

County of Spotsylvania Virginia

2012 CAFR
Service, Integrity, Pride



Acknowledgments

*Spotsylvania County extends special thanks to **Minuteman Press** for providing quality printing services for the FY2012 Comprehensive Annual Financial Report at a reduced price. Their support and dedication to the citizens of Spotsylvania is greatly appreciated.*

Special Appreciation to:

***Alan L. Zirkle** for permission to use his photograph titled “Site of Jackson’s Flank Attack”, located within the Chancellorville Battlefield, for our cover. This photograph, and many more of Spotsylvania’s historic civil war sites, can be found on the National Park Services website at <http://www.nps.gov/frsp/photosmultimedia/photogallery.htm>*

County of Spotsylvania, Virginia

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year Ending June 30, 2012

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 Accounting Division
of the Department of Finance

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PART I: INTRODUCTORY SECTION

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County of Spotsylvania

Founded 1721

Board of Supervisors
ANN L. HEIDIG
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Service, Integrity, Pride

November 27, 2012

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

We are proud to present our first in-house production of the Comprehensive Annual Financial Report of the County of Spotsylvania, Virginia, (the County) for the Fiscal Year ended June 30, 2012 as required under Section 15.2-2511 of the Code of Virginia (1950), as amended.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. In preparation of the financial report, the Finance Department followed all mandated standards listed below:

- ❖ 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).

Miller Foley Group, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Spotsylvania County's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

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

The County's annual audit must also include a single audit in conformity with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Information related to the single audit, including the schedule of federal financial assistance, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations are provided under separate report.

SPOTSYLVANIA COUNTY AND ITS SERVICES

Located in the northeastern section of Virginia, Spotsylvania County is bordered on the north by the Rappahannock and Rapidan Rivers, on the south by the North Anna River, on the west by Orange County, and on the east by Caroline County. The City of Fredericksburg borders the County to the northeast. The County is approximately 55 miles north of Richmond and 55 miles south of Washington, D.C. 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.

LOCAL ECONOMY

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 5.1% in June 2012 was below the state average (5.7%) and the national average (8.2%). The jobless figures are highly influenced by the strong diversified job market in Spotsylvania. Virginia had the 11th-lowest jobless rate in the country as of June 2012.

The diverse economy in Spotsylvania and the region has shielded the area from the worst of the economic recession. Healthcare, professional services, education services, retail trade, and tourism are among the strongest growth sectors and all experienced gains during the reporting period.

Healthcare

The opening of the County's first hospital in 2010 continues to stimulate the construction of new medical offices and expanded medical services throughout the region. In fiscal year 2012, four businesses expanded their services into the County purchasing more than 40,000 square feet of available office space, and an additional 50,000 of square feet are under construction with plans to be operational in early 2013.

Professional Services

One of the biggest drivers of the local economy in the professional services sector is the federal government, both for jobs in the region and employment opportunities for commuters. The Department of Defense is a key driver with three military bases nearby – Marine Corps Base Quantico, Naval Surface Warfare Center and Fort A.P. Hill, and all accounting for millions of federal dollars spent in the region annually.

In July 2011, the U.S. Department of Veterans Affairs began leasing 20,000 square feet of office space in the Lee's Hill area for a "Strategic Acquisition Center" that will provide support for its highly complex acquisition and program management requirements along with services required for the provision of benefits and medical care to the nation's veterans and expects to employ 156 people.

In December 2011, HDT Engineering Services, an arm of HDT Global, a world-wide technology company that specializes in Expeditionary Systems (ES) development and Engineering Services that include expeditionary shelter systems, chemical, biological, radiological, space recovery and parachute systems, relocated its ES division into the Lee's Hill Corporate Office Park.

Although the likelihood of across-the-board federal cuts under sequestration is considered relatively low, the significance of its effects on our local economy warrants mention. Due to the County's location to the nation's capital, dependence on federal funding is substantial in terms of federal employment and sub-contracted labor. In addition, Spotsylvania County receives significant federal aid to run its school system and fund transportation improvements and other capital project needs.

Education

As the County continues to attract new businesses calling for diverse skills, the workforce will need to be trained for future growth opportunities. Germanna Community College recently added a \$25 million Science and Engineering Building that was completed in April 2012. The main focus is geared toward engineers, architects and technicians. The building itself demonstrates environmental technology, energy efficiency and sustainability.

In November 2011, Career Training Solutions (CTS) relocated its nationally accredited school from Stafford County into a 20,000 square foot facility in the Lee's Hill Corporate Office Park. The school offers numerous degree and industry-recognized certification programs, most recently in nursing, allied healthcare and information technologies, and employs up to 65 people.

In October 2011, Rappahannock Goodwill Industries (RGI) purchased an existing 84,000 square foot facility at Lee's Hill Commercial with the intention to relocate its corporate headquarters from the City of Fredericksburg to the building which has been vacant since 2008. RGI has reconfigured the building to make it into a retail showroom, outlet store, administrative offices and collaborative program space. RGI plans for this facility to be a central hub in providing services to assist those with disabilities or other barriers to employment, and will employ up to 127 people at this location.

Retail Trade

Spotsylvania continues to boast a strengthening retail market. Retail activity continues to be seen in a number of newer mix-use retail centers including The Village at Towne Centre, Spotsylvania Courthouse Village, Harrison Crossing and Cosner's Corner. The Village at Towne Centre recently received a national award from the International Council of Shopping Centers for the computer synchronized holiday music and light show at the outdoor Village section of the shopping complex that received "excellence and innovation in retail marketing." Taxable sales during the first three months of 2012 were up 7.7% from the same period in 2011 indicating consumers are continuing to gain confidence in the economy.

The Bowman Center, home to the A. Smith Bowman Distillery and a number of other office, industrial and retail companies, continues to attract new and expanding businesses. The Bowman Center was home to the world's largest cellophane plant and upon its closing, A. Smith Bowman Distillery located to the property. The micro-distillery has increased its tourism program to include free tours and offers a gift shop. Over the past year, the Bowman Center has added the Mason-Dixon Café and Baking Company, First National Bank Home Loans, Rappahannock Area Community Services Board, Integrated Marketing, and Johnson Tax Service.

In September 2011, Trivett Furniture purchased a vacant 74,000 square foot distribution facility for \$2.8 million located near I-95. Backyard America, a supplier of outdoor structures such as pergolas, gazebos, fencing, sheds, lighting and decks, relocated its headquarters in January 2012 from Manassas, Virginia, purchasing a 55,000 square foot facility for \$1.1 million in the Spotsylvania Industrial Park, creating 15 jobs.

Tourism

Tourism spending increased 6.8 percent in 2012 in the Fredericksburg region with tourists spending \$594 million locally. Spotsylvania County led the region with \$229 million in spending, a 6.2 percent increase over 2011. The data is based on research from the Virginia Tourism Corporation. Spotsylvania continues to be a prominent leader in the celebration of the

Sesquicentennial of the Civil War Campaign with the County hosting multiple civil war reenactments and related events.

RELEVANT FINANCIAL POLICIES

The County continues to meet all adopted fiscal policy guidelines necessary to maintain fiscal stability and accountability in the use of its resources to provide services to citizens. During the current year, two of these policies were particularly relevant.

Fiscal Stability Reserve

As our financial advisors have repeatedly advised, no single policy is as significant as our fiscal stability reserve where we set aside at least 10% of operating revenues in case of unforeseen circumstances or financial emergencies. At the end of the fiscal year, after setting aside funds previously restricted or designated by the Board for specific purposes, the County's general fund reported \$41.6 million in unassigned fund balance. Of this amount, \$36.6 million represents the required fiscal stability reserve, leaving \$5.0 million in excess unassigned fund balance. These additional funds are the outcome of sound, conservative budget practices in coordination with continued measures taken during the year to control expenditures.

The amount in excess of our fiscal stability reserve further strengthens the County's position with the rating agencies, and provides a certain degree of flexibility to take advantage of opportunities that may arise. Per our fiscal policy, use of these funds are limited to one-time investments to reduce debt costs, promote economic growth, and enhance the quality of life for our citizens. During the fiscal year, the County utilized approximately \$4.0 million in available FY11 fund balance for one-time expenditures. Of this amount, \$3.0 million, or 75% was used towards the purchase of the Community Development building, with the remainder used for business incentives and smaller scale capital project needs.

Debt Capacity

The County makes significant effort to minimize the financing of capital projects, to the extent possible, and has adopted various debt ratios to help monitor and guide decision making. With the addition of new debt in the current fiscal year, and plans for additional debt in the future, we have maintained our debt guidelines and will continue to do so with the current approved plan. More information is available in the MD&A on the County's current debt ratios.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

The County continues to focus on its defined priorities of education, public safety, transportation, and economic development. During the current year some of the more notable plans involve increased concentration in economic development and transportation.

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 costs

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 celebrated its grand opening in January 2012 and is located in the EDA-owned building in space adjacent to the County's Visitors Center. In addition, the County has contracted with a well-recognized marketing firm to establish a ten year integrated program of strategies, resources, tactics, and other elements to drive growth in business, workforce, and tourism by increasing the County's national and regional "visibility" as a vibrant and desirable community.

As part of the County's strategic plan to reduce traffic congestion and spur economic development, the County has entered into plans to build a VRE station that will become the new end for the Fredericksburg line. Currently the County estimates the new service will draw 1,300 riders per day within the first six months, but believes more will come with the potential addition of a 62 acre mixed-use development next to the future VRE station. The County hopes to provide 3,800 in new jobs to Spotsylvania and surrounding residents through establishment of a research park in the development that will attract defense, high-tech and other quality corporations and higher paying jobs.

To meet its long-term goals, 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 2013 – 2017 CIP totals \$198.2 million and is comprised of County projects of \$85.3 million including transportation, school projects of \$59.0 million, and utilities projects of \$53.9 million. A variety of funding sources including general obligation bonds, revenue bonds, capital leases, general fund revenues, and utility 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.

AWARDS AND ACKNOWLEDGEMENTS

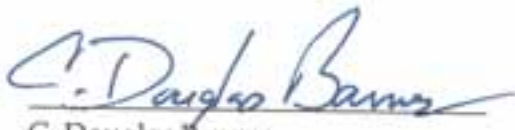
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This is the County's seventeenth award 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 both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The County also received the GFOA's Distinguished Budget Presentation Award to the County for its annual budget for the fiscal year ended June 30, 2012. This is the sixteenth award in as many years. In order to achieve this award, the County's budget document must meet program criteria as a policy document, a financial plan, an operations guide, and as a communications device.

The preparation of this report would not be possible without the skill, effort, and dedication of the County Finance staff, especially Ms. Rebecca Forry, Accounting Manager, School Board Finance staff, and our Treasurer's office. We wish to thank all our government departments and offices for their assistance in providing the critical data necessary to compile an accurate and timely CAFR.

Respectfully submitted,



C. Douglas Barnes
County Administrator



Tammy D. Petrie
Director of Finance

Principal Officials

Board of Supervisors



Benjamin T. Pitts
Battlefield District



Emmitt B. Marshall
Berkeley District



Timothy J. McLaughlin
Chancellor District



David Ross
Courtland District



Gary F. Skinner
Lee Hill District



Ann L. Heidig
Livingston District



Paul D. Trampe
Salem District

County of Spotsylvania

Constitutional Officers

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

County Administrative Officers

C. Douglas Barnes	County Administrator
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	Accounting Manager

Spotsylvania School Board

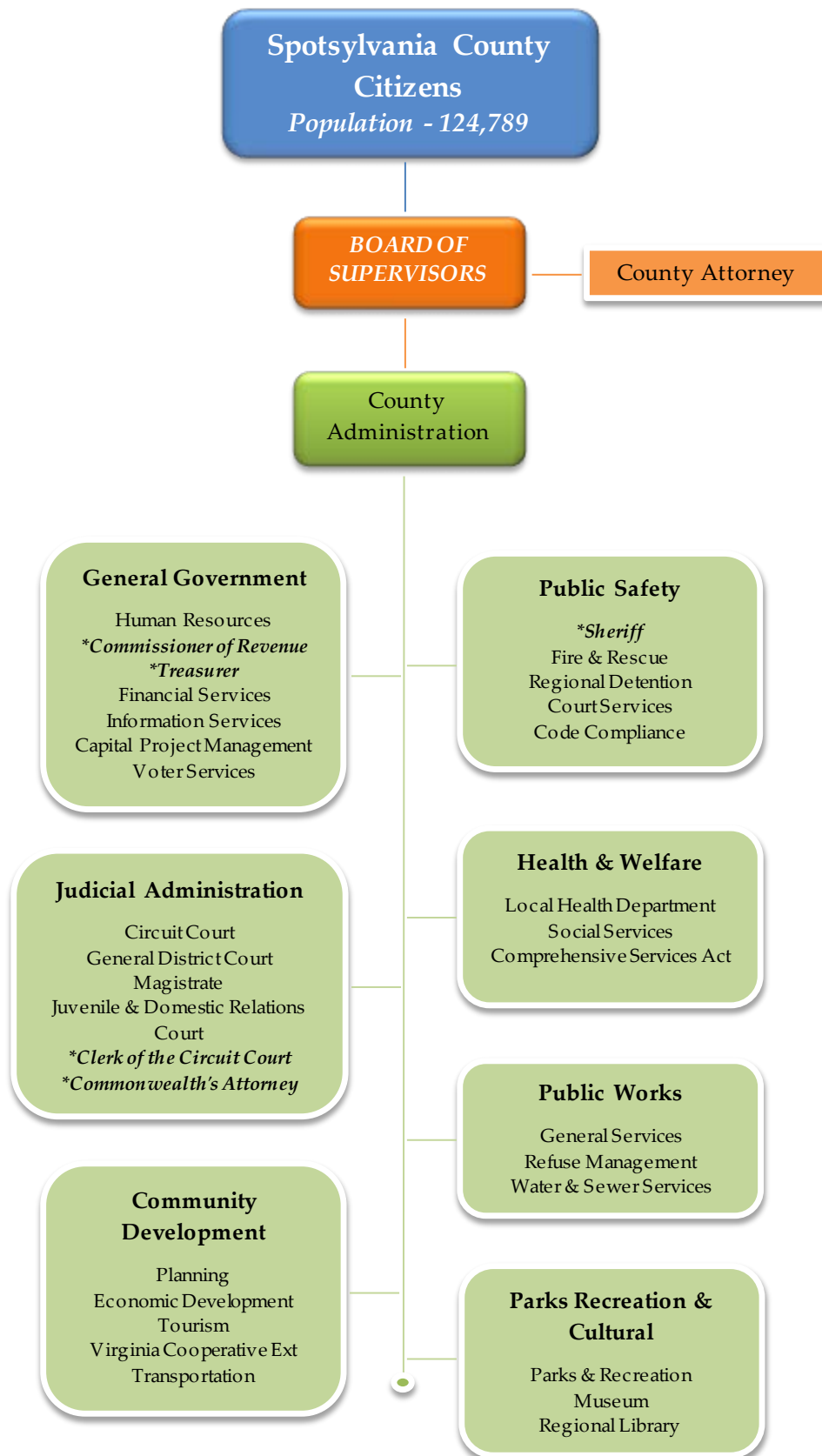
School Board

J. Gilbert Seaux	Berkeley District
William M. Blaine, Jr.	Salem District
Amanda Blalock	Lee Hill District
Dr. James Meyer	Courtland District
Ray Lora	Livingston District
Linda Wieland	Battlefield District
Dawn Shelley	Chancellor District

School Administrative Officers

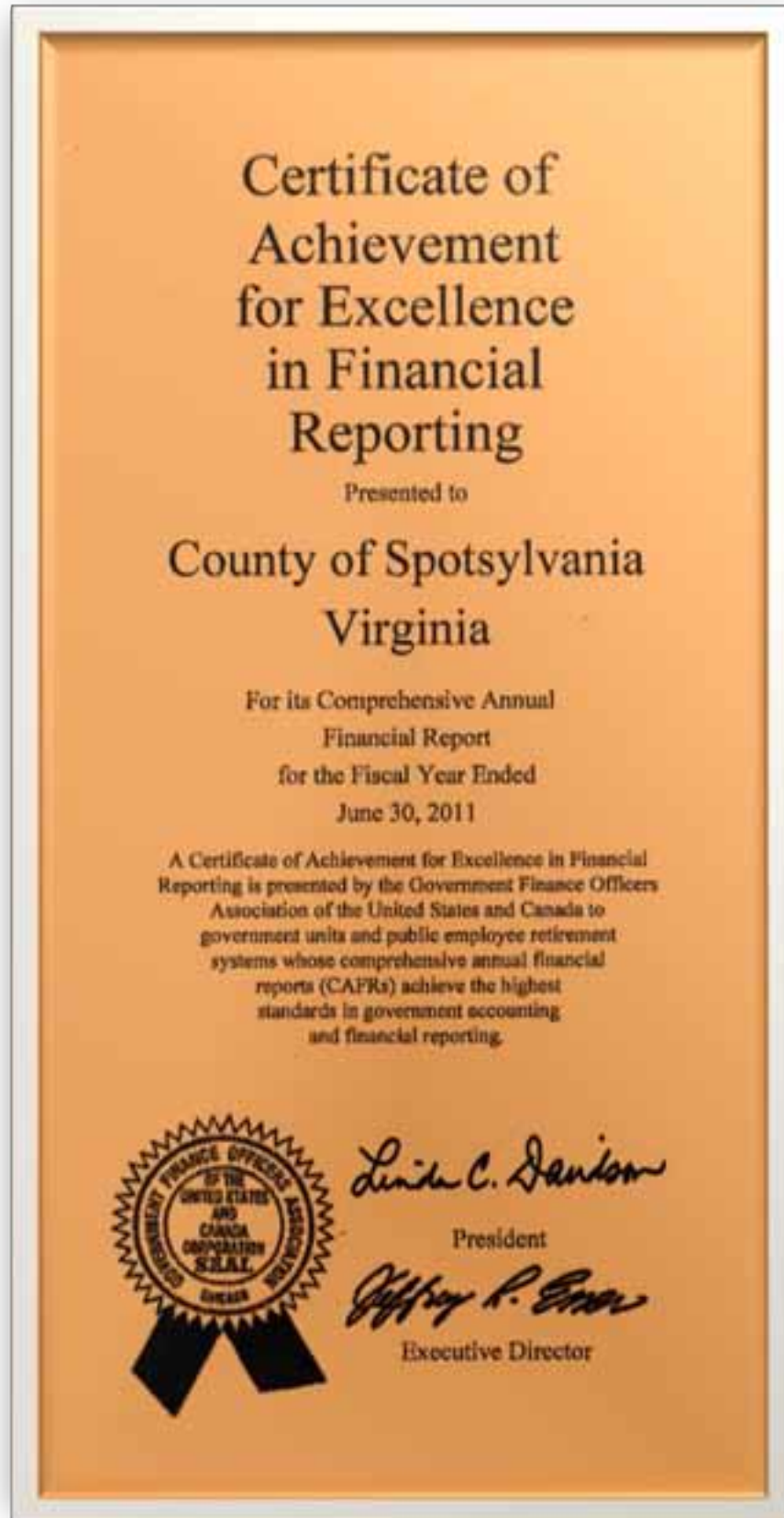
Dr. Shelley Redinger	Superintendent
Dr. Scott Baker	Assistant Superintendent
LaShahn Gaines	Chief Financial Officer
Barbara Stombock	Director of Finance
Marcia Stevens	Accounting Manager

Spotsylvania County Organizational Chart



* denotes Constitutional Officer

Spotsylvania County Certificate of Achievement



PART II: FINANCIAL SECTION

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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, 2012, 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; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Spotsylvania, Virginia, as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2012, on our consideration of the County of Spotsylvania, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 17 through 34 and 86 through 87 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, supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The 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.

