

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**
COUNTY OF SPOTSYLVANIA, VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Service, Integrity, Pride

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 2011
(July 1, 2010 – June 30, 2011)



C. Douglas Barnes, County Administrator
Ernest L. Pennington, Deputy County Administrator
Tammy D. Petrie, Director of Finance
Rebecca R. Forry, Accounting Manager

Published by the General Accounting Division

TABLE OF CONTENTS

	Page
PART I - INTRODUCTORY SECTION (1)	
Transmittal Letter	i - viii
Principal Officials	ix - x
Organizational Chart	xi
Certificate of Achievement for Excellence in Financial Reporting	xii
 PART II - FINANCIAL SECTION	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (required supplementary information)	3 - 16
Basic Financial Statements	
 <i>EXHIBITS</i>	
Government-Wide Financial Statements	
I Statement of Net Assets	19
II Statement of Activities	20 - 21
Fund Financial Statements	
Government Fund Financial Statements	
III Balance Sheet	22
IV Statement of Revenues, Expenditures and Changes in Fund Balances	23
Proprietary Fund Financial Statements	
V Statement of Net Assets	24
VI Statement of Revenues, Expenses and Changes in Fund Net Assets	25
VII Statement of Cash Flows	26 - 27
Fiduciary Fund Financial Statements	
VIII Statement of Fiduciary Net Assets	28
Notes to Financial Statements	29 - 72
 Required Supplementary Information Other Than Management's Discussion and Analysis	
Budgetary Comparison Schedule	
IX General Fund	74
Notes to Required Supplementary Information	75
 SUPPLEMENTARY INFORMATION	
<i>SCHEDULES</i>	
Capital Projects Fund	
A Budgetary Comparison Schedule	80
Other Governmental Funds	
B-1 Combining Balance Sheet Schedule	82
B-2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	83

	Page
B-3.1 Budgetary Comparison Schedule - Fire/EMS	84
B-3.2 Budgetary Comparison Schedule - Code Compliance	85
B-3.3 Budgetary Comparison Schedule - Transportation	86
Utility Enterprise Fund	
C-1 Combining Schedule of Net Assets	88
C-2 Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	89
Agency Fund	
D-1 Combining Schedule of Fiduciary Net Assets	92
D-2 Schedule of Changes in Assets and Liabilities	93
Component Unit Fund Financial Statements	
E-1 Combining Balance Sheet Schedule - School Board	96
E-2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - School Board	97
E-3 Combining Budgetary Comparison Schedule - School Board	98 - 99
F-1 Schedule of Net Assets - Internal Service Fund	100
F-2 Schedule of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Fund	101
F-3 Schedule of Cash Flows - Internal Service Fund	102
G-1 Schedule of Fiduciary Net Assets - School Board OPEB Trust	103
G-2 Schedule of Changes in Fiduciary Net Assets - School Board OPEB Trust	104

PART III - STATISTICAL SECTION (1)

TABLES

Government-Wide Information

S-1 Net Assets by Component	106
S-2 Changes in Net Assets	107 - 109
S-3 Fund Balances of Governmental Funds	110
S-4 Changes in Fund Balances of Governmental Funds	111 - 112
S-5 Assessed Value & Actual Value of Taxable Property	113
S-6 Principal Property Taxpayers	114
S-7 Property Tax Levies & Collections	115
S-8 General Obligation Debt Outstanding	116 - 117
S-9 Revenue Bond Coverage - Water and Sewer Bonds	118
S-10 Pledged-revenue Coverage	119
S-11 Principal Employers	120
S-12 Full-Time County Government Employees by Function	121
S-13 Demographic & Economic Statistics	122
S-14 Operating Indicators by Function	123 - 124
S-15 Capital Asset Statistics by Function	125
S-16 Summary of Certain School Statistics	126 - 128

(1) This information is not covered by the Report of the Independent Auditors

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
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Service, Integrity, Pride

November 22, 2011

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, 2011 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. In FY 2011, the County was required to implement GASB Statement Number 54 establishing new categories for reporting fund balance. Funds previously classified as Reserved, due to externally imposed legal restrictions are now titled Restricted. Previously Designated fund balances are now shown as either Committed or Assigned. Funds may only be committed if approved, through formal action of the Board, for a specific purpose that may only be changed through an equal action by the Board. Otherwise, amounts may be considered Assigned to reflect the specific intended use of funds not formally adopted by the Board. Any remaining amounts are now defined as Unassigned.

The General Fund contains the bulk of funds which can be appropriated for general government activities. At June 30, 2011, the General Fund has \$201,462 in Restricted donated funds; and Committed balances for new business incentives and line of duty benefits of \$684,000 and \$500,000, respectively. Assigned funds of \$16 million are intended for employee benefits, capital projects, OPEB, economic development, future budget, and schools; details may be found in note 15 of this financial report. The remaining \$37.5 million is considered unassigned; of this amount, \$35.1 million are required by County Fiscal Policy Guidelines for the Fiscal Stabilization Reserve.

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 2012 – 2016 CIP totals \$257.5 million and is comprised of County projects of \$158.1 million, including Transportation, School projects of \$47.4 million, and Utilities projects of \$52.0 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 continues to have a major impact on unemployment across the country. Spotsylvania County's unemployment rate of 5.5% in June 2011 was below the state average (6.0%) and the national average (9.2%).

The non-retail commercial businesses locating or expanding in Spotsylvania County during FY 2011 experienced moderate growth as reported by the Virginia Employment Commission (VEC). Professional Business Services, the County's strongest industry sector, continued to expand in government contracting, healthcare and high-technology firms.

As the Northern Virginia Information Technology industry faces dramatic cuts by the Department of Defense, and companies begin to relocate away from the Washington, D.C. area, Spotsylvania continues to remain in a strong position to capture the out-migration of small to mid-size high-technology firms and new emerging start-up businesses due to the County's location, business climate and highly skilled workforce. Leading economists predict that government contractors and commercial sector clients will begin to focus new efforts into cyber security, health care, renewable energy and mobile communications. It is projected that defense cuts will be most dramatic in military heavy equipment rather than software systems and other advanced IT applications, where the County's strength is most prominent at this time. The County's strategic location and close proximity to three military bases will continue to nurture new and emerging industries with an available, well-educated labor pool to serve future initiatives for these military installations.

The County's office and industrial markets continued to absorb both new and existing business locations into available move-in ready buildings. Leasing activity lends toward defense contractors, healthcare, educational components and retail. New and existing tenants are backfilling historically vacant spaces. The office vacancy rate improved over the past fiscal year from 27.4% to 19.2%; with companies absorbing 8.2% of existing available space with expectations the trend will continue for existing inventory.

The retail market continues to recruit businesses that are new in the marketplace. In the Spotsylvania Towne Centre, Books-A-Million opened in the former Joseph Beth Bookseller space. Plow and Hearth also filled a vacant space with a new retail location. Overall vacancy rates continue to slowly trend down with moderate absorption. Spotsylvania County has a variety of significant space well distributed among its major industry sectors offering flex-warehouse, manufacturing, distribution, office and retail. Much of the leasing activity in the past year has centered on local tenants moving within the market for better terms, location and/or square footage. Interest from tenants located outside the immediate

market has increased overall.

The County has a pro-business and active Economic Development Authority (EDA) which recently completed an Economic Development Strategic Plan designed to promote and encourage business growth. The EDA also created a new incentive program called the Business Incentive Grant (BIG) Program designed to enhance employment opportunities and expand the tax base by offering new or expanding small businesses cash grants to partially defray the cost associated with start-up operations or expansion projects.

Another important initiative of the EDA over the past year included the location of a full-service small business incubator and accelerator program with private offices, professional workstations, conference room and access to classrooms, along with a business resource center. In partnership with George Mason University, the Spotsylvania Mason Enterprise Center (MEC) is nearing completion and will be located in an EDA-owned building in space adjacent to the County's Visitors Center.

New Business Locations:

- **Firestone Complete Auto Care Center**, constructed a new 7,654 square foot building with a capital investment of \$695,056.
- **Harvest Market**, an organic foods grocery store, located in the Courthouse Village in a 5,825 square foot facility with an investment of \$182,385.
- **Willow Marketing**, located in the Courthouse Village with a \$100,000 investment, five new jobs created, and occupying 3,000 square feet of office space.
- **Solid Grounds Coffee House**, located in 3,223 square feet of space of the Courthouse Village with an investment of \$90,000.
- **Accredited Security Training Inc.**, a training facility located in approximately 800 square feet of office space with a capital investment in new equipment of \$20,000.
- **Sweetfrog**, a frozen yogurt shop, moved into vacant 1,800 square feet of space in Cosner's Corner with an estimated \$6,000 investment.

Existing Business Relocations / Expansions:

- **E-Labs**, a government contractor, expanded into a new 15,627 square foot facility in an existing industrial park with a capital investment of \$2 million.
- **Spotsylvania Regional Medical Center** added an additional 30,000 square feet of medical office space across from the hospital with a \$500,000 capital investment and an additional 9 employees.
- **Simmons**, a mattress manufacturer expanded its product line, purchased \$500,000 in new equipment, and hired an additional 15 employees.
- **Liberty Equipment**, a heavy equipment dealer expanded its operations into a 20,000 square foot facility with a new investment of \$100,000. There were 9 new jobs created with this expansion.

- **Joint Personnel Recovery Agency**, a government contractor, expanded into an additional 6,000 square feet of office space in the Lee's Hill Corporate Center with a capital investment of \$80,000 and an additional 32 employees.

Significant Projects Under Construction:

- **Parkway Professional Building**, a medical office building, is currently under construction. It will be 39,216 square feet of office space with an estimated \$3 million building cost.
- **Downtown Garage**, has submitted plans for a 10,000 square foot addition to expand their heavy truck and bus repair operations. The expected investment will be \$750,000 and seven new jobs over the next 3 years.

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, 2010. This is the County's sixteenth 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.

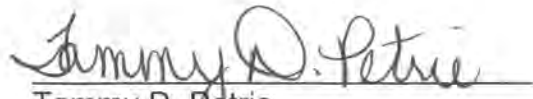
ACKNOWLEDGMENTS

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.

A handwritten signature in cursive script, reading "C. Douglas Barnes", written over a horizontal line.

C. Douglas Barnes
County Administrator

A handwritten signature in cursive script, reading "Tammy D. Petrie", written over a horizontal line.

Tammy D. Petrie
Director of Finance

**COUNTY OF SPOTSYLVANIA, VIRGINIA
PRINCIPAL OFFICIALS**

BOARD OF SUPERVISORS

Benjamin T. Pitts, Chair	Battlefield District
Jerry I. Logan, Vice-Chair	Courtland District
Henry Connors, Jr.	Chancellor District
Gary A. Jackson	Salem District
Emmitt B. Marshall	Berkeley District
Gary F. Skinner	Lee Hill District
Thomas C. Waddy, Jr.	Livingston District

CONSTITUTIONAL OFFICERS

Christy M. Jett	Clerk of Circuit Court
William F. Neely	Commonwealth Attorney
Larry K. Pritchett	Treasurer
Howard D. Smith	Sheriff
Deborah F. Williams	Commissioner of Revenue

COUNTY ADMINISTRATIVE OFFICERS

C. Douglas Barnes	County Administrator
Ernest L. Pennington	Deputy County Administrator
Jacob P. Stroman, IV	County Attorney
James R. Benkahla	Deputy County Attorney
Tammy D. Petrie	Director of Finance
Rebecca R. Forry, CPA	Accounting Manager

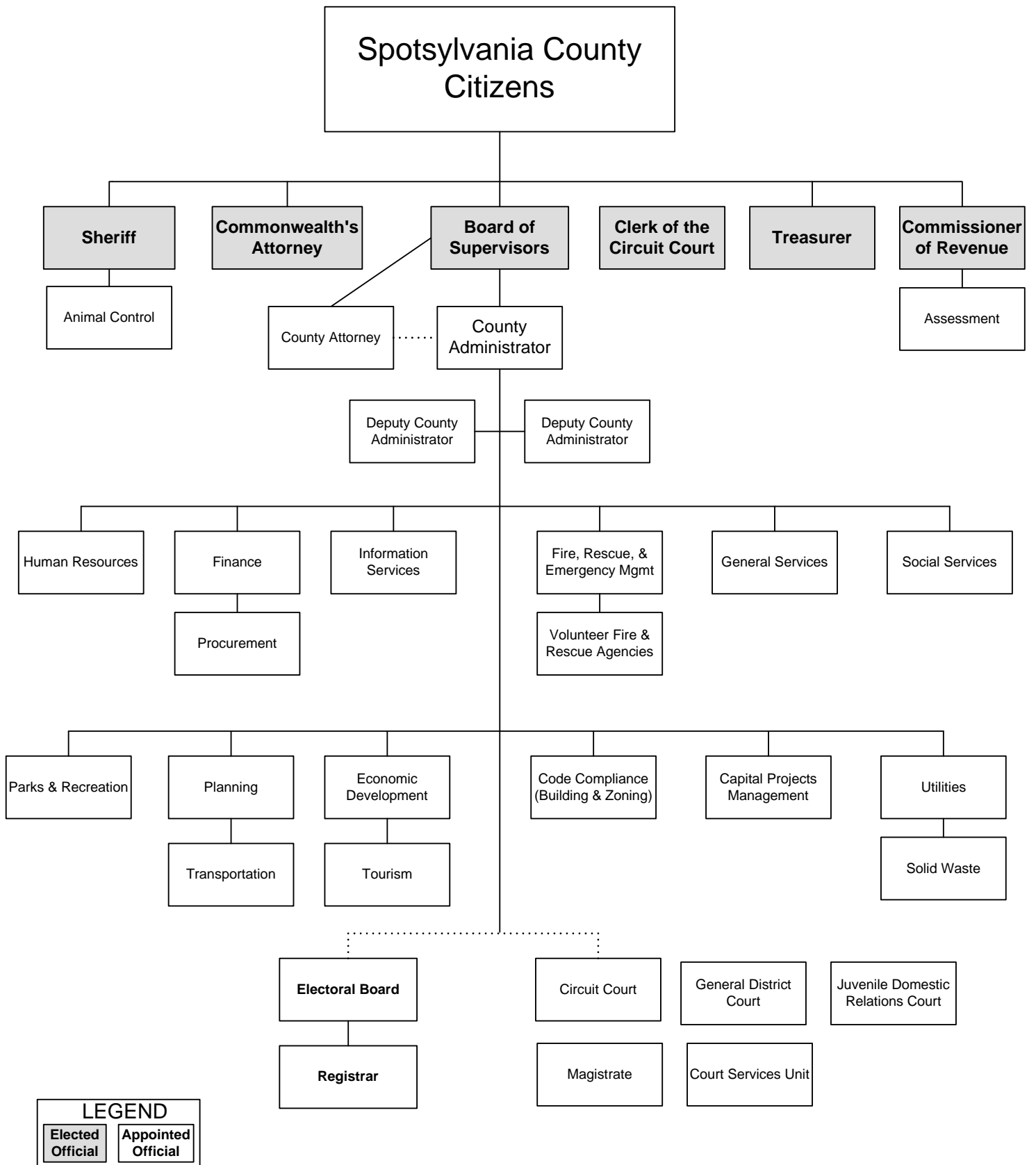
**COUNTY OF SPOTSYLVANIA, VIRGINIA
PRINCIPAL OFFICIALS
(continued)**

SCHOOL BOARD

J. Gilbert Seaux, Chair	Berkeley District
Donald R. Holmes, Vice-Chair	Salem District
Amanda Blalock,	Lee Hill District
James Gillespie	Courtland 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



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, 2010

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



tel 540.654.5500 ■ fax 540.654.5570 ■ www.millerfoley.com

INDEPENDENT AUDITOR'S 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, 2011, 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 opinion.

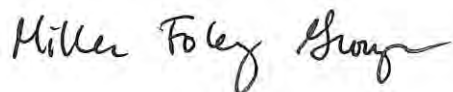
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Spotsylvania, Virginia, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The previously issued financial statements have been restated to correct an error in the unrestricted net assets for the Component Unit-School Board as described in Note 21 to the financial statements. The previously issued auditors' report, dated November 8, 2011, is not to be relied on because the statements were materially misstated and that report is replaced by the auditor's report on the restated financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 16 and 74 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Spotsylvania, Virginia's financial statements as a whole. The introductory section, required supplementary information, supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The required supplementary and supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Fredericksburg, Virginia
November 8, 2011, except for Note 21, as
to which the date is April 26, 2012.

Management's Discussion and Analysis

(\$ 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, 2011. 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 2011 by \$392.3 (*net assets*). Information on the breakdown per component is as follows:
 - *Governmental activities* reported a net deficit of \$136.2, a decrease of \$25.0 or 15.5% from the previous year. This net deficit is the result of the remaining debt of \$208.0 issued on behalf of the School Board for the construction of school facilities. Change in net assets increased \$1.5 or 6.8% from the previous year due predominantly to stronger general revenues and capital grants of \$9.0 and \$2.8, respectively, offset by increased function costs of \$9.9, with the majority in Education.
 - *Business-type activities* decreased their net assets by \$4.0 or 1.6% to \$239.4. This decrease resulted from a combination of increased maintenance needs to the water and sewer infrastructure system and reduced capital contributions of \$4.6 or 62% in the form of connection and developer fees.
 - *Component unit – School Board* net assets of \$289.1, decreased from the previous year by \$20.0 or 6.5%. Change in net assets increased \$12.9 or 40% from the previous year due to stronger cost control measures within the operational budget to compensate for revenue shortfalls and temporary federal stimulus funding.
- ❖ Total primary government bonded debt outstanding of \$456.2 increased 6.6% over the previous year. This net increase resulted from expected debt service payments offset by new general obligation public improvement bonds issued of \$17.1 to fund remaining costs associated with new Circuit Court and Public Safety facilities and \$57.9 in new revenue bonds issued to fund a 2001 advance bond refunding and various water and sewer infrastructure improvements.

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 \$83.6, a decrease of \$0.1 or 0.1% in comparison with the prior year. Approximately \$0.8 of the reported fund balance is available for spending at the government's discretion (*unassigned-other*). The remainder of the fund balance is constrained to \$19.3 in restricted, \$11.5 in committed, \$16.8 in assigned and \$35.1 in unassigned-fiscal stabilization.

Other General Highlights

- ❖ For fiscal year 2011, the County adopted GASB Statement 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement establishes new categories for reporting fund balance to provide better clarity of management’s intended use of available fund balance, as well as, improved consistency across various reporting entities within Virginia and across the nation. The Statement also redefines what financial activity may qualify for reporting as a special revenue fund with the financial statements. After evaluation, the EDO Fund reported previously under *Other Governmental Funds*, did not meet the new definition and was absorbed into the General Fund.
- ❖ As part of the Board’s commitment to greater efficiency, functions continue to be centralized into the courthouse area. During August 2010, Social Services and Community Development functions were relocated to a new building located within minutes of other County departments. This allows citizens and County employees better access to services and personnel without the unnecessary travel.
- ❖ Following presentations in June 2011 to the three major credit rating agencies, the County had its bond ratings reaffirmed as follows:
 - 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 are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains 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, 2011 and 2010:

Summary of Net Assets As of June 30, 2011 (in millions)								
Table 1	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2011	2010	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 201.2	\$ 203.9	\$ 104.8	\$ 76.3	\$ 306.0	\$ 280.2	\$ 28.8	\$ 32.5
Capital assets, net	109.3	81.0	291.9	294.8	401.2	375.8	339.5	349.3
Total assets	310.5	284.9	396.7	371.1	707.2	656.0	368.3	381.8
Other liabilities	142.2	141.8	9.7	12.0	151.9	153.8	26.7	30.3
Long-term liabilities	304.6	304.3	147.5	115.7	452.1	420.0	52.5	42.3
Total liabilities	446.8	446.1	157.2	127.7	604.0	573.8	79.2	72.6
Net assets:								
Invested in capital assets, net of debt	11.7	14.7	170.5	175.7	182.2	190.4	328.3	349.3
Restricted	19.3	35.4	34.1	0.6	53.4	36.0	4.8	2.6
Unrestricted	(167.2)	(211.3)	34.8	67.1	(132.4)	(144.2)	(44.0)	(42.7)
Total net assets	\$ (136.2)	\$ (161.2)	\$ 239.4	\$ 243.4	\$ 103.2	\$ 82.2	\$ 289.1	\$ 309.2

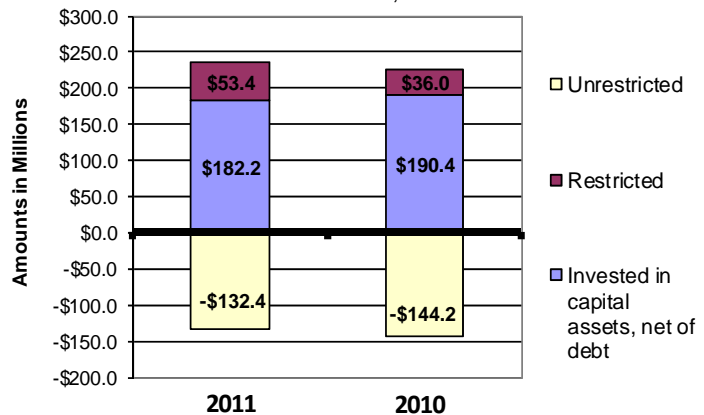
Net assets serve over time as a useful indicator of the health of the County's overall financial position. As of June 30, 2011 the County, and its component unit, the School Board reported a positive \$392.3 in total net assets, a modest increase of \$0.7. Net assets are composed of unrestricted, restricted, and invested in capital assets, net of related debt.

The largest portion of net assets, reported in chart 1, is the investment in capital assets, net of related debt of \$182.2. Capital assets are used to provide services to the County and therefore cannot be used to liquidate current or future liabilities. As noted earlier, in the financial highlights, the Commonwealth restricts financially dependent component units, like the County School Board, from issuing debt. Due to this restriction, the County issues general obligation bonds to finance infrastructure needs of the School System. These assets are maintained and reported as capital assets within the Component Unit – School Board with the

Chart 1

Reporting Entity Net Assets

As of June 30, 2011



corresponding debt reported under the governmental activities of the primary government. For fiscal year 2011, debt held in the primary government for school properties totaled \$208.0.

Net assets are also restricted, as required, to meet external obligations, for example bond related covenants. The County reflects \$53.4 in such assets, an increase of \$17.4 or 48%. This overall increase reflects additional debt service and unspent bond proceeds of \$33.5 related to new water and sewer revenue bonds issued in 2011, reduced by \$16.1 in governmental activities restrictions as unspent bond proceeds were utilized for capital projects.

