for employees. Premium payments are based on the number of participants and the benefits provided and are paid through the school fund.

The School Board is not a defendant in any suits at this time.

Note 15. Joint Ventures

A. 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 PRTC.

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

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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 Spotsylvania County. The County has elected, per agreement, to defer all administrative and subsidy costs through fiscal year 2012. For fiscal year 2010 the County earned \$1,202,212 in Motor Fuel Tax and incurred \$559,349 in deferred administration and subsidy costs.

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

B. Rappahannock Regional Jail Authority

The Rappahannock Regional Jail Authority (Authority) was created in January 1995 to share the cost of operating the existing Security Center and constructing, equipping, maintaining and operating a new regional facility. Member jurisdictions 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, 2010 totaled \$3,981,914.

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.

C. 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 of Virginia. 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, 2010 of \$1,959,094.

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

NOTES TO FINANCIAL STATEMENTS

Note 16. Jointly Governed Organizations

A. Central Rappahannock Regional Library

The Central Rappahannock Regional Library (Library) was organized July 1, 1971, pursuant to the provisions of Title 42.1 of the Code of Virginia (1950), as amended. Member jurisdictions are the City of Fredericksburg, and the Counties of 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, 2010, Spotsylvania County's appropriation to the Regional Library was \$3,517,938.

B. 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 Spotsylvania and Stafford Board of supervisors and the Fredericksburg City Council in 1990 pursuant to authority granted in Virginia 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. Spotsylvania County's appropriation to the Group Home for the year ended June 30, 2010 was \$147,154.

Note 17. Subsequent Events

Subsequent to year end, the County entered into a capital lease valued at \$14.2 million related to new facilities needed to centralize operations in the Courthouse area.

On July 14, 2010, the County sold \$17.1 million in General Obligation bonds to fund the remaining portions of the new Circuit Court and Public Safety buildings. Based on the County's bond ratings and the current bond market, Spotsylvania secured an "all in" interest rate of 3.16% on the bonds.

On August 11, 2010, Spotsylvania County sold \$57.9 million in revenue bonds to refund \$25.3 million of the remaining \$26.0 million in 2001 Utilities revenue bonds, and to fund various water and sewer infrastructure projects approved in the FY 2011 - FY 2015 Capital improvements Plan. The County secured an "all in" interest rate of 3.57%.

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REQUIRED SUPPLEMENTARY INFORMATION

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, 2010

Exhibit IX

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance from Amended Budget</u>
Revenues:				
General property taxes	\$ 131,426,103	\$ 131,612,078	\$ 135,717,710	\$ 4,105,632
Other local taxes	39,090,250	37,375,582	38,219,958	844,376
Permits, privilege fees and regulatory licenses	345,427	153,687	213,325	59,638
Fines and forfeitures	1,003,909	1,135,600	1,006,947	(128,653)
Revenues from use of money and property	1,449,431	1,005,649	1,072,035	66,386
Charges for services	3,594,639	2,532,981	2,497,016	(35,965)
Miscellaneous	958,916	928,801	436,510	(492,291)
Intergovernmental	<u>32,976,982</u>	<u>33,494,145</u>	<u>30,355,473</u>	<u>(3,138,672)</u>
	<u>\$ 210,845,657</u>	<u>\$ 208,238,523</u>	<u>\$ 209,518,972</u>	<u>\$ 1,280,449</u>
Expenditures:				
Current:				
General governmental administration	\$ 11,470,429	\$ 11,327,410	\$ 9,268,494	\$ 2,058,916
Judicial administration	5,821,373	5,915,292	5,750,140	165,152
Public safety	34,754,082	35,859,117	33,327,930	2,531,187
Public works	7,866,688	7,171,759	6,617,355	554,404
Health and welfare	18,010,625	17,833,170	16,752,016	1,081,154
Education	113,857,595	112,726,451	109,808,029	2,918,422
Parks, recreation and cultural	6,552,899	6,645,607	6,338,037	307,570
Community development	2,677,812	2,931,194	2,233,678	697,516
Non-departmental	1,755,451	1,686,145	524,021	1,162,124
Debt service:				
Principal retirement	3,452,005	3,344,862	3,343,616	1,246
Interest and other charges	<u>2,257,425</u>	<u>2,495,114</u>	<u>2,496,444</u>	<u>(1,330)</u>
	<u>\$ 208,476,384</u>	<u>\$ 207,936,121</u>	<u>\$ 196,459,759</u>	<u>\$ 11,476,362</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 2,369,273</u>	<u>\$ 302,402</u>	<u>\$ 13,059,213</u>	<u>\$ 12,756,811</u>
Other financing sources (uses):				
Transfers in (out)	<u>\$ (3,341,719)</u>	<u>\$ (3,587,583)</u>	<u>\$ (3,468,890)</u>	<u>\$ 118,693</u>
	<u>\$ (3,341,719)</u>	<u>\$ (3,587,583)</u>	<u>\$ (3,468,890)</u>	<u>\$ 118,693</u>
Net change in fund balances	<u>\$ (972,446)</u>	<u>\$ (3,285,181)</u>	<u>\$ 9,590,323</u>	<u>\$ 12,875,504</u>
Fund balance, beginning	<u>972,446</u>	<u>3,285,181</u>	<u>38,461,702</u>	<u>35,176,521</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,052,025</u>	<u>\$ 48,052,025</u>

Budgets are prepared on a modified accrual basis. The budgets do not include any activity for school debt service or school bonds issued that are obligations of the primary government.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2010

All budgets are presented on the modified accrual basis of accounting except for the reporting of debt service for debt related to school capital assets. For GAAP purposes, this debt is reported in the primary government. However, the County reports these debt service payments in the component unit - School Board for budgetary purposes. Accordingly, the Budgetary Comparison Schedule for the General and Special Revenue Funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended, as modified for school debt.

Following is a schedule reconciling GAAP activity to activity reported on the budgetary basis:

(\$ in thousands)

	GAAP	School Debt Service Treated as a School Board Activity	Budgetary Basis
Expenditures:			
Education	\$ 77,944	\$ 31,863	\$ 109,807
Debt service:			
Principal retirement	24,454	(21,110)	3,344
Interest and other charges	13,250	(10,753)	2,497

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SUPPLEMENTARY INFORMATION

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CAPITAL PROJECTS FUND

The general capital projects fund accounts for projects intended to improve or expand the County infrastructure, provide for significant maintenance requirements, or provide for the acquisition of large pieces of equipment.

COUNTY OF SPOTSYLVANIA, VIRGINIA

BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND

For the Year Ended June 30, 2010

Schedule A

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
Revenues:				
Property taxes	\$ -	\$ -	\$ 39,896	\$ 39,896
Revenues from use of money and property	35,000	-	68,637	68,637
Miscellaneous	399,323	103,782	51,745	(52,038)
Intergovernmental	1,336,769	29,865,351	1,851,007	(28,014,344)
	<u>\$ 1,771,092</u>	<u>\$ 29,969,133</u>	<u>\$ 2,011,285</u>	<u>\$ (27,957,848)</u>
Expenditures:				
Capital projects	<u>\$ 7,430,096</u>	<u>\$ 83,707,376</u>	<u>\$ 19,900,516</u>	<u>\$ 63,806,860</u>
	<u>\$ 7,430,096</u>	<u>\$ 83,707,376</u>	<u>\$ 19,900,516</u>	<u>\$ 63,806,860</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (5,659,004)</u>	<u>\$ (53,738,243)</u>	<u>\$(17,889,231)</u>	<u>\$ 35,849,012</u>
Other financing sources (uses):				
Debt issuance	\$ -	\$ 27,570,000	\$ 27,570,000	\$ -
Debt issuance premium (discounts)	-	(136,924)	(125,453)	11,471
Transfers in (out)	3,572,064	1,921,811	1,861,904	(59,907)
	<u>\$ 3,572,064</u>	<u>\$ 29,354,887</u>	<u>\$ 29,306,451</u>	<u>\$ (48,436)</u>
Net change in fund balances	<u>\$ (2,086,940)</u>	<u>\$ (24,383,356)</u>	<u>\$ 11,417,219</u>	<u>\$ 35,800,575</u>
Fund balance, beginning	<u>2,086,940</u>	<u>24,383,356</u>	<u>25,254,596</u>	<u>871,240</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,671,815</u>	<u>\$ 36,671,815</u>

TRANSPORTATION FUND

The transportation fund is used to account for revenues and expenditures related to transportation issues, including set-asides from new development as directed by the Board of Supervisors.

COUNTY OF SPOTSYLVANIA, VIRGINIA

BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION FUND

For the Year Ended June 30, 2010

Schedule B

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
Revenues:				
Property taxes	\$ 883,470	\$ 883,470	\$ 1,071,302	\$ 187,832
Permits, privilege fees and regulatory licenses	33,720	33,720	16,688	(17,033)
Fines and forfeitures	191,214	191,214	-	(191,214)
Revenues from use of money and property	<u>50,000</u>	<u>50,000</u>	<u>10,134</u>	<u>(39,866)</u>
	<u>\$ 1,158,404</u>	<u>\$ 1,158,404</u>	<u>\$ 1,098,124</u>	<u>\$ (60,280)</u>
Expenditures:				
Current:				
Community development	3,842,728	3,842,728	820,929	3,021,799
Debt service:				
Principal retirement	1,080,935	495,000	495,000	-
Interest and other charges	<u>1,679,791</u>	<u>1,300,117</u>	<u>1,300,116</u>	<u>1</u>
	<u>\$ 6,603,454</u>	<u>\$ 5,637,845</u>	<u>\$ 2,616,045</u>	<u>\$ 3,021,800</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (5,445,050)</u>	<u>\$ (4,479,441)</u>	<u>\$ (1,517,921)</u>	<u>\$ (3,082,081)</u>
Other financing sources (uses):				
Transfers in (out)	<u>2,239,172</u>	<u>2,963,212</u>	<u>3,138,317</u>	<u>175,105</u>
	<u>\$ 2,239,172</u>	<u>\$ 2,963,212</u>	<u>\$ 3,138,317</u>	<u>\$ 175,105</u>
Net change in fund balances	\$ (3,205,878)	\$ (1,516,229)	\$ 1,620,396	\$ 3,136,625
Fund balance, beginning	<u>3,205,878</u>	<u>1,516,229</u>	<u>(3,865,515)</u>	<u>(5,381,744)</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,245,120)</u>	<u>\$ (2,245,120)</u>

OTHER GOVERNMENTAL FUNDS

The Fire/EMS Service Fee Fund is used to account for revenues received from the third party billing program for ambulance services.

The Code Compliance Fund is used to account for revenues and expenditures related to the enforcement of Federal, State and local laws related to Building, Zoning and Environmental Engineering.

The Economic Development Opportunity Fund is used to account for revenues and expenditures related to incentive loans to new or expanding businesses in the County.