Miller Fely Group

Fredericksburg, Virginia
November 12, 2012

Management's Discussion & Analysis

As management of the County of Spotsylvania (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 - 9 of this report.

Financial Highlights

- ❖ **Governmental activities** reported a net deficit of \$109.0 million, a decrease of \$27.2 million or 20% from the previous year. This deficit position is the result of \$187.8 million in remaining debt issued and held on behalf of the School Board. The positive change in net assets represents continued overall cost restrictions of \$7.2 million and the net recovery of \$16.8 million in school debt activity (principal reductions less new debt issuance). More detailed information is available on page 20 of this report.
- ❖ **Business-type activities** reported net assets of \$240.3 million, a slight increase of \$0.9 million or 0.4% as a result of increased capital contributions and a reduction in one-time maintenance costs.
- ❖ **Component unit – School Board** reported net assets of \$268.4 million, a decline from the prior year of \$20.6 million or 7.1% as result of continued unfunded future cash outflows for capital outlay replacement and other post-employment benefits.
- ❖ The County's total outstanding debt (including debt issued on behalf of the School Board)

decreased by \$11.2 million or 2.3%. This drop in debt is a combination of expected principal reductions and new debt issued for debt refinancing and future capital projects. In June of 2012, in preparation of a new debt issuance, the County made presentations to all three major credit rating agencies. As a result of these presentations, the County was upgraded by Fitch Ratings to an AA+, Standard and Poor's and Moody's Investor Services maintained at AA+ and Aa2, respectively. Additional details on debt administration are available on page 31 of this report.

- ❖ **Governmental funds** reported combined ending fund balances of \$89.9 million, an increase of \$4.2 million or 4.9% from the prior year driven by fuel tax collections held for future transportation projects.
- ❖ **General fund** change in fund balance equaled \$7.3 million, bringing the overall fund balance to \$62.2 million at the close of the fiscal year. The majority of this change is due to continued spending restrictions and initiatives not completed and therefore appropriated to the following year.

In addition, unassigned fund balance for the general fund was \$41.5 million, or funding of approximately 19.5% (71 days) of total general fund expenditures, providing much needed liquidity should emergency or other such stabilization needs become necessary. Unassigned fund balance includes \$36.6 million in funding the Board has specifically dedicated for fiscal stabilization per County fiscal policy.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the County

of Spotsylvania's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The *statement of net assets* presents financial information on all of the County's assets and liabilities with the difference 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 County'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 for some items that will only result in cash flows in future fiscal periods.

Both the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the

County include general government, public safety, judicial administration, health and social services, parks and recreation, waste collection and disposal, and community development. The business-type activities include water and sewer operations.

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

The government-wide financial statements can be found on pages 37 - 39 of this report.

FUND FINANCIAL STATEMENTS

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

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental* activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The County adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided, in the required supplementary information section of this report, for the general fund to demonstrate compliance with this budget. Additional budgetary comparison for the capital projects fund and nonmajor governmental funds can also be found in the schedules section of this report.

The basic governmental fund financial statements can be found on pages 40 - 43 of this report.

Proprietary funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements, in this case, water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 44 - 47 of this report.

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

The **notes to the financial statements** provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49 - 83 of this report.

Other information is provided in addition to the basic financial statements and accompanying notes on pages 93 - 118 of this report. This section provides the combining statements referred to earlier in connection with nonmajor governmental funds, as well as, more detailed reporting of the

Summary of Net Assets								
As of June 30, 2012								
(Amounts in Millions)								
Table 1	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2012	2011	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 215.1	\$ 201.2	\$ 93.1	\$ 104.8	\$ 308.2	\$ 306.0	\$ 27.8	\$ 28.8
Capital assets, net	118.1	109.3	299.0	291.9	417.1	401.2	330.6	339.5
Total assets	333.2	310.5	392.1	396.7	725.3	707.2	358.4	368.3
Other liabilities	116.1	112.4	3.2	5.5	119.3	117.9	22.8	22.5
Long-term liabilities	326.1	334.3	148.7	151.7	474.8	486.0	67.2	56.7
Total liabilities	442.2	446.7	151.9	157.2	594.1	603.9	90.0	79.2
Net assets:								
Invested in capital assets, net of debt	18.3	11.7	166.1	170.5	184.4	182.2	330.6	328.3
Restricted	19.7	19.3	19.4	34.1	39.1	53.4	3.8	4.8
Unrestricted	(147.0)	(167.2)	54.7	34.8	(92.3)	(132.4)	(66.0)	(44.0)
Total net assets	\$ (109.0)	\$ (136.2)	\$ 240.2	\$ 239.4	\$ 131.2	\$ 103.2	\$ 268.4	\$ 289.1

County's agency funds and its component unit, the Spotsylvania County School Board.

Government-wide Overall Financial Analysis

The table 1 presents a summary of the statement of net assets for the primary government and its component unit as of June 30, 2012 and 2011.

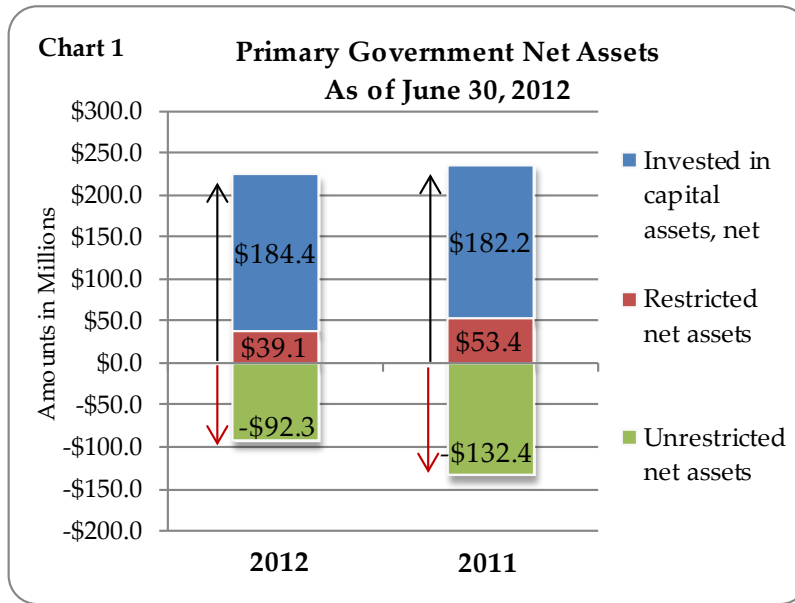
As noted earlier, net assets over time, may serve as a useful indicator of a government's financial position. As of June 30, 2012, the total reported net assets (assets exceeding liabilities) of the primary government equaled \$131.2 million, and \$268.4 million for the County's component unit – School Board.

When analyzing net assets of the primary government and its component unit, it is important to note that 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 for the school system's capital needs. These assets are maintained and reported as capital assets within the Component Unit – School Board and the associated debt of \$187.8 million is reported under the governmental activities of the primary government.

To account for this activity, the County budgets school debt service (principal and interest) funding through the County's local transfer to the School Board for payment to bondholders. Any new debt issuances made on behalf of the School Board is considered additional revenue for budgetary purposes.

To report in compliance with GAAP, certain adjustments are required to report debt activity



from the component unit – School Board into the governmental fund. For fiscal year 2012, net school debt activity of \$16.8 million (\$20.9 million in principal reductions less \$4.1 million in new debt issuance) was recorded against long-term debt with an associated reduction in the County’s local transfer to the School Board.

The largest component of net assets (\$184.4 million) reflects the County’s investment in capital assets (e.g., land, buildings, machinery & equipment), less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens; and accordingly, these assets are not available for future spending.

Net assets are also restricted, as required, to meet external obligations, i.e. bond related covenants. The County reports \$39.1 million in restricted net assets, a net decrease of \$14.3 million or 26.8%. This net decrease is due to the addition of unspent bond proceeds from new debt issued for governmental activities, offset by the release of \$15.0 million in business-type restrictions as unspent bond proceeds were utilized for capital projects. The majority of the \$15.0 million represents resources expended for the Massaponax wastewater treatment plant expansion.

At the year-end unrestricted net assets rose \$40.1 million or 30.3% from the previous year reporting a negative balance of \$92.3 million.

The primary government's net overall position increased \$28.0 million or 27.1% from the previous fiscal year. With the exception of school debt activity, as previously discussed, reasons for this overall increase are detailed in the following

sections for governmental and business-type activities. The following table 2 presents the changes in net assets for the primary government and its component unit for the fiscal years ended June 30, 2012 and 2011.

Changes in Net Assets For the Year ended June 30, 2012 (Amounts in Millions)								
Table 2	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues:								
Program Revenues:								
Charges for services	\$ 8.2	\$ 8.0	\$ 25.7	\$ 25.3	\$ 33.9	\$ 33.3	\$ 7.7	\$ 7.6
Operating grants and contributions	15.7	15.2	0.5	-	16.2	15.2	215.7	214.7
Capital grants and contributions	9.3	4.7	7.0	2.8	16.3	7.5	-	-
General Revenues:								
General property taxes	146.2	145.3	-	-	146.2	145.3	-	-
Other taxes	45.5	42.9	-	-	45.5	42.9	-	-
Grants not restricted	15.3	15.3	-	-	15.3	15.3	-	-
Investment earnings	0.3	0.8	0.4	0.9	0.7	1.7	-	-
Miscellaneous	0.5	0.9	0.1	0.6	0.6	1.5	0.8	0.7
Total Revenues	241.0	233.1	33.7	29.6	274.7	262.7	224.2	223.0
Expenses:								
General government	10.9	11.7	-	-	10.9	11.7	-	-
Judicial administration	7.4	7.3	-	-	7.4	7.3	-	-
Public safety	43.4	41.0	-	-	43.4	41.0	-	-
Public works	9.5	8.8	-	-	9.5	8.8	-	-
Health and welfare	17.5	17.5	-	-	17.5	17.5	-	-
Education	88.6	85.8	-	-	88.6	85.8	244.9	243.1
Parks and recreation	7.9	7.9	-	-	7.9	7.9	-	-
Community development	14.6	12.9	-	-	14.6	12.9	-	-
Water and sewer	-	-	32.5	33.6	32.5	33.6	-	-
Interest on long-term debt	14.3	15.2	-	-	14.3	15.2	-	-
Total Expenses	214.1	208.1	32.5	33.6	246.6	241.7	244.9	243.1
Increase (decrease) in net assets before transfers	26.9	25.0	1.2	(4.0)	28.1	21.0	(20.7)	(20.1)
Transfers	0.3	-	(0.3)	-	-	-	-	-
Increase (decrease) in net assets	27.2	25.0	0.9	(4.0)	28.1	21.0	(20.7)	(20.1)
Net assets - beginning	(136.2)	(161.2)	239.4	243.4	103.2	82.2	289.1	309.2
Net assets - ending	\$ (109.0)	\$ (136.2)	\$ 240.3	\$ 239.4	\$ 131.3	\$ 103.2	\$ 268.4	\$ 289.1

GOVERNMENTAL ACTIVITIES

Net assets of governmental activities increased \$27.2 million from the prior fiscal year for an ending balance of negative \$109.0 million. This increase is also \$2.2 million or 8% higher than the increase in net assets reported in fiscal year 2011.

Revenues

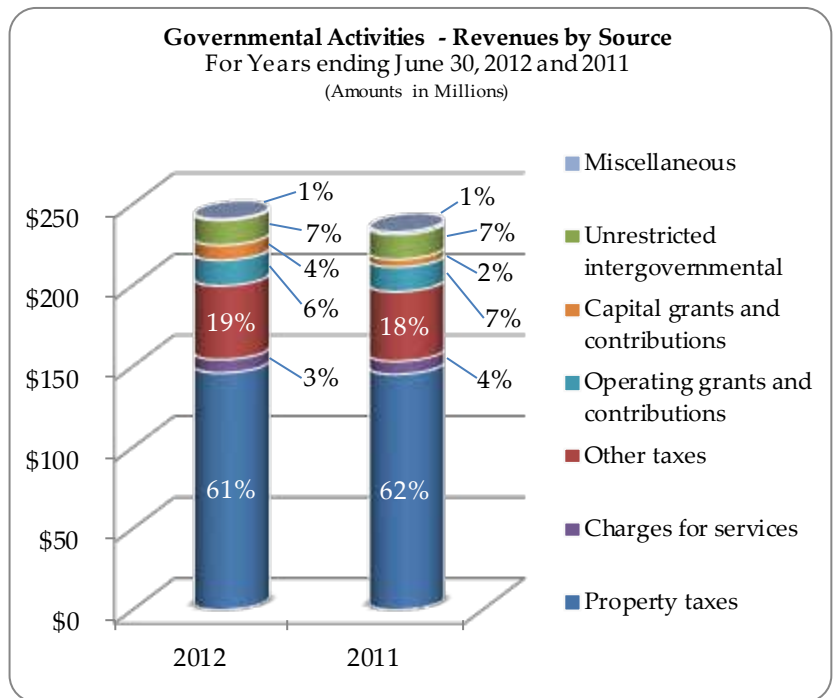
Revenues for fiscal year 2012 were \$241.0 million, an increase of \$7.9 million or 3.4%. Key elements of this increase are described below, as well as, additional information illustrating the County's revenues by source and as a percentage of total governmental revenues (chart 2).

Property tax revenues realized a net increase of approximately \$1 million or 0.6% as a result of increased personal property values from new and newer vehicles for 2012, mitigated by reduced real property revenues from declines in property values and tax rates.

Another area of increased revenues was other local taxes of \$2.6 million or 6.1% over the previous year. Fuel tax was the most significant component with a total increase of \$1.7 million due to a 12.5% average increase in gas prices year over year, and the completion of a tax audit reclassifying \$818 thousand from the City of Fredericksburg to correct zip code reporting errors. The County also saw a rise in taxable sales of 4.6% reported by the Department of Taxation providing an additional \$668 thousand in revenues for the year.

The most substantial increase in funding came from the area of capital grants and contributions. As the County proceeds into its final construction stages of its Route 3 widening project, costs have escalated, increasing expected grant reimbursements by \$4.4 million or 97% over the previous year. This change shifts total funding by capital grants and contributions to 4% of total annual revenue versus its previously reported 2% as shown in chart 2 below

Chart 2



Expenses

For fiscal year 2012, expenses of governmental activities were \$214.1 million, an increase of \$6.0 million or 2.9% over the prior year. Key elements of this increase are described, as well as, additional information illustrating the County's expenses by function (chart 3) and as a percentage of total governmental expenses (chart 4).

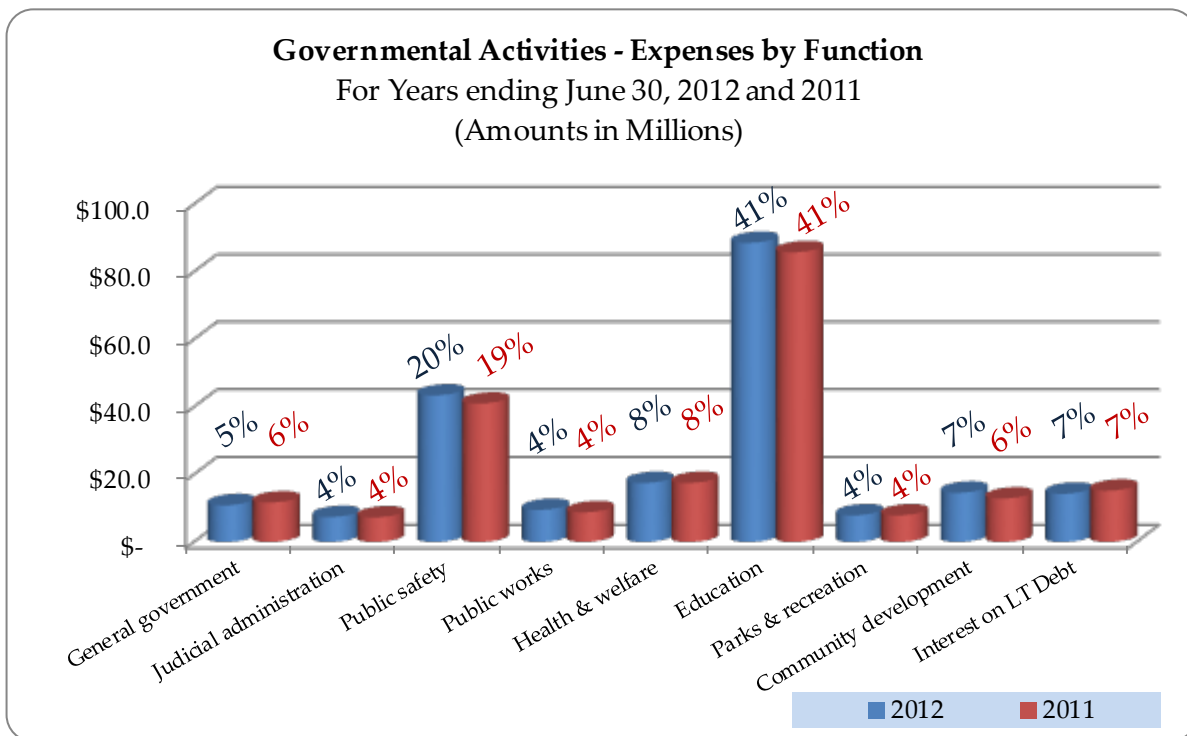


Chart 3

The County continues to spend the majority of its property tax revenues on public education. Educational costs of \$88.6 million increased by \$2.8 million or 3.3% from the previous year. This amount is net of the \$30.5 million in school debt service and school debt proceeds of \$4.1 million required to be reported under debt service and other financing sources, respectively, of the primary government. Absent these required adjustments, the County maintained level funding through its local transfer of \$4,825 per pupil.

Two other notable changes relate to public safety and community development, which report increases of \$2.4 million or 5.8% and \$1.7 million or 13.1%, respectively. The rise in public safety expenses are driven by increased personnel costs for the fire and rescue system of \$2.0 million, with the remaining \$0.4 million due to the opening of the County's new public safety building resulting in increased depreciation and one-time ancillary

costs not meeting the County's capitalization policy.

The County's fire and rescue system is a combination system consisting of professional and volunteer firefighters and medics providing 24/7 coverage throughout the County. Although the fiscal year budget addressed some expense increases with a 1.5% COLA and four additional firefighter/medics, the majority of the \$2.0 million was needed to close a gap in the County's volunteer system. Over the past year, volunteer participation has declined dramatically requiring professional staff to work additional hours to meet minimal staffing needs. County has begun the process to create new positions in its efforts to reduce future overtime.