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, 2011 and 2010:

Table 2

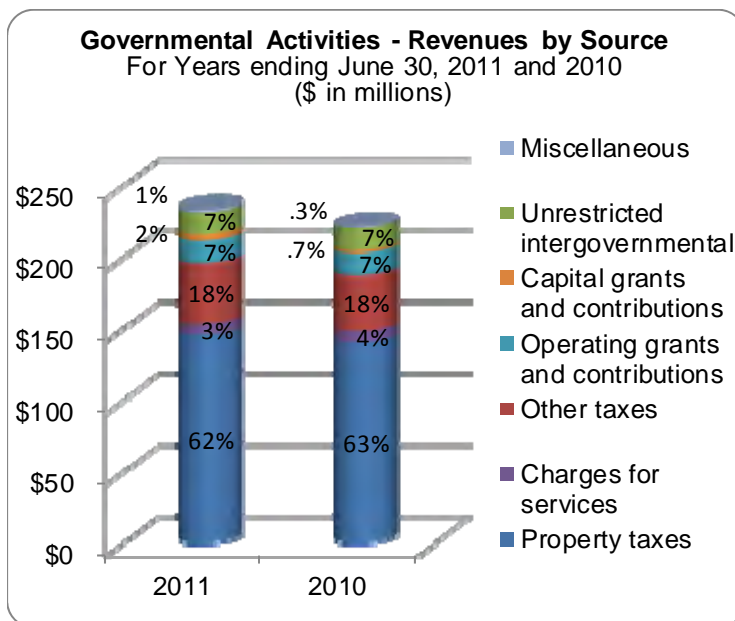
Changes in Net Assets For the Year ended June 30, 2011 (in millions)									
	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board		
	2011	2010	2011	2010	2011	2010	2011	2010	
Revenues:									
Program Revenues:									
Charges for services	\$ 8.0	\$ 8.3	\$ 25.3	\$ 26.1	\$ 33.3	\$ 34.4	\$ 7.6	\$ 7.6	
Operating grants and contributions	15.2	15.2	-	-	15.2	15.2	214.7	219.1	
Capital grants and contributions	4.7	1.9	2.8	3.6	7.5	5.5	-	0.2	
General Revenues:									
General property taxes	145.3	140.0	-	-	145.3	140.0	-	-	
Other taxes	42.9	39.4	-	-	42.9	39.4	-	-	
Grants not restricted	15.3	15.8	-	-	15.3	15.8	-	-	
Investment earnings	0.8	0.6	0.9	0.8	1.7	1.4	-	0.2	
Miscellaneous	0.9	0.1	0.6	1.6	1.5	1.7	0.7	0.7	
Total Revenues	233.1	221.3	29.6	32.1	262.7	253.4	223.0	227.8	
Expenses:									
General government	11.7	12.5	-	-	11.7	12.5	-	-	
Judicial administration	7.3	6.0	-	-	7.3	6.0	-	-	
Public safety	41.0	40.2	-	-	41.0	40.2	-	-	
Public works	8.8	7.0	-	-	8.8	7.0	-	-	
Health and welfare	17.5	17.1	-	-	17.5	17.1	-	-	
Education	85.8	77.9	-	-	85.8	77.9	243.1	260.8	
Parks and recreation	7.9	7.1	-	-	7.9	7.1	-	-	
Community development	12.9	17.3	-	-	12.9	17.3	-	-	
Water and sewer	-	-	33.6	29.1	33.6	29.1	-	-	
Interest on long-term debt	15.2	13.1	-	-	15.2	13.1	-	-	
Total Expenses	208.1	198.2	33.6	29.1	241.7	227.3	243.1	260.8	
Increase (decrease) in net assets before transfers	25.0	23.1	(4.0)	3.0	21.0	26.1	(20.1)	(33.0)	
Transfers	-	0.2	-	(0.2)	-	-	-	-	
Increase (decrease) in net assets	25.0	23.3	(4.0)	2.8	21.0	26.1	(20.1)	(33.0)	
Net assets - beginning	(161.2)	(184.5)	243.4	240.6	82.2	56.1	309.2	342.2	
Net assets - ending	\$ (136.2)	\$ (161.2)	\$ 239.4	\$ 243.4	\$ 103.2	\$ 82.2	\$ 289.1	\$ 309.2	

Governmental activities – revenues were \$233.1 for the current year, an increase of \$11.8 or 5.3% over the previous year. Key elements of this increase are described below. Chart 2 also provides additional information illustrating the County's revenues by source and as a percentage of total governmental revenues.

General property taxes generated were \$145.3, an increase of \$5.3 or 3.8%. Most of this increase is the product of supplemental real estate and personal property levies assessed of \$2.7. The County also saw modest new growth for the period bringing an additional \$0.6. The remaining \$1.8 represents the first full year for the additional three penny levy assessed on January 1, 2010 to fund portions of the CIP and associated debt service.

Another area of increased revenues was other taxes of \$3.5 or 8.9%. Fiscal year 2011 represents the first full year of fuel tax collections since the legislation was established in February 2010, resulting in a \$2.0 increase. Total sales and meals tax revenues saw more moderate increases of 4.7% or \$1.0. In addition, capital grants and contributions increased by \$2.8 or 147% mostly as a result of intensified capital construction costs of \$2.5 relating to the State Route 3 widening project primarily funded by the American Recovery and Reinvestment Act.

Chart 2



Governmental activities – expenses were \$208.1 for the current year, an increase of \$9.9 or 5.0% over the previous year. Key elements of this increase are described below. Chart 3 provides additional information illustrating the County's expenses by function and as a percentage of total governmental expenses.

The County continues to spend the majority of its property tax revenues on Education. Educational costs of \$85.8 increased by \$7.9 or 10% from the previous year. This amount is net of the \$29.4 in school debt service required to be reported under the Primary Government. In 2011, increased local funding by the County was necessary to cover anticipated reductions of \$8.7 in federal funding through the American Recovery and Reinvestment Act. As reflected in chart 3, education and public safety continue to be the County's highest priority.

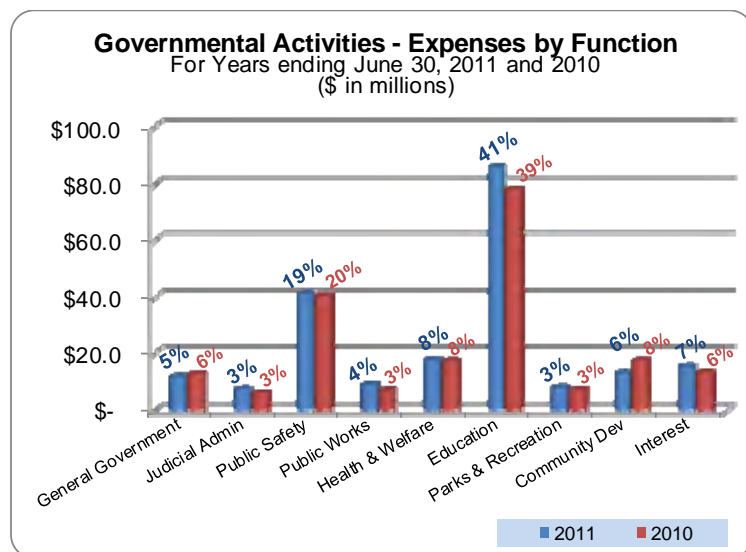
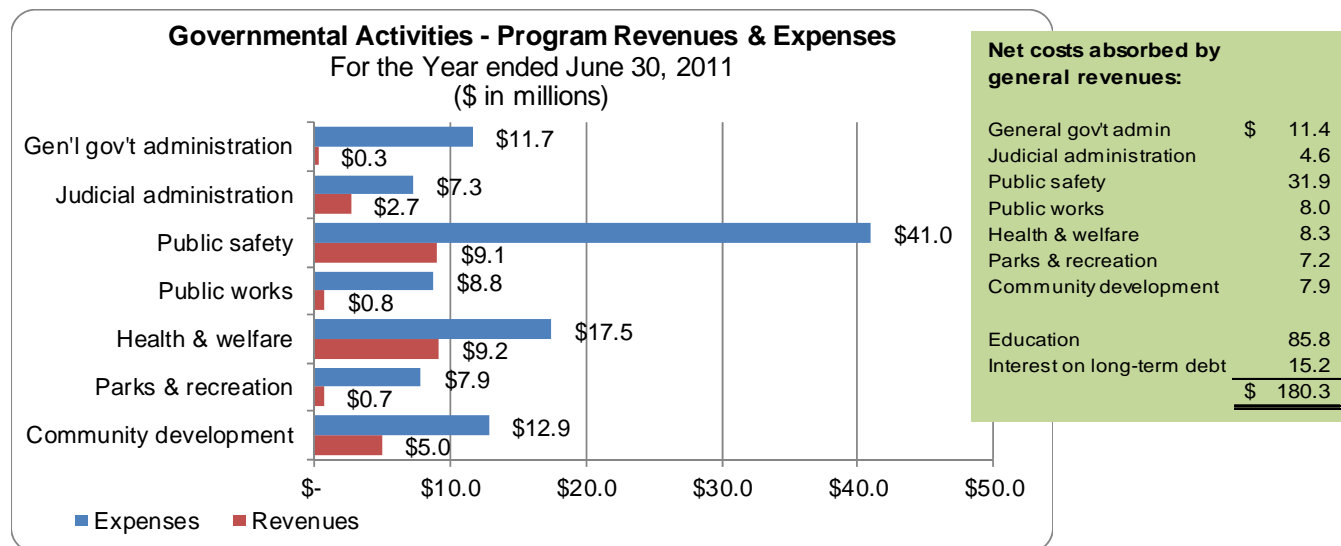


Chart 3

Two other notable changes relate to public works and interest expense, which report increases of \$1.8 or 2.6% and \$2.1 or 1.6%, respectively. Public works

undertook various maintenance projects that had been delayed in the past due to inadequate funding. Increased interest expense relates to new bond issuances in July of 2010. Chart 4 below depicts the total cost of each of the County's largest functions in relation to program related revenues. Non-program related revenue, for example property taxes, is also provided by function. Education and interest do not receive program related revenues and are supported by general revenues.

Chart 4



Business-Type activities – consist of the County's water and sewer systems financed primarily through user service charges and availability fees. For fiscal year 2011, the public utility revenues per Table 2, totaled \$29.6 a \$2.5 or 7.8% decrease over last year. This net decrease was primarily the result of a 62% or \$4.6 drop in capital contributions from connection and developer fees. The drop in capital contributions was partially offset by \$1.4 in increased user fees established in July of 2010. Total expenses for the fiscal year were \$33.6, an increase of \$4.5 or 1.5% over last year. This increase is the result of increased maintenance needs of the water and sewer infrastructure system.

Component Unit activities – consist of the County's independent school system funded predominately through intergovernmental funds from county, state and federal governments. For fiscal year 2011 revenues totaled \$223.0, a decrease of \$4.8 or 2.1% from the previous year. This decrease is a direct result of necessary budget reductions to meet limited available intergovernmental funding.

For fiscal year 2011 expenditures totaling \$243.1 decreased by \$17.7 or 6.8% from the previous year. The County School System continues to implement cost control measures within the operational budget to compensate for revenue shortfalls and temporary federal stimulus funding. Areas of significant decrease were \$6.0 in instruction; \$4.0 in facility maintenance; \$1.2 in educational technology; and \$1.4 in reduced other post employment obligations.

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 \$83.6 fund balance, a decrease of \$.01 or less than one percent from the previous year. General fund balance consists of \$47.6 or 57% that is not considered available for

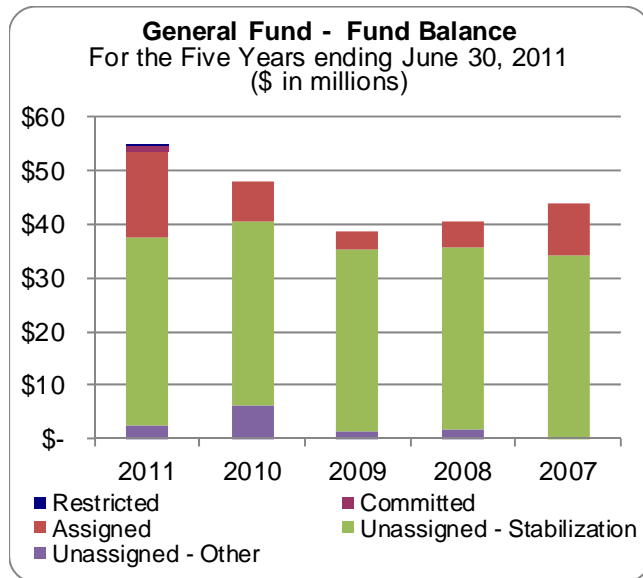


Chart 5

new spending as it has already been allocated to cover the following: 1) \$19.4 or 23% in restricted resources to meet future capital projects from unspent bond proceeds and related debt service; 2) \$11.5 or 13.8% in committed funding for the County's capital improvements plan, new business incentives and line of duty benefits for public safety workers; and 3) \$16.8 in assigned fund balance intended for school system expenditures, capital projects, employee benefits, and subsidization of the 2012 budget.

Approximately \$35.2 or 42% of total fund balance constitutes unassigned funds; of which, \$35.1 represents the County's fiscal stabilization reserve intended for emergency use, such as natural disasters, or other such significant events that signal a need for stabilization.

Governmental funds

Governmental funds include the County's General Fund, Capital Projects Fund and various special revenue funds created by the Board. The charts below provide useful information on the percentage of consolidated revenues received by source (chart 6) and the percentage of how these funds were used by function (chart 7). In addition, the highlights that follow are provided at the individual fund level and are intended to provide greater insight to the significant events that occurred over the past year.

Chart 6 Revenues by Source

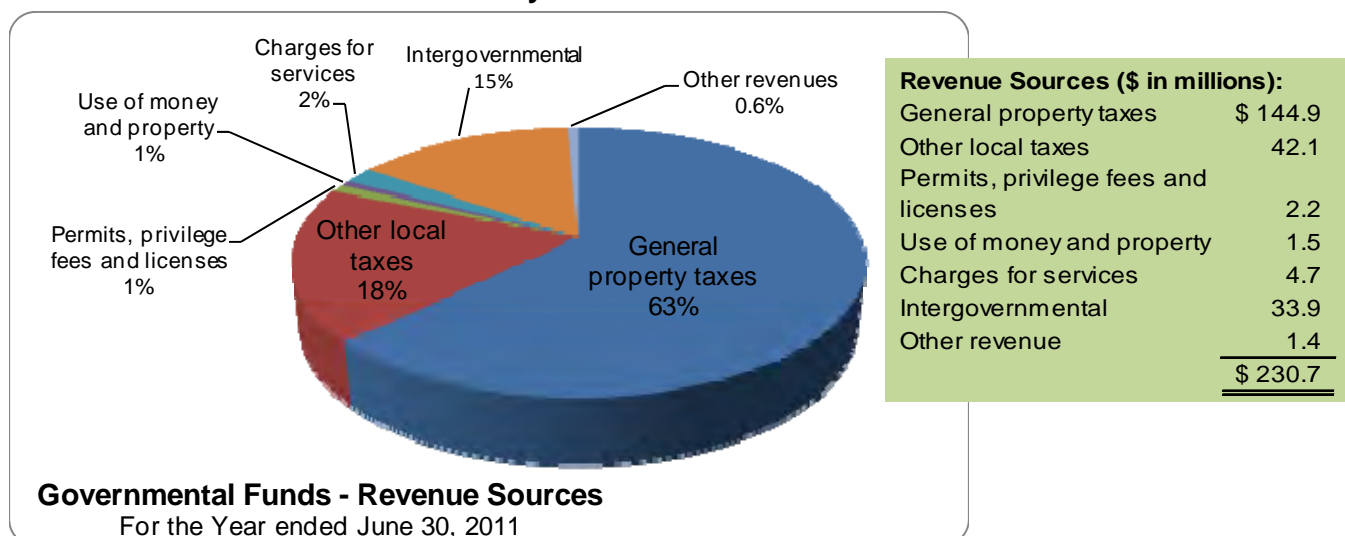
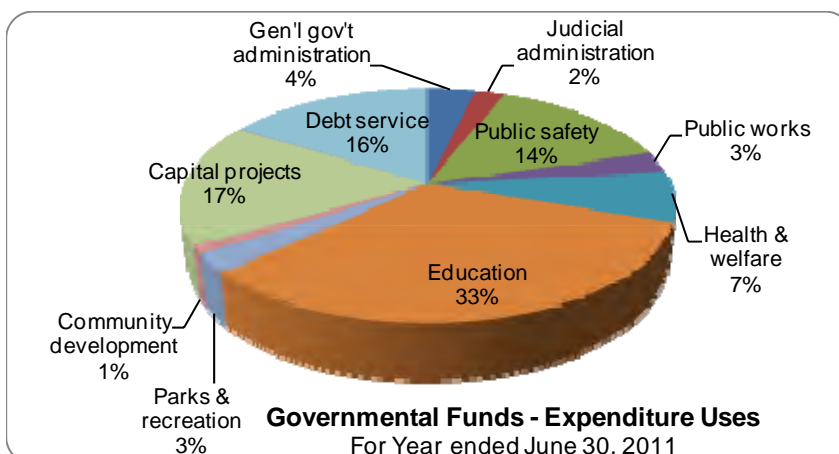


Chart 7 Expenditures by Function

Expenditure Uses (\$ in millions):	
Gen'l gov't administration	\$ 10.0
Judicial administration	5.8
Public safety	37.1
Public works	7.2
Health & welfare	17.3
Education	85.8
Parks & recreation	6.8
Community development	2.9
Capital projects	43.2
Non-departmental	0.3
Debt service	41.6
Total Expenditures:	\$ 258.0



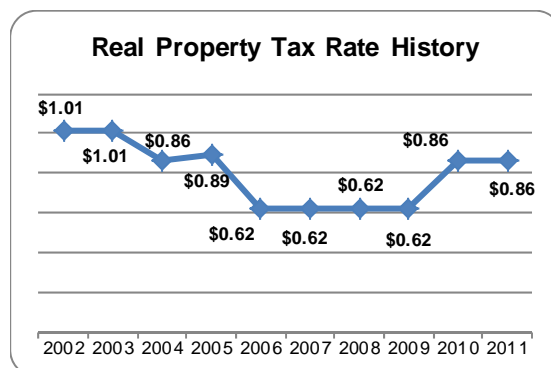
General Fund

The General Fund is the primary operating fund accounting for all financial resources of the general government, except those required to be accounted for in another fund. For the fiscal year ended June 30, 2011, the fund balance increased \$6.2 or 12.7% to \$54.9.

Financial highlights for fiscal year 2011 are as follows:

- Due to continued control over spending and slight net assessment growth (less than 1%) in the County, the Board has been able to maintain its current real property tax rate of \$0.86. General property tax collections increased by \$7.9 or 5.8% over the previous year due to 1) a 1.17% increase in the Treasurer's collection rate of current year levies; 2) \$1.7 increased collections for the first full year of the three penny levy assessed on January 1, 2010 to fund portions of the CIP and associated debt service; 3) \$2.6 in estimated collections of supplemental real estate and personal property levied during the year; and 4) delinquent collections increase of \$0.7 or 11.6% from the previous year.
- The General Fund also saw an increase in other local taxes of \$1.5 or 3.9% reflected by greater consumer product and restaurant spending in the region.
- Most functions experienced moderate increases (between 2% and 10%) in overall expenditures for fiscal year 2011 based on inflation and various projects held off in prior years due to inadequate funding. Education represented the highest increase of \$7.9 or 10% reflecting increased general funds necessary to offset reduced federal ARRA stabilization funding.

Chart 8



Capital Projects Fund

The capital projects fund is used to account for the development, modernization and replacement of county infrastructure. For the fiscal year ended June 30, 2011, the fund balance decreased by \$7.7 or 2.1% representing the use of fund balance needed to cover capital improvement expenditures above the expected debt borrowing of \$17.1.

Financial highlights for fiscal year 2011 are as follows:

- Capital project costs increased by \$17.9 or 373% relating to construction of the new public safety and circuit court facilities.
- Costs associated with the federal ARRA route 3 widening project increased by \$2.4 or 267% as work progressed into its construction phase.

Other Governmental Funds

Other governmental funds include non-major special revenue funds which are used to account for restricted and committed revenues as determined by the Board. For the fiscal year ended June 30, 2011, the combined fund balance for other governmental funds (*Fire/EMS Service, Code Compliance, and Transportation*) reflects a deficit of \$.03, a reduction of \$1.3 or 180% from the previous year. This positive change in fund balance is due to new fuel tax revenues of \$2.4, able to be recognized for the first time under modified accrual basis of accounting, within the Transportation Fund. This growth has reduced the Transportation Fund's deficit from (\$2.2) in 2010 down to (\$.05) for 2011. Fire/EMS Service and Code Compliance Funds saw minimal changes in activity for the year.

GENERAL FUND 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, and 2) to appropriate additional Federal, State and other revenues upon notice of receipt.

The following highlight the more significant amendments to the General Fund budget for 2011:

- A carryover of \$2.7 in expenditures not yet expended for specific projects budgeted in fiscal year 2010.
- \$3.0 of available fund balance transferred to the Capital Projects Fund for the purchase of the Community Development building in fiscal year 2012.
- The release of \$2.2 of School Board 2011 budget holdback used to address operating costs.
- \$0.6 for needed capital outlay in public safety for 23 new vehicles and the installation of the Citizen's Alerting System costing \$0.55 and \$.05 respectively. This additional appropriation was funded by \$0.5 in fund balance with the remaining resulting from new federal grant and local revenues.
- Actual general property taxes exceeded the amended budget by \$4.8. This increase is offset by a budget reduction of \$2.2 in intergovernmental revenue due to a budget amendment

made in 2011 for increased State PPTRA funds for personal property tax. During preparation of the budget, a decrease in PPTRA was anticipated that would have created a need to increase county personal property tax revenues to balance the levy. This legislative change did not go into affect for the current year and the resulting budget amendment was required to reflect additional PPTRA revenues.

- Actual expenditures were \$9.2 less than the amended budget due to continued cost controls across all functions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets as of June 30, 2011, totaling \$401.2 million (net of accumulated depreciation and amortization), represents an increase of \$25.5 million, or 6.8% over last year. Additional information is presented in note 4 to the financial statements.

Capital assets as of June 30, 2011 and 2010 are summarized in table 3 below:

	(\$ in millions)			
	Governmental Activities	Business-Type Activities	Total Primary Government	
			2011	2010
Land	\$ 26.3	\$ 9.4	\$ 35.7	\$ 35.2
Buildings and improvements	59.7	150.5	210.2	202.9
Furniture, fixtures and equipment	42.4	9.5	51.9	49.4
Infrastructure	-	211.4	211.4	207.7
Construction in progress	30.9	9.4	40.3	16.0
Total capital assets	\$ 159.3	\$ 390.2	\$ 549.5	\$ 511.2
Less: Accumulated depreciation and amortization	50.0	98.3	148.3	135.5
Total capital assets, net	\$ 109.3	\$ 291.9	\$ 401.2	\$ 375.7

Table 3

The major capital asset activity for fiscal year 2011 included the following:

- In August 2010, the County entered into a \$7.2 capital lease to centralize operations in the courthouse area. This new lease provides two floors of a newly constructed office building for social services, economic development, planning, and code compliance functions. On September 27, 2011, the County purchased the entire office building for \$10.0 funded with \$7.0 from EDA bonds issued in 2012 and the remaining \$3.0 from 2011 committed fund balance with the Capital Projects Fund.
- The County continues construction on two new facilities for circuit court and public safety operations. The Circuit Court Building completed construction in August of 2011 with total costs estimated at \$22.6. As of June 30, 2011 the new Public Safety Building has incurred \$10.9 in costs and is estimated to be 63% complete. Anticipated completion is November 2011. Both projects are funded through general obligation public improvement bonds.

- Per the County's CIP plan, 44 new sheriff vehicles and 3 new fire and rescue trucks were purchased totaling \$1.0 and \$1.7, respectively.
- The County purchased exclusive entitlements to treatment capacities at the City of Fredericksburg's sewer treatment facility. Payment of \$2.1 covers necessary facility capacity expansion requirements.

During the fiscal year 2012 budget process, the Board approved a five-year Capital Improvements Plan (CIP) that totaled \$257.4 million for all funds. Major projects included in the plan are summarized in table 4 as follows:

Project	Amount
General government facilities	\$ 20.6
Fire and rescue facilities and equipment	16.1
Transportation projects	81.7
Information Technology software and equipment	30.3
School buildings	12.0
School buses and capital maintenance	24.1
Water and sewer projects	52.0
Solid waste facilities and related equipment	11.6
Park projects	9.0
	<u>\$ 257.4</u>

Table 4

Debt Administration

A summary of the County's long term obligation and position as of June 30, 2011 is provided in table 5 as follows. Additional information is presented in note 10 to the financial statements.

Table 5

Outstanding Long-Term Obligations

For the Years ended June 30, 2011 and 2010

	Primary Government		Debt Position Indicators	
	2011	2010	For Fiscal Years 2011 and 2010	
General obligation bonds - County	\$ 98.6	\$ 85.1	Ratio of debt service to expenditure	Ratio of debt to assessed value
General obligation bonds - Schools	200.1	215.5		
Revenue bonds - business type	149.6	119.1		
State literary fund loans	7.9	8.8	2011	10.5%
Total bonded debt	<u>456.2</u>	<u>428.5</u>	2010	10.3%
Tax anticipation note	8.5	8.5	Adopted Policy	Not to exceed 10-12%
Accrued landfill closure liability	5.5	5.4		Not to exceed 3-4%
Compensated absences	4.1	3.6		
OPEB obligation	12.1	7.0		
Capital leases and other	8.1	1.0		
Total long-term obligations	<u>\$ 494.5</u>	<u>\$ 454.0</u>		

At the end of the current fiscal year, County governmental activities reported total bonded debt outstanding of \$456.2. Of this amount, \$306.6 is debt backed by the full faith and credit of the County, with the remainder of the County's debt secured by specific revenue sources.

As of June 30, 2011, the County had a total of \$494.5 million in outstanding long term debt and other obligations, an increase of \$40.5 million, from the previous year.

The key factor in this increase is the \$75.0 in new debt issued. Of this amount, \$17.1 represents public improvement bonds needed to finalize construction of two new county facilities. The remaining \$57.9 consists of water and sewer revenue bonds required to fund infrastructure improvements and refund \$26.5 in 2001 water and sewer revenue bonds. This refunding will reduce total debt service over the next 21 years by \$3.2 and result in an economic gain of \$2.3.