COUNTY OF SPOTSYLVANIA, VIRGINIA
COMBINING BALANCE SHEET SCHEDULE
OTHER GOVERNMENTAL FUNDS
June 30, 2010

Schedule C-1

	Fire/EMS Service	Code Compliance	EDO	Total
ASSETS				
Equity in pooled cash and investments	\$ 272,703	\$ 147,110	\$ 712,064	\$ 1,131,877
Receivables, net	<u>2,108,914</u>	<u>146</u>	<u>-</u>	<u>2,109,060</u>
Total assets	<u>\$ 2,381,616</u>	<u>\$ 147,256</u>	<u>\$ 712,064</u>	<u>\$ 3,240,937</u>
LIABILITIES				
Accounts payable and accrued expenditures	\$ -	\$ 135,304	\$ 35,221	\$ 170,525
Deferred revenue	<u>1,790,228</u>	<u>146</u>	<u>-</u>	<u>1,790,374</u>
Total liabilities	<u>\$ 1,790,228</u>	<u>\$ 135,450</u>	<u>\$ 35,221</u>	<u>\$ 1,960,899</u>
FUND BALANCE				
Unreserved:				
Designations:				
Future budget	\$ 100,000	\$ -	\$ 136,584	\$ 236,584
Undesignated	<u>491,388</u>	<u>11,806</u>	<u>540,259</u>	<u>1,043,454</u>
Total fund balances	<u>\$ 591,388</u>	<u>\$ 11,806</u>	<u>\$ 676,843</u>	<u>\$ 1,280,038</u>
Total liabilities and fund balances	<u>\$ 2,381,616</u>	<u>\$ 147,256</u>	<u>\$ 712,064</u>	<u>\$ 3,240,937</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

Year Ended June 30, 2010

Schedule C-2

	Fire/EMS Service	Code Compliance	EDO	Total
Revenues:				
Permits, privilege fees and regulatory licenses	\$ -	\$ 2,114,259	\$ -	\$ 2,114,259
Fines and forfeitures	-	300	-	300
Revenues from use of money and property	-	194,072	107,722	301,794
Charges for services	2,181,382	-	-	2,181,382
Miscellaneous	-	585	-	585
	<u>\$ 2,181,382</u>	<u>\$ 2,309,216</u>	<u>\$ 107,722</u>	<u>\$ 4,598,321</u>
Expenditures:				
Current:				
Public safety	\$ -	\$ 3,033,619	\$ -	\$ 3,033,619
Community development	-	-	132,125	132,125
Debt service:				
Principal retirement	-	-	29,206	29,206
Interest and other charges	-	-	32,542	32,542
	<u>\$ -</u>	<u>\$ 3,033,619</u>	<u>\$ 193,873</u>	<u>\$ 3,227,491</u>
Excess (deficiency) of revenues over expenditures	\$ 2,181,382	\$ (724,402)	\$ (86,151)	\$ 1,370,829
Other financing sources (uses):				
Transfers in (out)	<u>\$ (2,031,821)</u>	<u>\$ 734,350</u>	<u>\$ -</u>	<u>\$ (1,297,471)</u>
	<u>\$ (2,031,821)</u>	<u>\$ 734,350</u>	<u>\$ -</u>	<u>\$ (1,297,471)</u>
Net change in fund balances	\$ 149,561	\$ 9,947	\$ (86,151)	\$ 73,358
Fund balance, beginning	441,827	1,859	762,994	1,206,680
Fund balance, ending	<u>\$ 591,388</u>	<u>\$ 11,806</u>	<u>\$ 676,843</u>	<u>\$ 1,280,038</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**BUDGETARY COMPARISON SCHEDULE
FIRE/EMS FUND**

For the Year Ended June 30, 2010

Schedule C-3.1

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
Revenues:				
Charges for services	\$ 2,200,000	\$ 2,200,000	\$ 2,181,382	\$ (18,618)
	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,181,382</u>	<u>\$ (18,618)</u>
Other financing sources (uses):				
Transfers in (out)	\$ (2,225,142)	\$ (2,225,142)	\$ (2,031,821)	\$ 193,321
	<u>\$ (2,225,142)</u>	<u>\$ (2,225,142)</u>	<u>\$ (2,031,821)</u>	<u>\$ 193,321</u>
Net change in fund balances	\$ (25,142)	\$ (25,142)	\$ 149,561	\$ 174,703
Fund balance, beginning	25,142	25,142	441,827	416,685
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 591,388</u>	<u>\$ 591,388</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**BUDGETARY COMPARISON SCHEDULE
CODE COMPLIANCE FUND**

For the Year Ended June 30, 2010

Schedule C-3.2

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
Revenues:				
Permits, privilege fees	\$ 2,920,132	\$ 1,620,132	\$ 2,114,259	\$ 494,127
Fines and forfeitures	-	-	300	300
Revenues from use of money and property	248,498	248,498	194,657	(53,841)
	<u>\$ 3,168,630</u>	<u>\$ 1,868,630</u>	<u>\$ 2,309,216</u>	<u>\$ 440,586</u>
Expenditures:				
Public safety	<u>\$ 3,168,516</u>	<u>\$ 3,108,223</u>	<u>\$ 3,033,619</u>	<u>\$ 74,605</u>
	<u>\$ 3,168,516</u>	<u>\$ 3,108,223</u>	<u>\$ 3,033,619</u>	<u>\$ 74,605</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 114</u>	<u>\$ (1,239,593)</u>	<u>\$ (724,402)</u>	<u>\$ 515,191</u>
Other financing sources (uses):				
Transfers in (out)	<u>\$ (114)</u>	<u>\$ 1,232,260</u>	<u>\$ 734,350</u>	<u>\$ (497,910)</u>
	<u>\$ (114)</u>	<u>\$ 1,232,260</u>	<u>\$ 734,350</u>	<u>\$ (497,910)</u>
Net change in fund balances	\$ -	\$ (7,333)	\$ 9,947	\$ 17,280
Fund balance, beginning	-	7,333	1,859	(5,474)
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,806</u>	<u>\$ 11,806</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT OPPORTUNITY FUND
For the Year Ended June 30, 2010

Schedule C-3.3

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance from Amended Budget</u>
Revenues:				
Revenues from use of money and property	\$ 168,000	\$ 168,000	\$ 107,722	\$ (60,278)
Charges for services	-	-	-	-
Miscellaneous	<u>149,794</u>	<u>199,794</u>	<u>-</u>	<u>(199,794)</u>
	<u>\$ 317,794</u>	<u>\$ 367,794</u>	<u>\$ 107,722</u>	<u>\$ (260,072)</u>
Expenditures:				
Current:				
Community development	\$ 257,947	\$ 307,947	\$ 132,125	\$ 175,822
Debt service:				
Principal retirement	30,000	30,000	29,206	794
Interest and other charges	<u>29,847</u>	<u>29,847</u>	<u>32,542</u>	<u>(2,695)</u>
	<u>\$ 317,794</u>	<u>\$ 367,794</u>	<u>\$ 193,873</u>	<u>\$ 173,921</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (86,151)</u>	<u>\$ (86,151)</u>
Net change in fund balances	\$ -	\$ -	\$ (86,151)	\$ (86,151)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>762,994</u>	<u>762,994</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 676,843</u>	<u>\$ 676,843</u>

UTILITY 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 OF SPOTSYLVANIA, VIRGINIA
COMBINING SCHEDULE OF NET ASSETS
UTILITY ENTERPRISE FUND
June 30, 2010

Schedule D-1

	<u>Operating</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Equity in pooled cash and investments	\$ 26,272,370	\$ 38,629,848	\$ 64,902,218
Receivables, net	5,874,095	1,931,737	7,805,832
Inventory	1,029,180	-	1,029,180
Other assets	2,015,740	-	2,015,740
Restricted cash and investments	601,059	-	601,059
Capital assets, net			
Land and construction in progress	16,889,509	-	16,889,509
Depreciable assets	277,901,605	-	277,901,605
Total assets	<u>\$ 330,583,558</u>	<u>\$ 40,561,585</u>	<u>\$ 371,145,143</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 3,176,038	\$ 1,888,186	\$ 5,064,224
Other liabilities	3,581,999	-	3,581,999
Interfund loans	30,071,446	(30,071,446)	-
Noncurrent liabilities:			
Due within one year	3,395,000	-	3,395,000
Due in more than one year	115,665,443	-	115,665,443
Total liabilities	<u>\$ 155,889,925</u>	<u>\$ (28,183,259)</u>	<u>\$ 127,706,666</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 175,730,671	\$ -	\$ 175,730,671
Restricted for debt service	601,059	-	601,059
Unrestricted	(1,638,098)	68,744,844	67,106,746
Total net assets	<u>\$ 174,693,632</u>	<u>\$ 68,744,844</u>	<u>\$ 243,438,476</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - UTILITY ENTERPRISE FUND**

Year Ended June 30, 2010

Schedule D-2

	<u>Operating</u>	<u>Capital Projects</u>	<u>Total</u>
Operating revenues:			
Charges for services - water and sewer	\$ 22,645,295	\$ -	\$ 22,645,295
Miscellaneous	1,039,152	558,118	1,597,271
	<u>\$ 23,684,447</u>	<u>\$ 558,118</u>	<u>\$ 24,242,566</u>
Operating expenses:			
Personal service	\$ 5,940,968	\$ -	\$ 5,940,968
Fringe benefits	2,283,104	-	2,283,104
Depreciation	8,987,601	-	8,987,601
Other	6,136,288	909,068	7,045,356
	<u>\$ 23,347,961</u>	<u>\$ 909,068</u>	<u>\$ 24,257,029</u>
Operating income (loss)	<u>\$ 336,486</u>	<u>\$ (350,950)</u>	<u>\$ (14,463)</u>
Non-operating revenues (expenses):			
Connection fees	\$ -	\$ 3,517,875	\$ 3,517,875
Interest and fiscal charges	(4,692,225)	-	(4,692,225)
Interest income	414,679	415,097	829,776
Other	(197,988)	38,616	(159,372)
	<u>\$ (4,475,534)</u>	<u>\$ 3,971,588</u>	<u>\$ (503,946)</u>
Income (loss) before contributions and transfers	<u>\$ (4,139,048)</u>	<u>\$ 3,620,638</u>	<u>\$ (518,409)</u>
Capital contributions	\$ 3,537,534	\$ -	\$ 3,537,534
Transfers to other funds	(183,859)	(50,000)	(233,859)
	<u>\$ 3,353,675</u>	<u>\$ (50,000)</u>	<u>\$ 3,303,675</u>
Change in net assets	<u>\$ (785,373)</u>	<u>\$ 3,570,638</u>	<u>\$ 2,785,265</u>
Net assets, beginning	175,479,004	65,174,206	240,653,210
Net assets, ending	<u>\$174,693,631</u>	<u>\$ 68,744,844</u>	<u>\$243,438,475</u>

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AGENCY FUNDS

Agency Funds account for assets held by the County as 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.