Community development expected increases in expenses were needed to manage two important County initiatives, economic development and

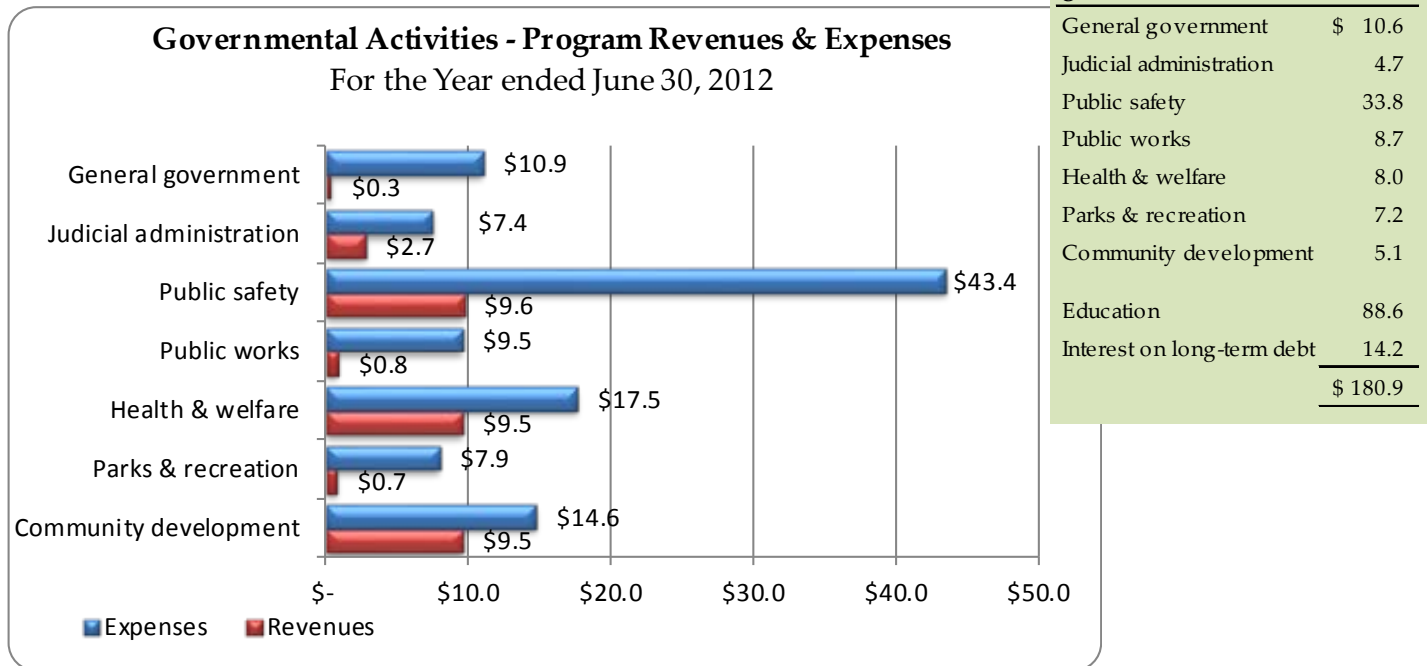
transportation. Economic development provides services designed to attract, retain and facilitate expansion of high quality business and industry. The Board has emphasized the importance of strengthening the County's business sector and has allocated increased funding of approximately \$700 thousand to partner with marketing & economic development consultants, as well as, provide increased incentives and grant opportunities to bring in new or expanding businesses to the County.

Over the fiscal year, transportation expenses have shifted away from unpaved roads and other smaller projects in order to focus its efforts on the completion of the Route 3 widening project. As the project moves toward completion, construction

costs increased over the previous year by approximately \$3.7 million. This increase was offset by the completion of smaller projects costing approximately \$2.0 million in the prior year.

Chart 4 depicts the total cost of each of the County's largest functions in relation to their program related revenues. Non-program related revenues, such as property taxes are necessary to subsidize these functions accounting for the difference between total cost and program revenues. For fiscal year 2012 total subsidized general revenues were \$180.9 million a \$0.6 million or 0.3% increase. Education and interest expense do not receive program related revenues and are supported entirely by general revenues.

Chart 4



BUSINESS-TYPE ACTIVITIES

For the County's business-type activities, net assets increased by \$0.9 million, or 0.4%, to \$240.3 million. For fiscal year 2012, public utility revenues per Table 2, totaled \$33.7 million, a \$4.1 million or 13.9% increase over last year. This net increase was primarily the result of a 150% or \$4.2 million rise in capital contributions from availability fees and a new state grant. Total expenses for the fiscal year were \$32.5 million, a decrease of \$1.1 million or 3.3%. This reduction is from one time maintenance costs expended on the water and sewer infrastructure costs in the previous year.

COMPONENT UNIT – SCHOOL BOARD

The component unit – School Board saw a decrease in overall position of \$20.6 million, reporting net assets of \$268.4 million as of June 30, 2012. This net reduction is in trend with previous years. The School Board budgets for necessary expenses to cover near term cash outflows. This does not allow for reserves of such activity as capital outlay/depreciation and other post-employment benefits which totaled \$20.0 million for the current year. Overall revenues remained steady showing a modest increase of 0.5%. Expenditures also remain comparable to the prior year showing less than a 1% increase.

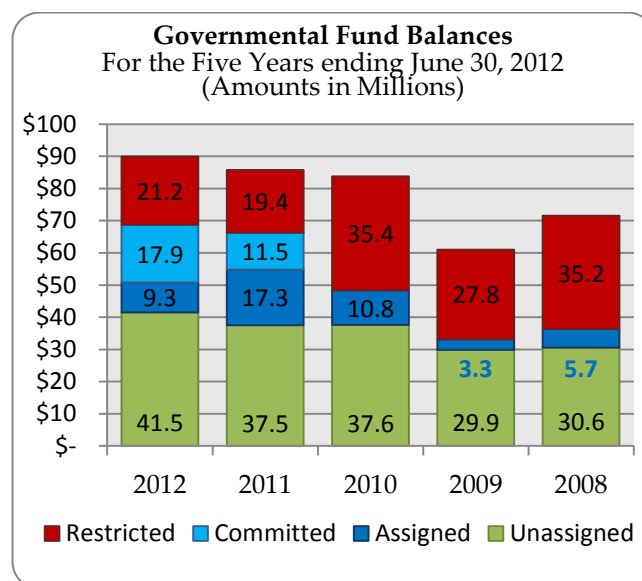
Financial Analysis of Governmental Funds

The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available

for discretionary use as they represent a portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, or the County itself.

At June 30, 2012, the County reported combined governmental fund balances of \$89.9 million (chart 5), an increase of \$4.2 million or 1.9% in comparison with the prior year. Approximately 46.2% of this amount (\$41.5 million) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Of the \$41.5 million in unassigned funds, \$36.6 million represents the County's fiscal stability reserve intended for emergency use, such as natural disasters, or other significant events that signal a need for stabilization.

Chart 5



The remainder of the fund balance is either *restricted*, *committed*, or *assigned* and is not considered available for new spending as it has already been allocated to cover 1) \$21.2 million or 23.6% in restricted resources to meet future capital projects from unspent bond proceeds, debt service, and grant obligations, 2) \$17.9 million or 19.9% in

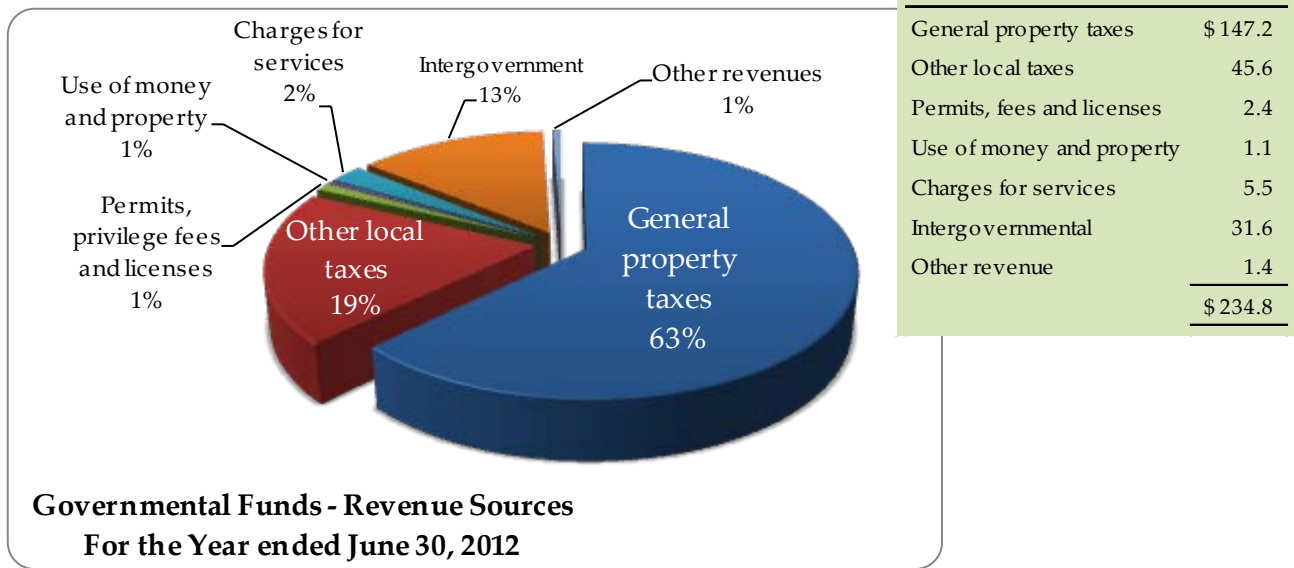
committed funding for the County's capital improvement plan, school facility improvements, economic development needs, and line of duty benefits for public safety personnel, 3) \$9.3 million or 10.3% in assigned fund balance intended for school board expenditures, capital projects, employee benefits, and carryover of fiscal year 2012 unexpended budget.

Governmental funds include the County's

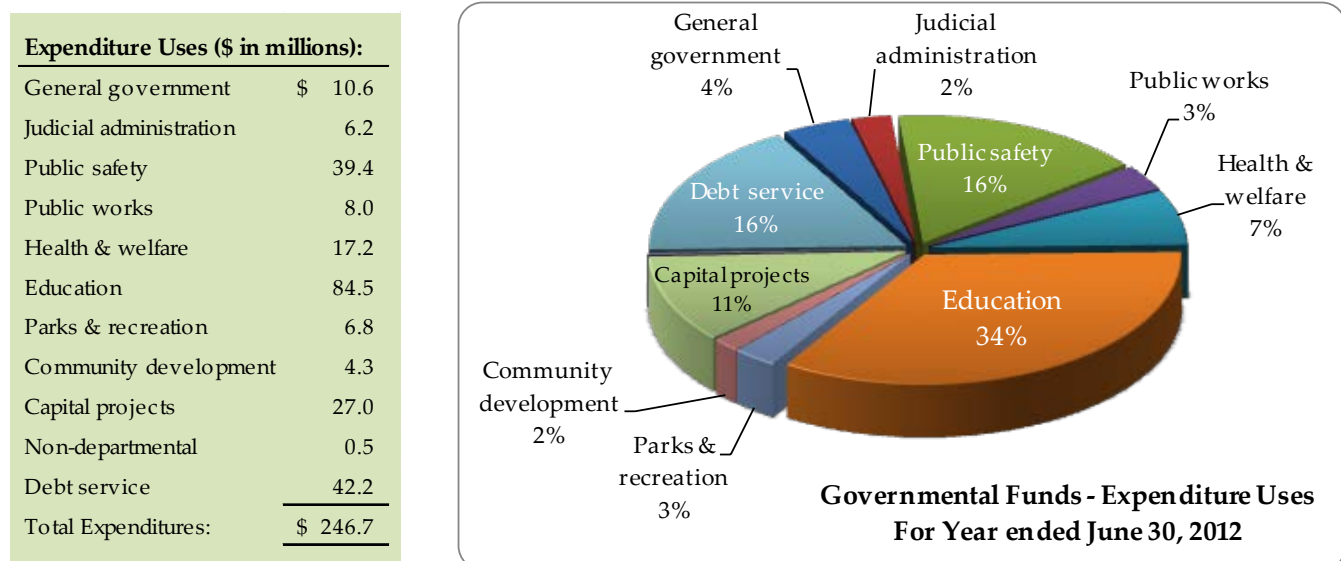
General Fund, Capital Projects Fund and various special revenue funds created by the Board.

Charts 6 & 7 provide useful information on the percentage of consolidated revenues received by source and the percentage of how these funds were used by function. In addition, significant activity is discussed at the individual fund level and is intended to provide greater insight to the year over year changes in fund balance.

Governmental Revenues – Chart 6



Governmental Expenditures - Chart 7

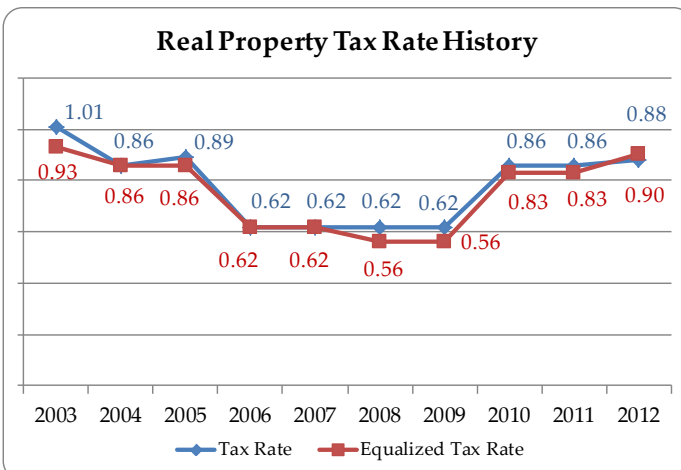


General Fund

The general fund is the primary operating fund accounting for all financial resources of the general government, except those required to be accounted for in another fund. Unassigned fund balance increased \$4.1 million or 10.9% to \$41.6 million as of June 30, 2012. As a measure of the general fund's liquidity, unassigned fund balance represents approximately 19.5% of total general expenditures, providing potential funding for almost one quarter of the entire year, if needed.

Revenues increased \$3.7 million or 1.6% over the prior year. Property tax overall rose \$2.3 million or 1.7% due to increased collections in real and personal property of 0.4% and 1.4%, respectively. In addition, personal property assessments for the second half of fiscal year 2012 were approximately \$2.3 million or 1.6% higher due, in part, to an influx of new and newer vehicles into the County. Real property revenues decreased slightly based on continued reductions in assessed values combined with an approved tax rate for the second half of fiscal year 2012 of \$0.88, \$0.02 less than the \$0.90 equalized rate. The history of the County's real property tax rate compared to its equalized tax rate is provided in chart 8 below.

Chart 8



Another important change in the past year shows a 2.3% rise in other local tax revenue. Most local tax collections rose 4.6% over the previous year with sales tax generating the largest portion of \$700 thousand in increased sales tax receipts.

The County continues to monitor and control spending to protect against potential declining revenues. From these efforts most departmental spending remained relatively flat or decreased from the previous year. However, a few areas incurred more substantial increases. Public safety showed the highest dollar increase of \$2.4 million or 7% over the prior year due to higher personnel costs and one-time capital outlay needs as discussed under the analysis of the government-wide statements. Economic development also saw similar increases as reported in the government-wide analysis of \$800 thousand or 38% over the prior year. Lastly, principal retirement increased \$1.1 million or 4.3% due to new debt issuances necessary to fund the remaining construction costs of the new public safety and circuit court buildings.

Capital Projects Fund

The capital projects fund, a major fund, had a \$5.9 million or 20% decrease in fund balance during the current fiscal year, but still maintains a positive fund balance of \$23.1 million at the end of the year. All fund balance is categorized as assigned, committed or restricted with \$15.5 million or 67% representing restricted unspent bond proceeds for capital projects.

The fund reported a deficiency of revenues over expenditures as prior year borrowings were spent down during the current year; however, net new financing sources of \$15.7 million were needed to fund additional fire & rescue, school, information technology and solid waste capital projects.

Revenues dropped \$3.0 million or 79% due to decreased grant receipts related to the Route 3 widening project. Currently, the project is under audit and reimbursements have been held pending completion of the audit. More information is available under Note 16 on page 80. Expenditures decreased \$16.2 million or 38% associated with the completion of the new public safety and circuit court buildings.

Other Governmental Funds

Other governmental funds include nonmajor special revenue funds which are used to account for restricted and committed revenues as determined by the Board. For the fiscal year 2012, the combined fund balance for other governmental funds (*Fire/EMS Service, Code Compliance, and Transportation*) reflects a positive fund balance of \$4.5 million, an increase of \$2.8 million over the previous year. \$2.7 million of this growth is provided by the transportation fund as fuel taxes continue to accumulate for future use toward the construction of the County's first Virginia Railway Express (VRE) station.

General Fund Budgetary Highlights

ORIGINAL BUDGET TO FINAL BUDGET

Revenues

During the County's mid-year review, based on collections through December 2011, staff anticipated that year-end revenue collections would exceed estimates included in the FY 2012 budget adopted in April 2011 by \$5.2 million or 2.4% due to improved economic conditions.

The following chart provides a detail of the mid-year approved revenue amendments of the original budget.

Revenue Source	Original Budget	Amended Budget	Change
General property taxes	\$ 141.9	\$ 145.6	\$ 3.7
Other local taxes	38.8	39.8	1.0
Revenues from use of money & property	0.7	0.9	0.2
Miscellaneous	0.7	1.0	0.3

Expenditures

The following significant adjustments were made to the original budget:

- \$3.1 million carryover of the FY 2011 operating budget; and,
- \$1.1 million for increased public safety staffing to cover volunteer shortfall in 24/7 fire & rescue operations.

FINAL BUDGET TO ACTUAL

Excess budgeted expenditures over revenues were \$7.7 million or 3.5% of the final budget. Revenue variances consisted of only \$0.3 million or 0.1% less collected than anticipated. Budgeted expenditures remaining at the end of the year consisted of \$8.0 million or 3.6% of the final budget. Spending continues to be restricted for special approval in areas of travel, training, and capital outlay. Part of the \$8.0 million includes \$5.1 million in initiatives or programs that were not completed and were appropriated into the following year's budget. These funds have been categorized as *assigned fund balance* by the Board in the general fund for fiscal year 2012.

Capital Assets and Debt Administration

CAPITAL ASSETS

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$417.1 million (net of accumulated depreciation). The total increase in capital assets for the current fiscal year was approximately \$46 million or 9.0%.

Capital assets as of June 30, 2012 and 2011 are summarized in table 3 below. Additional information on the County's capital assets can be found in Note 4 on pages 61 - 63 of this report.

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

- ❖ In August 2011, the County completed construction of its new Circuit Court building at a total cost of \$21.7 million funded through general obligation public improvement bonds.
- ❖ On September 27, 2011, the County exercised its option, per its capital lease, to purchase the entire Merchant Square building for \$10 million. Prior to the purchase, the County

recognized \$7.2 million in leased capital assets for the second and third floors of the building used for County offices. The purchase was funded through \$3 million of previously committed fund balance, with the remainder from newly issued Economic Development Authority public improvement bonds. The first floor provides space for a county museum and tenant rental units.