On behalf of the School Board, the County issued new debt of \$2.6 in Qualified School Construction Bonds (QSCB), a U.S. debt instrument created by Section 1521 of the American Recovery and Reinvestment Act of 2009. These bonds are intended to finance various school capital projects that focus on energy efficiency. This debt is reported in the primary government but segregated here for information purposes.

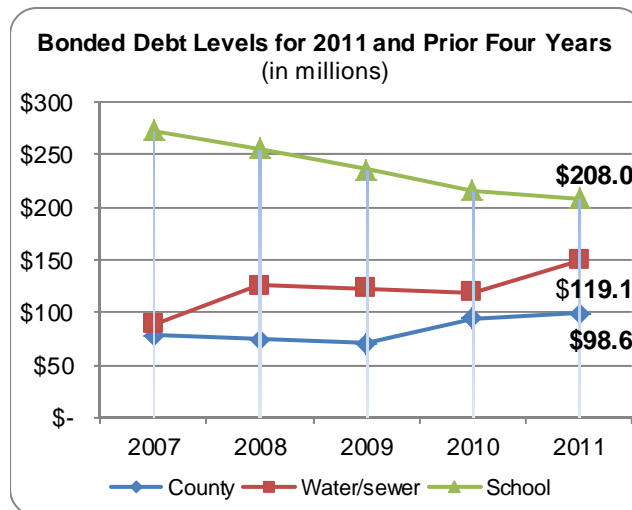


Chart 9

Subsequent to June 30, 2011, the County issued \$11.3 in Economic Development Authority bonds to refinance office space currently held under a capital lease obligation. In addition, the County issued \$16.6 million in general obligation bonds to refund \$5.7 in 2003 public improvement bonds and finance future fire and rescue and school infrastructure improvements.

ECONOMIC FACTORS

Spotsylvania County's unemployment rate is currently 5.5%, which is a decrease from a rate of 5.7% a year ago. This compares favorably to the State's average unemployment rate of 6.0% and the national average rate of 9.2%.

The County's office and industrial markets continued to absorb both new and existing business locations into available move-in ready buildings. Leasing activity lends toward defense contractors, healthcare, educational components and retail. New and existing tenants are backfilling historically vacant spaces. The office vacancy rate improved over the past fiscal year from 27.4% to 19.2%; with companies absorbing 8.2% of existing available space with expectations the trend will continue for existing inventory.

The business sector also included moderate increases in manufacturing and professional business services, with strong concentration in government, healthcare, and high-technology firms. Additional details on the County's economic growth are included in the transmittal letter included in this CAFR.

In fiscal year 2011, 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, PO 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, 2012

Exhibit I

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board
ASSETS				
Cash and investments	\$ 71,024,115	\$ 64,387,707	\$ 135,411,822	\$ 1,960,190
Receivables, net	101,232,004	5,594,495	106,826,499	12,348,999
Inventory	-	719,918	719,918	-
Prepaid expenses	426,888	-	426,888	604,911
Due from primary government	-	-	-	10,754,362
Restricted cash and investments	28,543,798	34,054,626	62,598,424	3,052,875
Capital assets, net:				
Non-depreciable assets	57,188,427	18,823,446	76,011,873	14,196,825
Depreciable assets	52,113,050	273,070,659	325,183,709	325,341,243
Total assets	<u>\$ 310,528,282</u>	<u>\$ 396,650,851</u>	<u>\$ 707,179,133</u>	<u>\$ 368,259,405</u>
LIABILITIES				
Accounts payable	\$ 5,612,695	\$ 3,378,414	\$ 8,991,109	\$ 2,782,241
Retainage payable	1,585,141	207,236	1,792,377	121,000
Accrued salaries and benefits	2,082,111	320,692	2,402,803	19,577,050
Accrued interest	6,208,597	458,158	6,666,755	-
Other accrued liabilities	3,542,629	1,030,131	4,572,760	-
Unearned revenue	70,755,251	-	70,755,251	-
Due to component unit	10,754,362	-	10,754,362	-
Deposits	3,424,147	158,450	3,582,597	-
Noncurrent liabilities:				
Due within one year	38,190,031	4,211,416	42,401,447	4,232,103
Due in more than one year:				
Noncurrent portion of long-term debt	285,500,034	145,990,539	431,490,573	4,805,681
Tax anticipation notes	8,500,000	-	8,500,000	-
Other post employment benefits	10,595,475	1,491,208	12,086,683	47,676,452
Total liabilities	<u>\$ 446,750,473</u>	<u>\$ 157,246,244</u>	<u>\$ 603,996,717</u>	<u>\$ 79,194,527</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 11,699,348	\$ 170,534,064	\$ 182,233,412	\$ 328,250,505
Restricted for:				
Debt service	-	5,801,504	5,801,504	-
Capital projects	19,306,598	28,253,122	47,559,720	4,822,392
Unrestricted	(167,228,137)	34,815,917	(132,412,220)	(44,008,019)
Total net assets	<u>\$ (136,222,191)</u>	<u>\$ 239,404,607</u>	<u>\$ 103,182,416</u>	<u>\$ 289,064,878</u>

See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

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	\$ 11,700,627	\$ 280,343	\$ 4,077	\$ -	\$ (11,416,207)
Judicial administration	7,279,892	1,192,911	1,466,603	-	(4,620,378)
Public safety	41,036,688	4,427,919	4,620,420	90,000	(31,898,349)
Public works	8,755,385	731,113	18,958	-	(8,005,314)
Health and welfare	17,462,854	154,875	9,040,102	-	(8,267,877)
Education	85,818,210	-	-	-	(85,818,210)
Parks, recreation and cultural	7,884,195	741,512	-	-	(7,142,683)
Community development	12,947,671	483,977	-	4,582,869	(7,880,825)
Interest on long-term debt	<u>15,220,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,220,337)</u>
Total governmental activities	\$ 208,105,859	\$ 8,012,650	\$ 15,150,160	\$ 4,672,869	\$ (180,270,180)
Business-type activities:					
Water and sewer	<u>33,569,818</u>	<u>25,349,926</u>	<u>-</u>	<u>2,780,640</u>	<u>-</u>
Total primary government	<u>\$ 241,675,677</u>	<u>\$ 33,362,576</u>	<u>\$ 15,150,160</u>	<u>\$ 7,453,509</u>	<u>\$ (180,270,180)</u>
Component units:					
Public school system	<u>\$ 243,086,703</u>	<u>\$ 7,639,079</u>	<u>\$ 214,696,610</u>	<u>\$ -</u>	
General revenues:					
Taxes					
Property taxes					\$ 145,286,525
Sales tax					19,427,358
Utility tax					3,179,925
Business license					3,955,374
Rental tax					1,146,249
Motor vehicle licenses					2,679,382
Bank stock taxes					536,392
Recordation taxes					1,972,369
Meals tax					6,828,253
Fuel tax					3,173,371
Grants and contributions not restricted to specific programs					15,273,558
Interest and investment earnings					753,906
Gain (loss) on sale of property					446,224
Miscellaneous					513,374
Transfers					<u>69,294</u>
Total general revenues and transfers					<u>\$ 205,241,554</u>
Change in net assets					<u>\$ 24,971,374</u>
Net assets, beginning					<u>(161,193,565)</u>
Net assets, ending					<u><u>\$ (136,222,191)</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

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		\$ (11,416,207)	
Judicial administration		(4,620,378)	
Public safety		(31,898,349)	
Public works		(8,005,314)	
Health and welfare		(8,267,877)	
Education		(85,818,210)	
Parks, recreation and cultural		(7,142,683)	
Community development		(7,880,825)	
Interest on long-term debt		(15,220,337)	
Total governmental activities		\$ (180,270,180)	
Business-type activities:			
Water and sewer	\$ (5,439,252)	\$ (5,439,252)	
Total primary government	\$ (5,439,252)	\$ (185,709,432)	
Component unit:			
Public school system			\$ (20,751,014)
General revenues:			
Taxes			
Property taxes	\$ -	\$ 145,286,525	\$ -
Sales tax	-	19,427,358	-
Utility tax	-	3,179,925	-
Business license	-	3,955,374	-
Rental tax	-	1,146,249	-
Motor vehicle licenses	-	2,679,382	-
Bank stock taxes	-	536,392	-
Recordation taxes	-	1,972,369	-
Meals tax	-	6,828,253	-
Fuel taxes	-	3,173,371	-
Grants and contributions not restricted to specific programs	-	15,273,558	-
Interest and investment earnings	917,622	1,671,528	21,836
Gain (loss) on sale of property	-	446,224	-
Miscellaneous	557,054	1,070,428	583,541
Transfers	(69,294)	-	-
Total general revenues and transfers	\$ 1,405,382	\$ 206,646,936	\$ 605,377
Change in net assets	\$ (4,033,870)	\$ 20,937,504	\$ (20,145,637)
Net assets, beginning	243,438,477	82,244,912	309,210,515
Net assets, ending	\$ 239,404,607	\$ 103,182,416	\$ 289,064,878

See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2011

Exhibit III

	Governmental Funds			
	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in pooled cash and investments	\$ 55,573,254	\$ 11,980,793	\$ 3,470,068	\$ 71,024,115
Receivables, net	93,027,205	2,358,963	5,845,836	101,232,004
Restricted cash and investments	-	25,093,483	3,450,315	28,543,798
Total assets	<u>\$ 148,600,459</u>	<u>\$ 39,433,239</u>	<u>\$ 12,766,219</u>	<u>\$ 200,799,917</u>
LIABILITIES				
Accounts payable	\$ 1,661,192	\$ 3,931,150	\$ 20,353	\$ 5,612,695
Retainage payable	-	1,585,141	-	1,585,141
Accrued salaries and benefits	1,949,341	11,608	121,162	2,082,111
Other accrued liabilities	995,752	726,063	2,922	1,724,737
Deferred revenue	77,727,272	1,645,662	4,104,959	83,477,893
Due to component unit	8,984,845	1,769,517	-	10,754,362
Deposits	2,361,049	754,750	308,348	3,424,147
Interfund loans	(28,434)	-	28,434	-
Noncurrent liabilities:				
Due in more than one year:				
Tax anticipation notes	-	-	8,500,000	8,500,000
Total liabilities	<u>\$ 93,651,017</u>	<u>\$ 10,423,891</u>	<u>\$ 13,086,178</u>	<u>\$ 117,161,086</u>
FUND BALANCES				
Restricted	\$ 201,462	\$ 18,212,872	\$ 948,405	\$ 19,362,739
Committed	1,183,500	10,288,520	-	11,472,020
Assigned	16,037,314	507,956	276,591	16,821,861
Unassigned:				
Fiscal Stabilization	35,103,946	-	-	35,103,946
Other	2,423,220	-	(1,544,955)	878,265
Total fund balances	<u>\$ 54,949,442</u>	<u>\$ 29,009,348</u>	<u>\$ (319,959)</u>	<u>\$ 83,638,831</u>
Total liabilities and fund balances	<u>\$ 148,600,459</u>	<u>\$ 39,433,239</u>	<u>\$ 12,766,219</u>	<u>\$ 200,799,917</u>
Adjustments for the Statement of Net Assets				
Total fund balances, above				\$ 83,638,831
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds				109,301,477
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds				(340,494,136)
Expenses used for current resources and therefore are not reported in the governmental funds				(1,391,005)
Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements				12,722,642
Net assets of governmental activities				<u>\$ (136,222,191)</u>

See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

Year Ended June 30, 2011

Exhibit IV

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes	\$ 143,643,606	\$ 35,292	\$ 1,232,471	\$ 144,911,369
Other local taxes	39,725,302	-	2,373,294	42,098,596
Permits, privilege fees and regulatory licenses	230,759	-	1,979,674	2,210,433
Fines and forfeitures	933,327	-	-	933,327
Revenues from use of money and property	1,317,516	183,875	5,471	1,506,862
Charges for services	2,410,685	-	2,189,989	4,600,674
Miscellaneous	357,616	99,887	72,537	530,040
Intergovernmental	30,437,576	3,457,896	-	33,895,472
	<u>\$ 219,056,387</u>	<u>\$ 3,776,950</u>	<u>\$ 7,853,436</u>	<u>\$ 230,686,773</u>
Expenditures:				
Current:				
General governmental administration	\$ 9,961,970	\$ -	\$ -	\$ 9,961,970
Judicial administration	5,829,389	-	-	5,829,389
Public safety	34,144,264	-	2,906,445	37,050,709
Public works	7,190,714	-	-	7,190,714
Health and welfare	17,274,441	-	-	17,274,441
Education	85,818,210	-	-	85,818,210
Parks, recreation and cultural	6,803,155	-	-	6,803,155
Community development	2,126,049	-	743,654	2,869,703
Non-departmental	483,665	-	-	483,665
Capital Projects	-	43,212,711	-	43,212,711
Debt service:				
Principal retirement	25,180,094	-	775,000	25,955,094
Interest and other charges	13,972,632	-	1,586,951	15,559,583
	<u>\$ 208,784,583</u>	<u>\$ 43,212,711</u>	<u>\$ 6,012,050</u>	<u>\$ 258,009,344</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 10,271,804</u>	<u>\$(39,435,761)</u>	<u>\$ 1,841,386</u>	<u>\$ (27,322,571)</u>
Other financing sources (uses):				
Debt issuance	\$ 2,630,000	\$ 24,368,356	\$ -	\$ 26,998,356
Debt issuance premiums (discounts)	(45,440)	180,436	-	134,996
Transfers in (out)	(6,635,790)	7,224,503	(519,419)	69,294
	<u>\$ (4,051,230)</u>	<u>\$ 31,773,295</u>	<u>\$ (519,419)</u>	<u>\$ 27,202,646</u>
Net change in fund balances	<u>\$ 6,220,574</u>	<u>\$ (7,662,466)</u>	<u>\$ 1,321,967</u>	<u>\$ (119,925)</u>
Fund balance, beginning	48,728,868	36,671,814	(1,641,926)	83,758,756
Fund balance, ending	<u>\$ 54,949,442</u>	<u>\$ 29,009,348</u>	<u>\$ (319,959)</u>	<u>\$ 83,638,831</u>
<i>Adjustments for the Statement of Activities:</i>				
Net change in fund balances				\$ (119,925)
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				28,337,597
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements				2,397,767
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				(1,175,732)
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				(4,468,333)
Change in net assets of governmental activities				<u>\$ 24,971,374</u>

See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2011

Exhibit V

ASSETS

Current assets:

Cash and investments	\$ 64,387,707
Receivables, net	5,594,495
Inventory	719,918
Restricted cash and investments	34,054,626
Total current assets	<u>\$ 104,756,746</u>

Noncurrent assets:

Capital assets, net	
Land and construction in progress	\$ 18,823,446
Depreciable assets	273,070,659
Total noncurrent assets	<u>\$ 291,894,105</u>
Total assets	<u><u>\$ 396,650,851</u></u>

LIABILITIES

Accounts payable	\$ 3,378,414
Retainage payable	207,236
Accrued salaries and benefits	320,692
Accrued interest	458,158
Other accrued liabilities	1,030,131
Deposits	158,450
Noncurrent liabilities:	
Due within one year	4,211,416
Due in more than one year:	
Noncurrent portion of long-term debt	145,990,539
Other post employment benefits	1,491,208
Total liabilities	<u>\$ 157,246,244</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 170,534,064
Restricted for:	
Debt service	5,801,504
Capital projects	28,253,122
Unrestricted	34,815,917
Total net assets	<u><u>\$ 239,404,607</u></u>

See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

Year Ended June 30, 2011

Exhibit VI

Operating revenues:	
Charges for services	\$ 24,019,140
Miscellaneous	1,330,786
	<u>\$ 25,349,926</u>
Operating expenses:	
Personal service	\$ 6,068,752
Fringe benefits	2,063,832
Depreciation	9,272,953
Other	10,110,810
	<u>\$ 27,516,347</u>
 Operating income (loss)	 <u>\$ (2,166,421)</u>
Non-operating revenues (expenses)	
Connection fees	\$ 2,186,696
Interest and fiscal charges	(6,053,471)
Interest income	917,622
Other	950,219
	<u>\$ (1,998,934)</u>
 Income (loss) before contributions and transfers	 <u>\$ (4,165,355)</u>
Capital contributions	\$ 200,779
Transfers to other funds	(69,294)
	<u>\$ 131,485</u>
 Change in net assets	 <u>\$ (4,033,870)</u>
Net assets, beginning	243,438,477
Net assets, ending	<u><u>\$ 239,404,607</u></u>

See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

Year Ended June 30, 2011

*Exhibit VII
Page 1*

Cash flows from operating activities:	
Cash received from customers and users	\$ 24,003,329
Cash received from other operating revenues	2,458,476
Cash payments to suppliers for goods and services	(5,761,923)
Cash payments to employees for services	(8,132,584)
Net cash provided by operating activities	<u>\$ 12,567,298</u>
 Cash flows from noncapital financing activities	
Transfers out	(69,294)
Net cash (used in) noncapital financing activities	<u>\$ (69,294)</u>
 Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (7,319,487)
Principal paid on revenue bonds	(3,730,000)
Interest paid on revenue bonds	(5,965,885)
Proceeds from revenue bonds issuance	57,662,845
Principal refunding on revenue bonds	(25,335,000)
Federal capital grant reimbursement	409,376
Proceeds from sale of capital assets	145,029
Availability fees	3,849,090
Net cash provided by capital and related financing activities	<u>\$ 19,715,968</u>
 Cash flows from investing activities:	
Purchase of investment securities	\$ (62,218,342)
Sale of investment securities	57,222,430
Interest on investments	946,335
Net cash (used in) investing activities	<u>\$ (4,049,577)</u>
 Net increase in cash and cash equivalents	 \$ 28,164,395
 Cash and cash equivalents:	
Beginning	12,627,140
Ending	<u><u>\$ 40,791,535</u></u>
 Shown on the combined balance sheet as:	
Equity in pooled cash and investments	\$ 64,387,707
Restricted cash and investments	34,054,626
	<u>\$ 98,442,333</u>
Less investments	57,650,798
Cash and cash equivalents, unrestricted and restricted	<u><u>\$ 40,791,535</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

Year Ended June 30, 2011

Exhibit VII
Page 2

Reconciliation of operating income(loss) to net cash used by operating activities:

Operating income (loss)	\$ (284,041)
Depreciation	9,272,953
Changes in assets and liabilities:	
(Increase) decrease receivables	698,603
(Increase) decrease in inventory	309,260
Increase (decrease) in accounts payable	<u>2,570,523</u>
Net cash provided by operating activities	<u><u>\$ 12,567,298</u></u>

Noncash investing, capital and financing activities:

Contribution of capital assets	200,779
Decrease in fair value of investments	229,143

See accompanying notes.

COUNTY OF SPOTSYLVANIA, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011

Exhibit VIII

	Agency Funds
ASSETS	
Cash	\$ 246,416
Total assets	<u>\$ 246,416</u>
LIABILITIES	
Amounts held for others	\$ 246,416
Total liabilities	<u>\$ 246,416</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

The County is organized under a traditional form of government composed of a Board of Supervisors (Board) and a County administrator. The Board is comprised of seven members elected for a four-year term by the voters of the district in which the member resides. The Board appoints a County Administrator charged with the execution of the Board's policies and programs.

The County offers a full range of services for its citizens. These services include law enforcement and fire protection, refuse disposal, recycling, water and sewer, parks and recreation, libraries, and museums. In addition, the County provides public education, health and welfare services, and judicial activities.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. The County has no component units that meet the requirements for blending. The discretely presented component unit is reported in a separate column in the government-wide statements to emphasize it is legally separate from the primary government.

The Spotsylvania County School Board (the School Board) has been included as a discretely presented component unit of the County. The School Board is a corporate body vested with all the duties, obligations, and responsibilities imposed upon a School Board by law. This includes the ability to sue, be sued, contract, be contracted with, and purchase, take, hold, lease, and convey school property, both real and personal. School Board members are elected to four-year terms by the voters of the district in which the member resides.

NOTES TO FINANCIAL STATEMENTS

The School Board provides public primary and secondary education services to County residents funded primarily through state and federal grants and appropriations from the County. The County Board of Supervisors administers the School Board's appropriation of funds and authorizes school debt issuances. The School Board does not issue separate financial statements.

B. Government-Wide and Fund Financial Statements

The County presents its financial information in conformance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

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.

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).

NOTES TO FINANCIAL STATEMENTS

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.

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 County 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. Revenue is derived primarily from property taxes, utility taxes, state and federal distributions and other intergovernmental revenue. The general operating expenditures, fixed charges and capital outlay costs that are not paid through other funds are paid from the general fund.

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

The **other governmental funds** include non-major special revenue funds which are used to account for restricted and committed revenues to be expended in accordance with specified purposes as follows:

Fire and EMS Service Fee Fund - County code Ch. 9, Article 1A, Division 5 establishes the Revenue Recovery Program. This program authorizes charges for services to cover emergency medical transport provided by the County. These fees are used to help defer the cost of Fire and EMS services in the County.

NOTES TO FINANCIAL STATEMENTS

Code Compliance Fund - Code Compliance ensures that development and construction occurring in the County meets all federal, state and local building, zoning and environmental engineering laws. Fees are established by County ordinance and committed to code enforcement functions.

Transportation Fund - The transportation fund is used to cover costs associated with planning and oversight of transportation projects, funding for the Fredericksburg Regional Transit (FRED) local bus system, litter control and debt service. Committed funding is provided through a 2.1% tax on fuel distribution costs and real estate taxes generated from Special Service Districts.

The County 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 County reports the following fiduciary fund type:

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 issued 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.

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.

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.

NOTES TO FINANCIAL STATEMENTS

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, 2011, 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.

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).

NOTES TO FINANCIAL STATEMENTS

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	\$ 2,696	\$ -	\$ -	\$ 184	\$ 2,436
Revenue (reductions) additions	1,242	519	(191)	5,340	101
Adjustments to projects	(3,000)	85,164	-	51,364	6,889

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. 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.

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, water and sewer 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.

NOTES TO FINANCIAL STATEMENTS

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, 2010 levy, and the first installment (June 5) of the assessed value at January 1, 2011. The installment due on December 5, 2011 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, 2010 levy, and the first installment (June 5) of the assessed value at January 1, 2011. The installment due on December 5, 2011 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.

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.

NOTES TO FINANCIAL 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, software, purchased capacity 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. The County does not capitalize roads and bridges as these belong to the Commonwealth of Virginia. 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.

Purchased capacity consists of payments made by the County under intergovernmental agreements for the County's allocated share of improvements to sewage treatment systems owned and operated by other jurisdictions.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated/amortized 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
Purchased capacity	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.

NOTES TO FINANCIAL STATEMENTS

L. Intergovernmental Agreements

The County shares an agreement with the City of Fredericksburg (City) for joint provisions of water and sewer services. The County has contracted with the City for the purpose of sharing sewage flow and costs relating to City owned treatment facilities. The payments made to the City for reimbursement of operating costs are reported as expenses in the year incurred. Any payments made for construction costs related to facility capacity expansions are reported as purchased capacity. Through these capital payments, the County has exclusive entitlements to treatment capacities at the City's sewage treatment facilities. In addition, the City is obligated under the agreement to cover their share in the daily operational and maintenance costs associated with the production of potable water and the disposal of wastewater by the County. Currently the City has a capacity entitlement of five million gallons per day (MGD) in the Motts Water Treatment Facility for potable water and 1.5 MGD capacity in the FMC Wastewater Facility. Neither party to the agreement holds any influence to the counterpart's treatment systems.

M. 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.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of resources in the governmental funds. See Note. 15 for detailed presentation by classification as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

NOTES TO FINANCIAL STATEMENTS

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the County to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means the County can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by resolution of the Board of Supervisors. Those committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use through the same formal action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Supervisors.

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

O. 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.

NOTES TO FINANCIAL STATEMENTS

The details of this difference are as follows:

	\$ in Thousands	
Bonds and notes payable, net of related costs		\$ (306,604)
Accrued interest		(6,236)
Capital lease obligation		(7,253)
Compensated absences		(3,639)
Landfill liability		(5,450)
OPEB liability		(10,595)
Claims and adjustments		(717)
		<u>\$ (340,494)</u>

P. 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		\$ 34,241
Depreciation		(5,827)
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.		(77)
		<u>\$ 28,337</u>

Another element of that reconciliation states that "the issuance of long-term debt provides current resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds." Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

The details of this difference are as follows:

	\$ in Thousands
Debt issued or incurred:	
Capital lease financing	\$ 7,253
Issuance of general obligation bonds	19,745
Increase for bond premium costs	373
Less bond discount and issuance costs	(238)
Principal repayments:	
General obligation debt	(25,036)
State literary loan fund	(922)
	<u>\$ 1,175</u>

Another element of that reconciliation states that "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."