Special Welfare Fund accounts for funds belonging to individuals in the custody of the local Social Service agency.

Contribution Fund accounts for funds held by the County for various donation accounts.

COUNTY OF SPOTSYLVANIA, VIRGINIA
COMBINING SCHEDULE OF FIDUCIARY NET ASSETS
June 30, 2010

Schedule E-1

	<u>Special Welfare</u>	<u>Contribution Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 50,288	\$ 133,195	\$ 183,483
Total assets	<u>\$ 50,288</u>	<u>\$ 133,195</u>	<u>\$ 183,483</u>
LIABILITIES			
Amounts held for others	\$ 50,288	\$ 133,195	\$ 183,483
Total liabilities	<u>\$ 50,288</u>	<u>\$ 133,195</u>	<u>\$ 183,483</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - FIDUCIARY FUND

Year Ended June 30, 2010

Schedule E-2

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
SPECIAL WELFARE				
<i>Assets</i>				
Cash	\$ 34,386	\$ 268,102	\$ 252,200	\$ 50,288
Total assets	<u>\$ 34,386</u>	<u>\$ 268,102</u>	<u>\$ 252,200</u>	<u>\$ 50,288</u>
<i>Liabilities</i>				
Amounts held for others	\$ 34,386	\$ 268,102	\$ 252,200	\$ 50,288
Total liabilities	<u>\$ 34,386</u>	<u>\$ 268,102</u>	<u>\$ 252,200</u>	<u>\$ 50,288</u>
CONTRIBUTION FUND				
<i>Assets</i>				
Cash	\$ 233,545	\$ 483,465	\$ 583,815	\$ 133,195
Total assets	<u>\$ 233,545</u>	<u>\$ 483,465</u>	<u>\$ 583,815</u>	<u>\$ 133,195</u>
<i>Liabilities</i>				
Amounts held for others	\$ 233,545	\$ 770,757	\$ 871,107	\$ 133,195
Total liabilities	<u>\$ 233,545</u>	<u>\$ 770,757</u>	<u>\$ 871,107</u>	<u>\$ 133,195</u>
TOTAL - ALL FIDUCIARY				
<i>Assets</i>				
Cash	\$ 267,931	\$ 751,567	\$ 836,015	\$ 183,483
Total assets	<u>\$ 267,931</u>	<u>\$ 751,567</u>	<u>\$ 836,015</u>	<u>\$ 183,483</u>
<i>Liabilities</i>				
Amounts held for others	\$ 267,931	\$ 1,038,859	\$ 1,123,307	\$ 183,483
Total liabilities	<u>\$ 267,931</u>	<u>\$ 1,038,859</u>	<u>\$ 1,123,307</u>	<u>\$ 183,483</u>

See accompanying notes.

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COMPONENT UNIT

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

Internal service funds are used to charge costs of fleet management and maintenance to individual funds.

COUNTY OF SPOTSYLVANIA, VIRGINIA
COMBINING BALANCE SHEET SCHEDULE
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2010

Schedule F-1

	<u>Operating</u>	<u>Cafeteria</u>	<u>Carryover</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS					
Equity in pooled cash and investments	\$ -	\$ 1,765,737	\$ 12,910	\$ -	\$ 1,778,647
Receivables, net	9,275,464	153,629	-	184,890	9,613,983
Payable to primary government	14,467,407	(559,601)	-	4,098,899	18,006,704
Restricted cash	-	-	-	2,607,219	2,607,219
Total assets	<u>\$ 23,742,871</u>	<u>\$ 1,359,765</u>	<u>\$ 12,910</u>	<u>\$ 6,891,008</u>	<u>\$ 32,006,554</u>
LIABILITIES					
Accounts payable and accrued expenditures	<u>\$ 23,742,871</u>	<u>\$ 483,081</u>	<u>\$ 12,781</u>	<u>\$ 324,484</u>	<u>\$ 24,563,217</u>
Total liabilities	<u>\$ 23,742,871</u>	<u>\$ 483,081</u>	<u>\$ 12,781</u>	<u>\$ 324,484</u>	<u>\$ 24,563,217</u>
FUND EQUITY					
Fund balance:					
Reserved:					
Construction	\$ -	\$ -	\$ -	\$ 6,566,524	\$ 6,566,524
Unreserved:					
Undesignated	-	876,684	129	-	876,813
Total fund equity and other credits	<u>\$ -</u>	<u>\$ 876,684</u>	<u>\$ 129</u>	<u>\$ 6,566,524</u>	<u>\$ 7,443,337</u>
Total liabilities and fund equity	<u>\$ 23,742,871</u>	<u>\$ 1,359,765</u>	<u>\$ 12,910</u>	<u>\$ 6,891,008</u>	<u>\$ 32,006,554</u>

Adjustments for the Statement of Net Assets:

Total fund balances, above	\$ 7,443,337
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	(47,886,641)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	337,724,387
Prepaid expenses used current resources and therefore are not reported in the governmental funds	187,520
Internal service fund included in entity wide statements	<u>11,741,912</u>
Net assets of governmental activities	<u>\$ 309,210,515</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - SCHOOL BOARD**

Year Ended June 30, 2010

Schedule F-2

	<u>Operating</u>	<u>Cafeteria</u>	<u>Carryover</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:					
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ 177,963	\$ 177,963
Charges for services	2,018,511	5,173,397	-	-	7,191,908
Miscellaneous	736,294	-	-	-	736,294
Intergovernmental	137,726,843	3,517,629	-	184,890	141,429,362
Payments from primary government	<u>77,824,088</u>	<u>-</u>	<u>92,852</u>	<u>-</u>	<u>77,916,940</u>
	<u>\$ 218,305,736</u>	<u>\$ 8,691,026</u>	<u>\$ 92,852</u>	<u>\$ 362,853</u>	<u>\$ 227,452,467</u>
Expenditures:					
Current:					
Education	\$ 218,249,866	\$ 8,773,004	\$ 92,912	\$ -	\$ 227,115,783
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,865,312</u>	<u>14,865,312</u>
	<u>\$ 218,249,866</u>	<u>\$ 8,773,004</u>	<u>\$ 92,912</u>	<u>\$ 14,865,312</u>	<u>\$ 241,981,095</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 55,870</u>	<u>\$ (81,978)</u>	<u>\$ (60)</u>	<u>\$ (14,502,460)</u>	<u>\$ (14,528,628)</u>
Other financing sources (uses):					
Transfers in (out)	<u>\$ (55,870)</u>	<u>\$ 55,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ (55,870)</u>	<u>\$ 55,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (26,108)	\$ (60)	\$ (14,502,460)	\$ (14,528,628)
Fund balance, beginning	<u>-</u>	<u>902,792</u>	<u>189</u>	<u>21,068,984</u>	<u>21,971,965</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 876,684</u>	<u>\$ 129</u>	<u>\$ 6,566,524</u>	<u>\$ 7,443,337</u>

Adjustments for the Statement of Activities:

Change in fund balance, from above	\$ (14,528,628)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their useful lives	(886,853)
Internal service fund included in entity wide statements	(236,502)
Bond proceeds provide current financial resources for governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of borrowed principal is an expenditure in the governmental funds, but the repayment reduces liability in the statement of net assets	<u>(17,351,592)</u>
Change in net assets of governmental activities	<u>\$ (33,003,575)</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

COMBINING BUDGETARY COMPARISON SCHEDULE - SCHOOL BOARD

Year Ended June 30, 2010

Schedule F-3

Page 1

	Operating				Cafeteria			
	Budgeted Amounts		Actual	Variance	Budgeted Amounts		Actual	Variance
	Original	Final			Original	Final		
Revenues:								
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	2,018,511	2,018,511	7,050,096	7,050,096	5,173,397	(1,876,699)
Miscellaneous	2,853,162	2,853,162	736,294	(2,116,868)	-	-	-	-
Intergovernmental	143,215,206	143,215,206	137,726,843	(5,488,363)	2,570,676	2,570,676	3,517,629	946,953
Payments from primary government	113,830,339	112,606,343	109,687,921	(2,918,422)	-	-	-	-
	<u>\$ 259,898,707</u>	<u>\$ 258,674,711</u>	<u>\$ 250,169,569</u>	<u>\$ (8,505,142)</u>	<u>\$ 9,620,772</u>	<u>\$ 9,620,772</u>	<u>\$ 8,691,026</u>	<u>\$ (929,746)</u>
Expenditures:								
Current:								
Education	\$ 227,970,918	\$ 226,746,922	\$ 218,249,866	\$ (8,497,056)	\$ 9,676,642	\$ 9,676,642	\$ 8,773,004	\$ (903,638)
Capital projects	-	-	-	-	-	-	-	-
Debt service:								
Principal	21,142,494	21,142,494	21,110,493	(32,001)	-	-	-	-
Interest and fiscal charges	10,729,425	10,729,425	10,753,340	23,915	-	-	-	-
	<u>\$ 259,842,837</u>	<u>\$ 258,618,841</u>	<u>\$ 250,113,699</u>	<u>\$ (8,505,142)</u>	<u>\$ 9,676,642</u>	<u>\$ 9,676,642</u>	<u>\$ 8,773,004</u>	<u>\$ (903,638)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 55,870</u>	<u>\$ 55,870</u>	<u>\$ 55,870</u>	<u>\$ -</u>	<u>\$ (55,870)</u>	<u>\$ (55,870)</u>	<u>\$ (81,978)</u>	<u>\$ (26,108)</u>
Other financing sources (uses):								
Debt issuance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	(55,870)	(55,870)	(55,870)	-	55,870	55,870	55,870	-
	<u>\$ (55,870)</u>	<u>\$ (55,870)</u>	<u>\$ (55,870)</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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,108)</u>	<u>\$ (26,108)</u>
Fund balance, beginning	-	-	-	-	-	-	902,792	902,792
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 876,684</u>	<u>\$ 876,684</u>

Budgets are prepared on a modified accrual basis adjusted for school debt service payments. The amounts presented here include school debt service payments and school bonds issued that are obligations of the primary government.