- ❖ In November 2011, the County also completed construction of its new Public Safety building at a total cost of \$15.4 million funded through general obligation public improvement bonds. The new facility provides the space and equipment needs for sheriff, 911 communications, and fire and rescue services.
- ❖ The County completed its addition of cell 5 at the Livingston Landfill needed for future waste disposal. Total cost was \$1.7 million and is expected to remain in service for approximately 12 years.

Table 3

	(Amounts in Millions)			
	Governmental Activities	Business-Type Activities	Total Primary Government	
			2012	2011
Land	\$ 15.3	\$ 9.6	\$ 24.9	\$ 24.2
Buildings & improvements	106.4	150.5	256.9	221.7
Furniture, equipment & vehicles	50.1	7.5	57.6	51.9
Water & sewer systems	-	215.8	215.8	211.4
Construction in progress	1.6	23.1	24.7	40.3
Total capital assets	\$ 173.4	\$ 406.5	\$ 579.9	\$ 549.5
Less: Accumulated depreciation	(55.3)	(107.5)	(162.8)	(148.3)
Total capital assets, net	\$ 118.1	\$ 299.0	\$ 417.1	\$ 401.2

Construction-in-Progress

During the County's fiscal year 2013 budget process, the Board approved a five-year Capital Improvements Plan (the Plan) totaling \$198.3 million for all funds as represented in table 4 below.

Table 4

CAPITAL IMPROVEMENT PLAN 2013 - 2017	
Projects	Amount
General government facilities:	
Judicial center renovation	\$ 3.8
Facility asset management program	4.7
Other general government facility needs	2.2
Information technology:	
Replacement of public safety radio system	4.7
Replacement of computer aided dispatch system	5.2
Other information technology projects	4.3
Solid waste	
Benchmark road consolidated solid waste center	2.2
Refuse disposal/collection equipment replacement	2.0
Other solid waste projects	1.3
Parks & recreation	
Ni river park	4.3
Other parks & recreation projects	3.9
Fire & rescue services	
Replacement of fire and ems equipment	13.5
Other fire & rescue service needs	1.2
Transportation	
VRE station and parking areas	18.7
Unpaved roads	3.7
Other transportation projects	9.6
School board system	
Replacement school buses	14.8
Capital maintenance/ Gateway academies (\$1M)	25.0
Information technology repairs and replacements	19.3
Water and sewer utilities	
Facility improvements	2.6
Water treatment plant improvements	32.6
Other water projects	11.0
Sewer system projects	7.7
	<u>\$ 198.3</u>

Of the \$198.3 million, the County anticipates 30% of the Plan to be funded through cash, 63% debt, and 7% from local, state and federal contributions. The following information provides

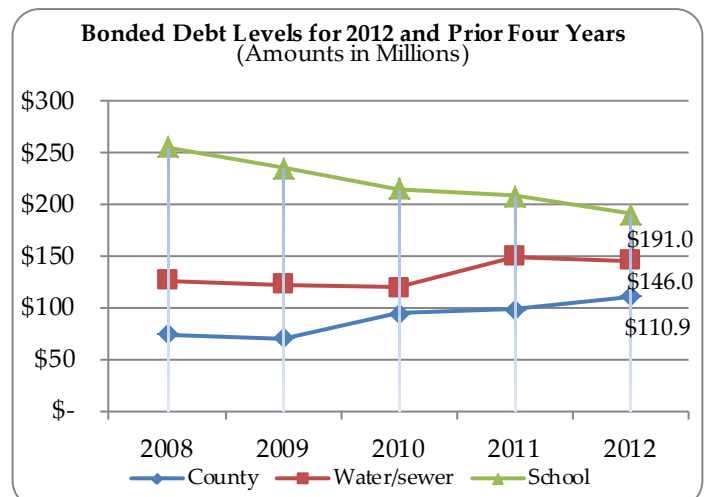
a snapshot of the County's significant in-progress capital projects activity for fiscal year 2012.

- ❖ Design plans are 90% complete for the replacement and consolidation of Fire Company and Rescue Squad #5 to a new site in the Andora Drive/ Route 3 area. Anticipated total costs are expected to reach \$4.5 million with a completion date of July 2013.
- ❖ The Massaponax wastewater treatment plant's expansion and upgrade of its existing treatment capacity of 8.0 million gallons per day (MGD) to 9.4 MGD plant with accommodation for future expansions to 16 MGD is expected to be completed in September 2012. As of June 30, 2012 the project is 81.2% complete with accumulated costs to date of \$12.6 million.

DEBT ADMINISTRATION

At the end of the current fiscal year, the County had total bonded debt outstanding of \$447.9 million (chart 9). Of this amount, \$301.9 million is debt backed by the full faith and credit of the County, with the remainder secured by specific revenue sources.

Chart 9



Total long-term obligations of \$474.8 million for the primary government, including bonded debt of \$447.9 million are summarized within table 5. Additional details of the County's debt administration can also be found in Note 10 of this report.

Total long-term debt obligations decreased by \$11.2 million or 2.3%. During the year, the County issued a total of \$28 million in bonded debt. Of this amount \$7.2 million was used to refinance the County's capital lease obligation; \$5.7 was used to refund the County's 2003 public improvement

bonds to take advantage of favorable interest rates, resulting in a savings of \$294 thousand in future debt service, and; the remainder of \$15.1 million towards capital outlay needs.

Subsequent to June 30, 2012, the County issued \$50.7 million in bonded debt to finance capital projects, payoff the County's \$8.5 million in Special Tax Anticipation Notes, and refund certain outstanding maturities to take advantage of favorable interest rates and reduce future debt service. Additional details may be found on page 67 under Note 9 and page 83 under Note 20.

Table 5

Outstanding Long-Term Obligations

For the Years ended June 30, 2012 and 2011

	Primary Government	
	2012	2011
General obligation bonds - County	\$ 110.9	\$ 98.6
General obligation bonds - Schools	183.7	200.1
Revenue bonds - business type	146.0	149.6
State literary fund loans	7.3	7.9
Total bonded debt	447.9	456.2
Accrued landfill closure liability	5.6	5.5
Compensated absences	4.1	4.1
OPEB obligation	16.3	12.1
Capital leases and other	0.9	8.1
Total long-term obligations	\$ 474.8	\$ 486.0

Debt Position Indicators

For Fiscal Years 2012 and 2011

	Ratio of debt service to expenditures	Ratio of debt to assessed value
2012	11.2%	2.1%
2011	11.6%	2.1%
Adopted Policy	Not to exceed 10-12%	Not to exceed 3-4%

Economic Factors

The following economic factors currently affect the County of Spotsylvania and were considered in the development of the 2013 fiscal year budget.

Spotsylvania County's unemployment rate is currently 5.1%, which is a decrease from a rate of 5.5% a year ago. This compares favorably to the State's average unemployment rate of 5.7% and the national average rate of 8.2%. Based on unemployment and other revenue trends, it is expected that the County will continue to see positive growth at a slow but steady pace while the economy continues to stabilize.

In fiscal year 2012, the projected population growth in the County increased by less than 1%. 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.

Tax Rates/Fees –

- 2012 represented a reassessment year in Spotsylvania, overall real property values in the County have declined for both residential and commercial values by 1.7% and 10.0%, respectively. After much consideration the real property tax rate was set at \$0.88 - \$0.02 less than the \$0.90 equalized rate.
- Non-business personal property values showed a decline of 5.9%. Due to the number of newer vehicles added to the tax rolls in the early months of 2012 the 5.9% decline was partially offset allowing staff to recommend a 2012 tax rate set at \$6.37 - \$0.28 less than the equalized rate.

- Business License tax threshold was raised from \$200,000 to \$750,000, eliminating approximately 560 accounts.
- Fee increases were assumed for returned checks, ambulance transports, and for certain Solid Waste and Parks & Recreation services

Personnel –

- Although the County was unable to provide a merit raise, a number of other compensation and benefit changes were included in the 2013 budget. At a total cost of \$1.1 million, employees earning less than \$91 thousand in fiscal year 2013 will receive a 2% COLA effective July 1. Additionally, the County will pick up the full cost of the employees' VRS life insurance premiums, and adjust the cost sharing splits for health insurance to ensure employees will not be required to pay any portion of the expected 6% increase in rates.
- Beginning in fiscal year 2013, the General Assembly will require localities to start shifting the cost of the employees' share of VRS premiums to employees such that in five years, the full 5% must be paid by the employees. New State law mandates that the percentage contribution shifted to the employees be offset by a commensurate percentage increase in salary. County employees eligible for VRS will receive a 1% pay increase and will be required to pay 1% of the 5% employee VRS contribution. The 1% State mandated increase is combined with the 2% COLA. The County plans to continue to increase the contribution by 1% each year until the 5% requirement is met.
- Fire & rescue service coverage has been one of the highest priorities in our community over the past year. For the fiscal year 2013 budget the Board approved a phased plan, which spans through 2014, to provide additional staffing resources to reduce coverage gaps at existing fire and rescue stations. Once all phases are implemented, a total of 55 new fire and rescue personnel will be in place to ensure adequate 24/7 coverage throughout the County.

Additional information pertaining to the County's economic activity over the past year can be found in the transmittal letter on pages 4 - 7 of this report.

Request for Information

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

BASIC FINANCIAL STATEMENTS

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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	\$ 77,929,877	\$ 65,930,482	\$ 143,860,359	\$ 2,364,487
Receivables, net	108,670,847	6,253,763	114,924,610	5,227,845
Inventory	-	662,098	662,098	268,728
Prepaid expenses	668,519	-	668,519	194,566
Due from primary government	-	-	-	17,527,439
Interfund receivable	323,760	-	323,760	-
Other assets	492	-	492	-
Restricted cash and investments	27,561,368	20,629,044	48,190,412	2,318,568
Capital assets, net:				
Non-depreciable assets	16,872,918	32,690,513	49,563,431	13,049,414
Depreciable assets	101,196,069	266,293,505	367,489,574	317,526,449
Total assets	<u>\$ 333,223,850</u>	<u>\$ 392,459,405</u>	<u>\$ 725,683,255</u>	<u>\$ 358,477,496</u>
LIABILITIES				
Accounts payable	\$ 2,701,936	\$ 1,716,885	\$ 4,418,821	\$ 2,809,524
Retainage payable	171,854	635,277	807,131	36,201
Accrued salaries and benefits	776,355	111,753	888,108	19,629,860
Accrued interest	6,005,817	446,764	6,452,581	-
Other accrued liabilities	6,185,462	157,425	6,342,887	-
Interfund payable	-	323,760	323,760	-
Unearned revenue	70,974,795	-	70,974,795	322,950
Due to component unit	17,527,439	-	17,527,439	-
Deposits	3,277,197	148,270	3,425,467	-
Tax anticipation notes	8,500,000	-	8,500,000	-
Noncurrent liabilities:				
Due within one year	30,988,590	4,460,895	35,449,485	5,201,855
Due in more than one year:				
Noncurrent portion of long-term debt	280,754,129	142,216,985	422,971,114	2,826,565
Other post employment benefits	14,355,673	1,986,904	16,342,577	59,220,096
Total liabilities	<u>\$ 442,219,247</u>	<u>\$ 152,204,918</u>	<u>\$ 594,424,165</u>	<u>\$ 90,047,051</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 18,256,690	\$ 166,115,232	184,371,922	\$ 330,575,863
Restricted for:				
Debt service	-	6,291,064	6,291,064	-
Capital projects	19,723,861	13,140,463	32,864,324	3,805,229
Unrestricted	(146,975,948)	54,707,728	(92,268,220)	(65,950,647)
Total net assets	<u>\$ (108,995,397)</u>	<u>\$ 240,254,487</u>	<u>\$ 131,259,090</u>	<u>\$ 268,430,445</u>

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

COUNTY OF SPOTSYLVANIA, VIRGINIA
STATEMENT OF ACTIVITIES
 Year Ended June 30, 2012

Exhibit II

Page 1

Functions/Programs	Expenses	Program Revenues			Primary Government
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contribution	Governmental Activities
Primary government:					
General government	\$ 10,912,770	\$ 344,815	\$ -	\$ -	\$ (10,567,955)
Judicial administration	7,349,676	1,107,899	1,509,585	28,356	(4,703,836)
Public safety	43,394,851	4,371,396	4,957,699	258,636	(33,807,120)
Public works	9,510,153	791,975	16,284	-	(8,701,894)
Health and welfare	17,499,186	281,496	9,198,808	-	(8,018,882)
Education	88,626,494	-	-	-	(88,626,494)
Parks, recreation and cultural	7,921,020	760,983	-	-	(7,160,037)
Community development	14,619,231	519,477	-	9,021,255	(5,078,499)
Interest on long-term debt	14,230,360	-	-	-	(14,230,360)
Total governmental activities	\$ 214,063,741	\$ 8,178,041	\$ 15,682,376	\$ 9,308,247	\$ (180,895,077)
Business-type activities:					
Water and sewer	32,468,768	25,686,883	539,056	6,967,716	-
Total primary government	<u>\$ 246,532,509</u>	<u>\$ 33,864,924</u>	<u>\$ 16,221,432</u>	<u>\$ 16,275,963</u>	\$ (180,895,077)
Component units:					
Public school system	<u>\$ 244,902,759</u>	<u>\$ 7,750,258</u>	<u>\$ 215,706,434</u>	<u>\$ -</u>	
General revenues:					
Taxes					
Property taxes					\$ 146,215,062
Sales taxes					19,836,022
Utility taxes					3,150,197
Business licenses					4,021,297
Rental taxes					1,211,768
Motor vehicle licenses					2,807,495
Bank stock taxes					481,313
Recordation taxes					1,940,616
Meals taxes					7,158,125
Fuel taxes					4,896,080
Grants and contributions not restricted to specific programs					15,323,902
Interest and investment earnings					256,849
Miscellaneous					508,845
Transfers					314,301
Total general revenues and transfers					<u>\$ 208,121,872</u>
Change in net assets					\$ 27,226,795
Net assets, beginning					(136,222,192)
Net assets, ending					<u>\$ (108,995,397)</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA
STATEMENT OF ACTIVITIES
 Year Ended June 30, 2012

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 government		\$ (10,567,955)	
Judicial		(4,703,836)	
Public safety		(33,807,120)	
Public works		(8,701,894)	
Health and welfare		(8,018,882)	
Education		(88,626,494)	
Parks, recreation and cultural		(7,160,037)	
Community development		(5,078,499)	
Interest on long-term debt		(14,230,360)	
Total governmental activities		\$ (180,895,077)	
Business-type activities:			
Water and sewer	724,887	724,887	
Total primary government	\$ 724,887	\$ (180,170,190)	
Component units:			
Public school system			\$ (21,446,067)
General revenues:			
Taxes			
Property taxes	\$ -	\$ 146,215,062	\$ -
Sales taxes	-	19,836,022	-
Utility taxes	-	3,150,197	-
Business licenses	-	4,021,297	-
Rental taxes	-	1,211,768	-
Motor vehicle licenses	-	2,807,495	-
Bank stock taxes	-	481,313	-
Recordation taxes	-	1,940,616	-
Meals taxes	-	7,158,125	-
Fuel taxes	-	4,896,080	-
Grants and contributions not restricted to specific programs	-	15,323,902	-
Interest and investment earnings	435,164	692,013	19,863
Miscellaneous	4,129	512,974	791,768
Transfers	(314,301)	-	-
Total general revenues and transfers	\$ 124,992	\$ 208,246,864	\$ 811,631
Change in net assets	\$ 849,879	\$ 28,076,674	\$ (20,634,436)
Net assets, beginning	239,404,608	103,182,416	289,064,881
Net assets, ending	<u>\$ 240,254,487</u>	<u>\$ 131,259,090</u>	<u>\$ 268,430,445</u>

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

COUNTY OF SPOTSYLVANIA, VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2012

Exhibit III

Page 1

	Governmental Funds			
	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in pooled cash and investments	\$ 67,131,734	\$ 7,230,638	\$ 3,567,505	\$ 77,929,877
Receivables, net	92,150,545	347,477	6,341,188	98,839,210
Other assets	-	-	493	493
Restricted cash and investments	-	23,283,498	4,277,870	27,561,368
Total assets	<u>\$ 159,282,279</u>	<u>\$ 30,861,613</u>	<u>\$ 14,187,056</u>	<u>\$ 204,330,948</u>
LIABILITIES				
Accounts payable	\$ 1,622,623	\$ 1,063,345	\$ 15,967	\$ 2,701,935
Retainage payable	-	171,854	-	171,854
Accrued salaries and benefits	726,848	4,591	44,915	776,354
Other accrued liabilities	2,141,840	1,612,036	6,877	3,760,753
Deferred revenue	76,923,153	295,107	850,381	78,068,641
Due to component unit	13,674,895	3,852,544	-	17,527,439
Deposits	2,276,392	744,909	255,896	3,277,197
Interfund loans	(327,959)	-	4,199	(323,760)
Tax anticipation notes	-	-	8,500,000	8,500,000
Total liabilities	<u>\$ 97,037,792</u>	<u>\$ 7,744,386</u>	<u>\$ 9,678,235</u>	<u>\$ 114,460,413</u>
FUND BALANCES				
Restricted	\$ 1,561,503	\$ 15,468,723	\$ 4,200,340	\$ 21,230,566
Committed	10,474,104	7,038,979	350,848	17,863,931
Assigned	8,585,536	609,525	51,093	9,246,154
Unassigned	41,623,344	-	(93,460)	41,529,884
Total fund balances	<u>\$ 62,244,487</u>	<u>\$ 23,117,227</u>	<u>\$ 4,508,821</u>	<u>\$ 89,870,535</u>
Total liabilities and fund balances	<u>\$ 159,282,279</u>	<u>\$ 30,861,613</u>	<u>\$ 14,187,056</u>	<u>\$ 204,330,948</u>

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

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012

Page 2

Total fund balances - governmental funds (Exhibit III) \$ 89,870,535

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

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

Capital assets, net:

Non-depreciable assets	\$ 33,038,121	
Depreciable assets	<u>85,030,866</u>	118,068,987

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

Bonds and notes payable, net of related costs	\$ (301,915,634)	
Accrued interest payable	(6,005,817)	
Compensated absences	(3,554,314)	
Landfill liability	(5,594,000)	
Other post employment benefits	(14,355,673)	
Claims and judgments	(655,634)	
Other liabilities	<u>(84,558)</u>	(332,165,630)

Deferred revenue not considered available in governmental funds is susceptible to full accrual on the entity-wide statements. 16,986,904

Deferred costs not due and payable in the current period and, therefore, are not reported in the governmental funds. (1,756,193)

Total net assets - governmental activities (Exhibit I) \$ (108,995,397)

COUNTY OF SPOTSYLVANIA, VIRGINIA
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS**
 Year Ended June 30, 2012