The details of this difference are as follows:

	\$ in Thousands
OPEB expense	\$ 3,554
Accrued interest	(111)
Amortization of bond premiums/discounts	(226)
Deferred subsidy	1,259
Other expenses	(8)
	<u>\$ 4,468</u>

Q. 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.

NOTES TO FINANCIAL STATEMENTS

R. 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 \$208 million is reclassified as shown below to present the total reporting entity column of Exhibit I.

	\$ in Thousands			
	Primary Government	Component Units	Reclassification of Debt Issued for School Facilities	Total Reporting Entity
Invested in capital assets, net of related debt	\$ 182,233	\$ 328,251	\$ (208,018)	\$ 302,466
Restricted	53,361	4,822	-	58,183
Unrestricted	(132,412)	(44,008)	208,018	31,598
Total net assets	<u>\$ 103,182</u>	<u>\$ 289,065</u>	<u>\$ -</u>	<u>\$ 392,247</u>

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. Under amendments to the Act which became effective July 1, 2010, Qualified Public Depositories are allowed to withdraw from the collateral pool and instead participate in the Act under the Dedicated Method, established by Section 2.2-4404 of the Act. Under the Dedicated Method, each financial institution is responsible for covering only its public deposits through the pledge of increased collateral of 105% or higher. (Effective for fiscal year 2011, the County's primary banking institution elected to follow the Dedicated Method of the Act.)

The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act. Funds deposited in accordance with the requirements of the Act are considered fully secured and are not subject to credit risk.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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, 2011, the County and its discretely presented component unit's pooled cash and investments, including \$246,416 in agency funds, are subject to various interest rates, 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 by limiting the maturities of investments. To meet the investment objectives of liquidity and preservation of principal, portfolio pools of differing maturities have been created: 1) a minimum of 10% of the portfolio must be invested in securities maturing within 30 days; 2) 50% within one year or less; 3) 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.

As of June 30, 2011, pooled cash and investments summarized at fair value and 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
Money market and money market mutual funds:			
Local Government Investment Pool (LGIP)	\$ 9,191	\$ 9,191	\$ -
State Non-Arbitrage Program (SNAP)	56,399	56,399	-
Other money market mutual funds	5,863	5,863	-
Repurchase agreements	1,242	1,242	-
Commercial paper	3,849	3,849	-
U.S. government and agency bonds	109,008	22,779	86,229
Corporate notes and bonds	12,214	6,508	5,706
Federal agency discount notes	4,759	3,364	1,395
Municipal bonds	560	-	560
	<u>\$ 203,085</u>	<u>\$ 109,195</u>	<u>\$ 93,890</u>
		53.77%	46.23%
Total deposits	184		
Total deposits and investments	<u>\$ 203,269</u>		

As of June 30, 2011 the portfolio held 36.7% of securities maturing within 30 days.

NOTES TO FINANCIAL STATEMENTS

Credit risk: The County's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. All investments and investment practices must meet or exceed statutes and guidelines governing the investment of public funds in Virginia, including the Investment Code of Virginia and the guidelines established by the State Treasury Board.

The following table defines the level of quality acceptable by investment type:

Investment Type	Credit Quality Rating	Maximum Exposure
Obligations of the Commonwealth and its political subdivisions	"AA" or equivalent by Moody's and/or Standard & Poor's	N/A
Bankers's acceptances	N/A	40% of funds available for investment
Commercial paper	"A-1" by Standard & Poor's and "P-1" by Moody's	35% of funds available for investment and not more than 5% with any one issuer
Corporate Notes & Bonds	"AA" by Standard & Poor's and Moody's Investors Service	N/A

County policy expressly prohibits investments in CMO's, inverse floating rate securities, floating rate securities tied to a money market instrument, IO's, PO's, Z-tranche securities, residuals, and other securities having unusual features. In addition, transactions in options, futures, options on futures, margin buying and commodities or any other security not specifically authorized per County's investment policy is disallowed.

Pooled investments reported by credit quality and exposure consist of the following at June 30, 2011:

\$ in Thousands

Type	Fair Value	Credit Quality Rating	Credit Exposure as a % of Total Investments
Money market and money market mutual funds:			
Local Government Investment Pool (LGIP)	\$ 9,191	NR	4.53%
State Non-Arbitrage Program (SNAP)	56,399	NR	27.77%
Other money market mutual funds	5,863	AAA	2.89%
Repurchase agreements	1,242	AAA	0.61%
Commercial paper	3,849	A-1	1.90%
U.S. government and agency bonds	109,008	AAA	53.68%
Corporate notes and bonds	12,214	AA or Higher	6.01%
Federal agency discount notes	4,759	A-1+	2.34%
Municipal bonds	560	AA	0.27%
	<u>\$ 203,085</u>		<u>100.00%</u>

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, 2011, investments in the following issuers exceeded five percent of the pooled investments: Federal Home Loan Bank (FHLB) 7.2%, Federal Home Loan Mortgage Corporation (FHLMC) 18.6%, and Federal National Mortgage Association (FNMA) 14.9%.

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

Note 3. Receivables

Receivables at June 30, 2011 consist of the following:

	\$ in Thousands			Component
	Primary Government		Total	Unit
	Governmental Funds	Proprietary Fund		
Special assessments	\$ 318	\$ -	\$ 318	\$ -
Property taxes				
Delinquent	12,169	-	12,169	-
Not yet due	70,437	-	70,437	-
Motor fuel tax	3,550	-	3,550	-
EMS transport fees	2,708	-	2,708	-
Utility operations	-	6,000	6,000	-
Accounts - other	5,790	-	5,790	390
Intergovernmental - Federal	2,359	22	2,381	8,221
Intergovernmental - State	7,496	-	7,496	3,738
Gross receivables	\$ 104,827	\$ 6,022	\$ 110,849	\$ 12,349
Allowance for uncollectibles	(3,595)	(428)	(4,023)	-
Net total receivables	<u>\$ 101,232</u>	<u>\$ 5,594</u>	<u>\$ 106,826</u>	<u>\$ 12,349</u>

Receivables not expected to be collected within one year are 92% of special assessments and 34% of motor fuel taxes.

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

	Governmental Funds	Government- wide
	Deferred Revenue	Unearned Revenue
Delinquent property taxes	\$ 7,388	\$ -
Property taxes not yet due	70,437	70,437
Special assessments	318	318
Motor fuel tax	2,025	-
EMS transport fees	1,477	-
Other	1,833	-
	<u>\$ 83,478</u>	<u>\$ 70,755</u>

Note 4. Capital Assets

A summary of changes in capital assets follows:

\$ in Thousands

	Balance July 1, 2010	Additions/ Transfers in	Deletions/ Transfers out	Balance June 30, 2011
<u>Primary Government:</u>				
Capital assets, not being depreciated/amortized:				
Land	\$ 25,979	\$ 372	\$ 42	\$ 26,309
Construction in progress	8,276	22,603	-	30,879
Total capital assets, not being depreciated/amortized	<u>\$ 34,255</u>	<u>\$ 22,975</u>	<u>\$ 42</u>	<u>\$ 57,188</u>
Capital assets, being depreciated/amortized:				
Buildings	\$ 52,329	\$ 7,331	\$ -	\$ 59,660
Furniture and other equipment	40,631	3,935	2,168	42,398
Total capital assets, being depreciated/amortized	<u>\$ 92,960</u>	<u>\$ 11,266</u>	<u>\$ 2,168</u>	<u>\$ 102,058</u>
Less accumulated depreciation/amortization for:				
Buildings	\$ 18,627	\$ 2,619	\$ -	\$ 21,246
Furniture and other equipment	27,625	3,207	2,134	28,698
Total accumulated depreciation/amortization	<u>\$ 46,252</u>	<u>\$ 5,826</u>	<u>\$ 2,134</u>	<u>\$ 49,944</u>
Total capital assets, net governmental activities	<u>\$ 80,963</u>	<u>\$ 28,415</u>	<u>\$ 76</u>	<u>\$ 109,302</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated/amortized:				
Land	\$ 9,234	\$ 176	\$ -	\$ 9,410
Construction in progress	7,656	4,821	3,063	9,414
Total capital assets, not being depreciated/amortized	<u>\$ 16,890</u>	<u>\$ 4,997</u>	<u>\$ 3,063</u>	<u>\$ 18,824</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

	Balance July 1, 2010	Additions/ Transfers in	Deletions/ Transfers out	Balance June 30, 2011
Capital assets, being depreciated/amortized:				
Buildings	\$ 150,617	\$ 17	\$ 111	\$ 150,523
Equipment	\$ 4,063	\$ 596	\$ 24	\$ 4,635
Mains	207,704	1,523	-	209,227
Meters and connections	2,893	185	-	3,078
Vehicles	1,854	50	76	1,828
Purchased capacity	-	2,074	-	2,074
Total capital assets, being depreciated/amortized	\$ 367,131	\$ 4,445	\$ 211	\$ 371,365
Less accumulated depreciation/amortization for:				
Buildings	\$ 36,077	\$ 4,482	\$ 109	\$ 40,450
Equipment	2,595	323	24	2,894
Mains	48,442	4,244	-	52,686
Meters and connections	546	104	-	650
Vehicles	1,570	99	76	1,593
Purchased capacity	-	21	-	21
Total accumulated depreciation/amortization	\$ 89,230	\$ 9,273	\$ 209	\$ 98,294
Total capital assets, net - business-type activities	\$ 294,791	\$ 169	\$ 3,065	\$ 291,895
Total capital assets, net - primary government	\$ 375,754	\$ 28,584	\$ 3,141	\$ 401,197

Depreciation/amortization was charged to governmental functions as follows:

\$ in Thousands

General government administration	\$ 1,043
Judicial administration	348
Public safety	2,492
Public works	804
Health and welfare	12
Parks and recreation	1,090
Community development	37
Total	\$ 5,826

\$ in Thousands

	Balance July 1, 2010	Additions/ Transfers in	Deletions/ Transfers out	Balance June 30, 2011
<u>Component unit - School Board</u>				
Capital assets not being depreciated/amortized:				
Land and land improvements	\$ 11,620	\$ -	\$ -	\$ 11,620
Construction in progress	227	2,350	-	2,577
Total capital assets, not being depreciated/amortized	\$ 11,847	\$ 2,350	\$ -	\$ 14,197
Other capital assets:				
Buildings	\$ 415,649	\$ 760	\$ 553	\$ 415,856
Furniture and other equipment	71,957	1,030	73	72,914
Total other capital assets	\$ 487,606	\$ 1,790	\$ 626	\$ 488,770

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

	Balance July 1, 2010	Additions/ Transfers in	Deletions/ Transfers out	Balance June 30, 2011
Less accumulated depreciation/amortization for:				
Buildings	\$ 110,435	\$ 9,825	\$ 495	\$ 119,765
Furniture and other equipment	39,698	4,032	67	43,663
Total accumulated depreciation/amortization	\$ 150,133	\$ 13,857	\$ 562	\$ 163,428
Total capital assets, net - component unit - school board	\$ 349,320	\$ (9,717)	\$ 64	\$ 339,539

All depreciation/amortization was charged to education.

Primary Government

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

\$ in Thousands

Project	Project Authorization	Expended to June 30, 2011	Committed	Required Future Financing
Replace fire station #5	\$ 923	\$ 156	\$ 767	\$ -
New circuit court building	22,635	19,166	3,469	-
Judicial center project	445	445	-	-
Public safety building	17,275	10,858	6,417	-
Various minor projects	1,220	254	966	-
	<u>\$ 42,498</u>	<u>\$ 30,879</u>	<u>\$ 11,619</u>	<u>\$ -</u>

Component Unit - School Board

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

\$ in Thousands

Project	Project Authorization	Expended to June 30, 2011	Committed	Required Future Financing
Chancellor ES window replacement, phase II	\$ 193	\$ 162	\$ 31	\$ -
CTC - paving	30	10	20	-
Battlefield MS ASD controllers	28	17	11	-
Battlefield MS replace water source heat pump	557	310	247	-
Courtland ES HVAC	438	364	74	-
Courtland ES 7 PEMS	23	16	7	-
Interior lighting replacement	1,263	1,050	213	-
Courthouse Road ES parking lot expansion	160	128	32	-
John J. Wright building improvement	75	66	9	-
Elementary 18	29,831	227	29,604	-
Total	<u>\$ 32,598</u>	<u>\$ 2,350</u>	<u>\$ 30,248</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2011, consisted of the following amounts:

\$ in Thousands

Transfer To	Transfer From				Total
	General Fund	Capital Projects	Water and Sewer Fund	All Others	
General fund	\$ -	\$ 453	\$ -	\$ 2,759	\$ 3,212
Capital projects	7,859	-	69	170	8,098
Transportation	878	420	-	-	1,298
All others	1,112	-	-	-	1,112
Total	<u>\$ 9,849</u>	<u>\$ 873</u>	<u>\$ 69</u>	<u>\$ 2,929</u>	<u>\$13,720</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 6. Receivables/Payables with Component Units

Transactions between the primary government and its component units are generally made for the purpose of providing operational support. The remaining balance of \$10,754,362 as of June 30, 2011 resulted from the time lag between the dates that (1) goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note 7. Leases*Operating leases*

The County leases office space and other office equipment under various non-cancelable operating leases, subject to annual appropriation of funds. Total costs for such leases were \$196,406, and are expected to remain at similar levels in future fiscal years, as expiring leases are generally renewed. All current leases are due to expire within the next five years.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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. Rental income was \$58,161 for the fiscal year ended June 30, 2011. Future minimum rentals are as follows:

\$ in Thousands	
2012	\$ 48
2013	50
2014	53
2015	55
2016	58
	<u>\$ 264</u>

Capital leases

During the year the County entered into a lease agreement as lessee to provide new office facilities in the Courthouse area. Payments are made monthly, ranging from \$24,243 to \$75,620, including interest at 6.76% through August 2030.

The assets acquired through capital leases are as follows:

\$ in Thousands	
Building and improvements	\$ 7,253
Less: accumulated depreciation	(181)
Total	<u>\$ 7,072</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

\$ in Thousands	
2012	\$ 533
2013	594
2014	609
2015	624
2016	640
2017 - 2021	3,446
2022 - 2026	3,899
2027 - 2031	3,636
Total minimum payments	\$ 13,981
Less: interest	(6,970)
Present value of future minimum payments	<u>\$ 7,011</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. 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 (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

NOTES TO FINANCIAL STATEMENTS

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

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2010-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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 compensation toward their retirement. 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 contribution rates for the County and for the School Board's non-professional employee group for the fiscal year ended June 30, 2011, were 9.29% and 8.33%, respectively, of their annual covered payrolls. The contribution rate for the School Board's professional employee group was 3.93% of annual covered payroll. For its professional employee group, the School Board's contributions to the teacher cost sharing pool for the fiscal years ending 2011, 2010, and 2009 were \$11,219,046, \$13,957,271, and \$17,901,021, respectively, and were equal to the actuarially determined required contributions for each year.

C. Annual Pension Cost

For fiscal year 2011, the County and School Board's annual pension cost of \$5,263,522 and \$1,148,404 respectively, was equal to the County and School Board's required and actual contributions.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Three-Year Trend Information for Spotsylvania County

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 5,263,522	100%	\$ 0
June 30, 2010	\$ 5,190,127	100%	\$ 0
June 30, 2009	\$ 5,688,625	100%	\$ 0

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 1,148,404	100%	\$ 0
June 30, 2010	\$ 1,216,021	100%	\$ 0
June 30, 2009	\$ 1,248,530	100%	\$ 0

The FY2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 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. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

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, 2010	\$84,709,739	\$110,763,178	\$ 26,053,439	76%	\$36,894,196	71%
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%

NOTES TO FINANCIAL STATEMENTS

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, 2010	\$18,769,213	\$ 21,845,980	\$ 3,076,767	86%	\$ 8,531,045	36%
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%

Note 9. Tax Anticipation Notes

As of June 30, 2011, short-term debt consisted of Tax Anticipation Notes (TANS), Series 2007 of \$8,500,000 with a stated interest rate of 4.36% maturing September 5, 2012. These notes were used to pay necessary expenditures of the County, related to road improvements, in anticipation of future special assessment tax receipts. The notes are payable from and secured by the pledge of revenue accruing to the Transportation Fund. There were no changes in short-term debt for the year ended June 30, 2011.

Amortization of the tax anticipation notes is as follows:

	<u>Principal</u>	<u>Interest</u>
2012	\$ -	\$ 371
2013	8,500	185
	<u>\$ 8,500</u>	<u>\$ 556</u>

Note 10. Long-Term Debt

The following is a summary of changes in long-term obligations of the reporting entity for the year ended June 30, 2011:

\$ in Thousands

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
PRIMARY GOVERNMENT					
Governmental activities:					
General obligation bonds payable:					
Principal of bonds payable	\$ 309,454	\$ 19,745	\$ 25,958	\$ 303,241	\$ 25,457
Premium	6,064	373	439	5,998	153
Issuance Costs	(2,609)	(238)	(213)	(2,634)	(101)
Total bonds payable	\$ 312,909	\$ 19,880	\$ 26,184	\$ 306,605	\$ 25,509
Compensated absences	3,645	4,176	4,183	3,638	3,238
Landfill closure obligation	5,421	473	444	5,450	1,447
Capital lease obligation	-	7,253	-	7,253	7,253
Claims and judgments	720	716	720	716	716
Arbitrage liability	349	-	321	28	28
Total governmental activities	<u>\$ 323,044</u>	<u>\$ 32,498</u>	<u>\$ 31,852</u>	<u>\$ 323,690</u>	<u>\$ 38,191</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Business-type activities:					
Revenue bonds payable:					
Principal of bonds payable	\$ 119,060	\$ 57,855	\$ 29,055	\$ 147,860	\$ 3,600
Premium	3,582	2,076	240	5,418	240
Issuance costs	(2,016)	(537)	(619)	(1,934)	(80)
Deferred amount on refunding	-	(1,732)	-	(1,732)	(79)
Total bonds payable	\$ 120,626	\$ 57,662	\$ 28,676	\$ 149,612	\$ 3,681
Compensated absences	578	862	891	549	489
Claims and judgments	123	41	123	41	41
Total business-type activities	\$ 121,327	\$ 58,565	\$ 29,690	\$ 150,202	\$ 4,211
Total noncurrent liabilities - primary government	\$ 444,371	\$ 91,063	\$ 61,542	\$ 473,892	\$ 42,401
SCHOOL COMPONENT UNIT					
Compensated absences	\$ 5,715	\$ 2,265	\$ 2,167	\$ 5,813	\$ 2,167
Termination benefits	6,217	38	3,030	3,225	2,065
Total noncurrent liabilities - school component unit	\$ 11,932	\$ 2,303	\$ 5,197	\$ 9,038	\$ 4,232

The utility fund makes payment on the utility revenue bonds. The School Board makes payment on the school general obligation debt. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by 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.

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.

NOTES TO FINANCIAL STATEMENTS

During the year the County issued the following debt obligations:

Amount	Issue	Purpose
\$17.1 million	Public Improvement Bonds	To fund remaining costs associated with the new Circuit Court and Public Safety buildings.
\$57.9 million	Water and Sewer Revenue Bonds	To refund 2001 revenue bonds and fund various water and sewer infrastructure projects.
\$2.6 million	Qualified School Construction Bonds	To fund various school capital projects that focus on energy efficiency improvements and retrofits.

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, 2011, are as follows:

	Governmental Activities General Obligation		Business-Type Activity Utility Fund Revenue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 25,457	\$ 13,740	\$ 3,600	\$ 6,940	\$ 29,057	\$ 20,680
2013	24,738	12,608	3,870	6,819	28,608	19,427
2014	21,673	11,589	4,095	6,693	25,768	18,282
2015	18,828	10,668	4,395	6,536	23,223	17,204
2016	18,565	9,851	5,045	6,329	23,610	16,180
2017-2021	83,698	37,377	28,605	28,260	112,303	65,637
2022-2026	71,441	19,824	35,415	21,059	106,856	40,883
2027-2031	37,035	4,685	27,960	13,108	64,995	17,793
2032-2036	1,806	222	25,325	6,261	27,131	6,483
2037-2041	-	-	9,550	1,139	9,550	1,139
Totals	<u>\$ 303,241</u>	<u>\$ 120,564</u>	<u>\$ 147,860</u>	<u>\$ 103,144</u>	<u>\$ 451,101</u>	<u>\$ 223,708</u>

Advance refunding

The County sold \$26.5 million in water and sewer revenue bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt services payments for the 2001 Utilities water and sewer revenue bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1.7 million. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which is shorter than the life of the defeased debt. This advance refunding was undertaken to reduce total debt service payments over the next 21 years by \$3.2 million and resulted in an economic gain of \$2.3 million.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

General obligation bonds payable at June 30, 2011, 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		\$ 3,041	\$ 923
Series 2003 public improvement bonds	4.39	12/23/2003	01/15/2024	373 - 591	10,000	6,793
Series 2006 public improvement bonds	3.73 - 5.00	06/20/2006	07/15/2027	3,185 - 5,135	53,000	45,985
Series 2009A public improvement bonds	1.40 - 3.00	7/9/2009	7/15/2019	260 - 1,315	11,665	11,405
Series 2009B public improvement bonds	5.20 - 5.90	7/9/2009	7/15/2034	1,320 - 1,415	15,905	15,905
Series 2010A public improvement bonds	2.07	7/27/2010	7/15/2020	845 - 1075	8,680	7,605
Series 2010B public improvement bonds	3.38	7/27/2010	7/15/2030	840 - 845	8,435	8,435
EDO Lease Revenue	6.16	05/01/2001	05/01/2021	8 - 59	700	455
Total general obligation bonds - general county					<u>\$ 111,426</u>	<u>\$ 97,506</u>
Schools:						
1991B VPSA	4.85 - 6.60	07/31/1991	07/15/2012	84 - 123	2,069	123
1992 VPSA IRSP	4.90 - 6.35	11/12/1992	07/15/2013	68 - 98	1,593	193
1994A VPSA refunding	6.38 - 6.94	12/15/1993	12/15/2011	510 - 3,280	40,725	510
1994A VPSA	6.10 - 6.60	11/22/1994	07/15/2014	79 - 123	1,926	467
1995C VPSA	5.10 - 6.10	12/21/1995	07/15/2015	37 - 49	838	238
1996A VPSA	4.60 - 5.80	05/02/1996	07/15/2016	110	2,200	660
1996B VPSA	5.10 - 6.10	07/01/1997	07/01/2016	235	4,620	1,380
1997A VPSA	4.35 - 5.23	11/01/1997	07/01/2017	372 - 495	8,940	2,870
1997B VPSA	4.35 - 5.23	11/01/1997	07/01/2017	410 - 490	8,422	3,260
1998A VPSA	4.10 - 5.35	04/01/1998	07/01/2018	665 - 975	14,975	5,360
1998 GO refunding	3.80 - 5.50	05/01/1998	07/01/2014	39 - 2,925	21,684	6,582
1998B VPSA	4.35 - 5.10	11/01/1998	07/01/2018	435 - 650	10,795	3,480

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Series	Interest Rate (%)	Issue Date	Final Maturity Date	Annual Principal Payments	Original Issue	Principal Outstanding
1998C VPSA IRS	3.60 - 5.10	11/01/1998	07/01/2018	197 - 247	4,346	1,858
1999A VPSA	4.35 - 5.23	04/01/1999	07/01/2019	90 - 265	3,570	825
2000A VPSA - 20	4.35 - 5.23	05/01/2000	07/01/2020	370 - 405	7,740	3,725
2001A VPSA - 20	4.10 - 5.60	05/01/2001	07/01/2021	470 - 545	10,170	5,210
2001A VPSA - 10	4.10 - 5.60	05/01/2001	07/01/2021	470 - 545	incl in above	65
2001B VPSA - 20	3.10 - 5.35	11/01/2001	07/01/2021	400 - 555	9,500	4,545
2002A VPSA - 20	3.60 - 5.60	05/01/2002	07/01/2022	820 - 915	17,315	9,840
2002A VPSA - 10	3.60 - 5.60	05/01/2002	07/01/2022	820 - 815	incl in above	180
2002B VPSA combine	2.35 - 5.10	11/01/2002	07/01/2023	550 - 645	11,885	6,770
2003 IDA lease revenue bonds	2.00 - 5.00	06/01/2003	07/01/2028	530 - 1,280	19,480	15,505
2003B IDA Lease	2.00 - 5.00	10/01/2003	07/01/2029	805 - 1,630	26,300	20,585
2004A GO refunding	2.00 - 5.00	09/01/2004	07/01/2017	130 - 1,730	14,915	9,280
2004 IDA Lease R	3.00 - 4.38	10/01/2004	07/01/2030	550 - 960	17,505	13,160
2005 IDA Lease R	3.25 - 5.00	06/30/2005	07/01/2031	1,045 - 2,220	37,855	30,770
2006 GO	3.73 - 5.00	07/15/2007	07/15/2027	3,185 - 5,135	23,665	17,020
2007 GO	4.25 - 5.00	06/21/2007	01/15/2027	1,490 - 3,415	41,110	30,870
Qualified School Construction Bonds	5.31	06/23/2010	06/01/2027	150 - 155	2,630	2,480
Total general obligation bonds - schools					<u>\$ 366,773</u>	<u>\$ 197,811</u>
Harrison Road Elementary	3.00	08/01/2002	08/01/2022	301	6,020	3,612
Parkside Elementary	3.00	08/01/2002	08/01/2022	359	7,187	4,312
Total State Literary Fund Loans - schools					<u>\$ 13,207</u>	<u>\$ 7,924</u>
Total governmental activities - general obligation bonds					<u>\$ 491,406</u>	<u>\$ 303,241</u>
Business-type activities						
2004	3.00	11/17/2004	06/01/2035	460 - 1,480	25,120	22,130
2005 refunding	3.00	02/01/2005	06/01/2026	80 - 2,035	37,875	31,075
2007	4.25 - 5.00	08/22/2007	06/01/2037	495 - 2,410	39,700	37,135
2010A refunding	3.15	08/25/2010	06/01/2032	335 - 1740	28,405	28,070
2010B	3.15	08/25/2010	06/01/2040	950 - 1880	29,450	29,450
Total business-type activity					<u>\$ 160,550</u>	<u>\$ 147,860</u>
Total bond indebtedness - primary government					<u>\$ 651,956</u>	<u>\$ 451,101</u>

NOTES TO FINANCIAL STATEMENTS

Note 11. 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, 2011, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$5.2 million.