COUNTY OF SPOTSYLVANIA, VIRGINIA

COMBINING BUDGETARY COMPARISON SCHEDULE - SCHOOL BOARD

Year Ended June 30, 2010

continued

Schedule F-3

Page 2

	Carryover				Capital Projects			
	Budgeted Amounts		Actual	Variance	Budgeted Amounts		Actual	Variance
	Original	Final			Original	Final		
Revenues:								
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177,963	\$ 177,963
Charges for services	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	184,890	184,890	-
Payments from primary government	-	92,852	92,852	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 92,852</u>	<u>\$ 92,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,890</u>	<u>\$ 362,853</u>	<u>\$ 177,963</u>
Expenditures:								
Current:								
Education	\$ -	\$ 93,041	\$ 92,912	\$ (129)	\$ -	\$ -	\$ -	\$ -
Capital projects	-	-	-	-	243,279	20,095,462	14,865,312	(5,230,150)
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 93,041</u>	<u>\$ 92,912</u>	<u>\$ (129)</u>	<u>\$ 243,279</u>	<u>\$ 20,095,462</u>	<u>\$ 14,865,312</u>	<u>\$ (5,230,150)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ (188)</u>	<u>\$ (60)</u>	<u>\$ 129</u>	<u>\$ (243,279)</u>	<u>\$ (19,910,572)</u>	<u>\$ (14,502,460)</u>	<u>\$ 5,408,113</u>
Other financing sources (uses):								
Debt issuance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (188)</u>	<u>\$ (60)</u>	<u>\$ 129</u>	<u>\$ (243,279)</u>	<u>\$ (19,910,572)</u>	<u>\$ (14,502,460)</u>	<u>\$ 5,408,113</u>
Fund balance, beginning	-	189	189	-	243,279	19,910,572	21,068,984	1,158,412
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129</u>	<u>\$ 129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,566,524</u>	<u>\$ 6,566,524</u>

Budgets are prepared on a modified accrual basis adjusted for school debt service payments. The amounts presented here include school debt service payments and school bonds issued that are obligations of the primary government.

COUNTY OF SPOTSYLVANIA, VIRGINIA

COMBINING BUDGETARY COMPARISON SCHEDULE - SCHOOL BOARD

Year Ended June 30, 2010

continued

Schedule F-3

Page 3

	Totals			
	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Revenues from use of money and property	\$ -	\$ -	\$ 177,963	\$ 177,963
Charges for services	7,050,096	7,050,096	7,191,908	141,812
Miscellaneous	2,853,162	2,853,162	736,294	(2,116,868)
Intergovernmental	145,785,882	145,970,772	141,429,362	(4,541,410)
Payments from primary government	113,830,339	112,699,195	109,780,773	(2,918,422)
	<u>\$ 269,519,479</u>	<u>\$ 268,573,225</u>	<u>\$ 259,316,300</u>	<u>\$ (9,256,925)</u>
Expenditures:				
Current:				
Education	\$ 237,647,560	\$ 236,516,606	\$ 227,115,783	\$ 9,400,823
Capital projects	243,279	20,095,462	14,865,312	5,230,150
Debt service:				
Principal	17,929,820	17,929,820	21,110,493	(3,180,673)
Interest and fiscal charges	13,942,099	13,942,099	10,753,340	3,188,759
	<u>\$ 269,762,758</u>	<u>\$ 288,483,987</u>	<u>\$ 273,844,928</u>	<u>\$ 14,639,059</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (243,279)</u>	<u>\$ (19,910,762)</u>	<u>\$ (14,528,628)</u>	<u>\$ 5,382,134</u>
Other financing sources (uses):				
Debt issuance	\$ -	\$ -	\$ -	\$ -
Transfers	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ (243,279)</u>	<u>\$ (19,910,762)</u>	<u>\$ (14,528,628)</u>	<u>\$ 5,382,134</u>
Fund balance, beginning	243,279	19,910,762	21,971,965	2,061,203
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,443,337</u>	<u>\$ 7,443,337</u>

Budgets are prepared on a modified accrual basis adjusted for school debt service payments. The amounts presented here include school debt service payments and school bonds issued that are obligations of the primary government.

COUNTY OF SPOTSYLVANIA, VIRGINIA
STATEMENT OF NET ASSETS - INTERNAL SERVICE FUND
June 30, 2010

Schedule G-1

ASSETS

Current assets:

Cash and investments	\$ 311,237
Receivables, net	912
Total current assets	<u>\$ 312,149</u>

Noncurrent assets:

Capital assets, net	
Land and construction in progress	\$ 94,400
Depreciable assets	11,500,983
Total noncurrent assets	<u>\$ 11,595,383</u>
Total assets	<u>\$ 11,907,531</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$ 165,621
Total current liabilities	<u>\$ 165,621</u>

Total liabilities	<u>\$ 165,621</u>
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NET ASSETS

Invested in capital assets, net of related debt	\$ 11,595,383
Unrestricted	146,529
Total net assets	<u>\$ 11,741,912</u>

See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

Year Ended June 30, 2010

Schedule G-2

Operating revenues:	
Charges for services	\$ 2,035,945
	<u>\$ 2,035,945</u>
 Operating expenses:	
Personal service	\$ 855,303
Fringe benefits	293,725
Depreciation	331,714
Other	791,705
	<u>\$ 2,272,447</u>
 Operating income (loss)	 <u>\$ (236,502)</u>
 Change in net assets	 \$ (236,502)
Net assets, beginning	11,978,414
Net assets, ending	<u><u>\$ 11,741,912</u></u>

See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND

Year Ended June 30, 2010

Schedule G-3

Cash flows from operating activities:	
Cash received from customers and users	\$ 2,035,398
Cash payments to suppliers for goods and services	(788,830)
Cash payments to employees for services	<u>(1,106,885)</u>
Net cash (used in) operating activities	\$ 139,683
Net increase in cash and cash equivalents	\$ 139,683
Cash and cash equivalents:	
Beginning	<u>171,554</u>
Ending	<u><u>\$ 311,237</u></u>
Adjustments to reconcile net income to net cash flows from operating activities:	
Operating income (loss)	\$ (236,502)
Depreciation	343,445
Changes in assets and liabilities:	
(Increase) decrease in assets	
Receivables and accrued revenues	(547)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	<u>33,287</u>
Net cash provided by operating activities	\$ 139,683

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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

Financial Trends

S-1 - S-4

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity

S-5 - S-7

These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

Debt Capacity

S-8 - S-10

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information

S-11 - S-13

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.

Operating Information

S-14 - S-16

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.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

COUNTY OF SPOTSYLVANIA, VIRGINIA

**NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS (1)**

Table S-1

(in Millions)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities									
Invested in capital assets, net of related debt	\$ -	\$ 38.8	\$ 24.2	\$ 13.2	\$ 7.7	\$ -	\$ 26.3	\$ 23.1	\$ 14.7
Restricted	-	5.3	15.2	7.6	59.0	45.6	45.6	31.0	35.4
Unrestricted	<u>(110.8)</u>	<u>(172.2)</u>	<u>(182.3)</u>	<u>(201.3)</u>	<u>(240.3)</u>	<u>(249.9)</u>	<u>(260.2)</u>	<u>(238.7)</u>	<u>(211.3)</u>
Total governmental activities net assets	<u>\$ (110.8)</u>	<u>\$ (128.1)</u>	<u>\$ (142.9)</u>	<u>\$ (180.5)</u>	<u>\$ (173.6)</u>	<u>\$ (204.3)</u>	<u>\$ (188.3)</u>	<u>\$ (184.6)</u>	<u>\$ (161.2)</u>
Business-type activities									
Invested in capital assets, net of related debt	\$ 113.4	\$ 128.5	\$ 140.7	\$ 129.4	\$ 141.0	\$ 161.2	\$ 148.7	\$ 177.9	\$ 175.7
Restricted	4.5	4.5	4.4	26.3	22.3	3.4	25.6	10.8	0.6
Unrestricted	<u>56.6</u>	<u>50.3</u>	<u>46.0</u>	<u>52.6</u>	<u>55.4</u>	<u>63.7</u>	<u>66.3</u>	<u>51.9</u>	<u>67.1</u>
Total business-type activities net assets	<u>\$ 174.5</u>	<u>\$ 183.3</u>	<u>\$ 191.1</u>	<u>\$ 208.3</u>	<u>\$ 218.7</u>	<u>\$ 228.3</u>	<u>\$ 240.6</u>	<u>\$ 240.6</u>	<u>\$ 243.4</u>
Primary government									
Invested in capital assets, net of related debt	\$ 113.4	\$ 167.3	\$ 164.9	\$ 142.6	\$ 148.7	\$ 161.2	\$ 175.0	\$ 201.0	\$ 190.4
Restricted	4.5	9.8	19.6	33.9	81.3	49.0	71.2	41.8	36.0
Unrestricted	<u>(54.2)</u>	<u>(121.9)</u>	<u>(136.3)</u>	<u>(148.7)</u>	<u>(184.9)</u>	<u>(186.2)</u>	<u>(193.9)</u>	<u>(186.8)</u>	<u>(144.2)</u>
Total primary government net assets	<u>\$ 63.7</u>	<u>\$ 55.2</u>	<u>\$ 48.2</u>	<u>\$ 27.8</u>	<u>\$ 45.1</u>	<u>\$ 24.0</u>	<u>\$ 52.3</u>	<u>\$ 56.0</u>	<u>\$ 82.2</u>
Component unit - School Board (2)									
Invested in capital assets, net of related debt	\$ 190.8	\$ 223.7	\$ 262.1	\$ 286.0	\$ 301.9	\$ 305.9	\$ 335.3	\$ 350.5	\$ 349.3
Restricted	37.3	33.8	21.8	53.2	48.5	82.0	33.6	13.9	2.6
Unrestricted	<u>-</u>	<u>(6.1)</u>	<u>(7.4)</u>	<u>(11.0)</u>	<u>(4.0)</u>	<u>(3.9)</u>	<u>(12.0)</u>	<u>(22.2)</u>	<u>(42.7)</u>
Total component unit - School Board net assets	<u>\$ 228.1</u>	<u>\$ 251.4</u>	<u>\$ 276.5</u>	<u>\$ 328.2</u>	<u>\$ 346.4</u>	<u>\$ 384.0</u>	<u>\$ 356.9</u>	<u>\$ 342.2</u>	<u>\$ 309.2</u>

1) Accrual-basis financial information for the county government as a whole is available back to FY 2002 only, the year GASB Statement 34 was implemented. Ten years of data will be accumulated over time.

2) Component unit net asset components are included in this table due to Public Schools being a significant portion of the County. In Virginia, the County issues debt to finance the construction of school facilities for the Public Schools because Public Schools do not have borrowing or taxing authority.