Exhibit IV

Page 1

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 145,991,784	\$ 34,948	\$ 1,179,153	\$ 147,205,885
Other local taxes	40,606,834	-	4,944,536	45,551,370
Permits, fees and regulatory licenses	289,930	-	2,097,681	2,387,611
Fines and forfeitures	834,950	-	(50)	834,900
Revenues - use of money & property	824,123	217,162	25,813	1,067,098
Charges for services	2,556,700	-	2,899,472	5,456,172
Miscellaneous	557,284	14,069	56,415	627,768
Intergovernmental	31,089,331	538,887	-	31,628,218
	<u>\$ 222,750,936</u>	<u>\$ 805,066</u>	<u>\$ 11,203,020</u>	<u>\$ 234,759,022</u>
EXPENDITURES				
Current:				
General government	\$ 10,299,257	\$ 321,469	\$ -	\$ 10,620,726
Judicial administration	6,230,571	-	-	6,230,571
Public safety	36,494,381	-	2,898,761	39,393,142
Public works	8,033,049	-	-	8,033,049
Health and welfare	17,171,903	-	-	17,171,903
Education	84,485,342	-	-	84,485,342
Parks, recreation and cultural	6,752,339	-	-	6,752,339
Community development	2,932,060	-	1,333,732	4,265,792
Non-departmental	541,767	-	-	541,767
Capital projects	-	26,996,213	-	26,996,213
Debt service:				
Principal	26,259,211	-	800,000	27,059,211
Interest	13,015,976	116,364	1,557,275	14,689,615
Bond issuance costs	79,591	416,128	-	495,719
	<u>\$ 212,295,447</u>	<u>\$ 27,850,174</u>	<u>\$ 6,589,768</u>	<u>\$ 246,735,389</u>
Excess (deficiency) of revenues over expenditures	\$ 10,455,489	\$ (27,045,108)	\$ 4,613,252	\$ (11,976,367)
Other financing sources (uses):				
Transfers in (out)	\$ (3,231,662)	\$ 5,355,324	\$ (1,809,360)	\$ 314,302
Bonds issued	-	10,915,000	-	10,915,000
Premium on bonds issued	-	535,303	-	535,303
Bonds issued for refunding	5,650,000	11,275,000	-	16,925,000
Premium on refunding bonds	438,262	325,715	-	763,977
Payment to escrow for refunded debt	(6,017,042)	-	-	(6,017,042)
Capital lease extinguished from refunding debt	-	(7,253,356)	-	(7,253,356)
	<u>\$ (3,160,442)</u>	<u>\$ 21,152,986</u>	<u>\$ (1,809,360)</u>	<u>\$ 16,183,184</u>
Net change in fund balances	\$ 7,295,047	\$ (5,892,122)	\$ 2,803,892	\$ 4,206,817
Fund balance, beginning, as restated	54,949,440	29,009,349	1,704,929	85,663,718
Fund balance, ending	<u>\$ 62,244,487</u>	<u>\$ 23,117,227</u>	<u>\$ 4,508,821</u>	<u>\$ 89,870,535</u>

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
June 30, 2012

Page 2

Net changes in governmental fund balances (Exhibit IV): \$ 4,206,817

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 15,157,230	
Depreciation expense	<u>(6,313,619)</u>	
		8,843,611

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

Debt issued or incurred:

Issuance of general obligation bonds	\$ (27,840,000)
Increase for bond premium costs	(1,299,280)
Less bond issuance costs	495,719
Less bond refunding costs	342,978

Debt reductions:

General obligation debt	32,075,400
Capital lease obligation	7,253,356
State literary loans	<u>660,422</u>

11,688,595

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Other post employment benefit expense	\$ 3,760,198
Accrued interest expense	(202,780)
Amortization of bond related costs	(253,926)
Other expenses	<u>425,952</u>

(3,729,444)

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

6,217,216

Change in net assets - governmental activities (Exhibit II) \$ 27,226,795

COUNTY OF SPOTSYLVANIA, VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
 June 30, 2012

Exhibit V

	<u>Water & Sewer Funds</u>
ASSETS	
Current assets:	
Cash and investments	\$ 65,930,482
Receivables, net	6,253,763
Inventory	662,098
Restricted cash and investments	<u>20,629,044</u>
Total current assets	<u>\$ 93,475,387</u>
Noncurrent assets:	
Capital assets, net:	
Land and construction in progress	\$ 32,690,513
Depreciable assets	<u>266,293,505</u>
Total noncurrent assets	<u>\$ 298,984,018</u>
Total assets	<u>\$ 392,459,405</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,716,885
Retainage payable	635,277
Accrued salaries and benefits	111,753
Accrued interest payable	446,764
Other accrued liabilities	157,425
Interfund payable	323,760
Customer deposits	148,270
Current portion of long-term debt	<u>4,460,895</u>
Total current liabilities	<u>\$ 8,001,029</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	\$ 142,216,985
Other post employment benefits	<u>1,986,904</u>
Total noncurrent liabilities	<u>\$ 144,203,889</u>
Total liabilities	<u>\$ 152,204,918</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 166,115,232
Restricted for:	
Debt service	6,291,064
Capital projects	13,140,463
Unrestricted	<u>54,707,728</u>
Total net assets	<u>\$ 240,254,487</u>

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

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

Year Ended June 30, 2012

Exhibit VI

	<u>Water & Sewer Funds</u>
OPERATING REVENUES	
Charges for services	\$ 24,452,733
Other operating revenues	<u>1,234,150</u>
	<u>\$ 25,686,883</u>
OPERATING EXPENSES	
Personnel	\$ 6,151,688
Fringe benefits	2,352,195
Depreciation	9,278,290
Other	<u>8,491,358</u>
	<u>\$ 26,273,531</u>
Operating income (loss)	<u>\$ (586,648)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and fiscal charges	(6,195,237)
Interest income	435,164
Intergovernmental revenue	539,056
Miscellaneous income	<u>4,129</u>
	<u>\$ (5,216,888)</u>
Income (loss) before contributions and transfers	<u>\$ (5,803,536)</u>
Capital contributions:	
Capital grants	\$ 2,783,188
Availability fees	3,214,569
Other capital contributions	<u>969,959</u>
Total capital contributions:	6,967,716
Transfers to other funds	<u>(314,301)</u>
Total capital contributions and transfers:	<u>\$ 6,653,415</u>
Change in net assets	\$ 849,879
Net assets, beginning	<u>239,404,608</u>
Net assets, ending	<u><u>\$ 240,254,487</u></u>

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

COUNTY OF SPOTSYLVANIA, VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 Year Ended June 30, 2012

Exhibit VII

Page 1

**Water &
Sewer Funds**

Cash flows from operating activities:	
Receipts from water and sewer customers	\$ 24,067,072
Cash received from other operating revenues	1,250,926
Receipt of customer deposits	13,050
Payments to suppliers and service providers	(10,967,771)
Payments to employees for salaries and benefits	(8,138,956)
Return of customer deposits	(23,230)
Net cash provided by operating activities	<u>\$ 6,201,091</u>
Cash flows from noncapital financing activities	
Due to primary government	\$ 323,760
Receipt of intergovernmental revenue	539,056
Transfers out	(314,301)
Net cash provided by noncapital financing activities	<u>\$ 548,515</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (14,387,872)
Principal paid on capital debt	(3,600,000)
Interest paid on capital debt	(6,954,585)
Receipt of capital grants	2,615,338
Receipt of availability fees	3,199,203
Net cash used for capital and related financing activities	<u>\$ (19,127,916)</u>
Cash flows from investing activities:	
Purchase of investment securities	\$ (57,344,903)
Sale of investment securities	54,351,424
Interest on investments	876,556
Net cash used for investing activities	<u>\$ (2,116,923)</u>
Net decrease in cash and cash equivalents	\$ (14,495,233)
Cash and cash equivalents:	
Beginning	40,791,535
Ending	<u><u>\$ 26,296,302</u></u>
Shown on the combined balance sheet as:	
Equity in pooled cash and investments	\$ 65,930,482
Restricted cash and investments	20,629,044
	<u>\$ 86,559,526</u>
Less investments	60,263,224
Cash and cash equivalents, unrestricted and restricted	<u><u>\$ 26,296,302</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA
STATEMENT OF CASH FLOWS PROPRIETARY FUNDS
 Year Ended June 30, 2012

Exhibit VII

Page 2

	<u>Water & Sewer Funds</u>
Reconciliation of operating income(loss) to net cash used by operating activities:	
Operating income (loss)	\$ (586,648)
Depreciation	9,278,290
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(368,883)
(Increase) decrease in inventory	57,820
Increase (decrease) in accounts payable	(2,534,235)
Increase (decrease) in salary and benefits payable	364,927
Increase (decrease) in customer deposits payable	<u>(10,180)</u>
Net cash provided by operating activities	<u><u>\$ 6,201,091</u></u>
Noncash investing, capital and financing activities:	
Contribution of capital assets	\$ 807,234
Net change in fair value of investments	381,054

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

COUNTY OF SPOTSYLVANIA, VIRGINIA
Statement of Fiduciary Net Assets
 June 30, 2012

Exhibit VIII

	Agency Funds
ASSETS	
Cash	\$ 163,681
Total assets	<u>\$ 163,681</u>
LIABILITIES	
Amounts held for others	\$ 163,681
Total liabilities	<u>\$ 163,681</u>

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

Note 1

Summary of Significant Accounting Policies

BASIS OF PRESENTATION

The accompanying financial statements of the County of Spotsylvania, Virginia (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.

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. FASB pronouncements issued after November 30, 1989, are not followed in the preparation of the accompanying financial statements.

Significant accounting policies of the County are described below.

FINANCIAL REPORTING ENTITY

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

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

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended

units are, in substance, part of the primary government's operations, even though they are legally separate entities. The County has no component units that meet the requirements for blending.

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.

Discretely Presented Component Unit:

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. The County Board of Supervisors administers the School Board's appropriation of funds and authorizes school debt issuances. The School Board does not issue separate financial statements.

FINANCIAL REPORTING STRUCTURE

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

Government-wide Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) display information about the County as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities

of the County as well as its discretely presented component units. In the statement of net assets, both the governmental and business-type activities columns are presented on a consolidated basis using an accrual basis, economic resources measurement focus, which incorporates capital assets and long-term debt and obligations.

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

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

Fund Financial Statements

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

and enterprise funds are aggregated and reported as nonmajor funds.

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

County's Major Governmental Funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenue is derived primarily from property taxes, utility taxes, state and federal distributions and other 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.

County's Major Enterprise Funds:

The *water and sewer fund* accounts for the activities of the water and sewage treatment plants, sewage pumping stations and collection systems, and the water distribution system.

County's Fiduciary Funds:

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds consist of the special welfare fund and the contribution fund.

County's Non-major Special Revenue Funds:

Fire and EMS Service Fee Fund was established to account for the revenue recovery program established by County code section 9-39. The program authorizes charges for services to cover emergency medical transport provided by the County. Fees received for these services are used to offset the cost of fire and emergency management services in the County.

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL PRESENTATION

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The *government-wide financial statements* are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants

and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The *government fund financial statements* are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Accordingly, real and personal property taxes are recorded as deferred revenues and property tax receivable when billed. Real and personal property taxes collected within 45 days are reclassified as revenues for the current fiscal period.

Sales taxes, utility taxes, meals taxes, fuel taxes, and business licenses associated with the current fiscal period are all susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

Under the accrual basis of accounting, as used in the government-wide financial statements, proprietary fund financials recognize revenues when earned and expenses at the time liabilities are incurred. Amounts paid to acquire capital assets are capitalized as assets rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities rather than as other financing sources. Debt service payments of principal are reported as a reduction of the related liability.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the direct costs of providing these services, administrative expenses, depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Budget Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with 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 10). However, the County reports these debt service payments in the component unit - School Board for budgetary purposes.

The appropriated 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. Annual appropriations

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

Budgetary Comparison Schedules

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

The following information provides an excerpt of the more significant budgetary appropriations when aggregated by type.

(Amounts in Thousands)

	General Fund	Capital Projects Fund	School Board Funds
Prior year carryover	\$ 4,939	\$ 891	\$ 1,998
Revenue additions	68	958	1,033
Capital project changes	107	16,529	4,189
Use of fund balance	906	-	-

Pooled Cash and Investments

Cash resources of the individual funds in the general fund, special revenue funds, capital projects funds, proprietary funds, 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.

Investments for the government, as well as 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 its pool shares.

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.

Receivables and Payables

Receivables consist of general accounts for services, intergovernmental revenues, property taxes, water and sewer fees and any necessary accruals needed for amounts due to the County as of June 30, 2012. All receivables are reported net of an allowance for uncollectibles. General accounts utilize the aging analysis method, property taxes are calculated based on criteria established by the Virginia Auditor of Public Accounts, and water and sewer receivables are stratified based on the number of days outstanding with alternative percentages applied to each strata.

Real Estate Taxes

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, 2011 levy, and the first installment (June 5) of the assessed value at January 1, 2012. The installment due on December 5, 2012 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 Taxes

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, 2011 levy, and the first installment (June 5) of the assessed value at January 1, 2012. The installment due on December 5, 2012 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, remainder is to be collected by the County.

Interfund Balances

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements with the exception of amounts between governmental and business-type activities.

Inventories

Governmental activity inventories consist of expendable supplies and repair parts. The cost of such inventories is recorded as expenditures when purchased. At year-end, a portion of the fund balance is restricted for the ending balances, if material.

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

Prepaid Items

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

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.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure and intangible assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital

assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Individual capital items under \$5,000, purchased in bulk at an amount greater than \$50,000 with an estimated useful life in excess of two years, are also capitalized. The County does not capitalize any infrastructure, such as roads or bridges, where ownership is conveyed to the State.

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

All capital assets are capitalized at cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value on the acquisition date. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

With the exception of land and construction in progress, assets are depreciated or amortized over their estimated useful life using the straight line method. The term depreciation will be used in the accompanying financial statements to describe both depreciation and amortization. Useful lives of the various major categories of capital assets are as follows:

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

Compensated Absences

County policy permits employees to accumulate earned but unused vacation and sick benefits, which are eligible for payment upon separation from service. Vacation payouts are limited to a maximum of 288 hours for full-time employees. Sick leave obligations are compensated at 25% of accrued sick leave, up to a maximum dollar amount of \$2,000 determined by employee's length of service. The cost of accrued leave is recorded in the government-wide financial statements.

Intergovernmental Agreements

The County shares an agreement with the City of Fredericksburg (City) for joint provisions of water and sewer services.

The County and City have agreed to share 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.

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.

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.

Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed, assigned and lastly, unassigned fund balance. Note 15 provides a detailed presentation of designated fund balance by the following classifications.

Nonspendable fund balance

This category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted fund balance

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 Fund Balance

A classification which 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 Fund Balance

Represents amounts 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. Unlike commitments, assignments generally only exist temporarily, an additional action is not required to remove or change an assignment of funding.

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 \$187.8 million is reclassified as shown below to present the total reporting entity column of Exhibit I.

(Amounts in Thousands)

	Primary Government	Component Units	Debt Issued for School Facilities	Total Reporting Entity
Invested in capital assets, net of related debt	\$ 184,372	\$ 330,576	\$ (187,823)	\$ 327,125
Restricted	39,155	3,805	-	42,960
Unrestricted	(92,268)	(65,951)	187,823	29,604
Total net assets	<u>\$ 131,259</u>	<u>\$ 268,430</u>	<u>\$ -</u>	<u>\$ 399,689</u>

Note 2

Deposits and Investments

DEPOSITS

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits.

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. Accordingly, all deposits are considered fully collateralized.

INVESTMENTS

In accordance with Sec. 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).

POOLED CASH AND INVESTMENTS

As of June 30, 2012, the County and its discretely presented component unit's pooled cash and investments of \$197 million, including \$163,681 in agency funds, are subject to various interest rates and credit risks disclosed as follows.

Interest Rate Risk

In accordance with its investment policy, to the extent possible, the investment portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Investments are limited to a maximum maturity of five years. Debt service reserve funds with longer term investment horizons may be invested in securities exceeding five years if the maturity of such investment is made to coincide with the expected use of funds. The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 3 years.

As of June 30, 2012, the County reports the following pooled cash and investments by fair value and weighted average maturity:

(Amounts in Thousands)

Pooled Cash & Investments by Type	Fair Value	Weighted Average Maturity (in years)
Investments:		
U.S. Treasury obligations	\$ 11,373	1.11
Federal agency obligations	70,254	1.33
Municipal obligation	1,875	0.40
Commercial paper	4,120	0.40
Corporate notes	12,306	1.65
Certificates of deposit	5,505	1.05
Total investments:	\$ 105,433	
Portfolio weighted average maturity:		<u>1.28</u>
Investment in cash equivalents:		
Local Government Investment Pool (LGIP)	\$ 8,176	
State Non-Arbitrage Program (SNAP)	40,363	
Other money market mutual funds	41,777	
Repurchase agreements	962	
Total deposits:	186	
Total pooled cash and investments:	<u>\$ 196,897</u>	

Credit Risk

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

Authorized Investment	Minimum Credit Quality Rating	Maximum Credit Exposure	
		Sector Limit	Issuer Limit
U.S. Treasury obligations	AA or equivalent	100%	100%
Federal agency obligations	AA or equivalent	100%	35%
Municipal obligations	AA or equivalent	20%	5%
Commercial paper	Short-term debt rating of A-1 or equivalent	25%	5%
Corporate notes	AA or equivalent	20%	5%
Certificate of deposit	A-1 for maturities of one year or less and at least AA for maturities over one year	20%	5%
Money market mutual funds	AAA or equivalent and complies with Rule 2(a)7	100%	50%
Repurchase agreements	AA or equivalent	35%	35%

Pooled investments reported by credit quality and exposure consist of the following at June 30, 2012:

(Amounts in Thousands)

Investments by Type	Fair Value	Credit Quality Rating	Credit Exposure
Investments:			
U.S. Treasury obligations	\$ 11,373	AA	5.82%
Federal agency obligations	70,254	AA	35.71%
Municipal obligations	1,875	AA	0.95%
Commercial paper	4,120	A-1	2.09%
Corporate notes	12,306	AA(81%)/ A(19%)	6.26%
Certificates of deposit	5,505	A-1	2.80%
Investments in cash equivalents:			
Local Government Investment Pool (LGIP)	8,176	AAA	4.16%
State Non-Arbitrage Program (SNAP)	40,363	AAA	20.52%
Other money market mutual funds	41,777	AAA	21.20%
Repurchase agreements	962	AAA	0.49%
Total investments:	\$ 196,711		100.00%

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss associated to the amount of the County's investment in a single issuer. No more than five percent of the pooled investment portfolio will be invested in securities of any single issuer with the exception of mutual funds and investments issued or explicitly guaranteed by the United States government. As of June 30, 2012, investments in the following issuers exceeded five percent of the pooled investments: Federal Home Loan Mortgage Corporation (FHLMC) 5.8%, and Federal National Mortgage Association (FNMA) 7.21% and are guaranteed by the United State government.

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, 2012 consist of the following:

(Amounts in Thousands)

	Primary Government			Component Unit
	Governmental Funds	Proprietary Fund	Total	School Board
Special assessments	\$ 295	\$ -	\$ 295	\$ -
Property taxes				
Delinquent	11,712	-	11,712	-
Not yet due	70,670	-	70,670	-
Motor fuel tax	5,148	-	5,148	-
EMS transport fees	1,574	-	1,574	-
Utility operations	-	6,183	6,183	-
Accounts - other	4,546	-	4,546	163
Intergovernmental - Federal	10,283	-	10,283	2,194
Intergovernmental - State	8,209	465	8,674	2,871
Gross receivables	\$ 112,437	\$ 6,648	\$ 119,085	\$ 5,228
Allowance for uncollectibles	(3,766)	(394)	(4,160)	-
Net total receivables	<u>\$ 108,671</u>	<u>\$ 6,254</u>	<u>\$ 114,925</u>	<u>\$ 5,228</u>

Receivables not expected to be collected within one year are 92% of special assessments.