Note 12. 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.

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, 2011. 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.

NOTES TO FINANCIAL STATEMENTS

Note 13. 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, 2011 are as follows:

\$ in Thousands

2007	\$ 2,362
2008	3,270
2009	3,222
2010	3,245
2011	3,435
	<u>\$ 15,534</u>

Note 14. Post-Employment Health Care Benefits

Primary Government:

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

To qualify, employees hired prior to November 1, 2007 must complete ten consecutive years of regular full-time employment with the County immediately prior to full retirement under VRS or social security retirement to be fully subsidized by the County. Employees hired on or after November 1, 2007 must complete at least twenty consecutive years of regular full-time employment with the County immediately prior to full retirement under VRS or social security retirement to be eligible for 50% subsidy towards their coverage. For every additional consecutive year of service worked over twenty the employee receives a 5% subsidy towards their coverage. Once the retiree reaches the age of 65, the retiree must apply for and receive Medicare coverage and convert to a Medicare carve-out policy. In addition, line of duty disabilities will receive full subsidization of their coverage regardless of years of service or hire date with the County.

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

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Funding Policy. Funding for these liabilities will be budgeted and reserved as funds are available. As soon as local economic conditions allow, smaller fund liabilities will be funded first, followed by a phased-in funding approach for the General Fund. Contributions for the General Fund will increase incrementally each year until the annual contribution equals 100% of the ARC. The County plans to reach 100% of the ARC no more than eight years from the beginning of the phased-in period. Until economic conditions allow, the County will continue to finance these benefits on a pay-as-you-go basis.

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)	\$	4,520
Interest on net OPEB obligation		322
Adjustment to ARC		(299)
Annual OPEB cost	\$	4,543
Contributions made		(507)
Increase in net OPEB obligation	\$	4,036
Net OPEB obligation - beginning of year		8,051
Net OPEB obligation - end of year	\$	12,087
Governmental activities	\$	10,596
Business-type activities		1,491
	\$	12,087

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 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, 2011	\$ 4,543	11.1%	\$ 12,087
June 30, 2010	\$ 3,262	19.3%	\$ 8,051
June 30, 2009	\$ 3,009	11.9%	\$ 5,419

NOTES TO FINANCIAL STATEMENTS

Funded Status and Funding Progress. As of June 30, 2010, the most recent actuarial valuation date, the plan was 0% funded. The unfunded actuarial accrued liability (UAAL) is \$45 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 122.9 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 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, 2010, 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 4.2% by 2080. 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 twenty-eight years.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the County

\$ in Thousands

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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, 2010	\$ -	\$ 45,383	\$ 45,383	0.0%	\$ 36,911	122.9%
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%

NOTES TO FINANCIAL STATEMENTS

Component Unit - School Board:

Pursuant to Code of Virginia Section 15.2-1544 the School Board has joined the Virginia Pooled OPEB Trust Fund. This Trust, operating as the "VACo-VML Pooled OPEB Trust", was established as an irrevocable trust to receive, invest, and disburse funds set aside by political subdivisions of the Commonwealth of Virginia to defray future expenses related to post employment benefits other than pensions (OPEB). The School Board has appointed a Local Finance Board to serve as trustee for the Pooled Trust. The Virginia Local Government Finance Corporation (VLGFC) provides the day-to-day administration of the Trust. An investment consultant has been hired by the Trust to provide investment advice to the trustees. A custodian bank has also been retained to assist with reporting of contributions, distributions and employer balances within the Trust. All assets of the Pooled Trust are commingled for investment purposes; however, contributions, investment gains and losses, and distributions for each participating Local Finance Board are accounted for separately. Audited financial statements of the Virginia Pooled OPEB Trust Fund are available through the VML/VACO Finance Program, attn: Comptroller, 1108 E. Main St., Suite 801, Richmond, VA 23219.

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

Summary of significant accounting policies

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

Investments - Plan investments are reported at fair value at the last reported sales price on June 30, 2011.

Plan description, contribution and funding information

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

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

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

In addition, the individual and their dependents must have been eligible to enroll in the School Board's health insurance program for a period of one year prior to seeking retiree medical benefits. Once a retiree reaches Medicare eligibility age, the retiree must apply for and receive Medicare coverage (parts A and B). The retiree must also convert to a Medicare Complimentary Plan.

NOTES TO FINANCIAL STATEMENTS

Individuals hired before July 1, 2009, pay the same premiums as active employees while they are pre-Medicare eligible. Surviving spouses of retired employees are able to continue medical coverage; however, the surviving spouse must pay the entire cost of the premium.

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

Membership - As of January 1, 2011, membership in the Plan consisted of the following:

Number of Participants	School Board
Active employees	2,327
Retirees (pre-Medicare)	331
Retirees (Medicare age)	395

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

Funding policy - The School Board has adopted a resolution authorizing the appointed Local Finance Board to make funding recommendations to the Board, as determined appropriate based on periodic actuarial analysis of the Plan's future obligations. At a minimum, benefits are financed on a pay-as-you-go basis.

Annual OPEB Cost - The School Board's annual other 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	\$ 15,499
Interest on net OPEB obligation	1,708
Adjustment to annual required contribution	(1,480)
Annual OPEB cost (expense)	\$ 15,727
Contributions made	(4,005)
Increase in net OPEB obligation	\$ 11,722
Net OPEB obligation - beginning of year	35,955
Net OPEB obligation - end of year	<u>\$ 47,677</u>

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, 2011	\$ 15,727	25.5%	\$ 47,677
June 30, 2010	\$ 13,679	17.1%	\$ 22,566
June 30, 2009	\$ 12,685	11.5%	\$ 11,230

Funded Status and Funding Progress - As of June 30, 2011, the most recent actuarial valuation date, the plan was 0.9% funded. The unfunded actuarial accrued liability (UAAL) was \$153 million. The covered payroll (annual payroll of active employees covered by the plan) was \$125.8 million, and the ratio of the UAAL to the covered payroll was 121.8 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, 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.75% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 4.2% by 2080. The UAAL is being amortized as a level percentage of projected payroll on an open basis over twenty-eight years.

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 Accrued 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, 2011	\$ 1,400	\$ 154,691	\$ 153,291	0.9%	\$ 125,846	121.8%
June 30, 2010	\$ -	\$ 133,739	\$ 133,739	0.0%	\$ 132,534	100.9%
June 30, 2009	\$ -	\$ 119,296	\$ 119,296	0.0%	\$ 138,645	86.0%

Note 15. Governmental Fund Balances

Effective for fiscal year 2011, the GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types.

Included with the implementation was a reclassification of the EDO fund from a special revenue fund to a component of the general fund. Due to this inclusion, the general fund's beginning fund balance was restated to reflect an additional \$676,000 in EDO fund balance.

Fiscal stabilization funds - A portion of the General Fund's unassigned fund balance, in the amount of \$35,103,946 as of June 30, 2011, represents the Fiscal Stability Reserve (Reserve). Established through resolution by the County's Board of Supervisors, no less than 10% of the governmental funds' net operating revenue in the subsequent fiscal year's budget shall be committed. The governmental funds' net operating revenue includes total general fund revenue plus total component unit school board general operating revenue.

In preparation of the annual budget, the County appropriates to fund balance the amount necessary to maintain the Reserve at 10% of adopted budgeted revenues. At the close of each fiscal year the County "true up" the Reserve by moving such amounts, as may be necessary, to bring the balance to at least 10% of the governmental fund net operating revenues for the upcoming fiscal year.

Use of the Reserve may be necessary from time to time due to State budget cuts or unfunded mandates, natural disasters, immediate capital needs, and other significant events, conditions or circumstances that signal a need for stabilization. By policy, no appropriation from the Reserve may occur without formal action by the Board of Supervisors through a majority vote. Resolution by the Board must include a plan and timeline for replenishing the Reserve to its minimum 10% level.

The fiscal stabilization funds are intended only for emergency purposes as specified above and are not intended for use in developing annual adopted budgets.

NOTES TO FINANCIAL STATEMENTS

The County's fund balances represent: **1) Restricted Purposes**, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grants, contributors, or laws or regulations of other governments; **2) Committed Purposes**, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Supervisors; **3) Assigned Purposes**, which includes balances that are constrained by the County's intent to be used for specific purposes, but are neither restricted or committed. A summary of the nature and purpose of these balances by fund type at June 30, 2011, follows:

Governmental Fund Balances

\$ in Thousands

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund balances:				
Restricted for:				
Special service district debt service	\$ -	\$ -	\$ 948	\$ 948
Unspent bond proceeds:				
Campus master plan	-	7,000	-	7,000
Transportation	-	9,864	-	9,864
Fire and rescue facilities	-	1,263	-	1,263
Other	-	86	-	86
Donations:				
Public safety operations	87	-	-	87
Social service programs	53	-	-	53
Parks and recreational activities	33	-	-	33
Community development needs	29	-	-	29
Committed for:				
Campus master plan	-	464	-	464
Transportation improvements	-	2,323	-	2,323
Information technology improvements	-	1,553	-	1,553
Fire and rescue facility improvements	-	594	-	594
General administration facility needs	-	4,954	-	4,954
Parks and recreation field improvements	-	400	-	400
Economic development business incentives	684	-	-	684
Public safety line of duty benefits	500	-	-	500
Assigned to:				
Employee benefits	2,677	-	-	2,677
Capital projects, OPEB and economic development	6,000	-	-	6,000
School system	1,710	-	-	1,710
Public safety radio system	-	405	-	405
Future budget:				
Governmental administration	1,486	-	-	1,486
Judicial administration	187	-	-	187
Public safety	1,371	-	2	1,373
Public works	202	-	-	202
Health and welfare	81	-	-	81
Parks and recreation	-	103	-	103

NOTES TO FINANCIAL STATEMENTS

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Community development	336	-	-	336
Other future budget needs	54	-	-	54
2012 Holdback:				
Governmental administration	270	-	-	270
Public safety	669	-	-	669
Public works	140	-	-	140
Health & welfare	331	-	-	331
Other	390	-	-	390
Fire and EMS services	-	-	201	201
Code compliance services	-	-	74	74
Economic development	132	-	-	132
Unassigned:				
Fiscal stabilization	35,104	-	-	35,104
Other	2,423	-	(1,545)	878
	<u>\$ 54,949</u>	<u>\$ 29,009</u>	<u>\$ (320)</u>	<u>\$ 83,638</u>

Excess expenditures/expenses over appropriations

The expenditures of the School Food Service Fund exceeded appropriations by \$80,760 as a result of insufficient estimation of increased product costs and associated costs for retired School Food Service employees. Subsequent to fiscal year end a resolution was approved increasing appropriations using available fund balance.

The expenses of the Joint Fleet Maintenance Fund exceeded appropriations by \$29,180, due to higher than anticipated repair costs in order to meet scheduled vehicle maintenance cycles. Subsequent to fiscal year end a resolution was approved increasing appropriations using available fund balance.

Note 16. Commitments and Contingencies**Commitments**

The County currently has construction contracts for capital projects and utility projects. The total commitment to complete these projects was approximately \$14 million and \$29 million, respectively, at June 30, 2011.

The School Board has commitments to complete school construction of \$30 million at June 30, 2011.

At June 30, 2011, outstanding, in substance defeased debt is as follows:

	\$ in Thousands
General fund	\$ 923
Schools	6,582
	<u>\$ 7,505</u>

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

NOTES TO FINANCIAL STATEMENTS

Bonds authorized at June 30, 2011 but not issued are as follows:

	\$ in Thousands
Public safety & general capital projects	\$ 33,598
Parks & library	898
Transportation	116,742
Fire and rescue	7,175
Schools	41,172
	<u>\$ 199,585</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, 2009 through 2012, subject to annual appropriation by the County.

Contingencies

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.

The County is a defendant in a number of suits, none of which are expected to have a material impact on the financial statements.

Note 17. Risk Management

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.

Property and casualty

The County participates in the Virginia Association of Counties Group Self-Insurance Risk Pool (VACoRP) and the School Board participates in the Virginia Municipal Liability Pool (VMLP). Both are public entity risk pools that provide property, commercial general liability, automobile and other types of insurance coverage to Virginia localities. The combination of primary and excess liability coverage limits results in \$8 million and \$1 million per occurrence, respectively, to pay for tort liability claims.

NOTES TO FINANCIAL STATEMENTS

Workers' compensation

The County and School Board participate 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.

Health insurance plan

The County and School Board have 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 \$150,000 for individual claims during the contract year. Premiums are paid for participating employees to a third party administrator to cover actual claims processed and other related charges incurred. Any surplus or deficit between premiums paid and costs incurred are recorded at fiscal year end. In addition, liabilities for claims that have been incurred but not reported (IBNR) are actuarially determined and reported in the associated primary and component unit funds.

Prior to October 1, 2010, the school system contracted with a commercial carrier to provide health insurance for employees. Premium payments were based on the number of participants and the benefits provided with risk of loss transferred to the commercial carrier.

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

Primary Government

Fiscal Year	Payable (Receivable) Beginning of Year	Claims and Other Charges Processed (including IBNR)	Claim Payments	Payable (Receivable) End of Year
2011	\$ 1,095,298	\$ 7,804,357	\$ 8,183,618	\$ 716,037
2010	\$ 1,336,294	\$ 7,878,414	\$ 8,119,410	\$ 1,095,298

Component Unit - School Board

Fiscal Year	Payable (Receivable) Beginning of Year	Claims and Other Charges Processed (including IBNR)	Claim Payments	Payable (Receivable) End of Year
2011	\$ -	\$ 20,995,427	\$ 21,412,818	\$ (417,391)

NOTES TO FINANCIAL STATEMENTS

Note 18. 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 PRTC's use of Motor Fuel Tax proceeds from that jurisdiction, they do not have an explicit, measurable equity interest in the PRTC.

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

The County is required to fund its share of administrative expenses and subsidies which includes both the existing VRE related debt service and any new VRE related debt service as authorized by the County. The County has elected, per agreement, to defer all administrative and subsidy costs through fiscal year 2012. For fiscal year 2011 the County earned \$2,373,294 in Motor Fuel Tax and incurred \$1,258,543 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, 2011 totaled \$3,625,252.

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.

NOTES TO FINANCIAL STATEMENTS

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, 2011 of \$1,554,691.

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

Note 19. Jointly Governed Organizations

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, 2011, Spotsylvania County's appropriation to the Regional Library was \$3,986,678.

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, 2011 was \$89,673.

NOTES TO FINANCIAL STATEMENTS

Note 20. Subsequent Events

On July 27, 2011, the County sold \$16.6 million in general obligation bonds to refund \$5.7 million of the outstanding \$6.8 million in 2003 public improvement bonds. The remaining proceeds are to fund fire and rescue infrastructure improvements and school capital project needs. The County secured an "all in" interest rate of 3.13% on the bonds.

On September 27, 2011, the County sold \$11.3 million in Economic Development Authority bonds to purchase office space currently held under a capital lease obligation. This building, purchased for \$10.0 million in the Spotsylvania Courthouse Village, provides facilities for Community Development and Social Service departments. The remaining proceeds will be used for equipment replacement in the County's solid waste operations, and for necessary technology upgrades. The County secured an "all in" interest rate of 3.16% on the bonds.

Note 21. Restatement of Financial Statements

The financial statements for June 30, 2011, with an auditor's report date of November 8, 2011 have been recalled and are being reissued to correct an error in the amount previously reported for the unrestricted net assets - Component Unit - School Board presented at Exhibit I. Previously, the amount reported was \$368,259,405, the correct amount is (\$44,008,019). This error was the result of a formula error in the report writing software that incorrectly calculated the amount of unrestricted net assets. The error was isolated to Exhibit I and is correctly reported in the Management Discussion and Analysis and elsewhere in the financial statements.

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, 2011

Exhibit IX

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance from Amended Budget</u>
Revenues:				
General property taxes	\$ 142,780,021	\$ 138,885,715	\$ 143,643,606	\$ 4,757,891
Other local taxes	37,264,158	38,354,680	39,725,302	1,370,622
Permits, privilege fees and regulatory licenses	344,194	245,951	230,759	(15,192)
Fines and forfeitures	1,081,000	1,016,000	933,327	(82,673)
Revenues from use of money and property	1,012,983	891,059	1,317,516	426,457
Charges for services	2,214,336	2,236,755	2,410,685	173,930
Miscellaneous	152,118	784,055	357,616	(426,439)
Intergovernmental	26,764,066	32,607,796	30,437,576	(2,170,220)
	<u>\$ 211,612,876</u>	<u>\$ 215,022,011</u>	<u>\$ 219,056,387</u>	<u>\$ 4,034,376</u>
Expenditures:				
Current:				
General governmental administration	\$ 11,173,038	\$ 11,684,086	\$ 9,961,970	\$ 1,722,116
Judicial administration	5,944,654	6,166,637	5,829,389	337,248
Public safety	34,403,221	36,335,181	34,144,264	2,190,917
Public works	7,523,091	7,633,667	7,190,714	442,953
Health and welfare	18,405,207	18,754,835	17,274,441	1,480,394
Education	113,857,595	116,420,121	115,190,939	1,229,182
Parks, recreation and cultural	6,891,569	7,101,516	6,803,155	298,361
Community development	2,573,709	3,054,895	2,126,049	928,846
Non-departmental	1,280,686	1,381,602	483,665	897,937
Debt service:				
Principal retirement	3,691,689	3,906,894	3,908,444	(1,550)
Interest and other charges	3,486,098	3,044,534	3,286,993	(242,459)
	<u>\$ 209,230,557</u>	<u>\$ 215,483,968</u>	<u>\$ 206,200,023</u>	<u>\$ 9,283,945</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 2,382,319</u>	<u>\$ (461,957)</u>	<u>\$ 12,856,364</u>	<u>\$ 13,318,321</u>
Other financing sources (uses):				
Transfers in (out)	<u>\$ (2,512,319)</u>	<u>\$ (6,485,195)</u>	<u>\$ (6,635,790)</u>	<u>\$ (150,595)</u>
	<u>\$ (2,512,319)</u>	<u>\$ (6,485,195)</u>	<u>\$ (6,635,790)</u>	<u>\$ (150,595)</u>
Net change in fund balances	<u>\$ (130,000)</u>	<u>\$ (6,947,152)</u>	<u>\$ 6,220,574</u>	<u>\$ 13,167,726</u>
Fund balance, beginning	<u>130,000</u>	<u>6,947,152</u>	<u>48,728,868</u>	<u>41,781,716</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,949,442</u>	<u>\$ 54,949,442</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, 2011

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	\$ 85,818	\$ 29,373	\$ 115,191
Debt service:			
Principal retirement	25,180	(21,272)	3,908
Interest and other charges	13,973	(10,686)	3,287
Other financing sources:			
Bond proceeds	2,630	(2,630)	-
Bond issuance costs	(45)	45	-

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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, 2011

Schedule A

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance from Amended Budget</u>
Revenues:				
General property taxes	\$ 30,000	\$ 30,000	\$ 35,292	\$ 5,292
Revenues from use of money and property	-	-	183,875	183,875
Miscellaneous	82,920	559,909	99,887	(460,022)
Intergovernmental	312,218	28,734,536	3,457,896	(25,276,640)
	<u>\$ 425,138</u>	<u>\$ 29,324,445</u>	<u>\$ 3,776,950</u>	<u>\$ (25,547,495)</u>
Expenditures:				
Capital projects	\$ 4,510,788	\$ 89,240,160	\$ 43,212,711	\$ 46,027,449
	<u>\$ 4,510,788</u>	<u>\$ 89,240,160</u>	<u>\$ 43,212,711</u>	<u>\$ 46,027,449</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (4,085,650)</u>	<u>\$ (59,915,715)</u>	<u>\$ (39,435,761)</u>	<u>\$ 20,479,954</u>
Other financing sources (uses):				
Debt issuance	\$ -	\$ 17,115,000	\$ 24,368,356	\$ 7,253,356
Debt issuance premium (discounts)	-	173,542	180,436	6,894
Transfers in (out)	3,597,681	7,665,295	7,224,503	(440,792)
	<u>\$ 3,597,681</u>	<u>\$ 24,953,837</u>	<u>\$ 31,773,295</u>	<u>\$ 6,819,458</u>
Net change in fund balances	<u>\$ (487,969)</u>	<u>\$ (34,961,878)</u>	<u>\$ (7,662,466)</u>	<u>\$ 27,299,412</u>
Fund balance, beginning	487,969	34,961,878	36,671,814	1,709,936
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,009,348</u>	<u>\$ 29,009,348</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 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
COMBINING BALANCE SHEET SCHEDULE
OTHER GOVERNMENTAL FUNDS
June 30, 2011

Schedule B-1

	Fire/EMS Service	Code Compliance	Transportation	Total
ASSETS				
Cash and investments	\$ 14,372	\$ 205,368	\$ 3,250,328	\$ 3,470,068
Receivables, net	1,692,002	512	4,153,322	5,845,836
Restricted cash and investments	-	-	3,450,315	3,450,315
Total assets	<u>\$ 1,706,374</u>	<u>\$ 205,880</u>	<u>\$ 10,853,965</u>	<u>\$12,766,219</u>
LIABILITIES				
Accounts payable	\$ -	\$ 19,110	\$ 1,243	\$ 20,353
Accrued salaries and benefits	-	108,259	12,903	121,162
Other accrued liabilities	-	2,922	-	2,922
Unearned revenue	1,476,986	-	2,627,973	4,104,959
Deposits	-	(48)	308,396	308,348
Interfund loans	28,434	-	-	28,434
Noncurrent liabilities:				
Due in more than one year:				
Tax anticipation notes	-	-	8,500,000	8,500,000
Total liabilities	<u>\$ 1,505,420</u>	<u>\$ 130,243</u>	<u>\$ 11,450,515</u>	<u>\$13,086,178</u>
FUND BALANCE				
Restricted	\$ -	\$ -	\$ 948,405	\$ 948,405
Assigned	200,954	75,637	-	276,591
Unassigned	-	-	(1,544,955)	(1,544,955)
Total fund balances	<u>\$ 200,954</u>	<u>\$ 75,637</u>	<u>\$ (596,550)</u>	<u>\$ (319,959)</u>
Total liabilities and fund balances	<u>\$ 1,706,374</u>	<u>\$ 205,880</u>	<u>\$ 10,853,965</u>	<u>\$12,766,219</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