COUNTY OF SPOTSYLVANIA, VIRGINIA

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS (1)

Table S-2
Page 1

(in Millions)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses									
Governmental activities									
General governmental administration	\$ 8.0	\$ 7.3	\$ 8.0	\$ 13.0	\$ 12.1	\$ 12.4	\$ 16.1	\$ 13.9	\$ 12.5
Judicial administration	3.4	3.2	3.6	4.2	4.7	5.2	5.9	5.9	6.1
Public safety	19.6	22.6	24.2	26.1	31.3	36.7	41.7	40.3	40.2
Public works	7.5	6.6	7.8	5.1	7.1	7.8	4.3	9.0	6.9
Health and welfare	10.0	12.0	13.0	13.0	13.5	15.8	17.2	16.7	17.1
Education	-	100.0	93.0	128.0	99.8	123.1	80.3	95.3	77.9
Parks, recreation & cultural	5.0	5.0	5.0	6.0	6.0	6.9	7.2	9.8	7.1
Community development	3.0	2.0	2.9	4.0	4.1	9.9	11.5	6.9	17.3
Nondepartmental	0.2	0.2	0.2	-	-	-	-	-	-
Interest on long-term debt	1.0	0.7	12.0	11.1	11.8	15.5	16.2	15.4	13.1
Total governmental activities expenses	<u>\$ 57.7</u>	<u>\$ 159.6</u>	<u>\$ 169.7</u>	<u>\$ 210.5</u>	<u>\$ 190.4</u>	<u>\$ 233.3</u>	<u>\$ 200.4</u>	<u>\$ 213.2</u>	<u>\$ 198.2</u>
Business-type activities									
Water and sewer	\$ 19.0	\$ 19.0	\$ 21.0	\$ 22.0	\$ 26.8	\$ 32.0	\$ 27.8	\$ 31.3	\$ 29.1
Total business-type activities expenses	<u>\$ 19.0</u>	<u>\$ 19.0</u>	<u>\$ 21.0</u>	<u>\$ 22.0</u>	<u>\$ 26.8</u>	<u>\$ 32.0</u>	<u>\$ 27.8</u>	<u>\$ 31.3</u>	<u>\$ 29.1</u>
Total primary government expenses	<u>\$ 76.7</u>	<u>\$ 178.6</u>	<u>\$ 190.7</u>	<u>\$ 232.5</u>	<u>\$ 217.2</u>	<u>\$ 265.3</u>	<u>\$ 228.2</u>	<u>\$ 244.5</u>	<u>\$ 227.3</u>
Program revenues									
Governmental activities									
Charges for services									
General government administration	\$ 0.5	\$ 0.6	\$ 1.3	\$ 1.4	\$ -	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.3
Judicial administration	0.8	1.2	2.0	2.0	2.0	1.7	1.5	1.6	1.3
Public safety	3.1	3.0	4.7	5.0	7.9	5.7	5.6	7.3	4.5
Public works	0.5	0.4	0.7	1.0	2.3	2.3	2.7	2.9	0.5
Other	0.8	0.8	1.0	0.9	1.8	2.4	2.3	2.1	1.7
Operating grants & contributions	10.9	11.8	12.5	12.6	13.2	16.3	18.7	16.0	15.2
Capital grant & contributions	9.0	6.1	-	-	0.9	0.4	-	0.1	1.9
Total governmental activities program revenues	<u>\$ 25.6</u>	<u>\$ 23.9</u>	<u>\$ 22.2</u>	<u>\$ 22.9</u>	<u>\$ 28.1</u>	<u>\$ 29.0</u>	<u>\$ 31.0</u>	<u>\$ 30.2</u>	<u>\$ 25.4</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS (1)

Table S-2
Page 2

(in Millions)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Business-type activities									
Charges for services									
Water and sewer	\$ 13.1	\$ 21.7	\$ 23.4	\$ 28.6	\$ 26.4	\$ 26.6	\$ 26.4	\$ 24.8	\$ 26.1
Operating grants & contributions	-	-	-	-	-	-	-	-	-
Capital grants & contributions	9.0	6.1	5.2	9.3	6.3	6.6	8.8	3.0	3.6
Total business-type program revenues	<u>\$ 22.1</u>	<u>\$ 27.8</u>	<u>\$ 28.6</u>	<u>\$ 37.9</u>	<u>\$ 32.7</u>	<u>\$ 33.2</u>	<u>\$ 35.2</u>	<u>\$ 27.8</u>	<u>\$ 29.7</u>
Total primary government program revenues	<u>\$ 47.7</u>	<u>\$ 51.7</u>	<u>\$ 50.8</u>	<u>\$ 60.8</u>	<u>\$ 60.8</u>	<u>\$ 62.2</u>	<u>\$ 66.2</u>	<u>\$ 58.0</u>	<u>\$ 55.1</u>
Net (expense)/revenue									
Governmental activities	\$ (41.1)	\$ (141.8)	\$ (147.5)	\$ (187.6)	\$ (162.3)	\$ (204.3)	\$ (169.4)	\$ (183.0)	\$ (172.8)
Business-type activities	3.1	8.8	7.6	15.9	5.9	1.0	7.4	(3.5)	0.6
Total primary government net expenses	<u>\$ (38.0)</u>	<u>\$ (133.0)</u>	<u>\$ (139.9)</u>	<u>\$ (171.7)</u>	<u>\$ (156.4)</u>	<u>\$ (203.3)</u>	<u>\$ (162.0)</u>	<u>\$ (186.5)</u>	<u>\$ (172.2)</u>
General revenues and other changes in net assets									
Governmental activities:									
Property taxes	\$ 78.8	\$ 83.8	\$ 89.4	\$ 95.4	\$ 104.5	\$ 110.8	\$ 120.7	\$ 129.7	\$ 140.0
Other taxes	26.9	28.1	31.9	37.2	41.9	40.4	41.1	39.1	39.4
Grants and contributions not restricted	12.8	14.0	15.3	15.8	17.9	16.4	16.0	16.0	15.8
Interest and investment earnings	1.2	1.1	0.4	1.0	2.3	5.9	4.4	1.6	0.6
Gain on sale of property	-	-	-	-	-	-	(0.1)	0.2	0.2
Miscellaneous	0.8	0.6	(0.4)	0.1	2.1	0.2	0.2	0.1	-
Transfers	-	-	-	-	-	-	0.2	0.1	0.2
Total governmental activities	<u>\$ 120.5</u>	<u>\$ 127.6</u>	<u>\$ 136.6</u>	<u>\$ 149.5</u>	<u>\$ 168.7</u>	<u>\$ 173.7</u>	<u>\$ 182.5</u>	<u>\$ 186.8</u>	<u>\$ 196.2</u>
Business-type activities									
Grants and contributions not restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.2	\$ -	\$ -
Interest and investment earnings	2.4	1.3	0.6	1.6	3.9	7.1	3.7	2.6	0.8
Gain on sale of property	-	-	-	-	0.5	-	-	-	-
Miscellaneous	12.7	-	(0.9)	-	0.1	1.4	1.2	1.0	1.6
Transfers	-	-	-	-	-	-	(0.1)	(0.1)	(0.2)
Total business-type activities	<u>\$ 15.1</u>	<u>\$ 1.3</u>	<u>\$ (0.3)</u>	<u>\$ 1.6</u>	<u>\$ 4.5</u>	<u>\$ 8.5</u>	<u>\$ 5.0</u>	<u>\$ 3.5</u>	<u>\$ 2.2</u>
Total primary government	<u>\$ 135.6</u>	<u>\$ 128.9</u>	<u>\$ 136.3</u>	<u>\$ 151.1</u>	<u>\$ 173.2</u>	<u>\$ 182.2</u>	<u>\$ 187.5</u>	<u>\$ 190.3</u>	<u>\$ 198.4</u>
Change in net assets									
Governmental activities	\$ 79.4	\$ (14.2)	\$ (10.9)	\$ (38.1)	\$ 6.4	\$ (30.6)	\$ 13.0	\$ 3.8	\$ 23.4
Business-type activities	18.2	10.1	7.3	17.5	10.4	9.5	12.4	-	2.8
Total primary government	<u>\$ 97.6</u>	<u>\$ (4.1)</u>	<u>\$ (3.6)</u>	<u>\$ (20.6)</u>	<u>\$ 16.8</u>	<u>\$ (21.1)</u>	<u>\$ 25.4</u>	<u>\$ 3.8</u>	<u>\$ 26.2</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS (1)

Table S-2
Page 3

(in Millions)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Component unit - School Board (2)									
Expenses									
Education	\$ 143.6	\$ 166.3	\$ 168.6	\$ 187.8	\$ 205.1	\$ 228.9	\$ 257.6	\$ 262.0	\$ 260.8
Program revenues									
Charges for services	\$ 4.4	\$ 4.8	\$ 4.9	\$ 6.0	\$ 7.1	\$ 6.1	\$ 8.2	\$ 8.5	\$ 7.6
Operating grants & contributions	77.0	184.4	184.3	232.8	213.2	254.9	219.5	226.8	219.1
Capital grants & contributions	-	-	-	-	0.7	-	-	11.3	0.2
Total component unit program revenue	<u>81.4</u>	<u>189.2</u>	<u>189.2</u>	<u>238.8</u>	<u>221.0</u>	<u>261.0</u>	<u>227.7</u>	<u>246.6</u>	<u>226.9</u>
Net (expense)/revenue	\$ (62.2)	\$ 22.9	\$ 20.6	\$ 51.0	\$ 15.9	\$ 32.1	\$ (29.9)	\$ (15.4)	\$ (33.9)
General revenues and other changes in net assets									
Interest and investment earnings	\$ -	\$ -	\$ -	\$ 0.3	\$ 1.3	\$ 2.3	\$ 3.0	\$ 0.4	\$ 0.2
Miscellaneous	-	0.8	0.9	0.7	0.7	\$ 2.3	\$ (0.2)	0.2	0.7
Total general revenues and transfers	<u>\$ -</u>	<u>\$ 0.8</u>	<u>\$ 0.9</u>	<u>\$ 1.0</u>	<u>\$ 2.0</u>	<u>\$ 4.6</u>	<u>\$ 2.8</u>	<u>\$ 0.6</u>	<u>\$ 0.9</u>
Total component unit change in net assets	<u>\$ (62.2)</u>	<u>\$ 23.7</u>	<u>\$ 21.5</u>	<u>\$ 52.0</u>	<u>\$ 17.9</u>	<u>\$ 36.7</u>	<u>\$ (27.1)</u>	<u>\$ (14.8)</u>	<u>\$ (33.0)</u>

1) Accrual-basis financial information for the county government as a whole is available back to FY 2002 only, the year GASB Statement 34 was implemented. Ten years of data will be accumulated over time.