Deferred Revenue

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 connec-

tion with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred and unearned revenue were as follows:

(Amounts in Thousands)

	Governmental Funds	Government-wide
	Deferred Revenue	Unearned Revenue
Delinquent property taxes	\$ 6,396	\$ -
Property taxes not yet due	70,680	70,680
Special assessments	295	295
EMS transport fees	293	-
Other	405	-
	<u>\$ 78,069</u>	<u>\$ 70,975</u>

Note 4

Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

(Amounts in Thousands)

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
<i>Governmental Activities</i>				
Capital assets, not being depreciated:				
Land	\$ 14,804	\$ 510	\$ -	\$ 15,314
Construction in progress	30,879	7,780	37,100	1,559
Total capital assets, not being depreciated	<u>\$ 45,683</u>	<u>\$ 8,290</u>	<u>\$ 37,100</u>	<u>\$ 16,873</u>
Capital assets, being depreciated:				
Buildings & improvements	\$ 71,165	\$ 35,295	\$ 53	\$ 106,407
Furniture, equipment & vehicles	42,398	8,672	985	50,085
Total capital assets, being depreciated	<u>113,563</u>	<u>43,967</u>	<u>1,038</u>	<u>156,492</u>
Less accumulated depreciation for:				
Buildings & improvements	21,246	3,175	24	24,397
Furniture, equipment & vehicles	28,698	3,139	938	30,899
Total accumulated depreciation	<u>49,944</u>	<u>6,314</u>	<u>962</u>	<u>55,296</u>
Total capital assets being depreciated, net	<u>\$ 63,619</u>	<u>\$ 37,653</u>	<u>\$ 76</u>	<u>\$ 101,196</u>
Governmental activities capital assets, net	<u>\$ 109,302</u>	<u>\$ 45,943</u>	<u>\$ 37,176</u>	<u>\$ 118,069</u>
<i>Business-type Activities</i>				
Capital assets, not being depreciated:				
Land	\$ 9,410	\$ 226	\$ -	\$ 9,636
Construction in progress	9,414	14,404	763	23,055
Total capital assets, not being depreciated	<u>\$ 18,824</u>	<u>\$ 14,630</u>	<u>\$ 763</u>	<u>\$ 32,691</u>
Capital assets, being depreciated:				
Buildings & improvements	\$ 150,523	\$ 31	\$ 11	\$ 150,543
Furniture, equipment & vehicles	6,463	1,082	13	7,532
Water & sewer systems	212,305	1,389	-	213,694
Purchased sewer capacity	2,074	-	-	2,074
Total capital assets, being depreciated	<u>371,365</u>	<u>2,502</u>	<u>24</u>	<u>373,843</u>
Less accumulated depreciation for:				
Buildings & improvements	40,450	4,413	11	44,852
Furniture, equipment & vehicles	4,487	442	13	4,916
Water & sewer systems	53,336	4,382	-	57,718
Purchased sewer capacity	21	42	-	63
Total accumulated depreciation	<u>98,294</u>	<u>9,279</u>	<u>24</u>	<u>107,549</u>
Total capital assets being depreciated, net	<u>\$ 273,071</u>	<u>\$ (6,777)</u>	<u>\$ -</u>	<u>\$ 266,294</u>
Business-type activities capital assets, net	<u>\$ 291,895</u>	<u>\$ 7,853</u>	<u>\$ 763</u>	<u>\$ 298,985</u>

Depreciation expense was charged to the governmental functions as follows:

(Amounts in Thousands)

<i>Governmental Activities</i>	
General government	\$ 1,078
Judicial administration	758
Public safety	2,727
Public works	597
Health and welfare	18
Parks and recreation	1,103
Community development	33
Total depreciation expense	<u>\$ 6,314</u>

Capital asset activity of the Component unit - School Board for the year ended June 30, 2012, was as follows:

(Amounts in Thousands)

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
<i>Component unit - School Board</i>				
Capital assets, not being depreciated:				
Land	\$ 11,620	\$ 515	\$ -	\$ 12,135
Construction in progress	2,577	687	2,350	914
Total capital assets, not being depreciated	<u>\$ 14,197</u>	<u>\$ 1,202</u>	<u>\$ 2,350</u>	<u>\$ 13,049</u>
Capital assets, being depreciated:				
Buildings & improvements	\$ 415,856	\$ 1,805	\$ 109	\$ 417,552
Furniture, equipment & vehicles	72,914	4,420	473	76,861
Total capital assets, being depreciated	<u>488,770</u>	<u>6,225</u>	<u>582</u>	<u>494,413</u>
Less accumulated depreciation for:				
Buildings & improvements	119,765	9,867	108	129,524
Furniture, equipment & vehicles	43,663	4,126	426	47,363
Total accumulated depreciation	<u>163,428</u>	<u>13,993</u>	<u>534</u>	<u>176,887</u>
Total capital assets being depreciated, net	<u>\$ 325,342</u>	<u>\$ (7,768)</u>	<u>\$ 48</u>	<u>\$ 317,526</u>
Component unit-School Board capital assets, net	<u>\$ 339,539</u>	<u>\$ (6,566)</u>	<u>\$ 2,398</u>	<u>\$ 330,575</u>

All depreciation for the component unit - School Board was charged to education.

A reclassification of depreciable land improvements from Land to Buildings & Improvements was necessary to correct the presentation of assets for governmental activities. All reclassified assets have been properly depreciated since acquisition.

Construction in progress for the year ended June 30, 2012, was as follows:

(Amounts in Thousands)

Project	Project Authorization	Spent to Date	Remaining Commitment
<i>Governmental Activities</i>			
Replace fire station no. 5	\$ 4,554	\$ 313	\$ 4,241
Enterprise-wide fiber net installation	336	204	132
CAMA system upgrade	372	144	228
Treasury system replacement	743	28	715
Legion field lighting system	330	65	265
Patriot park lighting system	495	96	399
Various minor projects	1,064	709	355
	<u>\$ 7,894</u>	<u>\$ 1,559</u>	<u>\$ 6,335</u>
<i>Component Unit - School Board</i>			
Smith Station re-roofing & HVAC replacement	\$ 1,295	\$ 688	\$ 607
Elementary school no. 18	29,831	226	29,605
	<u>\$ 31,126</u>	<u>\$ 914</u>	<u>\$ 30,212</u>

Note 5

Interfund Transfers

Interfund transfers for the year ended June 30, 2012, consisted of the following amounts:

(Amounts in Thousands)

Transfer In	Transfer Out				Total
	General Fund	Capital Projects Fund	Water & Sewer Fund	All Other Funds	
General fund	\$ -	\$ 302	\$ -	\$ 2,972	\$ 3,274
Capital projects fund	5,425	-	314	209	\$ 5,948
All other funds	1,081	291	-	-	\$ 1,372
Total	\$ 6,506	\$ 593	\$ 314	\$ 3,181	

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 \$17,527,439 as of June 30, 2012 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

Lease Obligations

Operating leases

The County leases office space and other office equipment under various non-cancelable operating leases, subject to annual appropriation of funds. Total costs for such leases were \$182,802, 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.

Revenue leases

The EDA currently leases its office building to Spotsylvania County and two private-sector enterprises. Lease income is from three non-cancelable leases with varying expiration dates. The leases require annual rents to be adjusted according to changes in the Consumer Price Index. Rental income was \$60,252 for the fiscal year ended June 30, 2012, and is expected to remain at similar levels in future fiscal years. All current leases are due to expire within the next five years.

Note 8

Defined Benefit Pension Plan

PLAN DESCRIPTION

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

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

Plan 1:

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 five years of service credit or age 50 with at least ten years of service credit.

Plan 2:

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 five 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.

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 (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from <http://www.varetire.org/Pdf/Publications/2011-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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,

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, 2012, were 9.26% and 8.33%, respectively, of their annual covered payrolls. The contribution rate for the School Board's professional employee group was 6.33% 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 2012, 2011, and 2010 were \$13,114,269, \$11,219,046, and \$13,957,271, respectively, and were equal to the actuarially determined required contributions for each year.

ANNUAL PENSION COST

For fiscal year 2012, the County and School Board's annual pension cost of \$5,418,449 and \$1,139,170 respectively, was equal to the required and actual contributions.

Three-year trend information for Spotsylvania County as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	% of APC Contributed
June 30, 2012	\$ 5,418,449	100%
June 30, 2011	5,263,522	100%
June 30, 2010	5,190,127	100%

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

Fiscal Year Ending	Annual Pension Cost (APC)	% of APC Contributed
June 30, 2012	\$ 1,139,170	100%
June 30, 2011	1,148,404	100%
June 30, 2010	1,216,021	100%

the FY 2012 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.

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

Virginia Retirement System Defined Benefit Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2011	\$ 90,410,215	\$ 117,501,441	\$ 27,091,226	77%	\$ 37,109,144	73%
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%

School Board Non-professional

Virginia Retirement System Defined Benefit Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2011	\$ 19,392,022	\$ 23,134,354	\$ 3,742,332	84%	\$ 8,488,154	44%
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%

Note 9

Tax Anticipation Notes

As of June 30, 2012, 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. The notes are payable from and secured by the pledge of future special assessment tax revenues

accruing to the Transportation Fund. There were no changes in short-term debt for the year ended June 30, 2012.

On July 26, 2012, the \$8.5 million in TANS were extinguished using \$3.1 million in pledged revenues with the remainder of the liability refinanced through the issuance of new general obligation debt.

Note 10

Long-term Liabilities

The following is a summary of changes in long-term obligations of the reporting entity for the year ended June 30, 2012 with the exception of post-employment health care benefits presented separately under Note 14.

(Amounts in Thousands)

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Due Within One Year
<i>Governmental Activities</i>					
General obligation bonds payable:					
Principal of bonds payable	\$ 303,241	\$ 27,840	\$ 32,736	\$ 298,345	\$ 26,138
Premiums	5,998	1,299	516	6,781	-
Issuance costs	(2,634)	(496)	(249)	(2,881)	-
Deferred amount on refunding	-	(358)	(30)	(328)	-
Total bonds payable	\$ 306,605	\$ 28,285	\$ 32,973	\$ 301,917	\$ 26,138
Compensated absences	3,638	4,346	4,431	3,553	3,154
Landfill closure obligation	5,450	500	356	5,594	1,018
Capital lease obligation	7,253	-	7,253	-	-
Claims & judgments	716	7,852	7,912	656	656
Arbitrage liability	28	-	5	23	23
Total governmental activities	<u>\$ 323,690</u>	<u>\$ 40,983</u>	<u>\$ 52,930</u>	<u>\$ 311,743</u>	<u>\$ 30,989</u>
<i>Business-type Activities</i>					
Revenue bonds payable:					
Principal of bonds payable	\$ 147,860	\$ -	\$ 3,600	\$ 144,260	\$ 3,870
Premiums	5,418	-	240	5,178	-
Issuance costs	(1,934)	-	(80)	(1,854)	-
Deferred amount on refunding	(1,732)	-	(158)	(1,574)	-
Total bonds payable	\$ 149,612	\$ -	\$ 3,602	\$ 146,010	\$ 3,870
Compensated absences	549	1,422	1,405	566	489
Claims & judgments	41	1,220	1,159	102	102
Total business-type activities	<u>\$ 150,202</u>	<u>\$ 2,642</u>	<u>\$ 6,166</u>	<u>\$ 146,678</u>	<u>\$ 4,461</u>

Changes in long-term debt (cont'd)

(Amounts in Thousands)	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Due Within One Year
<i>Component unit - School Board</i>					
Compensated absences	\$ 5,813	\$ 2,199	\$ 2,593	\$ 5,419	\$ 2,593
Claims & judgments	(417)	31,240	29,389	1,434	1,434
Termination benefits	3,225	24	2,074	1,175	1,175
Total governmental activities	<u>\$ 8,621</u>	<u>\$ 33,463</u>	<u>\$ 34,056</u>	<u>\$ 8,028</u>	<u>\$ 5,202</u>

The liability for compensated absences of governmental activities is normally liquidated at 94% by the general fund with the remaining 6% liquidated by other governmental funds. Claims & judgments of the primary government are liquidated at 88% by the General Fund and 12% by Utility Fund.

With the exception of general obligation bonds payable, all remaining debt is liquidated as reported. General obligations bonds issued on behalf of the Schools are reported under governmental activities. For fiscal year 2012, the school's operating fund liquidated 64% of the general obligation bonds payable.

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.

New Debt Issuance

The County issued \$16.6 million in public improvement bonds to refund \$5.7 million of 2003 public improvement bonds and the remaining toward fire and rescue infrastructure and school capital project needs.

In addition, the County issued \$11.3 million in Economic Development Authority public improvement bonds needed to refinance \$7.3 million in capital lease obligations, and the remaining proceeds used for technology upgrades and equipment replacement for solid waste operations.

Advance Refunding

The County issued \$5.6 million in general obligation bonds with interest rates ranging from 3.0% to 4.0%. The proceeds were used to advance refund \$5.7 million of outstanding 2003 public improvement bonds which had an interest rate of 4.39%. The net proceeds of \$6.0

million (including a \$438 thousand premium and after payment of \$70 thousand in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2003 public improvement bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$358 thousand. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The County

advance refunded the 2003 public improvement bonds to reduce its total debt service payments over 11 years by \$294 thousand and to obtain an economic gain of \$280 thousand.

Defeasance of debt

The County has \$6.2 million and \$3.8 million in defeased debt for the County and Schools, respectively. Proceeds of new debt intended for defeased bonds are placed in an irrevocable trust account to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements.

Amortization of Debt Service

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, 2012, are as follows:

Year ending June 30,	Governmental Activities General Obligation Bonds		Business-type Activities Utility Revenue Bonds		Total Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 26,138	\$ 13,317	\$ 3,870	\$ 6,819	\$ 30,008	\$ 20,136
2014	23,066	12,263	4,095	6,693	27,161	18,956
2015	20,216	11,300	4,395	6,536	24,611	17,836
2016	19,946	10,441	5,045	6,329	24,991	16,770
2017	20,338	9,575	5,250	6,127	25,588	15,702
2018 - 2022	85,992	36,078	29,825	26,995	115,817	63,073
2023 - 2027	74,614	17,990	34,065	19,339	108,679	37,329
2028 - 2032	26,655	3,205	29,180	11,766	55,835	14,971
2033 - 2037	1,380	127	23,085	4,982	24,465	5,109
2038 - 2040	-	-	5,450	618	5,450	618
Total	<u>\$ 298,345</u>	<u>\$ 114,296</u>	<u>\$ 144,260</u>	<u>\$ 96,204</u>	<u>\$ 442,605</u>	<u>\$ 210,500</u>

Schedule of Outstanding General Obligation Debt Issuances

General obligation bonds payable at June 30, 2012, requiring semi-annual installments ranging from \$8 to \$5,135, backed by the full faith and credit of the County, are comprised of the following individual issues:

(Amounts in Thousands)

	<u>Sale Date</u>	<u>Final Maturity</u>	<u>Interest Rates to Maturity</u>	<u>Original Borrowing</u>	<u>Principal Outstanding</u>
<i>Governmental Activities</i>					
General Obligation Bonds					
General County:					
Public Improvements (Refunding)	05/ 1998	07/ 2014	3.80 - 5.50%	\$ 3,041	\$ 534
Public Improvements	12/ 2003	01/ 2024	4.39	10,000	572
Public Improvements	06/ 2006	07/ 2027	3.73 - 5.00	53,000	44,020
Public Improvements (Series A)	07/ 2009	07/ 2019	1.40 - 3.00	11,665	10,360
Public Improvements (Series B)	07/ 2009	07/ 2034	5.20 - 5.90	15,905	15,905
Public Improvements (Series A)	07/ 2010	07/ 2020	2.07	8,680	6,760
Public Improvements (Series B)	07/ 2010	07/ 2030	3.38	8,435	8,435
EDO Lease Revenue Bonds	05/ 2001	05/ 2021	6.16	700	420
Public Improvements (Series A)	07/ 2011	01/ 2031	3.00 - 4.00	6,939	6,301
Public Improvements (Refunding)	07/ 2011	01/ 2024	3.00 - 4.00	5,650	5,640
EDO Public Facility Revenue Bonds	10/ 2011	06/ 2032	2.00 - 4.00	11,275	10,670
Total General Obligation Bonds - County					<u>\$ 109,617</u>
School Board System:					
Virginia Public School Authority (ISRP)	11/ 1992	07/ 2013	4.90 - 6.35%	\$ 1,593	\$ 98
Virginia Public School Authority (Series A)	11/ 1994	07/ 2014	6.10 - 6.60	1,926	356
Virginia Public School Authority (Series C)	12/ 1995	07/ 2015	5.10 - 6.10	838	192
Virginia Public School Authority (Series A)	05/ 1996	07/ 2016	4.60 - 5.80	2,200	550
Virginia Public School Authority (Series B)	07/ 1997	07/ 2016	5.10 - 6.10	4,620	1,150
Virginia Public School Authority (Series A)	11/ 1997	07/ 2017	4.35 - 5.23	8,940	2,460
Virginia Public School Authority (Series B)	11/ 1997	07/ 2017	4.35 - 5.23	8,422	2,820
Virginia Public School Authority (Series A)	04/ 1998	07 2018	4.10 - 5.35	14,975	4,690
Public Improvements (Refunding)	05/ 1998	07/ 2014	3.80 - 5.50	21,684	3,806
Virginia Public School Authority (Series B)	11/ 1998	07/ 2018	4.35 - 5.10	10,795	3,045
Virginia Public School Authority (Series C)	11/ 1998	07/ 2018	3.60 - 5.10	4,346	1,638
Virginia Public School Authority (Series A)	04/ 1999	07/ 2019	4.35 - 5.23	3,570	730
Virginia Public School Authority (Series A)	05/ 2000	07/ 2020	4.35 - 5.23	7,740	3,350
Virginia Public School Authority (Series A)	05/ 2001	07/ 2021	4.10 - 5.60	10,170	4,735
Virginia Public School Authority (Series B)	11/ 2001	07/ 2021	3.10 - 5.35	9,500	4,000
Virginia Public School Authority (Series A)	05/ 2002	07/ 2022	3.60 - 5.60	17,315	9,020
Virginia Public School Authority (Series A)	05/ 2002	07/ 2022	3.60 - 5.60	incl in above	90
Subtotal General Obligation Bonds - School Board System					<u>\$ 42,730</u>

Schedule continued on following page

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedule continued from previous page

(Amounts in Thousands)