Year Ended June 30, 2011

Schedule B-2

	Fire/EMS Service	Code Compliance	Transportation	Total
Revenues:				
General property taxes	\$ -	\$ -	\$ 1,232,471	\$ 1,232,471
Other local taxes	-	-	2,373,294	2,373,294
Permits, privilege fees and regulatory licenses	-	1,964,661	15,013	1,979,674
Revenues from use of money and property	-	-	5,471	5,471
Charges for services	2,013,574	176,415	-	2,189,989
Miscellaneous	-	72,537	-	72,537
	<u>\$ 2,013,574</u>	<u>\$ 2,213,613</u>	<u>\$ 3,626,249</u>	<u>\$ 7,853,436</u>
Expenditures:				
Current:				
Public safety	\$ -	\$ 2,906,445	\$ -	\$ 2,906,445
Community development	-	-	743,654	743,654
Debt service:				
Principal retirement	-	-	775,000	775,000
Interest and other charges	-	-	1,586,951	1,586,951
	<u>\$ -</u>	<u>\$ 2,906,445</u>	<u>\$ 3,105,605</u>	<u>\$ 6,012,050</u>
Excess (deficiency) of revenues over expenditures	\$ 2,013,574	\$ (692,832)	\$ 520,644	\$ 1,841,386
Other financing sources (uses):				
Transfers in (out)	<u>\$(2,404,008)</u>	<u>\$ 756,663</u>	<u>\$ 1,127,926</u>	<u>\$ (519,419)</u>
	<u>\$(2,404,008)</u>	<u>\$ 756,663</u>	<u>\$ 1,127,926</u>	<u>\$ (519,419)</u>
Net change in fund balances	\$ (390,434)	\$ 63,831	\$ 1,648,570	\$ 1,321,967
Fund balance, beginning	591,388	11,806	(2,245,120)	(1,641,926)
Fund balance, ending	<u>\$ 200,954</u>	<u>\$ 75,637</u>	<u>\$ (596,550)</u>	<u>\$ (319,959)</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

BUDGETARY COMPARISON SCHEDULE

FIRE/EMS FUND

For the Year Ended June 30, 2011

Schedule B-3.1

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
Revenues:				
Charges for services	\$ 2,400,000	\$ 2,400,000	\$ 2,013,574	\$ (386,426)
	<u>\$ 2,400,000</u>	<u>\$ 2,400,000</u>	<u>\$ 2,013,574</u>	<u>\$ (386,426)</u>
Other financing sources (uses):				
Transfers in (out)	\$ (2,540,792)	\$ (2,505,316)	\$ (2,404,008)	\$ 101,308
	<u>\$ (2,540,792)</u>	<u>\$ (2,505,316)</u>	<u>\$ (2,404,008)</u>	<u>\$ 101,308</u>
Net change in fund balances	\$ (140,792)	\$ (105,316)	\$ (390,434)	\$ (285,118)
Fund balance, beginning	140,792	105,316	591,388	486,072
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,954</u>	<u>\$ 200,954</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**BUDGETARY COMPARISON SCHEDULE
CODE COMPLIANCE FUND**

For the Year Ended June 30, 2011

Schedule B-3.2

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
Revenues:				
Permits, privilege fees and regulatory licenses	\$ 1,938,426	\$ 2,131,943	\$ 1,964,661	\$ (167,282)
Charges for services	175,000	175,000	176,415	1,415
Miscellaneous	-	67,100	72,537	5,437
	<u>\$ 2,113,426</u>	<u>\$ 2,374,043</u>	<u>\$ 2,213,613</u>	<u>\$ (160,430)</u>
Expenditures:				
Public safety	<u>\$ 2,909,822</u>	<u>\$ 3,081,419</u>	<u>\$ 2,906,445</u>	<u>\$ 174,974</u>
	<u>\$ 2,909,822</u>	<u>\$ 3,081,419</u>	<u>\$ 2,906,445</u>	<u>\$ 174,974</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (796,396)</u>	<u>\$ (707,376)</u>	<u>\$ (692,832)</u>	<u>\$ 14,544</u>
Other financing sources (uses):				
Transfers in (out)	<u>\$ 796,396</u>	<u>\$ 707,376</u>	<u>\$ 756,663</u>	<u>\$ 49,287</u>
	<u>\$ 796,396</u>	<u>\$ 707,376</u>	<u>\$ 756,663</u>	<u>\$ 49,287</u>
Net change in fund balances	\$ -	\$ -	\$ 63,831	\$ 63,831
Fund balance, beginning	-	-	11,806	11,806
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,637</u>	<u>\$ 75,637</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION FUND**

For the Year Ended June 30, 2011

Schedule B-3.3

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
Revenues:				
General property taxes	\$ 1,154,639	\$ 1,154,639	\$ 1,232,471	\$ 77,832
Other local taxes	4,317,142	4,317,142	2,373,294	(1,943,848)
Permits, privilege fees and regulatory licenses	17,820	17,820	15,013	(2,807)
Revenues from use of money and property	15,000	15,000	5,471	(9,529)
	<u>\$ 5,504,601</u>	<u>\$ 5,504,601</u>	<u>\$ 3,626,249</u>	<u>\$ (1,878,352)</u>
Expenditures:				
Current:				
Community development	\$ 1,494,208	\$ 1,494,208	\$ 743,654	\$ 750,554
Debt service:				
Principal retirement	775,000	775,000	775,000	-
Interest and other charges	3,887,490	3,887,490	1,586,951	2,300,539
	<u>\$ 6,156,698</u>	<u>\$ 6,156,698</u>	<u>\$ 3,105,605</u>	<u>\$ 3,051,093</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (652,097)</u>	<u>\$ (652,097)</u>	<u>\$ 520,644</u>	<u>\$ 1,172,741</u>
Other financing sources (uses):				
Transfers in (out)	<u>\$ 1,134,693</u>	<u>\$ 1,134,693</u>	<u>\$ 1,127,926</u>	<u>\$ (6,767)</u>
	<u>\$ 1,134,693</u>	<u>\$ 1,134,693</u>	<u>\$ 1,127,926</u>	<u>\$ (6,767)</u>
Net change in fund balances	\$ 482,596	\$ 482,596	\$ 1,648,570	\$ 1,165,974
Fund balance, beginning	(482,596)	(482,596)	(2,245,120)	(1,762,524)
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (596,550)</u>	<u>\$ (596,550)</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, 2011

Schedule C-1

	Operating	Capital Projects	Total
ASSETS			
Equity in pooled cash and investments	\$ 27,909,940	\$ 36,477,767	\$ 64,387,707
Receivables, net	5,245,891	348,604	5,594,495
Inventory	719,918	-	719,918
Restricted cash and investments	816,534	33,238,092	34,054,626
Capital assets, net			
Land and construction in progress	18,823,446	-	18,823,446
Depreciable assets	273,070,659	-	273,070,659
Total assets	<u>\$ 326,586,388</u>	<u>\$ 70,064,463</u>	<u>\$ 396,650,851</u>
LIABILITIES			
Accounts payable	\$ 654,982	\$ 2,723,432	\$ 3,378,414
Retainage payable	-	207,236	207,236
Accrued salaries and benefits	320,692	-	320,692
Accrued interest	458,158	-	458,158
Other accrued liabilities	4,308	1,025,823	1,030,131
Interfund loans	970,240	(970,240)	-
Deposits	158,450	-	158,450
Noncurrent liabilities:			
Due within one year	4,211,416	-	4,211,416
Due in more than one year:			
Noncurrent portion of long-term debt	145,990,539	-	145,990,539
Other post employment benefits	1,491,208	-	1,491,208
Total liabilities	<u>\$ 154,259,993</u>	<u>\$ 2,986,251</u>	<u>\$ 157,246,244</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 170,534,064	\$ -	\$ 170,534,064
Restricted for:			
Debt service	816,534	4,984,970	5,801,504
Capital projects	-	28,253,122	28,253,122
Unrestricted	975,797	33,840,120	34,815,917
Total net assets	<u>\$ 172,326,395</u>	<u>\$ 67,078,212</u>	<u>\$ 239,404,607</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

Year Ended June 30, 2011

Schedule C-2

	<u>Operating</u>	<u>Capital Projects</u>	<u>Total</u>
Operating revenues:			
Charges for services - water and sewer	\$ 24,019,140	\$ -	\$ 24,019,140
Miscellaneous	1,275,035	55,751	1,330,786
	<u>\$ 25,294,175</u>	<u>\$ 55,751</u>	<u>\$ 25,349,926</u>
Operating expenses:			
Personal service	\$ 6,068,752	\$ -	\$ 6,068,752
Fringe benefits	2,063,832	-	2,063,832
Depreciation	9,272,953	-	9,272,953
Other	7,356,780	2,754,030	10,110,810
	<u>\$ 24,762,316</u>	<u>\$ 2,754,030</u>	<u>\$ 27,516,346</u>
Operating income (loss)	<u>\$ 531,859</u>	<u>\$ (2,698,279)</u>	<u>\$ (2,166,420)</u>
Non-operating revenues (expenses):			
Connection fees	\$ -	\$ 2,186,696	\$ 2,186,696
Interest and fiscal charges	(6,053,471)	-	(6,053,471)
Interest income	525,515	392,107	917,622
Other	557,054	393,165	950,219
	<u>\$ (4,970,902)</u>	<u>\$ 2,971,968</u>	<u>\$ (1,998,934)</u>
Income (loss) before contributions and transfers	<u>\$ (4,439,043)</u>	<u>\$ 273,689</u>	<u>\$ (4,165,354)</u>
Capital contributions	\$ 200,779	\$ -	\$ 200,779
Transfers (to) from other funds	1,871,028	(1,940,322)	(69,294)
	<u>\$ 2,071,807</u>	<u>\$ (1,940,322)</u>	<u>\$ 131,485</u>
Change in net assets	<u>\$ (2,367,236)</u>	<u>\$ (1,666,633)</u>	<u>\$ (4,033,870)</u>
Net assets, beginning	174,693,632	68,744,845	243,438,477
Net assets, ending	<u>\$172,326,396</u>	<u>\$ 67,078,212</u>	<u>\$239,404,607</u>

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AGENCY FUNDS

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

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, 2011

Schedule D-1

	<u>Special Welfare</u>	<u>Contribution Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 32,475	\$ 213,941	\$ 246,416
Total assets	<u>\$ 32,475</u>	<u>\$ 213,941</u>	<u>\$ 246,416</u>
 LIABILITIES			
Amounts held for others	\$ 32,475	\$ 213,941	\$ 246,416
Total liabilities	<u>\$ 32,475</u>	<u>\$ 213,941</u>	<u>\$ 246,416</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - FIDUCIARY FUND

Year Ended June 30, 2011

Schedule D-2

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
SPECIAL WELFARE				
<i>Assets</i>				
Cash	\$ 50,288	\$ 250,988	\$ 268,801	\$ 32,475
Total assets	<u>\$ 50,288</u>	<u>\$ 250,988</u>	<u>\$ 268,801</u>	<u>\$ 32,475</u>
<i>Liabilities</i>				
Amounts held for others	\$ 50,288	\$ 250,988	\$ 268,801	\$ 32,475
Total liabilities	<u>\$ 50,288</u>	<u>\$ 250,988</u>	<u>\$ 268,801</u>	<u>\$ 32,475</u>
CONTRIBUTION FUND				
<i>Assets</i>				
Cash	\$ 133,195	\$ 389,793	\$ 309,047	\$ 213,941
Total assets	<u>\$ 133,195</u>	<u>\$ 389,793</u>	<u>\$ 309,047</u>	<u>\$ 213,941</u>
<i>Liabilities</i>				
Amounts held for others	\$ 133,195	\$ 650,463	\$ 569,717	\$ 213,941
Total liabilities	<u>\$ 133,195</u>	<u>\$ 650,463</u>	<u>\$ 569,717</u>	<u>\$ 213,941</u>
TOTAL - ALL FIDUCIARY FUNDS				
<i>Assets</i>				
Cash	\$ 183,483	\$ 640,781	\$ 577,848	\$ 246,416
Total assets	<u>\$ 183,483</u>	<u>\$ 640,781</u>	<u>\$ 577,848</u>	<u>\$ 246,416</u>
<i>Liabilities</i>				
Amounts held for others	\$ 183,483	\$ 901,451	\$ 838,518	\$ 246,416
Total liabilities	<u>\$ 183,483</u>	<u>\$ 901,451</u>	<u>\$ 838,518</u>	<u>\$ 246,416</u>

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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.

OPEB Trust Fund is used to account for the accumulation of resources for other post employment benefits.

COUNTY OF SPOTSYLVANIA, VIRGINIA
COMBINING BALANCE SHEET SCHEDULE
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2011

Schedule E-1

	Operating	Cafeteria	Capital Projects	Total
ASSETS				
Equity in pooled cash and investments	\$ 372,537	\$ 1,390,585	\$ -	\$ 1,763,122
Receivables, net	12,205,219	143,093	-	12,348,312
Payable from (to) primary government	9,430,952	(502,635)	1,826,045	10,754,362
Restricted cash	-	-	3,052,875	3,052,875
Total assets	<u>\$ 22,008,708</u>	<u>\$ 1,031,043</u>	<u>\$ 4,878,920</u>	<u>\$ 27,918,671</u>
LIABILITIES				
Accounts payable	\$ 2,395,544	\$ 217,413	\$ 158,862	\$ 2,771,819
Retainage payable	-	-	121,000	121,000
Accrued salaries and benefits	19,472,104	104,946	-	19,577,050
Total liabilities	<u>\$ 21,867,648</u>	<u>\$ 322,359</u>	<u>\$ 279,862</u>	<u>\$ 22,469,869</u>
FUND BALANCE				
Restricted for:				
Unspent bond proceeds:				
Capital projects	\$ -	\$ -	\$ 4,822,392	\$ 4,822,392
Assigned to:				
Food service	-	708,684	-	708,684
Unassigned	141,060	-	(223,334)	(82,274)
Total fund balance	<u>\$ 141,060</u>	<u>\$ 708,684</u>	<u>\$ 4,599,058</u>	<u>\$ 5,448,802</u>
Total liabilities and fund equity	<u>\$ 22,008,708</u>	<u>\$ 1,031,043</u>	<u>\$ 4,878,920</u>	<u>\$ 27,918,671</u>

Adjustments for the Statement of Net Assets:

Total fund balances, above	\$ 5,448,802
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	(56,714,236)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	328,250,506
Prepaid expenses used current resources and therefore are not reported in the governmental funds	604,911
Internal service fund included in entity wide statements	<u>11,474,895</u>
Net assets of governmental activities	<u>\$ 289,064,878</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

Year Ended June 30, 2011

Schedule E-2

	Operating	Cafeteria	Capital Projects	Total
Revenues:				
Revenues from use of money and property	\$ -	\$ -	\$ 21,836	\$ 21,836
Charges for services	2,165,432	5,056,515	-	7,221,947
Miscellaneous	583,541	-	-	583,541
Intergovernmental	124,920,124	3,985,532	-	128,905,656
Payments from primary government	83,206,393	-	2,584,560	85,790,953
	<u>\$ 210,875,490</u>	<u>\$ 9,042,047</u>	<u>\$ 2,606,396</u>	<u>\$ 222,523,933</u>
Expenditures:				
Current:				
Education	\$ 210,991,412	\$ 9,265,917	\$ -	\$ 220,257,329
Capital projects	-	-	4,261,138	4,261,138
	<u>\$ 210,991,412</u>	<u>\$ 9,265,917</u>	<u>\$ 4,261,138</u>	<u>\$ 224,518,467</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (115,922)</u>	<u>\$ (223,870)</u>	<u>\$ (1,654,742)</u>	<u>\$ (1,994,534)</u>
Other financing sources (uses):				
Transfers in (out)	<u>\$ 256,854</u>	<u>\$ 55,870</u>	<u>\$ (312,724)</u>	<u>\$ -</u>
	<u>\$ 256,854</u>	<u>\$ 55,870</u>	<u>\$ (312,724)</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ 140,932</u>	<u>\$ (168,000)</u>	<u>\$ (1,967,466)</u>	<u>\$ (1,994,534)</u>
Fund balance, beginning	<u>128</u>	<u>876,684</u>	<u>6,566,524</u>	<u>7,443,336</u>
Fund balance, ending	<u><u>\$ 141,060</u></u>	<u><u>\$ 708,684</u></u>	<u><u>\$ 4,599,058</u></u>	<u><u>\$ 5,448,802</u></u>
<i>Adjustments for the Statement of Activities:</i>				
Change in fund balance, from above				\$ (1,994,534)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their useful lives				(9,473,882)
Internal service fund included in entity wide statements				(267,016)
Contributions for other post employment benefits are reported as expenditures in the governmental funds. However, contributions made in amounts greater than the annual required contribution result in an increase to the net OPEB obligation on the statement of net assets and do not result in an expense in the statement of activities				1,400,000
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				<u>(9,810,206)</u>
Change in net assets of governmental activities				<u><u>\$ (20,145,637)</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

COMBINING BUDGETARY COMPARISON SCHEDULE - SCHOOL BOARD

Year Ended June 30, 2011

Schedule E-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	-	-	2,165,432	2,165,432	5,887,556	5,887,556	5,056,515	(831,041)
Miscellaneous	3,156,255	3,156,255	583,541	(2,572,714)	-	-	-	-
Intergovernmental	125,241,588	125,366,888	124,920,124	(446,764)	3,241,731	3,241,731	3,985,532	743,801
Payments from primary government	113,830,339	116,392,865	115,163,683	(1,229,182)	-	-	-	-
	<u>\$ 242,228,182</u>	<u>\$ 244,916,008</u>	<u>\$ 242,832,780</u>	<u>\$ (2,083,228)</u>	<u>\$ 9,129,287</u>	<u>\$ 9,129,287</u>	<u>\$ 9,042,047</u>	<u>\$ (87,240)</u>
Expenditures:								
Current:								
Education	\$ 212,158,666	\$ 214,721,192	\$ 210,991,412	\$ 3,729,780	\$ 9,185,157	\$ 9,185,157	\$ 9,265,917	\$ (80,760)
Capital projects	-	-	-	-	-	-	-	-
Debt service:								
Principal	21,246,419	20,491,258	31,957,290	(11,466,032)	-	-	-	-
Interest and fiscal charges	8,767,227	9,960,412	-	9,960,412	-	-	-	-
	<u>\$ 242,172,312</u>	<u>\$ 245,172,862</u>	<u>\$ 242,948,702</u>	<u>\$ 2,224,160</u>	<u>\$ 9,185,157</u>	<u>\$ 9,185,157</u>	<u>\$ 9,265,917</u>	<u>\$ (80,760)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 55,870</u>	<u>\$ (256,854)</u>	<u>\$ (115,922)</u>	<u>\$ 140,932</u>	<u>\$ (55,870)</u>	<u>\$ (55,870)</u>	<u>\$ (223,870)</u>	<u>\$ (168,000)</u>
Other financing sources (uses):								
Debt issuance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	(55,870)	256,854	256,854	-	55,870	55,870	55,870	-
	<u>\$ (55,870)</u>	<u>\$ 256,854</u>	<u>\$ 256,854</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>\$ 140,932</u>	<u>\$ 140,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (168,000)</u>	<u>\$ (168,000)</u>
Fund balance, beginning	-	-	128	128	-	-	876,684	876,684
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,060</u>	<u>\$ 141,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 708,684</u>	<u>\$ 708,684</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, 2011

continued

Schedule E-3

Page 2

	Capital Projects				Totals			
	Budgeted Amounts		Actual	Variance	Budgeted Amounts		Actual	Variance
	Original	Final			Original	Final		
Revenues:								
Revenues from use of money and property	\$ -	\$ 312,724	\$ 21,836	\$ (290,888)	\$ -	\$ 312,724	\$ 21,836	\$ (290,888)
Charges for services	-	-	-	-	5,887,556	5,887,556	7,221,947	1,334,391
Miscellaneous	-	-	-	-	3,156,255	3,156,255	583,541	(2,572,714)
Intergovernmental	-	-	-	-	128,483,319	128,608,619	128,905,656	297,037
Payments from primary government	-	-	-	-	113,830,339	116,392,865	115,163,683	(1,229,182)
	<u>\$ -</u>	<u>\$ 312,724</u>	<u>\$ 21,836</u>	<u>\$ (290,888)</u>	<u>\$ 251,357,469</u>	<u>\$ 254,358,019</u>	<u>\$ 251,896,663</u>	<u>\$ (2,461,356)</u>
Expenditures:								
Current:								
Education	\$ -	\$ -	\$ -	\$ -	\$ 221,343,823	\$ 223,906,349	\$ 220,257,329	\$ 3,649,020
Capital projects	-	6,715,415	4,261,138	2,454,277	-	6,715,415	4,261,138	2,454,277
Debt service:								
Principal	-	-	-	-	21,246,419	20,491,258	31,957,290	(11,466,032)
Interest and fiscal charges	-	-	-	-	8,767,227	9,960,412	-	9,960,412
	<u>\$ -</u>	<u>\$ 6,715,415</u>	<u>\$ 4,261,138</u>	<u>\$ 2,454,277</u>	<u>\$ 251,357,469</u>	<u>\$ 261,073,434</u>	<u>\$ 256,475,757</u>	<u>\$ 4,597,677</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ (6,402,691)</u>	<u>\$ (4,239,302)</u>	<u>\$ 2,163,389</u>	<u>\$ -</u>	<u>\$ (6,715,415)</u>	<u>\$ (4,579,094)</u>	<u>\$ 2,136,321</u>
Other financing sources (uses):								
Debt issuance	\$ -	\$ 2,581,293	\$ 2,584,560	\$ 3,267	\$ -	\$ 2,581,293	\$ 2,584,560	\$ 3,267
Transfers	-	(312,724)	(312,724)	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 2,268,569</u>	<u>\$ 2,271,836</u>	<u>\$ 3,267</u>	<u>\$ -</u>	<u>\$ 2,581,293</u>	<u>\$ 2,584,560</u>	<u>\$ 3,267</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (4,134,122)</u>	<u>\$ (1,967,466)</u>	<u>\$ 2,166,656</u>	<u>\$ -</u>	<u>\$ (4,134,122)</u>	<u>\$ (1,994,534)</u>	<u>\$ 2,139,588</u>
Fund balance, beginning	-	4,134,122	6,566,524	2,432,402	-	4,134,122	7,443,336	3,309,214
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,599,058</u>	<u>\$ 4,599,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,448,802</u>	<u>\$ 5,448,802</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
SCHEDULE OF NET ASSETS - INTERNAL SERVICE FUND
June 30, 2011

Schedule F-1

ASSETS

Current assets:

Cash and investments	\$ 197,068
Receivables, net	<u>687</u>
Total current assets	<u>\$ 197,755</u>

Noncurrent assets:

Capital assets, net:

Land and construction in progress	\$ 94,400
Depreciable assets	<u>11,193,162</u>
Total noncurrent assets	<u>\$ 11,287,562</u>
Total assets	<u>\$ 11,485,317</u>

LIABILITIES

Current liabilities:

Accounts payable	\$ 10,422
Total current liabilities	<u>\$ 10,422</u>

Total liabilities

\$ 10,422

NET ASSETS

Invested in capital assets, net of related debt	\$ 11,287,562
Unrestricted	<u>187,334</u>
Total net assets	<u>\$ 11,474,896</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - INTERNAL SERVICE FUND
Year Ended June 30, 2011

Schedule F-2

Operating revenues:	
Charges for services	\$ 2,108,574
	<u>\$ 2,108,574</u>
Operating expenses:	
Personal service	\$ 732,714
Fringe benefits	314,821
Depreciation	343,967
Other	984,088
	<u>\$ 2,375,590</u>
Operating income (loss)	<u>\$ (267,016)</u>
Net assets, beginning	11,741,912
Net assets, ending	<u><u>\$ 11,474,896</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUND**

Year Ended June 30, 2011

Schedule F-3

Cash flows from operating activities:

Cash received from customers and users	\$ 2,108,799
Cash payments to suppliers for goods and services	(1,139,287)
Cash payments to employees for services	<u>(1,047,535)</u>
Net cash (used in) operating activities	<u>\$ (78,023)</u>

Cash flows from capital and related financing activities:

Purchase of capital assets	<u>\$ (36,146)</u>
Net cash (used in) capital and related financing activities	<u>\$ (36,146)</u>

Net (decrease) in cash and cash equivalents	\$ (114,169)
--	---------------------

Cash and cash equivalents:

Beginning	<u>311,237</u>
Ending	<u><u>\$ 197,068</u></u>

Reconciliation of operating income(loss) to net cash used by operating activities:

Operating income (loss)	\$ (267,016)
Depreciation	343,967
Changes in assets and liabilities:	
(Increase) decrease in receivables	225
Increase (decrease) in accounts payable	<u>(155,199)</u>
Net cash (used in) operating activities	<u><u>\$ (78,023)</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA
SCHEDULE OF FIDUCIARY NET ASSETS - SCHOOL BOARD OPEB TRUST