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

COUNTY OF SPOTSYLVANIA, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Table S-3

(in Millions)

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund										
Reserved	\$ 4.6	\$ 10.8	\$ 8.3	\$ 1.2	\$ 2.0	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated	-	5.9	-	5.4	6.6	10.2	43.9	38.9	37.1	41.6
Undesignated	25.3	19.5	30.8	35.0	35.5	42.3	-	1.8	1.4	6.4
Total general fund	<u>\$ 29.9</u>	<u>\$ 36.2</u>	<u>\$ 39.1</u>	<u>\$ 41.6</u>	<u>\$ 44.1</u>	<u>\$ 52.5</u>	<u>\$ 43.9</u>	<u>\$ 40.7</u>	<u>\$ 38.5</u>	<u>\$ 48.0</u>
All other governmental funds										
Reserved	\$ 3.4	\$ 4.7	\$ 6.0	\$ 15.2	\$ 7.6	\$ 59.0	\$ 45.6	\$ 35.2	\$ 27.8	\$ 35.5
Unreserved, report in										
Special revenue funds	0.9	0.7	-	0.1	2.1	3.2	4.7	(4.4)	(5.2)	(1.7)
Capital projects funds	1.0	1.1	-	0.3	8.3	10.4	6.9	-	0.0	2.0
Total all other governmental funds	<u>\$ 5.3</u>	<u>\$ 6.5</u>	<u>\$ 6.0</u>	<u>\$ 15.6</u>	<u>\$ 18.0</u>	<u>\$ 72.6</u>	<u>\$ 57.2</u>	<u>\$ 30.8</u>	<u>\$ 22.6</u>	<u>\$ 35.8</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

*Table S-4
Page 1*

(in Millions)	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues										
General property taxes	\$ 73.1	\$ 79.1	\$ 84.0	\$ 89.2	\$ 95.3	\$ 104.1	\$ 110.2	\$ 119.5	\$ 128.8	\$ 136.8
Other local taxes	24.0	26.9	27.9	31.9	37.1	41.9	40.4	41.1	39.1	38.2
Permits, privilege fees and regulatory licenses	2.0	3.0	2.6	3.8	4.1	6.3	3.9	3.4	3.2	2.3
Fines and forfeitures	0.3	0.4	0.5	0.8	0.8	0.9	0.9	1.0	1.2	1.0
Revenues from use of money and property	2.8	1.8	1.3	0.7	1.3	2.7	6.3	5.0	2.8	1.5
Charges for services	1.8	2.7	2.8	4.1	4.9	6.5	7.1	7.2	7.5	4.7
Miscellaneous	-	0.3	0.5	0.5	1.1	1.4	1.7	2.0	1.0	0.5
Intergovernmental	20.0	23.7	25.9	27.9	28.3	31.1	31.7	33.3	31.4	32.2
Payment from component unit	-	-	-	-	-	-	0.3	-	-	-
Total revenues	<u>\$ 124.0</u>	<u>\$ 137.9</u>	<u>\$ 145.5</u>	<u>\$ 158.9</u>	<u>\$ 172.9</u>	<u>\$ 194.9</u>	<u>\$ 202.5</u>	<u>\$ 212.5</u>	<u>\$ 215.0</u>	<u>\$ 217.2</u>
Expenditures										
General governmental administration	\$ 6.1	\$ 7.1	\$ 8.3	\$ 8.7	\$ 9.8	\$ 10.9	\$ 12.0	\$ 13.4	\$ 12.2	\$ 9.3
Judicial administration	3.0	3.4	3.3	3.6	4.1	4.7	5.1	5.7	5.6	5.8
Public safety	15.0	17.7	19.6	22.4	25.5	29.7	34.9	38.9	37.2	36.4
Public works	4.0	4.4	4.8	5.2	5.6	6.7	7.5	7.8	7.4	6.6
Health and welfare	8.0	10.0	12.0	13.2	13.4	13.4	15.8	16.9	16.5	16.7
Education (2)	52.8	56.8	46.1	92.5	127.6	99.8	123.1	86.0	83.9	77.9
Parks, recreation and cultural	4.0	4.3	4.5	5.0	5.4	5.9	6.3	6.8	6.6	6.3
Community development	2.0	2.2	1.9	2.2	2.6	3.0	5.1	4.1	3.8	3.2
Non-departmental	-	0.2	0.2	0.2	0.3	0.2	0.2	0.3	0.4	0.5
Capital projects	3.0	2.6	4.4	4.5	4.2	7.7	26.4	27.7	11.0	19.9
Debt service:										
Principal (1)	11.7	12.2	28.2	15.2	15.7	17.4	18.8	21.8	25.4	25.0
Interest (1)	8.8	9.0	9.2	10.3	11.3	11.3	13.4	15.7	15.6	14.6
Total expenditures	<u>\$ 118.4</u>	<u>\$ 129.9</u>	<u>\$ 142.5</u>	<u>\$ 183.0</u>	<u>\$ 225.5</u>	<u>\$ 210.7</u>	<u>\$ 268.6</u>	<u>\$ 245.1</u>	<u>\$ 225.6</u>	<u>\$ 222.2</u>
Other financing sources (uses)										
Bond proceeds (2)	\$ 25.2	\$ 27.8	\$ 44.6	\$ 36.3	\$ 55.4	\$ 76.7	\$ 41.1	\$ -	\$ -	\$ 27.6
Refunding bond proceeds	-	-	4.0	-	14.9	-	-	-	-	-
Payment to refund bond escrow agent	-	-	(3.8)	-	(14.0)	-	-	-	-	-
Lease proceeds	-	-	-	-	1.2	-	-	-	-	-
Bond and lease issuance costs	0.2	-	(0.1)	-	(0.2)	2.1	1.0	-	-	(0.1)
Transfers in	3.1	3.3	3.8	3.7	4.2	5.8	5.3	5.1	2.4	0.2
Transfers out (2)	(3.1)	(3.4)	(3.8)	(3.7)	(4.2)	(5.8)	(5.3)	(5.0)	(2.3)	-
Total other financing sources (uses)	<u>\$ 25.4</u>	<u>\$ 27.7</u>	<u>\$ 44.7</u>	<u>\$ 36.3</u>	<u>\$ 57.3</u>	<u>\$ 78.8</u>	<u>\$ 42.1</u>	<u>\$ 0.1</u>	<u>\$ 0.1</u>	<u>\$ 27.7</u>
Net change in fund balances	<u>\$ 31.0</u>	<u>\$ 35.7</u>	<u>\$ 47.7</u>	<u>\$ 12.2</u>	<u>\$ 4.7</u>	<u>\$ 63.0</u>	<u>\$ (24.0)</u>	<u>\$ (32.5)</u>	<u>\$ (10.5)</u>	<u>\$ 22.7</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

*Table S-4
Page 2*

(in Millions)	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Component unit - School Board										
Expenditures excluding County contribution	\$ 154.7	\$ 150.8	\$ 181.4	\$ 207.4	\$ 211.4	\$ 221.2	\$ 232.8	\$ 275.9	\$ 251.6	\$ 242.0
Capital outlay	<u>26.0</u>	<u>12.6</u>	<u>30.6</u>	<u>44.4</u>	<u>25.7</u>	<u>24.8</u>	<u>12.1</u>	<u>43.6</u>	<u>16.7</u>	<u>14.9</u>
Non-capital expenditures	<u>\$ 128.7</u>	<u>\$ 138.2</u>	<u>\$ 150.8</u>	<u>\$ 163.0</u>	<u>\$ 185.7</u>	<u>\$ 196.4</u>	<u>\$ 220.7</u>	<u>\$ 232.3</u>	<u>\$ 234.9</u>	<u>\$ 227.1</u>
Total reporting entity:										
Total debt service	20.5	21.2	37.4	25.5	27.0	28.7	32.2	37.5	41.0	39.6
Total capital expenditure (3)	29.0	36.3	35.0	48.9	29.9	32.5	23.0	51.3	36.8	19.1
Total non-capital expenditures	244.1	265.5	288.9	341.5	407.0	399.4	466.3	426.7	429.5	445.1
Debt service as a percentage of non-capital expenditures	8.40%	7.98%	12.95%	7.47%	6.63%	7.19%	6.91%	8.79%	9.55%	8.89%

(1) In Virginia, the County issues debt to finance the construction of school facilities for the Public Schools because Public Schools do 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) Prior to the implementation of GASB 34, the County's contribution to Public Schools was reported as a transfer out. Implementation of GASB 34 required that the contribution to Public Schools be reported as an Education Expenditure. For comparability FY 2001 through FY 2002 have been restated to reflect contributions to Public Schools as Education Expenditures. In addition, debt service payments have been restated to reduce Education and increase debt service from FY 2001 through FY 2002.

(3) Amounts used are the amounts for the reconciling items for capital outlay in the reconciliation between the government-wide statement of activities and the statement of revenues, expenditures and changes in fund balance.

COUNTY OF SPOTSYLVANIA, VIRGINIA

**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST NINE FISCAL YEARS**

Table S-5

(\$ in thousands)

Calendar Year	Real Estate (2)	Mobile Home	Personal Property (3)	Machinery and Tools	Heavy Equipment	Public Service Corporation	Total Assessed Value	Total Direct Tax Rate
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
2004	8,404,756	16,838	1,055,914	31,690	7,279	196,263	9,712,740	1.04
2003	6,750,068	21,291	997,300	42,316	8,625	190,440	8,010,040	1.20
2002	6,415,877	19,626	950,658	41,899	7,840	203,534	7,639,435	1.20
% Change 2010/2009	(22.2)%	(23.0)%	9.5%	(6.1)%	(11.9)%	(4.3)%	(19.5)%	
% Change 2010/2002	97.0%	(37.3)%	56.0%	(11.7)%	114.2%	36.9%	89.3%	
Category % of Total AV, CY 2010	87.4%	0.1%	10.3%	0.3%	0.1%	1.9%	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 2010, State Corporation Commission Certified Statements of Assessed Value for Public Service Corp. 2002 through 2010, and Spotsylvania County FY 2005 CAFR for 2002 through 2005

COUNTY OF SPOTSYLVANIA, VIRGINIA

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Table S-6

(\$ in thousands)

	Fiscal Year 2010			Fiscal Year 2001		
	Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Spotsylvania Mall Company	\$ 155,030	1	1.15%	\$ 64,701	1	1.08%
Virginia Electric & Power	92,775	2	0.69%	64,652	2	1.07%
Rappahannock Electric Cooperative	81,972	3	0.61%	44,103	4	0.73%
Verizon VA (1)	53,641	4	0.40%	37,817	5	0.63%
NTS/Virginia Development	48,632	5	0.36%	-		0.00%
GLL BUK Prop LP	40,381	6	0.30%	-		0.00%
Columbia Gas of VA Inc	26,141	7	0.19%	-		0.00%
Southpoint II LLC	49,722	8	0.37%	-		0.00%
Comcast of VA	3,489	9	0.03%	-		0.00%
Lee Property Harrison Crossing	32,239	10	0.24%	-		0.00%
General Motors	-		0.00%	10,634	6	0.18%
Lee's Hill Partnership	-		0.00%	47,976	3	0.80%
Adelphia Communications (2)	-		0.00%	6,335	7	0.11%
Printpack	-		0.00%	6,852	8	0.11%
Medicorp Properties	-		0.00%	19,653	9	0.33%
CVS Pharmacy	-		0.00%	16,361	10	0.27%
	<u>\$ 584,022</u>		<u>4.34%</u>	<u>\$ 319,084</u>		<u>5.31%</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-7

(\$ in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year (2)		Collected within the Fiscal Year of Levy			Total Collections to Date		
	Original Levy	Amount (2)	Percentage of Levy (3)	Collections in Subsequent Years (1) (2)	Amount	Percentage of Levy (3)		
2010	\$ 135,564	\$ 133,777	\$ 129,172	95.28%	\$ -	\$ 129,172	95.28%	
2009	128,172	125,996	121,724	94.97%	3,767	125,491	97.91%	
2008	119,306	116,246	113,394	95.04%	3,992	117,386	98.39%	
2007	109,516	106,161	104,754	95.65%	3,802	108,556	99.12%	
2006	103,221	99,386	99,037	95.95%	3,552	102,589	99.39%	
2005	94,766	91,292	90,839	95.86%	3,023	93,862	99.05%	
2004	87,181	84,270	83,950	96.29%	2,674	86,624	99.36%	
2003	82,692	79,931	79,579	96.24%	2,879	82,458	99.72%	
2002	77,346	74,748	74,186	95.91%	3,005	77,191	99.80%	
2001	72,716	70,285	69,185	95.14%	3,258	72,443	99.62%	

(1) Does not include land redemptions.