	<u>Sale Date</u>	<u>Final Maturity</u>	<u>Interest Rates to Maturity</u>	<u>Original Borrowing</u>	<u>Principal Outstanding</u>
Subtotal of General Obligation Bonds - School Board System (carried forward from previous page)					\$ 42,730
Virginia Public School Authority (Series B)	11/ 2002	07/ 2023	2.35 - 5.10	11,885	6,135
IDA Lease Revenue Bonds	06/ 2003	07/ 2028	2.00 - 5.00	19,480	14,870
IDA Lease Revenue Bonds (Series B)	10/ 2003	07/ 2029	2.00 - 5.00	26,300	19,530
Public Improvements (Refunding)	09/ 2004	07/ 2017	2.00 - 5.00	14,915	7,885
IDA Lease Revenue Bonds	10/ 2004	07/ 2030	3.00 - 4.38	17,505	12,325
IDA Lease Revenue Bonds	06/ 2005	07/ 2031	3.25 - 5.00	37,855	29,420
Public Improvements	07/ 2007	07/ 2027	3.73 - 5.00	23,665	15,160
Public Improvements	06/ 2007	01/ 2027	4.25 - 5.00	41,110	27,460
Qualified School Construction Bonds	06/ 2010	06/ 2027	5.31	2,630	2,325
Public Improvements (Series A)	07/ 2011	01/ 2031	3.00 - 4.00	3,976	3,625
Total General Obligation Bonds - School Board System					\$ 181,465
Harrison Road Elementary	08/ 2002	08/ 2022	3.00	6,020	3,310
Parkside Elementary	08/ 2002	08/ 2022	3.00	7,187	3,953
Total State Literary Fund Loans - School Board System					\$ 7,263
Total Governmental Activities - General Obligations					\$ 298,345

(Amounts in Thousands)

	<u>Sale Date</u>	<u>Final Maturity</u>	<u>Interest Rates to Maturity</u>	<u>Original Borrowing</u>	<u>Principal Outstanding</u>
<i>Business-type Activities</i>					
Utility Revenue Bonds	11/ 2004	06/ 2035	3.00 - 5.00%	\$ 25,120	\$ 21,575
Utility Revenue Bonds (Refunding)	02/ 2005	06/ 2026	3.00 - 5.00	37,875	29,595
Utility Revenue Bonds	08/ 2007	06/ 2037	4.25 - 5.00	39,700	36,385
Utility Revenue Bonds (Refunding)	08/ 2010	06/ 2032	3.15	28,405	27,255
Utility Revenue Bonds (Series B)	08/ 2010	06/ 2040	3.15	29,450	29,450
Total Business-type Activities - General Obligations					\$ 144,260
Total Indebtedness - Primary Government					\$ 442,605

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, 2012, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$5 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 \$0.7 million and \$4.9 million for closed and operating landfills, respectively, which is based on 100% and 53% usage, respectively. It is estimated that an additional \$4.3 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 (\$5.6 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, 2012. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

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

Note 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, 2012 are as follows:

(Amounts in Thousands)			
	2008	\$	3,247
	2009		3,199
	2010		3,232
	2011		3,423
	2012		3,188
		\$	<u>16,289</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 toward their coverage. Once the retiree reaches the age of 65, the retiree must apply for and receive Medicare coverage and convert to a Medicare carve-out policy. In addition, line of duty disabilities will receive full subsidization of their coverage regardless of years of service or hire date with the County.

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

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 later 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.

(Amounts in Thousands)

Annual required contribution (ARC)	\$ 4,851
Interest on net OPEB obligation	474
Adjustment to ARC	(457)
Annual OPEB cost	\$ 4,868
Contributions made	(612)
Increase in net OPEB obligation	\$ 4,256
Net OPEB obligation - beginning of the year	12,087
Net OPEB obligation - end of the year	<u>\$ 16,343</u>
Governmental Activities	\$ 14,356
Business-type Activities	1,987
	<u>\$ 16,343</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the preceding two years were as follows:

(Amounts in Thousands)

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 4,868	12.6%	\$ 16,343
June 30, 2011	4,543	11.1%	12,087
June 30, 2010	3,262	19.3%	8,051

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2011, the most recent actuarial valuation date, the plan was 0.0% funded. The unfunded actuarial accrued liability (UAAL) was \$49 million. The covered payroll (annual payroll of active employees covered by the plan) was \$38 million, and the ratio of the UAAL to the covered payroll was 129.7 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 July 1, 2011 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 8.0% 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-seven years.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for the County of Spotsylvania

(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
July 1, 2011	\$ -	\$ 49,282	\$ 49,282	0%	\$ 37,998	129.7%
July 1, 2010	-	45,383	45,383	0%	36,911	123.0%
July 1, 2009	-	30,666	30,666	0%	37,285	82.2%

Post-Employment Health Care Benefits

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, 2012.

PLAN DESCRIPTION

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

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

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

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

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

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

As of July 1, 2011, the most recent actuarial valuation date, membership in the Plan consisted of the following:

Number of Participants:	
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 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.

(Amounts in Thousands)

Annual required contribution (ARC)	\$ 15,994
Interest on net OPEB obligation	2,197
Adjustment to ARC	(1,967)
Annual OPEB cost	\$ 16,224
Contributions made	(4,680)
Increase in net OPEB obligation	\$ 11,544
Net OPEB obligation - beginning of the year	47,676
Net OPEB obligation - end of the year	<u>\$ 59,220</u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the preceding two years were as follows:

(Amounts in Thousands)

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 16,224	28.8%	\$ 59,220
June 30, 2011	15,727	25.5%	47,677
June 30, 2010	16,233	17.5%	35,955

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 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%.

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 July 1, 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-seven years.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for the Spotsylvania County School Board

(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
July 1, 2011	\$ 1,400	\$ 154,691	\$ 153,291	0.9%	\$ 125,846	121.8%
July 1, 2009	-	137,293	137,293	0.0%	132,534	103.6%
July 1, 2007	-	106,789	106,789	0.0%	135,592	78.8%

Note 15

FUND BALANCE REPORTING

Fund Balance Classification

The County's governmental fund balance sheets display restricted, committed, assigned and unassigned classifications in the aggregate using GASB 54 criteria. Specific purpose information by fund type at June 30, 2012 are displayed as follows:

(Amounts in Thousands)

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Restricted for:				
Special service district debt service	\$ -	\$ -	\$ 4,086	\$ 4,086
Unspent bond proceeds:				
Campus master plan	-	720	-	720
Transportation	-	3,983	114	4,097
Information technology	-	2,907	-	2,907
Fire & rescue facilities	-	7,859	-	7,859
Grants and other contributions:				
Public safety operations	1,244	-	-	1,244
Planning and development	222	-	-	222
Other	95	-	-	95
Total restricted fund balance	\$ 1,561	\$ 15,469	\$ 4,200	\$ 21,230
Committed for:				
Campus master plan	\$ 70	\$ 449	-	\$ 519
Information technology	1,015	3,010	-	4,025
Fire & rescue facilities	90	604	-	694
General government facilities	520	1,447	-	1,967
School facilities	6,724	-	-	6,724
Economic development incentives	687	-	-	687
Economic development consultants	768	-	-	768
Public safety line of duty benefits	500	-	-	500
Other	100	1,529	351	1,980
Total committed fund balance	\$ 10,474	\$ 7,039	\$ 351	\$ 17,864
Assigned to:				
Employee benefits	\$ 2,228	\$ -	-	\$ 2,228
School holdback	482	-	-	482
Public safety radio system	-	405	-	405
Merchant Sq Bldg	321	-	-	321
Future budget:				
General government	1,649	-	-	1,649
Public safety	1,153	-	-	1,153
Public works	371	-	-	371
Health and welfare	72	-	-	72
Parks and recreation	63	204	-	267
Community development	377	-	-	377
School Board potential carryover	1,451	-	-	1,451
Code compliance services	-	-	51	51
Economic development	419	-	-	419
Total assigned fund balance	\$ 8,586	\$ 609	\$ 51	\$ 9,246
Unassigned (see fiscal stabilization section)	\$ 41,623	\$ -	\$ (93)	\$ 41,530
Total fund balance	\$ 62,244	\$ 23,117	\$ 4,509	\$ 89,870

Note 15 (cont'd)

FISCAL STABILIZATION FUNDS

\$36.6 million of the General Fund's unassigned fund balance represents the County's Fiscal Stability Reserve (Reserve). Established by resolution of the County's Board of Supervisors, no less than 10% of the subsequent fiscal year's budgeted net operating revenue must be maintained for emergency or other significant unexpected event. Net operating revenue includes total general fund revenue plus total component unit-school board general operating revenue.

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

CHANGE IN BEGINNING FUND BALANCE

The following discloses the restatement of the transportation fund's fund balance as of the beginning of the fiscal year:

	Transportation Fund
Fund balance, beginning of the year, as previously stated:	\$ (596,050)
Increase due to change in fuel tax revenue recognition	2,024,888
Fund balance, beginning of year, as restated:	\$ 1,428,338

An evaluation of revenue recognition under GASB 33 for fuel taxes resulted in the determination that revenue should be recognized when available at the agency collecting the taxes

instead of when received by the County. The entirety of the \$5.1 million in fuel tax receivables is expected to be collected by the County in fiscal year 2013.

Note 16

COMMITMENTS AND CONTINGENCIES COMMITMENTS

The County currently has construction contracts for general capital, transportation, and utility projects. The total commitment to complete these projects was approximately \$6 million, \$5 million and \$2 million, respectively, at June 30, 2012.

The School Board has commitments to complete school construction of \$30 million at June 30, 2012.

Bonds authorized at June 30, 2012 but not issued are as follows:

(Amounts in Thousands)

Public safety and general capital projects	\$	33,598
Parks and libraries		898
Transportation		116,742
Schools		37,195
	\$	<u>188,433</u>

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. Currently, the County is wrapping up the final stages of an audit for the American Recovery & Reinvestment Act (ARRA) - Route 3 Design-build Widening Project with the Virginia Department of Transportation (VDOT). The County has \$9.2 million of invoiced receivables on hold by VDOT pending completion of the audit. Initial comments have been evaluated and all outstanding receivables are expected

to be collected within the year.

The amount, if any, of expenditures which may be disallowed by other grantors 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 risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are 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 & 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 and 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.

Workers' Compensation

The County and School Board participate in the Virginia Association of Counties Group Self-Insurance Association (VACoGSIA) and the Virginia Municipal League (VML), respectively, which are public entity risk pools providing coverage for workers' compensation per the Virginia Workers' Compensation Act. Any deficits incurred in the above pools are recovered through a prorata assessment based on member's annual contributions to total pool contributions.

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.

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

	Fiscal Year	Payable (Receivable) Beginning of Year	Claims and Other Charges Processed (including IBNR)	Claim Payments	Payable (Receivable) End of Year
<i>Primary Government</i>					
	2012	\$ 716,037	\$ 9,072,201	\$ 9,030,707	\$ 757,531
	2011	1,095,298	7,804,357	8,183,618	716,037
<i>Component Unit - School Board</i>					
	2012	\$ (417,391)	\$ 31,239,972	\$ 29,388,981	\$ 1,433,600
	2011	-	20,995,427	21,412,818	(417,391)

Note 18

Joint Ventures

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

On August 18, 2009, the County of Spotsylvania entered into agreement with the Potomac and Rappahannock Transportation Commission (PRTC) effective February 15, 2010. The PRTC was created in fiscal year 1987 to levy a 2% Motor Fuel Tax authorized by the Commonwealth. The PRTC is a joint venture of the contiguous jurisdictions of Prince William, Stafford, Manassas, Manassas Park, Fredericksburg, and Spotsylvania and was established to improve transportation systems, composed of transit facilities, public highways and other modes of transport. While each jurisdiction effectively controls 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 2012 the County earned \$4.9 million in Motor Fuel Tax and

incurred \$606,820 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.

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, 2012 totaled \$4.1 million.

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

RAPPAHANNOCK JUVENILE CENTER

The Rappahannock Juvenile Center (RJC) operates under the direction of the Rappahannock Juvenile Detention Commission in accordance with Section 16.1-315 of the Code 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, 2012 of \$879,612.

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

Note 19

Jointly Governed Organizations CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

The Central Rappahannock Regional Library (Library) was organized July 1, 1971, pursuant to the provisions of Title 42.1 of the Code 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, 2012, Spotsylvania County's appropriation to the Regional Library was \$3.9 million.

SPOTSYLVANIA - STAFFORD - FREDERICKSBURG (REGIONAL) GROUP HOME

The Home, also known as the Chaplin Youth Center, is a regional juvenile post-dispositional group home for the care and treatment of youths, created by concurrent resolutions of the

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, 2012 was \$104,337.

Note 20

Subsequent Events

On July 26, 2012, the County issued \$16.2 million in General Obligation (GO) Public Improvement Bonds, Series 2012A and \$1.2 million in GO Qualified Energy Conservation Bonds, Series 2012B with an "all in" interest rate of 1.9% and a final maturity date of June 1, 2032. Proceeds will be used, together with other funds of the County to a) finance a portion of the costs associated with the construction and equipping of a passenger train station and parking lot in the County for the Virginia Railway Express rail line; b) refinance \$8.5 million in Special Tax Revenue Bond Anticipation Notes, Series 2007A and 2007B used to finance certain transportation infrastructure improvements and, c) refund Literary Fund Permanent Bonds of the School Board which was used to finance certain school facility improvements.

On July 18, 2012, the County issued \$33.3 million in Economic Development Authority bonds to refund certain outstanding maturities of the County's Industrial Development Authority Bonds, Series 2003B previously issued to fund school capital projects. Based on the County's bond ratings and the current bond market, an "all in" interest rate of 2.97% was secured. Final maturity is June 1, 2029.

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REQUIRED SUPPLEMENTARY INFORMATION

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

COUNTY OF SPOTSYLVANIA, VIRGINIA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended June 30, 2012

Exhibit IX

Page 1

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
REVENUES				
General property taxes	\$ 141,946,279	\$ 145,588,711	\$ 145,991,784	\$ 403,073
Other local taxes	38,802,974	39,814,974	40,606,834	791,860
Permits, privilege fees and regulatory licenses	381,250	381,250	289,930	(91,320)
Fines and forfeitures	1,042,000	1,042,000	834,950	(207,050)
Revenues from use of money and property	682,003	974,705	760,676	(214,029)
Charges for services	2,186,904	2,193,678	2,556,700	363,022
Miscellaneous	682,487	1,137,419	557,284	(580,135)
Intergovernmental	31,110,983	31,855,264	31,089,331	(765,933)
	<u>\$ 216,834,880</u>	<u>\$ 222,988,001</u>	<u>\$ 222,687,489</u>	<u>\$ (300,512)</u>
EXPENDITURES				
Current:				
General government	\$ 11,674,610	\$ 12,118,894	\$ 10,299,257	\$ 1,819,637
Judicial administration	6,301,704	6,429,038	6,230,571	198,467
Public safety	35,211,859	37,812,079	36,494,381	1,317,698
Public works	7,897,521	8,110,054	8,033,049	77,005
Health and welfare	18,541,270	17,941,082	17,171,903	769,179
Education	115,044,945	116,389,695	114,939,131	1,450,564
Parks, recreation and cultural	6,918,239	6,931,630	6,752,339	179,291
Community development	2,623,123	3,399,199	2,477,475	921,724
Non-departmental	1,995,959	1,726,221	541,767	1,184,454
Debt service:				
Principal retirement	4,816,242	5,244,371	5,242,704	1,667
Interest and other charges	3,787,783	3,655,338	3,516,946	138,392
Bond issuance costs	2,500	2,500	79,591	(77,091)
	<u>\$ 214,815,755</u>	<u>\$ 219,760,101</u>	<u>\$ 211,779,114</u>	<u>\$ 7,980,987</u>
Excess of revenues over expenditures	<u>\$ 2,019,125</u>	<u>\$ 3,227,900</u>	<u>\$ 10,908,375</u>	<u>\$ 7,680,475</u>
Other financing sources (uses):				
Transfers in (out)	\$ (2,657,979)	\$ (3,700,888)	\$ (3,331,662)	\$ 369,226
Bonds issued for refunding	-	-	5,650,000	5,650,000
Premium on refunding bonds	-	-	438,262	438,262
Payment to escrow for refunded debt	-	-	(6,017,042)	(6,017,042)
	<u>\$ (2,657,979)</u>	<u>\$ (3,700,888)</u>	<u>\$ (3,260,442)</u>	<u>\$ 440,446</u>
Net change in fund balances	\$ (638,854)	\$ (472,988)	\$ 7,647,933	\$ 8,120,921
Fund balance, beginning	638,854	472,988	54,333,874	53,860,886
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,981,807</u>	<u>\$ 61,981,807</u>

Notes to required supplementary information are an integral part to this statement.

COUNTY OF SPOTSYLVANIA, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2012

Exhibit IX

Page 2

BUDGETARY BASIS

The general fund budget comparison schedule is presented on a modified accrual basis of accounting with the exception of debt service related to school capital assets. Under state law, School Boards may not incur debt. Rather, the Spotsylvania County Board of Supervisors issues debt on behalf of the School Board, resulting in any debt obligation and its associated debt service be reported under the primary government.

In conformity with generally accepted accounting principles (GAAP), debt service related to school capital debt is reported under the general fund of the primary government. In comparison, the County's legally adopted budget reflects these debt service payments within the component unit - School Board. A schedule reflecting the reconciliation of budgetary basis to GAAP basis is presented below.

	(Amounts in Thousands)		
	GAAP	School Debt Service	Budgetary Basis
EXPENDITURES			
Current:			
Education	\$ (84,486)	\$ (30,453)	\$ (114,939)
Debt service:			
Principal retirement	(26,226)	20,983	(5,243)
Interest and other charges	(12,987)	9,470	(3,517)
Excess (deficiency) of revenues over expenditures	\$ (123,699)	\$ -	\$ (123,699)

PERSPECTIVE DIFFERENCE

The economic development opportunity fund (EDO), a special revenue fund for accounting purposes, does not meet the criteria for separate reporting in external financial statements and is consolidated into the general fund for financial reporting purposes. Since the EDO fund is not a major special revenue fund, nor is it part of the legally adopted budget of the general fund, the revenues and expenditures are not reported in the budgetary comparison schedule. A summary of the reconciling differences is presented below.