June 30, 2011

Schedule G-1

ASSETS

Cash and cash equivalents	\$ 1,400,000
Total assets	<u>\$ 1,400,000</u>

NET ASSETS

Net assets held in trust for other post employment benefits	\$ 1,400,000
Total net assets	<u><u>\$ 1,400,000</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS - SCHOOL BOARD OPEB TRUST

Year Ended June 30, 2011

Schedule G-2

ADDITIONS

Contributions:

Employer contributions

\$ 1,400,000

Total additions

\$ 1,400,000

Net increase

\$ 1,400,000

Net assets held in trust for other post employment benefits

Net assets, beginning

-

Net assets, ending

\$ 1,400,000

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.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NET ASSETS BY COMPONENT LAST TEN FISCAL YEARS

Table S-1

(\$ in Millions)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	\$ -	\$ 38.8	\$ 24.2	\$ 13.2	\$ 7.7	\$ -	\$ 26.3	\$ 23.1	\$ 14.7	\$ 11.6
Restricted	-	5.3	15.2	7.6	59.0	45.6	45.6	31.0	35.4	19.3
Unrestricted	(110.8)	(172.2)	(182.3)	(201.3)	(240.3)	(249.9)	(260.2)	(238.7)	(211.3)	(167.2)
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>	<u>\$ (136.3)</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	\$ 170.5
Restricted	4.5	4.5	4.4	26.3	22.3	3.4	25.6	10.8	0.6	34.1
Unrestricted	56.6	50.3	46.0	52.6	55.4	63.7	66.3	51.9	67.1	34.8
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>	<u>\$ 239.4</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	\$ 182.2
Restricted	4.5	9.8	19.6	33.9	81.3	49.0	71.2	41.8	36.0	53.4
Unrestricted	(54.2)	(121.9)	(136.3)	(148.7)	(184.9)	(186.2)	(193.9)	(186.8)	(144.2)	(132.4)
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>	<u>\$ 103.2</u>
Component unit - School Board (1)										
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	\$ 328.3
Restricted	37.3	33.8	21.8	53.2	48.5	82.0	33.6	13.9	2.6	4.8
Unrestricted	-	(6.1)	(7.4)	(11.0)	(4.0)	(3.9)	(12.0)	(22.2)	(42.7)	(44.0)
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>	<u>\$ 289.1</u>

(1) 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 TEN FISCAL YEARS**

*Table S-2
Page 1*

(\$ in Millions)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities										
General governmental administration	\$ 8.0	\$ 7.3	\$ 8.0	\$ 13.0	\$ 12.1	\$ 12.4	\$ 16.1	\$ 13.9	\$ 12.5	\$ 11.7
Judicial administration	3.4	3.2	3.6	4.2	4.7	5.2	5.9	5.9	6.1	7.3
Public safety	19.6	22.6	24.2	26.1	31.3	36.7	41.7	40.3	40.2	41.0
Public works	7.5	6.6	7.8	5.1	7.1	7.8	4.3	9.0	6.9	8.8
Health and welfare	10.0	12.0	13.0	13.0	13.5	15.8	17.2	16.7	17.1	17.5
Education	-	100.0	93.0	128.0	99.8	123.1	80.3	95.3	77.9	85.8
Parks, recreation & cultural	5.0	5.0	5.0	6.0	6.0	6.9	7.2	9.8	7.1	7.9
Community development	3.0	2.0	2.9	4.0	4.1	9.9	11.5	6.9	17.3	12.9
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	15.2
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>	<u>\$ 208.1</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	\$ 33.6
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>	<u>\$ 33.6</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>	<u>\$ 241.7</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	\$ 0.3
Judicial administration	0.8	1.2	2.0	2.0	2.0	1.7	1.5	1.6	1.3	1.2
Public safety	3.1	3.0	4.7	5.0	7.9	5.7	5.6	7.3	4.5	4.4
Public works	0.5	0.4	0.7	1.0	2.3	2.3	2.7	2.9	0.5	0.7
Other	0.8	0.8	1.0	0.9	1.8	2.4	2.3	2.1	1.7	1.4
Operating grants & contributions	10.9	11.8	12.5	12.6	13.2	16.3	18.7	16.0	15.2	15.2
Capital grant & contributions	9.0	6.1	-	-	0.9	0.4	-	0.1	1.9	4.7
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>	<u>\$ 27.9</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS**

*Table S-2
Page 2*

(\$ in Millions)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 25.3
Operating grants & contributions	-	-	-	-	-	-	-	-	-	-
Capital grants & contributions	9.0	6.1	5.2	9.3	6.3	6.6	8.8	3.0	3.6	2.8
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>	<u>\$ 28.1</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>	<u>\$ 56.0</u>
Net (expense)/revenue										
Governmental activities	\$ (41.1)	\$ (141.8)	\$ (147.5)	\$ (187.6)	\$ (162.3)	\$ (204.3)	\$ (169.4)	\$ (183.0)	\$ (172.8)	\$ (180.2)
Business-type activities	3.1	8.8	7.6	15.9	5.9	1.0	7.4	(3.5)	0.6	(5.4)
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>	<u>\$ (185.6)</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	\$ 145.3
Other taxes	26.9	28.1	31.9	37.2	41.9	40.4	41.1	39.1	39.4	42.9
Grants and contributions not restricted	12.8	14.0	15.3	15.8	17.9	16.4	16.0	16.0	15.8	15.3
Interest and investment earnings	1.2	1.1	0.4	1.0	2.3	5.9	4.4	1.6	0.6	0.8
Gain on sale of property	-	-	-	-	-	-	(0.1)	0.2	0.2	0.4
Miscellaneous	0.8	0.6	(0.4)	0.1	2.1	0.2	0.2	0.1	-	0.5
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>	<u>\$ 205.2</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	0.9
Gain on sale of property	-	-	-	-	0.5	-	-	-	-	-
Miscellaneous	12.7	-	(0.9)	-	0.1	1.4	1.2	1.0	1.6	0.5
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>	<u>\$ 1.4</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>	<u>\$ 206.6</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	\$ 25.0
Business-type activities	18.2	10.1	7.3	17.5	10.4	9.5	12.4	-	2.8	(4.0)
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>	<u>\$ 21.0</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

**CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS**

*Table S-2
Page 3*

(\$ in Millions)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Component unit - School Board (1)										
Expenses										
Education	\$ 143.6	\$ 166.3	\$ 168.6	\$ 187.8	\$ 205.1	\$ 228.9	\$ 257.6	\$ 262.0	\$ 260.8	\$ 243.1
Program revenues										
Charges for services	\$ 4.4	\$ 4.8	\$ 4.9	\$ 6.0	\$ 7.1	\$ 6.1	\$ 8.2	\$ 8.5	\$ 7.6	\$ 7.6
Operating grants & contributions	77.0	184.4	184.3	232.8	213.2	254.9	219.5	226.8	219.1	214.7
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>	<u>222.3</u>
Net (expense)/revenue	<u>\$ (62.2)</u>	<u>\$ 22.9</u>	<u>\$ 20.6</u>	<u>\$ 51.0</u>	<u>\$ 15.9</u>	<u>\$ 32.1</u>	<u>\$ (29.9)</u>	<u>\$ (15.4)</u>	<u>\$ (33.9)</u>	<u>\$ (20.8)</u>
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	0.6
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>	<u>\$ 0.6</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>	<u>\$ (20.2)</u>

(1) 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Prior to GASB 54:										
Reserved	\$ 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	19.5	30.8	35.0	35.5	42.3	-	1.8	1.4	6.4	-
Effective with GASB 54:										
Restricted	-	-	-	-	-	-	-	-	-	0.2
Committed	-	-	-	-	-	-	-	-	-	1.2
Assigned	-	-	-	-	-	-	-	-	-	16.0
Unassigned	-	-	-	-	-	-	-	-	-	37.5
Total general fund	<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>	<u>\$ 54.9</u>
All other governmental funds										
Prior to GASB 54:										
Reserved	\$ 4.7	\$ 6.0	\$ 15.2	\$ 7.6	\$ 59.0	\$ 45.6	\$ 35.2	\$ 27.8	\$ 35.5	\$ -
Unreserved, report in										
Special revenue funds	0.7	-	0.1	2.1	3.2	4.7	(4.4)	(5.2)	(1.7)	-
Capital projects funds	1.1	-	0.3	8.3	10.4	6.9	-	-	2.0	-
Effective with GASB 54:										
Restricted	-	-	-	-	-	-	-	-	-	19.2
Committed	-	-	-	-	-	-	-	-	-	10.2
Assigned	-	-	-	-	-	-	-	-	-	0.8
Unassigned	-	-	-	-	-	-	-	-	-	(1.5)
Total all other governmental funds	<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>	<u>\$ 28.7</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

*Table S-4
Page 1*

(\$ in Millions)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
General property taxes	\$ 79.1	\$ 84.0	\$ 89.2	\$ 95.3	\$ 104.1	\$ 110.2	\$ 119.5	\$ 128.8	\$ 136.8	\$ 144.9
Other local taxes	26.9	27.9	31.9	37.1	41.9	40.4	41.1	39.1	38.2	42.1
Permits, privilege fees and regulatory licenses	3.0	2.6	3.8	4.1	6.3	3.9	3.4	3.2	2.3	2.3
Fines and forfeitures	0.4	0.5	0.8	0.8	0.9	0.9	1.0	1.2	1.0	0.9
Revenues from use of money and property	1.8	1.3	0.7	1.3	2.7	6.3	5.0	2.8	1.5	1.5
Charges for services	2.7	2.8	4.1	4.9	6.5	7.1	7.2	7.5	4.7	4.6
Miscellaneous	0.3	0.5	0.5	1.1	1.4	1.7	2.0	1.0	0.5	0.5
Intergovernmental	23.7	25.9	27.9	28.3	31.1	31.7	33.3	31.4	32.2	33.9
Payment from component unit	-	-	-	-	-	0.3	-	-	-	-
Total revenues	<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>	<u>\$ 230.7</u>
Expenditures										
General governmental administration	\$ 7.1	\$ 8.3	\$ 8.7	\$ 9.8	\$ 10.9	\$ 12.0	\$ 13.4	\$ 12.2	\$ 9.3	\$ 9.9
Judicial administration	3.4	3.3	3.6	4.1	4.7	5.1	5.7	5.6	5.8	5.8
Public safety	17.7	19.6	22.4	25.5	29.7	34.9	38.9	37.2	36.4	37.0
Public works	4.4	4.8	5.2	5.6	6.7	7.5	7.8	7.4	6.6	7.2
Health and welfare	10.0	12.0	13.2	13.4	13.4	15.8	16.9	16.5	16.7	17.3
Education (2)	56.8	46.1	92.5	127.6	99.8	123.1	86.0	83.9	77.9	85.8
Parks, recreation and cultural	4.3	4.5	5.0	5.4	5.9	6.3	6.8	6.6	6.3	6.8
Community development	2.2	1.9	2.2	2.6	3.0	5.1	4.1	3.8	3.2	2.9
Non-departmental	0.2	0.2	0.2	0.3	0.2	0.2	0.3	0.4	0.5	0.5
Capital projects	2.6	4.4	4.5	4.2	7.7	26.4	27.7	11.0	19.9	43.2
Debt service:										
Principal (1)	12.2	28.2	15.2	15.7	17.4	18.8	21.8	25.4	25.0	26.0
Interest (1)	9.0	9.2	10.3	11.3	11.3	13.4	15.7	15.6	14.6	15.6
Total expenditures	<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>	<u>\$ 258.0</u>
Other financing sources (uses)										
Bond proceeds (1)	\$ 27.8	\$ 44.6	\$ 36.3	\$ 55.4	\$ 76.7	\$ 41.1	\$ -	\$ -	\$ 27.6	\$ 19.8
Refunding bond proceeds	-	4.0	-	14.9	-	-	-	-	-	-
Payment to refund bond escrow agent	-	(3.8)	-	(14.0)	-	-	-	-	-	-
Lease proceeds	-	-	-	1.2	-	-	-	-	-	7.3
Bond and lease issuance costs	-	(0.1)	-	(0.2)	2.1	1.0	-	-	(0.1)	0.1
Transfers in	3.3	3.8	3.7	4.2	5.8	5.3	5.1	2.4	0.2	-
Transfers out (2)	(3.4)	(3.8)	(3.7)	(4.2)	(5.8)	(5.3)	(5.0)	(2.3)	-	-
Total other financing sources (uses)	<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>	<u>\$ 27.2</u>
Net change in fund balances	<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>	<u>\$ (0.1)</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

*Table S-4
Page 2*

(\$ in Millions)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Funds										
Total expenditures	\$ 129.9	\$ 142.5	\$ 183.0	\$ 225.5	\$ 210.7	\$ 268.6	\$ 245.1	\$ 225.6	\$ 222.2	\$ 258.0
Less: capital outlay	2.6	4.4	4.5	4.2	7.7	23.0	50.7	31.0	4.2	34.0
Non-capital expenditures	<u>\$ 127.3</u>	<u>\$ 138.1</u>	<u>\$ 178.5</u>	<u>\$ 221.3</u>	<u>\$ 203.0</u>	<u>\$ 245.6</u>	<u>\$ 194.4</u>	<u>\$ 194.6</u>	<u>\$ 218.0</u>	<u>\$ 224.0</u>
Component unit - School Board										
Total expenditures excluding County contribution	\$ 93.3	\$ 135.3	\$ 114.8	\$ 83.8	\$ 121.4	\$ 109.9	\$ 110.0	\$ 167.7	\$ 164.1	\$ 139.0
Less: capital outlay	12.6	30.6	44.4	25.7	24.8	12.1	43.6	16.7	14.9	4.1
Non-capital expenditures	<u>\$ 80.7</u>	<u>\$ 104.7</u>	<u>\$ 70.4</u>	<u>\$ 59.0</u>	<u>\$ 96.6</u>	<u>\$ 97.8</u>	<u>\$ 66.4</u>	<u>\$ 151.0</u>	<u>\$ 149.2</u>	<u>\$ 134.9</u>
Total reporting entity for debt service calculation: (Governmental funds and Component Unit - School Board)										
Total debt service	21.2	37.4	25.5	27.0	28.7	32.2	37.5	41.0	39.6	41.6
Total capital outlay (3)	15.2	35.0	48.9	29.9	32.5	35.1	94.3	47.7	19.1	38.1
Total non-capital expenditures (4)	208.0	242.8	248.9	280.3	299.6	343.4	327.2	345.6	367.2	358.7
Debt service as a percentage of non-capital expenditures	10.2%	15.4%	10.3%	9.6%	9.6%	9.4%	11.5%	11.9%	10.8%	11.6%

- (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 2002 has 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 for 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 for governmental funds and School Board component units.
- (4) Non capital expenditures are calculated by subtracting capital outlay (to the extent capitalized for the government-wide of net assets) from total expenditures of the governmental funds and School Board component units.

COUNTY OF SPOTSYLVANIA, VIRGINIA

**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN 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 (4)	Total Assessed Value	Total Direct Tax Rate
2011	\$ 12,790,018	\$ 12,911	\$ 1,495,902	\$ 20,121	\$ 12,450	\$ 285,440	\$ 14,616,843	\$ 1.09
2010	12,637,662	12,304	1,482,839	36,991	16,792	278,593	14,465,181	1.10
2009	16,249,940	15,982	1,354,551	39,395	19,070	291,219	17,970,157	0.81
2008	16,015,619	15,737	1,464,120	25,086	12,399	285,168	17,818,129	0.78
2007	13,821,768	17,583	1,372,859	24,857	18,272	233,059	15,488,399	0.79
2006	13,233,227	17,494	1,339,692	27,415	19,687	210,222	14,847,737	0.80
2005	8,901,142	17,647	1,201,570	29,020	13,557	167,305	10,330,240	1.08
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 2011/2010	1.2%	4.9%	0.9%	(45.6)%	(25.9)%	2.5%	1.0%	
% Change 2011/2002	99.4%	(34.2)%	57.4%	(52.0)%	58.8%	40.2%	91.3%	
Category % of Total AV, CY 2011	87.5%	0.1%	10.2%	0.1%	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 2011, State Corporation Commission Certified Statements of Assessed Value for Public Service Corp. 2002-2011, and Spotsylvania County FY 2005 CAFR for 2003 through 2005

COUNTY OF SPOTSYLVANIA, VIRGINIA

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO

Table S-6

(\$ in thousands)

	Fiscal Year 2011			Fiscal Year 2002		
	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		Collections in Subsequent Years (1) (2)	Total Collections to Date	
		Amount (2)	Percentage of Levy (3)		Amount	Percentage of Levy (3)
2011	\$ 141,514	\$ 136,492	96.45%	\$ -	\$ 136,492	96.45%
2010	135,932	129,172	95.03%	4,050	133,222	98.01%
2009	128,242	121,724	94.92%	4,453	126,177	98.39%
2008	119,359	113,394	95.00%	4,185	117,579	98.51%
2007	109,522	104,754	95.65%	3,854	108,608	99.17%
2006	103,221	99,037	95.95%	3,567	102,604	99.40%
2005	94,766	90,839	95.86%	3,027	93,866	99.05%
2004	87,181	83,950	96.29%	2,675	86,625	99.36%
2003	82,692	79,579	96.24%	2,880	82,459	99.72%
2002	77,346	74,186	95.91%	3,006	77,192	99.80%

(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, except per capita)

Fiscal Year	Government Activities					Business-Type Activities				
	Virginia Public					Revenue Bonds	Total Primary Government	Percentage of Personal Income (1)	Per Capita	
	General Obligation Bonds	School Authority Bonds	Lease Revenue Bonds	Capital Leases	State Literary Fund Loans					
2011	\$ 163,511	\$ 51,331	\$ 80,475	\$ 7,253	\$ 7,924	\$ 147,855	\$ 458,350	1.23%	\$ 3.71	
2010	157,507	58,634	84,466	-	8,845	119,389	428,841	1.32%	3.50	
2009	142,581	66,044	88,332	650	9,775	122,654	430,036	1.32%	3.55	
2008	154,012	73,995	92,080	1,649	10,704	125,809	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	

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

(1) Latest available data for FY 2009, per US Department of Commerce, Bureau of Economic Analysis. Used 2009 income for 2009 through 2011 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, except per capita)

Fiscal Year	General Obligation Bonded Debt Outstanding (1)					Total Primary Government	Percentage of Assessed Value (2)	Per Capita (3)
	General Obligation Bonds	Virginia Public School Authority Bonds	Lease Revenue Bonds	State Literary Fund Loans				
2011	\$ 163,511	\$ 51,331	\$ 80,475	\$ 7,924	\$ 303,241	2.07%	\$ 2.46	
2010	157,507	58,634	84,466	8,845	309,452	2.14%	2.53	
2009	142,581	66,044	88,332	9,775	306,732	1.79%	2.54	
2008	154,012	73,995	92,080	10,704	330,792	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%	2.33	
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	

(1) Details regarding the County's outstanding debt can be found in Note 10 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 (4)
				Principal	Interest (3)	Total	
2011	\$ 28,942	\$ 17,661	\$ 11,281	\$ 3,395	\$ 5,640	\$ 9,035	1.25
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

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

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

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

(4) Legal limit: minimum of 1.15

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

Table S-10

Special Assessment Tax Anticipation Notes

Fiscal Year	Special Assessment Collections	Principal	Interest	Coverage
2011	\$ 1,222,471	\$ -	\$ 370,600	3.30
2010	1,067,399	-	370,600	2.88
2009	908,166	-	370,600	2.45
2008	696,280	-	185,300	3.76
2007	-	-	-	n/a
2006	-	-	-	n/a
2005	-	-	-	n/a
2004	-	-	-	n/a
2003	-	-	-	n/a
2002	-	-	-	n/a

Note 9 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 2011			FY 2002		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Spotsylvania County School Board	Over 1,000	1	1.6%	Over 1,000	1	1.9%
County of Spotsylvania	500 to 999	2	1.2%	500 to 999	2	1.4%
Wal-Mart	500 to 999	3	1.2%	250 to 499	4	0.7%
CVS, Inc.	500 to 999	4	1.2%	500 to 999	3	1.4%
Spotsylvania Regional Medical Center	250 to 499	5	0.6%	-		
Food Lion	250 to 499	6	0.6%	250 to 499	8	0.7%
Giant Food	250 to 499	7	0.6%	-		
Germanna Community College	250 to 499	8	0.6%	-		
A T Solutions Inc.	250 to 499	9	0.6%	-		
Carmax	100 to 249	10	0.3%	-		
Collegiate Funding Services	-			250 to 499	5	0.7%
Fredericksburg Auto Auction	-			250 to 499	6	0.7%
General Products Co., Inc.	-			250 to 499	7	0.7%
GM Powertrain	-			250 to 499	9	0.7%
Carriage Hill Nursing Home	0.00			100 to 249	10	0.3%
Total employment	<u>64,644</u>			<u>52,045</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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
General government administration	85	92	93	99	106	111	117	115	115	116
Judicial administration	26	26	26	29	32	34	36	36	35	35
Public safety	233	262	281	317	321	372	393	399	382	381
Public works	36	38	44	45	46	55	57	56	49	49
Health and welfare	59	62	63	67	67	74	74	77	77	77
Parks, recreation & cultural	19	20	20	21	22	23	24	24	24	24
Community development	19	16	18	20	21	24	29	26	22	22
Total governmental activities	<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>704</u>	<u>704</u>
Business-type activities:										
Water and sewer	95	103	101	100	102	105	111	111	113	113
Total business-type activities	<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>113</u>	<u>113</u>
Total full-time employees	<u>572</u>	<u>619</u>	<u>646</u>	<u>698</u>	<u>717</u>	<u>798</u>	<u>841</u>	<u>844</u>	<u>817</u>	<u>817</u>

Source: FY 2002 through FY 2011 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)
2011	123,427	n/a	23,868	5.4%
2010	122,397	28,589	24,084	5.8%
2009	120,977	29,593	24,246	5.7%
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%

- (1) Estimated for July 1 of each year
2002 - 2010 US Bureau of the Census
2011 - Spotsylvania County Planning Department
- (2) 2001 - 2010 US Bureau of the Census
- (3) As of October 1 of each calendar year
- (4) Virginia Employment Commission; represents calendar year data for 2002 - 2010, July 2011 data for 2011
- n/a Not available

COUNTY OF SPOTSYLVANIA, VIRGINIA

OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Table S-14
Page 1

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Commissioner of revenue										
Taxable real estate parcels (1)	53,564	54,467	55,300	56,359	57,473	58,395	58,768	58,990	59,122	59,248
Percentage of fair market value (2) (3)	93.20%	85.00%	90.00%	58.50%	74.70%	80.90%	109.50%	133.70%	n/a	n/a
Treasurer										
Real estate tax bills generated	130,623	129,721	121,954	124,680	127,680	123,592	142,231	133,784	125,530	127,740
Personal property tax bills generated (1)	257,233	269,300	217,677	231,427	206,776	259,610	290,750	271,542	245,127	248,054
Registrar										
Number of registered voters	56,532	59,180	61,171	64,503	65,901	66,897	70,410	74,600	75,854	77,350
Judicial administration										
Clerk of the circuit court										
Number of deeds recorded (1)	40,090	54,585	51,844	55,161	44,312	34,697	24,819	24,745	23,098	n/a
Commonwealth attorney										
Average caseload per attorney (1)	2,371	2,838	2,265	2,149	1,683	2,306	1,864	2,174	1,931	n/a
Number of circuit court cases (1)	1,637	1,846	2,097	2,162	1,772	1,786	1,936	2,115	2,217	n/a
Number of general district court cases (1)	9,344	9,162	9,979	10,498	9,386	10,746	11,235	12,362	11,945	n/a
Number of juvenile & domestic relations court cases (1)	3,244	3,185	3,243	3,463	3,990	5,923	3,611	4,004	5,143	n/a
Public safety										
Sheriff										
Calls for service	157,540	149,080	150,927	158,650	166,330	167,720	167,523	180,105	172,762	153,069
Calls for service per road deputy	2,540	n/a	3,065	3,324	3,696	3,289	2,792	2,814	2,657	2,430
Civil process papers served	40,094	43,055	40,718	51,221	47,912	50,610	49,711	45,326	48,010	60,512
Warrants served	8,736	9,743	12,432	9,279	12,497	13,012	13,404	13,279	12,880	12,280
Emergency communications										
Total calls received	224,303	230,954	242,176	335,577	222,722	215,984	205,535	217,365	213,419	202,674
911 calls received	52,109	46,429	37,717	56,497	52,118	51,826	52,600	52,600	50,941	50,008
Fire, rescue and emergency services										
Calls for service (4)	14,859	16,138	15,454	15,249	15,802	16,576	17,021	16,749	16,540	15,458
Animal control										
Calls for service (all types)	5,294	5,872	5,777	6,119	5,776	5,844	6,102	6,275	8,035	8,517
Public works										
Refuse disposal										
Solid waste - tons (1)	51,955	49,810	49,790	53,408	59,060	56,989	53,081	46,535	45,872	41,518
Recycling										
Recycled materials - tons	18,091	25,807	17,290	14,925	14,998	15,002	17,662	11,087	21,183	20,960
Sludge composted - tons	5,353	7,793	10,226	11,223	11,479	12,246	12,037	12,573	12,369	14,492

COUNTY OF SPOTSYLVANIA, VIRGINIA

OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Table S-14
Page 2

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Health and welfare										
Social services										
SNAP applications	2,801	1,989	1,898	1,931	2,108	2,140	2,434	2,793	3,739	3,628
Medicaid applications	2,163	2,482	2,602	2,487	2,404	2,526	2,425	2,558	2,024	2,250
Medicaid (avg monthly ongoing caseload)	2,519	2,852	4,275	5,032	5,267	5,199	5,780	6,588	7,561	8,295
Foster care children (avg monthly county)	58	69	88	101	94	97	111	116	134	121
Parks, recreation and cultural										
Parks and recreation										
Sports league participants	8,734	8,658	8,662	8,334	8,533	8,431	7,998	7,964	7,762	7,669
Special interest/leisure participants	10,813	9,515	9,740	10,419	12,007	13,532	12,274	12,308	12,842	11,426
Park visitors	887,304	917,423	991,525	1,037,000	1,068,400	1,079,500	1,136,200	1,137,700	1,143,200	1,151,800
Community development										
Planning										
Final platted lots approved (1)	1,547	1,315	883	1,147	1,071	656	152	64	48	441
Economic development										
Average "annual" salary census of wages (Virginia Employment Commission)	\$ 28,600	\$ 29,848	\$ 31,772	\$ 33,748	\$ 37,336	\$ 33,852	\$ 33,384	\$ 34,190	\$ 33,787	n/a
Tourism										
Tourists visiting area (1)	378,151	378,151	375,334	449,734	428,450	504,103	514,738	601,949	782,505	n/a
Extension office (5)										
Requests for educational information (1)	74,157	74,157	50,213	n/a	n/a	6,752	3,773	8,237	15,453	6,486
Individuals participating in programs (1)	12,442	12,442	25,569	n/a	n/a	7,005	6,178	9,210	4,127	13,946
Other funds										
Code compliance										
Community development permits issued	3,980	3,736	4,186	4,456	3,854	3,796	3,504	2,941	2,788	3,009
Building inspections	35,269	30,628	34,086	40,031	38,795	38,394	28,871	15,166	14,361	12,786
Utilities										
Average daily water consumption (mgd)	9.70	5.98	5.64	6.00	6.03	6.10	6.40	6.65	6.06	7.21
Average effluent flows (mgd)	6.77	6.90	7.80	7.60	6.81	8.10	8.21	7.88	8.27	6.72
Water customers	22,548	23,982	25,057	26,166	26,925	27,396	27,586	27,939	28,311	28,391
Sewer customers	21,552	23,420	24,298	25,386	26,155	26,609	26,757	27,065	27,352	27,435

n/a Not available

(1) Reported on a calendar year basis.