(2) Exclusive of penalties and interest.

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

COUNTY OF SPOTSYLVANIA, VIRGINIA
GENERAL OBLIGATION DEBT OUTSTANDING
LAST NINE FISCAL YEARS

Table S-8
Page 1

(\$ in thousands)

Fiscal Year	Government Activities					Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita
	General Obligation Bonds	Virginia Public School Authority Bonds	Lease Revenue Bonds	Capital Leases	State Literary Fund Loans	Revenue Bonds				
2010	\$ 157,508	\$ 58,634	\$ 84,467	\$ -	\$ 8,845	\$ 119,060	\$ 428,514	1.30%	\$ 3.52	
2009	142,581	66,044	88,332	650	9,775	122,651	430,036	1.30%	3.56	
2008	154,012	73,995	92,080	1,649	10,704	125,810	458,250	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	
2004	54,827	111,341	46,422	3,793	14,471	73,300	304,154	1.38%	2.75	
2003	49,589	119,832	20,143	4,505	15,450	75,040	284,559	1.35%	2.67	
2002	38,212	146,038	688	5,238	2,563	76,838	269,577	1.35%	2.65	

Details regarding the County's outstanding debt can be found in Note 7 in the current financial statements.

(1) Latest available data for FY 2008, per US Department of Commerce, Bureau of Economic Analysis. Used 2008 income for 2008 through 2010 percentage. Combined personal income for Spotsylvania County and the City of Fredericksburg.

COUNTY OF SPOTSYLVANIA, VIRGINIA
GENERAL OBLIGATION DEBT OUTSTANDING
LAST NINE FISCAL YEARS

Table S-8
Page 2

(\$ in thousands)

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	State Literary Fund Loans			
2010	\$ 157,508	\$ 58,634	\$ 84,467	\$ 8,845	\$ 309,454	2.30%	\$ 2.54
2009	142,581	66,044	88,332	9,775	306,732	1.79%	2.54
2008	154,012	73,995	92,080	10,704	330,791	1.97%	2.76
2007	161,886	82,275	95,712	11,634	351,507	2.42%	2.96
2006	125,475	91,063	99,237	12,563	328,338	2.36%	2.79
2005	53,316	100,215	101,231	13,493	268,255	2.84%	2.34
2004	54,827	111,341	46,422	14,471	227,061	2.54%	2.05
2003	49,589	119,832	20,143	15,450	205,014	2.86%	1.92
2002	38,212	146,038	688	2,563	187,501	2.75%	1.84

- (1) Details regarding the County's outstanding debt can be found in Note 7 in the current financial statements.
(2) See Schedule S-5 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 BONDS
LAST TEN FISCAL YEARS**

Table S-9

(\$ in thousands)

Fiscal Year	Gross Revenue (1)	Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Times
				Principal	Interest	Total	
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
2004	23,100	12,039	11,061	1,740	3,866	5,606	1.97
2003	22,972	10,920	12,052	1,798	3,831	5,629	2.14
2002	20,600	10,690	9,910	1,070	3,478	4,548	2.18
2001	23,503	9,526	13,977	1,149	2,620	3,769	3.71

(1) Total revenues excluding intergovernmental reimbursement of construction costs and contributions from developers.

(2) Total expenses exclusive of depreciation and interest.

Source: Spotsylvania County financial statements 2001 - 2010

COUNTY OF SPOTSYLVANIA, VIRGINIA

**PLEGDED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Table S-10

(\$ in thousands)

Tax Anticipation Notes					
Fiscal Year	Special Assessment Collections	Principal	Interest	Coverage	
2010	\$ 1,067	\$ -	\$ 185	5.76	
2009	908	-	185	4.90	
2008	696	-	185	3.76	
2007	-	-	-	-	
2006	-	-	-	-	
2005	-	-	-	-	
2004	-	-	-	-	
2003	-	-	-	-	
2002	-	-	-	-	
2001	-	-	-	-	

Note 6 discusses the issuance of tax anticipation notes in 2008 for road improvements to be paid from special tax assessments in two special tax districts.

COUNTY OF SPOTSYLVANIA, VIRGINIA

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Table S-11

Employer	FY 2010			FY 2001		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Spotsylvania County School Board	Over 1,000	1	1.5%	Over 1,000	1	1.9%
County of Spotsylvania	500 to 999	2	1.2%	500 to 999	2	1.4%
CVS, Inc.	500 to 999	3	1.2%	500 to 999	3	1.4%
Wal-Mart	500 to 999	4	1.2%	250 to 499	7	0.7%
Food Lion	250 to 499	5	0.6%	250 to 499	8	0.7%
Germanna Community College	250 to 499	6	0.6%	-		
Giant Food	250 to 499	7	0.6%	-		
Quad Graphics	100 to 249	8	0.3%	-		
Target Corp	100 to 249	9	0.3%	-		
A T Solutions Inc.	100 to 249	10	0.3%	-		
M.C.K. Company Inc.	-			250 to 499	4	0.7%
Fredericksburg Auto Auction	-			250 to 499	5	0.7%
General Products Co., Inc.	-			250 to 499	6	0.7%
Diversified Mailing Services	-			250 to 499	9	0.7%
GM Powertrain	-			250 to 499	10	0.7%
Total employment	<u>64,644</u>			<u>52,379</u>		

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-12

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:										
General government administration	84	85	92	93	99	106	111	117	115	115
Judicial administration	26	26	26	26	29	32	34	36	36	34
Public safety	219	233	262	281	317	321	372	393	399	382
Public works	36	36	38	44	45	46	55	57	56	49
Health and welfare	55	59	62	63	67	67	74	74	77	77
Parks, recreation & cultural	18	19	20	20	21	22	23	24	24	24
Community development	19	19	16	18	20	21	24	29	26	22
Total governmental activities	<u>457</u>	<u>477</u>	<u>516</u>	<u>545</u>	<u>598</u>	<u>615</u>	<u>693</u>	<u>730</u>	<u>733</u>	<u>703</u>
Business-type activities:										
Water and sewer	<u>92</u>	<u>95</u>	<u>103</u>	<u>101</u>	<u>100</u>	<u>102</u>	<u>105</u>	<u>111</u>	<u>111</u>	<u>115</u>
Total business-type activities	<u>92</u>	<u>95</u>	<u>103</u>	<u>101</u>	<u>100</u>	<u>102</u>	<u>105</u>	<u>111</u>	<u>111</u>	<u>115</u>
Total full-time employees	<u><u>549</u></u>	<u><u>572</u></u>	<u><u>619</u></u>	<u><u>646</u></u>	<u><u>698</u></u>	<u><u>717</u></u>	<u><u>798</u></u>	<u><u>841</u></u>	<u><u>844</u></u>	<u><u>818</u></u>

Source: FY 2001 through FY 2010 County approved budget documents.

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)
2010	121,791	n/a	24,084	n/a
2009	120,977	\$ 29,593	24,246	5.4%
2008	120,015	31,060	24,197	3.4%
2007	118,939	29,611	24,390	2.5%
2006	117,718	31,458	24,186	2.4%
2005	114,909	31,720	22,955	2.3%
2004	110,552	31,950	22,067	2.5%
2003	106,576	30,211	21,391	2.8%
2002	101,878	29,751	20,280	2.7%
2001	96,418	30,002	19,034	2.1%

n/a Not available

(1) Estimated for July 1 of each year
2000 - 2009 US Bureau of the Census; Release date of March 2010
2010 - Spotsylvania County Planning Department

(2) 2001 - 2009 US Bureau of the Census

(3) As of October 1 of each calendar year

(4) Virginia Employment Commission

COUNTY OF SPOTSYLVANIA, VIRGINIA

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

*Table S-14
Page 1*

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government										
Commissioner of revenue										
Taxable real estate parcels (1)	51,892	53,564	54,467	55,300	56,359	57,472	58,395	58,768	58,990	59,122
Percentage of fair market value (2) (3)	96.90%	93.20%	85.00%	90.00%	58.50%	74.70%	80.90%	97.70%	133.70%	n/a
Treasurer										
Real estate tax bills generated	116,369	130,623	129,721	121,954	124,680	127,680	123,592	142,231	133,784	125,530
Personal property tax bills generated (1)	229,080	257,233	269,300	217,677	231,427	206,776	259,610	290,750	271,542	245,127
Registrar										
Number of registered voters	53,179	56,532	59,180	61,171	64,503	65,901	66,897	70,410	74,600	75,854
Judicial administration										
Clerk of the circuit court										
Number of deeds recorded (1)	35,761	40,090	54,585	51,844	55,161	44,312	34,697	24,819	24,745	n/a
Commonwealth attorney										
Average caseload per attorney (1)	2,468	2,371	2,838	2,265	2,149	1,683	2,306	1,864	2,174	n/a
Number of circuit court cases (1)	1,486	1,637	1,846	2,097	2,162	1,772	1,786	1,936	2,115	n/a
Number of general district court cases (1)	9,843	9,344	9,162	9,979	10,498	9,386	10,746	11,235	12,362	n/a
Number of juvenile & dom relations court cases (1)	3,480	3,244	3,185	3,243	3,463	3,990	5,923	3,611	4,004	n/a
Public safety										
Sheriff										
Calls for service	134,841	157,540	149,080	150,927	158,650	166,330	167,720	167,523	180,105	172,762
Calls for service per road deputy	2,497	2,540	n/a	3,065	3,324	3,696	3,289	2,792	2,814	2,657
Civil process papers served	41,188	40,094	43,055	40,718	51,221	47,912	50,610	49,711	45,326	48,010
Warrants served	7,687	8,736	9,743	12,432	9,279	12,497	13,012	13,404	13,279	12,880
Emergency communications										
Total calls received	192,006	224,303	230,954	242,176	335,577	222,722	215,984	205,535	205,535	213,419
911 calls received	27,381	52,109	46,429	37,717	56,497	52,118	51,826	52,600	52,600	50,941
Fire, rescue and emergency services										
Calls for service (1) (4)	13,474	14,859	16,138	15,454	15,249	15,802	16,576	17,021	16,749	16,540
Animal control										
Calls for service (all types)	5,386	5,294	5,872	5,777	6,119	5,776	5,844	6,102	6,275	8,035
Public works										
Refuse disposal										
Solid waste - tons (1)	49,595	51,955	49,810	49,790	53,408	59,060	56,989	53,081	46,535	45,872
Recycling										
Recycled materials - tons	17,090	18,091	25,807	17,290	14,925	14,998	15,002	17,662	11,087	21,183
Sludge composted - tons	296	5,353	7,793	10,226	11,223	11,479	12,246	12,037	12,573	12,369

COUNTY OF SPOTSYLVANIA, VIRGINIA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Table S-14
Page 2

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Health and welfare										
Social services										
Food stamp applications	1,601	2,801	1,989	1,898	1,931	2,108	2,140	2,434	2,793	3,739
Medicaid cases disposed per month	1,850	2,163	2,482	2,602	2,487	2,404	2,526	2,425	2,558	2,024
Medicaid cases monthly average	2,267	2,519	2,852	4,275	5,032	5,267	5,199	5,780	6,588	7,561
Foster care children	574	694	828	1,056	1,207	1,129	1,166	1,326	1,392	1,609
Parks, recreation and cultural										
Parks and recreation										
Sports league participants	8,403	8,734	8,658	8,662	8,334	8,533	8,431	7,998	7,964	7,762
Special interest/leisure participants	10,410	10,813	9,515	9,740	10,419	12,007	13,532	12,274	12,308	12,842
Park visitors	803,697	887,304	917,423	991,525	1,037,000	1,068,400	1,079,500	1,136,200	1,137,700	1,143,200
Community development										
Planning										
Final platted lots approved (1)	1,014	1,547	1,315	883	1,147	1,071	656	152	64	n/a
Economic development										
Average "annual" salary census of wages (Virginia Employment Commission)	\$27,300	\$28,600	\$29,848	\$31,772	\$33,748	\$37,336	\$33,852	\$ 33,384	\$34,190	\$ n/a
Tourism										
Tourists visiting area (1)	377,632	378,151	378,151	375,334	449,734	428,450	504,103	514,738	601,949	n/a
Extension office (5)										
Requests for educational information (1)	74,451	74,157	74,157	50,213	n/a	n/a	6,752	3,773	8,237	15,453
Individuals participating in programs (1)	12,736	12,442	12,442	25,569	n/a	n/a	7,005	6,178	9,210	4,127
Other funds										
Code compliance										
Building permits issued	3,884	3,980	3,736	4,186	4,456	3,854	3,796	3,504	2,941	2,788
Building inspections	22,772	35,269	30,628	34,086	40,031	38,795	38,394	28,871	15,166	14,361
Utilities										
Average daily water consumption (mgd)	8.40	9.70	5.98	5.64	6.00	6.03	6.10	6.40	6.65	6.06
Average effluent flows (mgd)	6.77	6.77	6.90	7.80	7.60	6.81	8.10	8.21	7.88	8.27
Water customers	21,803	22,548	23,982	25,057	26,166	26,925	27,396	27,586	27,939	28,311
Sewer customers	20,024	21,552	23,420	24,298	25,386	26,155	26,609	26,757	27,065	27,352

n/a - Not available

(1) Reported on a calendar year basis.

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

(3) Final 2010 State sales ratio will be issued late 2011.

(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.

COUNTY OF SPOTSYLVANIA, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Table S-15

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety										
Sheriff:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	128	128	139	143	169	171	185	195	199	205
Fire & rescue:										
Stations	13	13	14	14	14	14	14	13	13	13
Response units	54	54	56	56	56	58	58	61	65	65
Public works										
Solid waste convenience centers	13	13	13	13	13	13	13	13	13	13
Collection trucks	n/a	n/a	8	9	9	12	12	12	12	12
Landfills	3	3	3	3	3	3	3	3	3	3
Square footage of buildings maintained	343,948	348,063	348,063	348,063	365,276	365,276	365,276	459,989	470,659	471,659
Parks, recreation and cultural										
Parks	9	9	9	9	9	9	9	11	11	11
Park acreage	331	331	331	331	331	331	331	482	482	482
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	8	8	8	8	8	8	7	7	7	7
Athletic fields maintained	20	20	20	20	20	20	20	32	32	32
Community centers	5	5	5	5	5	5	5	5	6	6
Public boat ramps	1	1	1	1	1	1	1	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	1	1	1	1	2	2	2	1	1
Public utilities										
Water mains (miles)	n/a	n/a	n/a	412	435	448	457	462	496	502
Water treatment plants	2	2	2	2	2	2	2	2	2	2
Maximum daily capacity (thousands of gallons)	n/a	n/a	18,000	18,000	18,000	18,000	18,000	18,000	21,000	21,000
Sewer										
Sanitary sewers (miles)	n/a	n/a	n/a	412	429	437	451	453	455	457
Wastewater treatment plants	3	3	3	3	3	3	3	3	3	3
Maximum daily treatment capacity (thousands of gallons)	n/a	n/a	12,300	12,300	12,300	12,300	12,300	12,300	12,300	12,300
Reservoirs		3	3	3	3	3	3	3	3	3
Pumping stations	n/a	n/a	64	64	58	59	59	56	56	56
Fleet management										
Vehicles maintained (1)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,057	1,101

n/a - not available

(1) Joint Fleet Facility opened in FY 2009

COUNTY OF SPOTSYLVANIA, VIRGINIA
SUMMARY OF CERTAIN SCHOOL STATISTICS

Table S-16
Page 1

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Kindergarten	1,748	1,708	1,745	1,686	1,752
Elementary (grades 1-7)	12,473	12,526	12,623	12,462	12,499
Secondary (grades 8-12)	9,315	9,634	9,709	9,769	9,661
Pre-K/Headstart (SpEd)	<u>275</u>	<u>318</u>	<u>313</u>	<u>280</u>	<u>301</u>
 Total enrollment (1)	 <u>23,811</u>	 <u>24,186</u>	 <u>24,390</u>	 <u>24,197</u>	 <u>24,213</u>
Teachers and administrators	1,956	1,964	1,995	2,058	1,961
Other employees	<u>1,309</u>	<u>1,312</u>	<u>1,291</u>	<u>1,271</u>	<u>1,232</u>
 Total employees (2)	 <u>3,265</u>	 <u>3,276</u>	 <u>3,286</u>	 <u>3,329</u>	 <u>3,193</u>
Elementary and intermediate	23	23	23	24	24
Secondary (includes Vocational)	<u>6</u>	<u>6</u>	<u>6</u>	<u>7</u>	<u>7</u>
 Total buildings	 <u>29</u>	 <u>29</u>	 <u>29</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

ACTUAL AND PROJECTED AVERAGE DAILY ENROLLMENT BY GRADE

*Table S-16
Page 2*

Grade	Actual Average Daily Student Enrollment by Grade					Projected Average Daily Student Enrollment by Grade				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
K	1,748	1,708	1,745	1,686	1,752	1,684	1,795	1,763	1,763	1,763
1	1,743	1,827	1,785	1,815	1,739	1,752	1,684	1,795	1,763	1,763
2	1,800	1,743	1,824	1,714	1,792	1,739	1,752	1,684	1,795	1,763
3	1,732	1,803	1,732	1,818	1,731	1,792	1,739	1,752	1,684	1,795
4	1,672	1,746	1,851	1,716	1,846	1,731	1,792	1,739	1,752	1,684
5	1,834	1,720	1,771	1,829	1,746	1,846	1,731	1,792	1,739	1,752
6	1,739	1,904	1,744	1,794	1,842	1,746	1,846	1,731	1,792	1,739
7	1,953	1,783	1,916	1,776	1,803	1,842	1,746	1,846	1,731	1,792
8	1,982	1,957	1,829	1,920	1,818	1,803	1,842	1,746	1,846	1,731
9	2,224	2,242	2,234	2,131	2,212	2,116	2,089	2,133	2,040	2,138
10	1,834	1,958	2,094	2,012	1,904	1,984	1,922	1,880	1,912	1,843
11	1,715	1,793	1,771	1,889	1,841	1,904	1,984	1,922	1,880	1,912
12	1,560	1,684	1,781	1,817	1,886	1,844	1,904	1,984	1,922	1,880
Pre-K*	275	318	313	280	301	301	301	301	301	301
Total	23,811	24,186	24,390	24,197	24,213	24,084	24,127	24,068	23,920	23,856

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

DATA ON EXISTING PUBLIC SCHOOLS

Table S-16

Page 3

School	Grade	Site Size	Original Construction Date	Date of Additions	Institutional Capacity	2009-2010 Enrollment
<i>Elementary:</i>						
Battlefield	K-5	30.0 Acres	1974	2000	833	674
Berkeley	K-5	17.0 Acres	1961	1971, 1979, 2000, 2005	353	332
Brock Road	K-5	24.4 Acres	1992	2004	907	804
Cedar Forest	K-5	52.2 Acres	2008	-	936	736
Chancellor	K-5	12.0 Acres	1940	1948, 1961, 2000	455	336
Courthouse Road	K-5	25.0 Acres	1994	2005	907	897
Courtland (1)	K-5	- Acres	1989	2000	789	593
Harrison Road (2)	K-5	- Acres	2001	2006	936	774
Lee Hill	K-5	21.0 Acres	1977	1990, 1999	807	572
Livingston	K-5	15.5 Acres	1961	1971, 1992	504	487
Parkside	K-5	26.8 Acres	2001	2007	936	895
Riverview	K-5	25.0 Acres	1994	2005	907	650
Robert E. Lee	K-5	14.1 Acres	1952	1977	585	493
Salem	K-5	20.0 Acres	1979	1989, 1999	815	649
Smith Station	K-5	23.0 Acres	1991	1999, 2004	986	851
Spotswood	K-5	20.0 Acres	1965	1971, 2000	641	418
Wilderness	K-5	25.0 Acres	1998	2003	936	746
						10,907
<i>Middle:</i>						
Battlefield	6-8	30.0 Acres	1978	2003	807	783
Chancellor (2)	6-8	- Acres	1989	-	857	837
Freedom	6-8	76.7 Acres	2003	-	948	875
Ni River	6-8	75.0 Acres	1999	-	774	728
Post Oak (3)	6-8	- Acres	2007	-	948	735
Spotsylvania	6-8	41.7 Acres	1968	1973	907	843
Thornburg	6-8	50.0 Acres	1994	-	790	659
						5,460
<i>Secondary:</i>						
Chancellor	9-12	100.0 Acres	1988	-	1427	1,375
Courtland	9-12	100.0 Acres	1980	-	1265	1,291
Massaponax	9-12	100.0 Acres	1998	2005	1830	1,991
Riverbend	9-12	90.7 Acres	2004	-	1995	1,980
Spotsylvania	9-12	100.0 Acres	1994	-	1611	1,209
J.J. Wright Alternative	Pre K-12	20.0 Acres	1952	1962, 1982, 2008, 2009	500	
Vocational Center (1)	-	-	1980	1993	-	
						N/A
						7,846

(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