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

Source: Various County Departments

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

Table S-15

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public safety										
Sheriff:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	128	139	143	169	171	185	195	199	205	205
Fire & rescue:										
Stations	13	14	14	14	14	14	13	13	13	13
Response units	54	56	56	56	58	58	61	65	65	67
Public works										
Solid waste convenience centers	13	13	13	13	13	13	13	13	13	13
Collection trucks	n/a	8	9	9	12	12	12	12	12	12
Landfills	3	3	3	3	3	3	3	3	3	3
Square footage of buildings maintained	348,063	348,063	348,063	365,276	365,276	365,276	459,989	470,659	471,659	471,659
Parks, recreation and cultural										
Parks	9	9	9	9	9	9	11	11	11	11
Park acreage	331	331	331	331	331	331	482	482	482	482
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	8	8	8	8	8	7	7	7	7	7
Athletic fields maintained	20	20	20	20	20	20	32	32	32	32
Community centers	5	5	5	5	5	5	5	6	6	6
Public boat ramps	1	1	1	1	1	1	2	2	2	2
Library facilities	2	2	2	2	2	2	2	2	2	2
Museums	1	1	1	1	1	1	1	1	1	1
Community development										
Visitor centers	1	1	1	1	2	2	2	1	1	1
Public utilities										
Water mains (miles)	n/a	n/a	412	435	448	457	462	496	502	514
Water treatment plants	2	2	2	2	2	2	2	2	2	2
Maximum daily capacity (thousands of gallons)	n/a	18,000	18,000	18,000	18,000	18,000	18,000	21,000	21,000	21,000
Sewer										
Sanitary sewers (miles)	n/a	n/a	412	429	437	451	453	455	457	496
Wastewater treatment plants	3	3	3	3	3	3	3	3	3	3
Maximum daily treatment capacity (thousands of gallons)	n/a	12,300	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	3
Pumping stations	n/a	64	64	58	59	59	56	56	56	53
Fleet management										
Vehicles maintained (1)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,057	1,101	1,227

n/a - not available

(1) Joint Fleet Facility opened in FY 2009

Source: Various County Departments

COUNTY OF SPOTSYLVANIA, VIRGINIA
SUMMARY OF CERTAIN SCHOOL STATISTICS

Table S-16
Page 1

	2006	2007	2008	2009	2010	2011
Kindergarten	1,748	1,708	1,745	1,686	1,752	1,686
Elementary (grades 1-7)	12,473	12,526	12,623	12,462	12,499	12,427
Secondary (grades 8-12)	9,315	9,634	9,709	9,769	9,661	9,394
Pre-K/Headstart (SpEd)	<u>275</u>	<u>318</u>	<u>313</u>	<u>280</u>	<u>301</u>	<u>361</u>
Total enrollment (1)	<u>23,811</u>	<u>24,186</u>	<u>24,390</u>	<u>24,197</u>	<u>24,213</u>	<u>23,868</u>
Teachers and administrators	1,956	1,964	1,995	2,058	1,961	1,907
Other employees	<u>1,309</u>	<u>1,312</u>	<u>1,291</u>	<u>1,271</u>	<u>1,232</u>	<u>1,147</u>
Total employees (2)	<u>3,265</u>	<u>3,276</u>	<u>3,286</u>	<u>3,329</u>	<u>3,193</u>	<u>3,054</u>
Elementary and intermediate	23	23	23	24	24	24
Secondary (includes Vocational)	<u>6</u>	<u>6</u>	<u>6</u>	<u>7</u>	<u>7</u>	<u>7</u>
Total buildings	<u>29</u>	<u>29</u>	<u>29</u>	<u>31</u>	<u>31</u>	<u>31</u>

Source: Superintendent of Schools, Spotsylvania County, Virginia.

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

(2) As budgeted.

COUNTY OF SPOTSYLVANIA, VIRGINIA

ACTUAL AND PROJECTED AVERAGE DAILY ENROLLMENT BY GRADE

*Table S-16
Page 2*

Grade	Average Daily Student Enrollment by Grade					Projected Average Daily Student Enrollment by Grade				
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
K	1,708	1,745	1,686	1,752	1,686	1,703	1,795	1,763	1,763	1,763
1	1,827	1,785	1,815	1,739	1,750	1,687	1,703	1,795	1,763	1,763
2	1,743	1,824	1,714	1,792	1,726	1,748	1,687	1,703	1,795	1,763
3	1,803	1,732	1,818	1,731	1,781	1,722	1,748	1,687	1,703	1,795
4	1,746	1,851	1,716	1,846	1,754	1,806	1,722	1,748	1,687	1,703
5	1,720	1,771	1,829	1,746	1,824	1,728	1,806	1,722	1,748	1,687
6	1,904	1,744	1,794	1,842	1,748	1,826	1,728	1,806	1,722	1,748
7	1,783	1,916	1,776	1,803	1,844	1,748	1,826	1,728	1,806	1,722
8	1,957	1,829	1,920	1,818	1,809	1,851	1,748	1,826	1,728	1,806
9	2,242	2,234	2,131	2,212	2,025	2,015	2,057	1,954	2,032	1,934
10	1,958	2,094	2,012	1,904	1,990	1,917	1,907	1,949	1,846	1,924
11	1,793	1,771	1,889	1,841	1,750	1,895	1,917	1,907	1,949	1,846
12	1,684	1,781	1,817	1,886	1,820	1,761	1,895	1,917	1,907	1,949
Pre-K*	318	313	280	301	361	361	361	361	361	361
Total	<u>24,186</u>	<u>24,390</u>	<u>24,197</u>	<u>24,213</u>	<u>23,868</u>	<u>23,768</u>	<u>23,900</u>	<u>23,866</u>	<u>23,810</u>	<u>23,764</u>

Source: Superintendent of Schools, Spotsylvania County, Virginia.
As of September 30 of each school year.

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

COUNTY OF SPOTSYLVANIA, VIRGINIA

DATA ON EXISTING PUBLIC SCHOOLS

Table S-16

Page 3

School	Grade	Site Size		Original Construction Date	Date of Additions	Institutional Capacity	2010-2011 Enrollment
Elementary:							
Battlefield	0.00	30.0	Acre	1974	2000	833	678
Berkeley	K-5	17.0	Acre	1961	1971, 1979, 2000, 2005	353	351
Brock Road	K-5	24.4	Acre	1992	2004	907	764
Cedar Forest	K-5	52.2	Acre	2008	-	936	765
Chancellor	K-5	12.0	Acre	1940	1948, 1961, 2000	455	360
Courthouse Road	K-5	25.0	Acre	1994	2005	907	881
Courtland (1)	K-5	-	Acre	1989	2000	789	608
Harrison Road (2)	K-5	-	Acre	2001	2006	936	812
Lee Hill	K-5	21.0	Acre	1977	1990, 1999	807	554
Livingston	K-5	15.5	Acre	1961	1971, 1992	504	460
Parkside	K-5	26.8	Acre	2001	2007	936	955
Riverview	K-5	25.0	Acre	1994	2005	907	614
Robert E. Lee	K-5	14.1	Acre	1952	1977	585	478
Salem	K-5	20.0	Acre	1979	1989, 1999	815	642
Smith Station	K-5	23.0	Acre	1991	1999, 2004	986	768
Spotswood	K-5	20.0	Acre	1965	1971, 2000	641	410
Wilderness	K-5	25.0	Acre	1998	2003	936	752
							10,852
Middle:							
Battlefield	6-8	30.0	Acre	1978	2003	807	800
Chancellor (2)	6-8	-	Acre	1989	-	857	814
Freedom	6-8	76.7	Acre	2003	-	948	862
Ni River	6-8	75.0	Acre	1999	-	774	719
Post Oak (3)	6-8	-	Acre	2007	-	948	739
Spotsylvania	6-8	41.7	Acre	1968	1973	907	821
Thornburg	6-8	50.0	Acre	1994	-	790	646
							5,401
Secondary:							
Chancellor	9-12	100.0	Acre	1988	-	1427	1,415
Courtland	9-12	100.0	Acre	1980	-	1265	1,220
Massaponax	9-12	100.0	Acre	1998	2005	1830	1,908
Riverbend	9-12	90.7	Acre	2004	-	1995	1,941
Spotsylvania	9-12	100.0	Acre	1994	-	1611	1,131
J.J. Wright Alternative	Pre K-12	20.0	Acre	1952	1962, 1982, 2008, 2009	500	
Vocational Center (1)	-	-		1980	1993	-	n/a
							7,615

- (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

COUNTY OF SPOTSYLVANIA, VIRGINIA

SINGLE AUDIT REPORT

JUNE 30, 2011

TABLE OF CONTENTS

	Page
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	1 and 2
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	3 and 4
Schedule of Findings and Questioned Costs	5 – 7
Schedule of Expenditures of Federal Awards	8 – 10
Notes to Schedule of Expenditures of Federal Awards	11



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Supervisors
County of Spotsylvania, Virginia

We have audited the 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, 2011, which collectively comprise the County of Spotsylvania, Virginia's basic financial statements, and have issued our report thereon dated November 8, 2011, except for Note 21, as to which the date is April 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for the Audit of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County of Spotsylvania, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Spotsylvania, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Spotsylvania, Virginia's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs at item 2011-001 that we consider to be a significant deficiency in internal control over financial reporting. A

significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Spotsylvania, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2011-002 and 2011-003.

The County of Spotsylvania's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County of Spotsylvania's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, the Auditor of Public Accounts, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Fredericksburg, Virginia
November 8, 2011



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Supervisors
County of Spotsylvania, Virginia

Compliance

We have audited the County of Spotsylvania, Virginia's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Spotsylvania, Virginia's major federal programs for the year ended June 30, 2011. The County of Spotsylvania, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Spotsylvania, Virginia's management. Our responsibility is to express an opinion on the County of Spotsylvania, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program has occurred. An audit includes examining, on a test basis, evidence about the County of Spotsylvania, Virginia's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Spotsylvania, Virginia's compliance with those requirements.

In our opinion, the County of Spotsylvania, Virginia, complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-002 and 2011-003.

Internal Control over Compliance

Management of the County of Spotsylvania, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the

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County of Spotsylvania, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Spotsylvania, Virginia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate presented component units, each major fund, and the aggregate remaining fund information of the County of Spotsylvania, Virginia as of and for the year ended June 30, 2011, and have issued our report thereon dated November 8, 2011, which contained an unqualified opinion on those financial statements, except for Note 21, as to which the date is April 26, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The County of Spotsylvania, Virginia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County of Spotsylvania, Virginia's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, the Auditor of Public Accounts, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Fredericksburg, Virginia
November 8, 2011

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of the County of Spotsylvania, Virginia.
2. One significant deficiency relating to the audit of the financial statements is reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. The deficiency is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the County of Spotsylvania, Virginia, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for the County of Spotsylvania, Virginia expresses an unqualified opinion on all major federal programs.
5. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
6. The programs tested as major programs include:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Highway Planning and Construction Cluster	20.205
Energy, Efficiency, and Conservation	81.128
Title I, Part A Cluster	84.010, 84.389
Special Education Cluster (IDEA)	84.027, 84.173, 84.391 and 84.392
State Fiscal Stabilization Fund Cluster	84.394
Head Start Cluster	93.600, 93.708

7. The threshold for distinguishing Type A and B programs was \$894,670.
8. The County of Spotsylvania, Virginia did not qualify as a low-risk auditee.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

FINDINGS – FINANCIAL STATEMENT AUDIT

2011-001 Compliance with Budget and Appropriations

Condition: In two instances, school funds exceeded budget and appropriations amounts at year end.

Criteria: School Board management is responsible for complying with budget and appropriations. In addition, the Treasurer's office is responsible for monitoring compliance with appropriations.

Cause: The School Board management underestimated expenses for year end; including accruals and failed to make requests to have budgetary and appropriations amounts increased prior to June 30, 2011. In addition, the Treasurer's office had an internal error in processing appropriated amounts and failed to realize amounts had been exceeded.

Effect: Two funds exceeded budgeted and appropriated funds.

Recommendation: Projections of expenditures need to be monitored and appropriate action taken prior to exceeding the authorized budget and appropriation limits. In addition, the Treasurer's office needs to review its procedures to insure that they are effectively tracking appropriations.

Views of responsible officials and planned corrective action: For all FY 2011 expenditures, including accruals, the School Board had adequate levels of revenue or cash to support the expenditures. However, at the end of the first half of each fiscal year, School Board management will project revenues and expenses, including accruals, compared to the budget and will submit to the School Board an amendment in January for approval and then, to the Board of Supervisors for approval. Additional budget adjustments will be made in April or May of each year, as needed. School Board management will be very liberal in preparing estimates to avoid underestimating the expenses compared to the budget.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2011-002 State Fiscal Stabilization Fund – CFDA 84.394

Condition: Reimbursement reports for State Stabilization funds were supported by inaccurate financial information which resulted in an over reimbursement of funds of approximately \$550,000 on the first two reimbursement reports filed through December 2010. Subsequent reports were adjusted to correct the error.

Criteria: The Federal law requires that reimbursements be adequately documented and have internal controls over the process to insure accuracy and completeness.

Cause: The School Board's management did not follow the established grant review procedures and did not carefully review these reimbursement reports or related charges.

Effect: It appears that the School Board may not be compliant with Federal Law as the reimbursement requests were not supported by accurate documentation and resulted in an over reimbursement of funds for the period of July 2010 – December 2010.

Context: Approximately \$550,000 of costs was over-reimbursed on two reports submitted. Of that amount, about \$200,000 was expended after the reporting dates but prior to actual report submission. All amounts were adjusted on the next report submitted approximately five months later.

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Recommendation: The School Board should strengthen their system for proper preparation, reconciliation and review of reimbursement reports. Furthermore, they should consider filing reimbursement reports on a more regular basis which may aid in the identification of errors that can be corrected in a timely manner.

Views of responsible officials and planned corrective action: By way of corrective action, School Board management has enhanced its preparation, reconciliation and grant review process. A training workshop was held in August 2011 and it was emphasized to the grant bookkeepers that the primary source of documentation for grant reimbursements is the monthly iSeries expenditure report. When grant reimbursements are presented for approval, grant bookkeepers must attach to the Omega reimbursement document, the related iSeries report, the payroll report, if applicable, and the expense vs. grant reconciliation reimbursement tracking report. Consistently throughout the year, School Board management will review the reconciliation reports for timeliness, completeness and accuracy of the amounts. State Fiscal Stabilization Funds can be used to cover any local expense or supplant; thus, the school division had valid expenditures to cover the \$550,000 reimbursement request for the period July 2010-December 2010.

2011-003 State Fiscal Stabilization Fund – CFDA 84.394

Condition: Reimbursement reports for State Stabilization funds were improperly dated and did not coincide with the actual periods or expenditure amounts reported in the general ledger for those periods.

Criteria: The Federal law requires that reimbursements be adequately documented and have internal controls over the process to insure accuracy and completeness and that expenditures coincide with the reporting period.

Cause: The School Board's management did not follow the established grant review procedures and did not carefully review these reimbursement reports or related charges.

Effect: It appears that the School Board may not be compliant with Federal Law as the reimbursement requests were not for the periods included in the reports. Rather than correct the first two reimbursement reports for the inaccuracies, the subsequent reimbursement reports were reduced for the error and did not coincide with the actual expenditures for the period.

Recommendation: The School Board should strengthen their system for proper preparation, reconciliation and review of reimbursement reports.

Views of responsible officials and planned corrective action: By way of corrective action, School Board management has enhanced its preparation, reconciliation and grant review process. A training workshop was held in August 2011 and it was emphasized to the grant bookkeepers that the primary source of documentation for grant reimbursements is the monthly iSeries expenditure report. When grant reimbursements are presented for approval, grant bookkeepers must attach to the Omega reimbursement document, the related iSeries report, the payroll report, if applicable, and the expense vs. grant reconciliation reimbursement tracking report. Consistently throughout the year, School Board management will review the reconciliation reports for timeliness, completeness and accuracy of the reporting period dates.

COUNTY OF SPOTSYLVANIA, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Federal Granting Agency/Recipient State Agency/Grant Program/Grant Number	Federal Catalogue Number	Agency or Pass- Through Number	Federal Expenditures
<i>U.S. DEPARTMENT OF AGRICULTURE:</i>			
Pass-Through Payments:			
State Department of Agriculture:			
National School Lunch Program	10.555	301	\$ 528,220
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	765	749,740
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	765	43,573
<i>Sub total Supplemental Nutrition</i>			793,313
Department of Education:			
School Breakfast Program	10.553	197	800,930
National School Lunch Program	10.555	197	2,995,111
Total U.S. Department of Agriculture			\$ 5,117,574
<i>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</i>			
Direct Payments:			
Head Start	93.600	N/A	\$ 840,044
ARRA - Head Start	93.708	N/A	9,680
Pass-Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	765	34,826
Temporary Assistance for Needy Families	93.558	765	689,206
Refugee and Entrant Assistance - State Administered Programs	93.566	765	1,677
Low Income Home Energy Assistance	93.568	765	19,811
Child Care and Development Block Grant	93.575	765	264,512
Child Care Mandatory and Matching Funds of the Child Care and Development Funds	93.596	765	452,849
Chafee Education and Training Vouchers Program	93.599	765	14,980
Child Welfare Services - State Grants	93.645	765	2,004
Foster Care Title IV-E	93.658	765	622,572
ARRA - Foster Care Title IV-E	93.658	765	22,073
<i>Sub total Foster Care</i>			644,645
Adoption Assistance	93.659	765	186,067
ARRA - Adoption Assistance	93.659	765	9,490
<i>Sub total Adoption Assistance</i>			195,557
Social Services Block Grant	93.667	765	272,399
Chafee Foster Care Independence Program	93.674	765	10,281
ARRA - Child Care and Development Block Grant	93.713	765	36,970
Children's Health Insurance Program	93.767	765	20,880
Medical Assistance Program	93.778	765	437,062
Total U.S. Department of Health and Human Services			\$ 3,947,383

COUNTY OF SPOTSYLVANIA, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Federal Granting Agency/Recipient State Agency/Grant Program/Grant Number	Federal Catalogue Number	Agency or Pass- Through Number	Federal Expenditures
<i>U.S. DEPARTMENT OF HOMELAND SECURITY:</i>			
Direct Payments:			
Disaster Grants - Public Assistance	97.036	N/A	\$ 3,093
Assistance to Firefighters Grant	97.044	N/A	
State Homeland Security Program (SHSP)	97.073	N/A	50,000
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	76,846
Pass-Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	127	18,078
Total U.S. Department of Homeland Security			\$ 148,017
<i>U.S. DEPARTMENT OF EDUCATION:</i>			
Direct Payments:			
Impact Aid	84.041	N/A	\$ 332,329
Fund for the Improvement of Education	84.215	N/A	279,689
JROTC	99.900	N/A	154,772
Other Federal Funds (Build America Bond Subsidy)	99.999	N/A	125,300
Pass-Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	197	246,924
Title I - Grants to Local Educational Agencies	84.010	197	2,373,442
Title I - State Agency Program for Neglected and Delinquent	84.013	197	44,421
Special Education Grants to States	84.027	197	4,238,326
Career and Technical Education	84.048	197	253,228
Special Education - Preschool Grants	84.173	197	89,860
Safe and Drug-Free Schools and Communities - State Grants	84.186	197	(12,731)
Education Technology State Grants	84.318	197	14,073
English Language Acquisition Grants	84.365	197	117,777
Improving Teacher Quality State Grants	84.367	197	599,768
ARRA - Educational Technology State Grants, Recovery Act	84.386	197	28,852
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	197	775,212
ARRA - Special Education Grants to States, Recovery Act	84.391	197	2,916,892
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	197	97,248
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	197	3,203,603
Total U.S. Department of Education			\$ 15,878,985

COUNTY OF SPOTSYLVANIA, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Federal Granting Agency/Recipient State Agency/Grant Program/Grant Number	Federal Catalogue Number	Agency or Pass-Through Number	Federal Expenditures
<i>U.S. DEPARTMENT OF JUSTICE:</i>			
Direct Payments:			
State Criminal Alien Assistance Program	16.606	N/A	\$ 7,260
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program (JAG) Program/Grants to States and Territories	16.804	N/A	24,125
Pass-Through Payments:			
Department of Criminal Justice Services:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	140	27,500
Crime Victim Assistance	16.575	140	76,867
ARRA - Violence Against Women Formula Grants	16.588	140	38,597
Bulletproof Vest Partnership Program	16.607	140	15,270
Total U.S. Department of Justice			\$ 189,619
<i>U.S. DEPARTMENT OF TRANSPORTATION:</i>			
Direct Payments:			
ARRA - Highway Planning and Construction	20.205	N/A	\$ 4,078,409
Pass-Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154	66,846
Total U.S. Department of Transportation			\$ 4,145,255
<i>U.S. DEPARTMENT OF THE INTERIOR</i>			
Direct Payments:			
Save America's Treasures	15.929	N/A	\$ 2,667
Total U.S. Department of the Interior			\$ 2,667
<i>U.S. DEPARTMENT OF ENERGY</i>			
Direct Payments:			
ARRA - Energy, Efficiency and Conservation Block Grant Program	81.128	N/A	\$ 393,165
Total U.S. Department of Energy			\$ 393,165
			\$ 29,822,665

See notes to the schedule of expenditure of federal awards

COUNTY OF SPOTSYLVANIA, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Spotsylvania, Virginia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2011, the entity had food commodities totaling \$281,383 in inventory.