	(Amounts in Thousands)		
	GAAP	EDO Fund Activity	Budgetary Basis
REVENUES			
Revenues from use of money and property	\$ 824	\$ 63	\$ 761
EXPENDITURES			
Current:			
Community development	(2,932)	(455)	(2,477)
Debt service:			
(GAAP balance reflects school debt adjustment disclosed above)			
Principal retirement	(5,276)	(33)	(5,243)
Interest and other charges	(3,546)	(29)	(3,517)
Excess (deficiency) of revenues over expenditures	(7,384)	(425)	(6,959)
Transfers in (out)	(3,232)	100	(3,332)
Net change in fund balance	\$ (10,616)	\$ (325)	\$ (10,291)

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SUPPLEMENTARY INFORMATION

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CAPITAL PROJECTS FUND

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

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COUNTY OF SPOTSYLVANIA, VIRGINIA
BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2012

Schedule A

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
REVENUES				
General property taxes	\$ 9,000	\$ 9,000	\$ 34,948	\$ 25,948
Revenues from use of money and property	-	-	217,162	217,162
Miscellaneous	406,110	856,161	14,069	(842,092)
Intergovernmental	2,008,781	25,819,649	538,887	(25,280,762)
	<u>\$ 2,423,891</u>	<u>\$ 26,684,810</u>	<u>\$ 805,066</u>	<u>\$ (25,879,744)</u>
EXPENDITURES				
Current:				
General government	\$ 316,695	\$ 316,695	\$ 321,469	\$ (4,774)
Capital projects	5,837,462	78,098,453	26,996,213	51,102,240
Debt Service:				
Interest and other charges	-	-	116,364	(116,364)
Bond issuance costs	-	434,820	416,128	18,692
	<u>\$ 6,154,157</u>	<u>\$ 78,849,968</u>	<u>\$ 27,850,174</u>	<u>\$ 50,999,794</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (3,730,266)</u>	<u>\$ (52,165,158)</u>	<u>\$ (27,045,108)</u>	<u>\$ 25,120,050</u>
Other financing sources (uses):				
Transfers in (out)	\$ 4,379,370	\$ 5,787,929	\$ 5,355,324	\$ (432,605)
Bonds issued	-	18,214,044	10,915,000	(7,299,044)
Premium on bonds issued	-	718,100	535,303	(182,797)
Bonds issued for refunding	-	-	11,275,000	11,275,000
Premium on refunding bonds	-	-	325,715	325,715
Capital lease extinguished from refunding bonds	-	-	(7,253,356)	(7,253,356)
	<u>\$ 4,379,370</u>	<u>\$ 24,720,073</u>	<u>\$ 21,152,986</u>	<u>\$ (3,567,087)</u>
Net change in fund balances	\$ 649,104	\$ (27,445,085)	\$ (5,892,122)	\$ 21,552,963
Fund balance, beginning	(649,104)	27,445,085	29,009,349	1,564,264
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,117,227</u>	<u>\$ 23,117,227</u>

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OTHER GOVERNMENTAL FUNDS

Nonmajor funds:

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

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

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

COUNTY OF SPOTSYLVANIA, VIRGINIA
COMBINING BALANCE SHEET STATEMENT
OTHER GOVERNMENTAL FUNDS
 June 30, 2012

Schedule B-1

	Fire/EMS Service Fund	Code Compliance Fund	Transportation Fund	Total
ASSETS				
Cash and investments	\$ 12,720	\$ 112,916	\$ 3,441,869	\$ 3,567,505
Receivables, net	634,402	460	5,706,326	6,341,188
Other assets	444	49	-	493
Restricted cash and investments	-	-	4,277,870	4,277,870
Total assets	<u>\$ 647,566</u>	<u>\$ 113,425</u>	<u>\$ 13,426,065</u>	<u>\$ 14,187,056</u>
LIABILITIES				
Accounts payable	\$ -	\$ 15,197	\$ 770	\$ 15,967
Accrued salaries and benefits	-	40,868	4,047	44,915
Other accrued liabilities	-	6,267	610	6,877
Unearned revenue	292,519	-	557,862	850,381
Deposits	-	-	255,896	255,896
Interfund loans	4,199	-	-	4,199
Tax anticipation notes	-	-	8,500,000	8,500,000
Total liabilities	<u>\$ 296,718</u>	<u>\$ 62,332</u>	<u>\$ 9,319,185</u>	<u>\$ 9,678,235</u>
FUND BALANCE				
Restricted	\$ -	\$ -	\$ 4,200,340	\$ 4,200,340
Committed	350,848	-	-	350,848
Assigned	-	51,093	-	51,093
Unassigned	-	-	(93,460)	(93,460)
Total fund balances	<u>\$ 350,848</u>	<u>\$ 51,093</u>	<u>\$ 4,106,880</u>	<u>\$ 4,508,821</u>
Total liabilities and fund balance	<u>\$ 647,566</u>	<u>\$ 113,425</u>	<u>\$ 13,426,065</u>	<u>\$ 14,187,056</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS**
 Year Ended June 30, 2012

Schedule B-2

	Fire/EMS Service Fund	Code Compliance Fund	Transportation Fund	Total
REVENUES				
General property taxes	\$ -	\$ -	\$ 1,179,153	\$ 1,179,153
Other local taxes	-	-	4,944,536	4,944,536
Permits, privilege fees and regulatory licenses	-	2,086,743	10,938	2,097,681
Fines and forfeitures	-	(50)	-	(50)
Revenues from use of money and property	-	-	25,813	25,813
Charges for services	2,726,144	173,328	-	2,899,472
Miscellaneous	-	3,915	52,500	56,415
	<u>\$ 2,726,144</u>	<u>\$ 2,263,936</u>	<u>\$ 6,212,940</u>	<u>\$ 11,203,020</u>
EXPENDITURES				
Current:				
Public safety	\$ -	\$ 2,898,761	\$ -	\$ 2,898,761
Community development	-	-	1,333,732	1,333,732
Debt service:				
Principal retirement	-	-	800,000	800,000
Interest and other charges	-	-	1,557,275	1,557,275
	<u>\$ -</u>	<u>\$ 2,898,761</u>	<u>\$ 3,691,007</u>	<u>\$ 6,589,768</u>
Excess (deficiency) of revenues over expenditures	\$ 2,726,144	\$ (634,825)	\$ 2,521,933	\$ 4,613,252
Other financing sources (uses):				
Transfers in (out)	<u>\$ (2,576,250)</u>	<u>\$ 610,281</u>	<u>\$ 156,609</u>	<u>\$ (1,809,360)</u>
	<u>\$ (2,576,250)</u>	<u>\$ 610,281</u>	<u>\$ 156,609</u>	<u>\$ (1,809,360)</u>
Net change in fund balances	\$ 149,894	\$ (24,544)	\$ 2,678,542	\$ 2,803,892
Fund balance, beginning, as restated	<u>200,954</u>	<u>75,637</u>	<u>1,428,338</u>	<u>1,704,929</u>
Fund balance, ending	<u><u>\$ 350,848</u></u>	<u><u>\$ 51,093</u></u>	<u><u>\$ 4,106,880</u></u>	<u><u>\$ 4,508,821</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

BUDGETARY COMPARISON SCHEDULE - FIRE/EMS FUND

For the Year Ended June 30, 2012

Schedule B-3.1

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
REVENUES				
Charges for services	\$ 2,400,000	\$ 2,400,000	\$ 2,726,144	\$ 326,144
	<u>\$ 2,400,000</u>	<u>\$ 2,400,000</u>	<u>\$ 2,726,144</u>	<u>\$ 326,144</u>
 Other financing sources (uses):				
Transfers in (out)	\$ (2,636,608)	\$ (2,536,608)	\$ (2,576,250)	\$ (39,642)
	<u>\$ (2,636,608)</u>	<u>\$ (2,536,608)</u>	<u>\$ (2,576,250)</u>	<u>\$ (39,642)</u>
 Net change in fund balances	\$ (236,608)	\$ (136,608)	\$ 149,894	\$ 286,502
Fund balance, beginning	<u>236,608</u>	<u>136,608</u>	<u>200,954</u>	<u>64,346</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 350,848</u></u>	<u><u>\$ 350,848</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

BUDGETARY COMPARISON SCHEDULE - CODE COMPLIANCE FUND

For the Year Ended June 30, 2012

Schedule B-3.2

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
REVENUES				
Permits, privilege fees and regulatory licenses	\$ 2,001,252	\$ 2,001,252	\$ 2,086,743	\$ 85,491
Fines and forfeitures	-	-	(50)	(50)
Charges for services	175,000	175,000	173,328	(1,672)
Miscellaneous	-	2,475	3,915	1,440
	<u>\$ 2,176,252</u>	<u>\$ 2,178,727</u>	<u>\$ 2,263,936</u>	<u>\$ 85,209</u>
EXPENDITURES				
Public safety	\$ 3,165,236	\$ 3,051,278	\$ 2,898,761	\$ 152,517
	<u>\$ 3,165,236</u>	<u>\$ 3,051,278</u>	<u>\$ 2,898,761</u>	<u>\$ 152,517</u>
Excess (deficiency) of revenues over expenditures	\$ (988,984)	\$ (872,551)	\$ (634,825)	\$ 237,726
Other financing sources (uses):				
Transfers in (out)	\$ 988,984	\$ 870,893	\$ 610,281	\$ (260,612)
	<u>\$ 988,984</u>	<u>\$ 870,893</u>	<u>\$ 610,281</u>	<u>\$ (260,612)</u>
Net change in fund balances	\$ -	\$ (1,658)	\$ (24,544)	\$ (22,886)
Fund balance, beginning	-	1,658	75,637	73,979
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,093</u>	<u>\$ 51,093</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

BUDGETARY COMPARISON SCHEDULE - TRANSPORTATION FUND

For the Year Ended June 30, 2012

Schedule B-3.3

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
REVENUES				
General property taxes	\$ 1,403,081	\$ 1,403,081	\$ 1,179,153	\$ (223,928)
Other local taxes	3,489,785	3,489,785	4,944,536	1,454,751
Permits, privilege fees and regulatory licenses	19,716	19,716	10,938	(8,778)
Revenues from use of money and property	14,999	14,999	25,813	10,814
Miscellaneous	-	-	52,500	52,500
	<u>\$ 4,927,581</u>	<u>\$ 4,927,581</u>	<u>\$ 6,212,940</u>	<u>\$ 1,285,359</u>
EXPENDITURES				
Current:				
Community development	\$ 7,052,536	\$ 7,052,536	\$ 1,333,732	\$ 5,718,804
Debt service:				
Principal retirement	800,000	800,000	800,000	-
Interest and other charges	1,557,275	1,557,275	1,557,275	-
	<u>\$ 9,409,811</u>	<u>\$ 9,409,811</u>	<u>\$ 3,691,007</u>	<u>\$ 5,718,804</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (4,482,230)</u>	<u>\$ (4,482,230)</u>	<u>\$ 2,521,933</u>	<u>\$ 7,004,163</u>
Other financing sources (uses):				
Transfers in (out)	<u>\$ 166,233</u>	<u>\$ 166,233</u>	<u>\$ 156,609</u>	<u>\$ (9,624)</u>
	<u>\$ 166,233</u>	<u>\$ 166,233</u>	<u>\$ 156,609</u>	<u>\$ (9,624)</u>
Net change in fund balances	\$ (4,315,997)	\$ (4,315,997)	\$ 2,678,542	\$ 6,994,539
Fund balance, beginning, as restated	4,315,997	4,315,997	1,428,338	(2,887,659)
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,106,880</u>	<u>\$ 4,106,880</u>

ENTERPRISE FUNDS

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 STATEMENT OF NET ASSETS - ENTERPRISE FUNDS
 June 30, 2012

Schedule C-1

	Water & Sewer Fund	Water & Sewer Capital Projects Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 28,870,391	\$ 37,060,091	\$ 65,930,482
Receivables, net	5,569,228	684,535	6,253,763
Inventory	662,098	-	662,098
Restricted cash and investments	862,495	19,766,549	20,629,044
Total current assets	<u>\$ 35,964,212</u>	<u>\$ 57,511,175</u>	<u>\$ 93,475,387</u>
Noncurrent assets:			
Capital assets, net			
Land and construction in progress	\$ 32,690,513	\$ -	\$ 32,690,513
Depreciable assets	266,293,505	-	266,293,505
Total noncurrent assets	<u>\$ 298,984,018</u>	<u>\$ -</u>	<u>\$ 298,984,018</u>
Total assets	<u>\$ 334,948,230</u>	<u>\$ 57,511,175</u>	<u>\$ 392,459,405</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 702,559	\$ 1,014,326	\$ 1,716,885
Retainage payable	-	635,277	635,277
Accrued salaries and benefits	111,753	-	111,753
Accrued interest	446,764	-	446,764
Other accrued liabilities	12,329	145,096	157,425
Interfund (receivables) payables	16,642,459	(16,318,699)	323,760
Deposits	148,270	-	148,270
Current portion of long-term debt	4,460,895	-	4,460,895
Total current liabilities	<u>\$ 22,525,029</u>	<u>\$ (14,524,000)</u>	<u>\$ 8,001,029</u>
Noncurrent liabilities:			
Noncurrent portion of long-term debt	142,216,985	-	142,216,985
Other post employment benefits	1,986,904	-	1,986,904
Total noncurrent liabilities	<u>\$ 144,203,889</u>	<u>\$ -</u>	<u>\$ 144,203,889</u>
Total liabilities	<u>\$ 166,728,918</u>	<u>\$ (14,524,000)</u>	<u>\$ 152,204,918</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 166,115,232	\$ -	\$ 166,115,232
Restricted for:			
Debt service	862,495	5,428,569	6,291,064
Capital projects	-	13,140,463	13,140,463
Unrestricted	1,241,585	53,466,143	54,707,728
Total net assets	<u>\$ 168,219,312</u>	<u>\$ 72,035,175</u>	<u>\$ 240,254,487</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA
**COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS - ENTERPRISE FUND**
 Year Ended June 30, 2012

Schedule C-2

	Water & Sewer Fund	Water & Sewer Capital Projects Fund	Total
OPERATING REVENUES			
Charges for services	\$ 24,452,733	\$ -	\$ 24,452,733
Other operating revenues	<u>1,233,150</u>	<u>1,000</u>	<u>1,234,150</u>
	<u>\$ 25,685,883</u>	<u>\$ 1,000</u>	<u>\$ 25,686,883</u>
OPERATING EXPENSES			
Personnel	\$ 6,151,688	\$ -	\$ 6,151,688
Fringe benefits	2,352,195	-	2,352,195
Depreciation	9,278,290	-	9,278,290
Other	<u>8,046,325</u>	<u>445,033</u>	<u>8,491,358</u>
	<u>\$ 25,828,498</u>	<u>\$ 445,033</u>	<u>\$ 26,273,531</u>
Operating income (loss)	<u>\$ (142,615)</u>	<u>\$ (444,033)</u>	<u>\$ (586,648)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and fiscal charges	(6,195,237)	-	(6,195,237)
Interest income	163,860	271,304	435,164
Operating grants	539,056	-	539,056
Miscellaneous income	<u>4,129</u>	<u>-</u>	<u>4,129</u>
	<u>\$ (5,488,192)</u>	<u>\$ 271,304</u>	<u>\$ (5,216,888)</u>
Income (loss) before contributions and transfers	<u>\$ (5,630,807)</u>	<u>\$ (172,729)</u>	<u>\$ (5,803,536)</u>
Capital contributions:			
Capital grants	\$ -	\$ 2,783,188	\$ 2,783,188
Availability fees	-	3,214,569	3,214,569
Other capital contributions	<u>807,234</u>	<u>162,725</u>	<u>969,959</u>
Total capital contributions:	<u>807,234</u>	<u>6,160,482</u>	<u>6,967,716</u>
Transfers to other funds	<u>716,489</u>	<u>(1,030,790)</u>	<u>(314,301)</u>
Total capital contributions and transfers:	<u>\$ 1,523,723</u>	<u>\$ 5,129,692</u>	<u>\$ 6,653,415</u>
Change in net assets	<u>\$ (4,107,084)</u>	<u>\$ 4,956,963</u>	<u>\$ 849,879</u>
Net assets, beginning	<u>172,326,396</u>	<u>67,078,212</u>	<u>239,404,608</u>
Net assets, ending	<u>\$ 168,219,312</u>	<u>\$ 72,035,175</u>	<u>\$ 240,254,487</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.

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

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

COUNTY OF SPOTSYLVANIA, VIRGINIA

Combining Statement of Fiduciary Net Assets - Agency Funds

June 30, 2012

Schedule D-1

	Special Welfare	Contribution Fund	Total
ASSETS			
Cash	\$ 29,542	\$ 134,139	\$ 163,681
Total assets	<u>\$ 29,542</u>	<u>\$ 134,139</u>	<u>\$ 163,681</u>
LIABILITIES			
Amounts held for others	\$ 29,542	\$ 134,139	\$ 163,681
Total liabilities	<u>\$ 29,542</u>	<u>\$ 134,139</u>	<u>\$ 163,681</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

Combining Statement of Changes in Assets and Liabilities - Agency Funds

For the Fiscal Year Ended June 30, 2012

Schedule D-2

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
SPECIAL WELFARE				
ASSETS				
Cash	\$ 32,475	\$ 243,915	\$ 246,848	\$ 29,542
Total assets	<u>\$ 32,475</u>	<u>\$ 243,915</u>	<u>\$ 246,848</u>	<u>\$ 29,542</u>
LIABILITIES				
Amounts held for others	\$ 32,475	\$ 243,915	\$ 246,848	\$ 29,542
Total liabilities	<u>\$ 32,475</u>	<u>\$ 243,915</u>	<u>\$ 246,848</u>	<u>\$ 29,542</u>
CONTRIBUTION FUND				
ASSETS				
Cash	\$ 213,941	\$ 765,511	\$ 845,313	\$ 134,139
Total assets	<u>\$ 213,941</u>	<u>\$ 765,511</u>	<u>\$ 845,313</u>	<u>\$ 134,139</u>
LIABILITIES				
Amounts held for others	\$ 213,941	\$ 1,542,793	\$ 1,622,595	\$ 134,139
Total liabilities	<u>\$ 213,941</u>	<u>\$ 1,542,793</u>	<u>\$ 1,622,595</u>	<u>\$ 134,139</u>
TOTAL - ALL FIDUCIARY FUNDS				
ASSETS				
Cash	\$ 246,416	\$ 1,009,426	\$ 1,092,161	\$ 163,681
Total assets	<u>\$ 246,416</u>	<u>\$ 1,009,426</u>	<u>\$ 1,092,161</u>	<u>\$ 163,681</u>
LIABILITIES				
Amounts held for others	\$ 246,416	\$ 1,786,708	\$ 1,869,443	\$ 163,681
Total liabilities	<u>\$ 246,416</u>	<u>\$ 1,786,708</u>	<u>\$ 1,869,443</u>	<u>\$ 163,681</u>

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DISCRETELY PRESENTED COMPONENT UNITS

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

Governmental funds:

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

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

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

Enterprise fund:

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

Fiduciary fund:

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

COUNTY OF SPOTSYLVANIA, VIRGINIA
COMBINING BALANCE SHEET STATEMENT
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 June 30, 2012

Schedule E-1

	Operating	Cafeteria	Capital Projects	Total
ASSETS				
Equity in pooled cash and investments	\$ 985,426	\$ 1,111,591	\$ -	\$ 2,097,017
Receivables, net	5,116,079	110,651	-	5,226,730
Payable from (to) primary government	14,549,092	(191,929)	3,170,276	17,527,439
Restricted cash	-	-	2,318,567	2,318,567
Total assets	<u>\$ 20,650,597</u>	<u>\$ 1,030,313</u>	<u>\$ 5,488,843</u>	<u>\$ 27,169,753</u>
LIABILITIES				
Accounts payable	\$ 1,308,271	\$ 119,843	\$ 1,372,662	\$ 2,800,776
Retainage payable	-	-	36,201	36,201
Accrued salaries and benefits	19,342,326	287,535	-	19,629,861
Deferred revenue	-	-	322,950	322,950
Total liabilities	<u>\$ 20,650,597</u>	<u>\$ 407,378</u>	<u>\$ 1,731,813</u>	<u>\$ 22,789,788</u>
FUND BALANCE				
Restricted for:				
Unspent bond proceeds:				
Capital projects	\$ -	\$ -	\$ 3,805,229	\$ 3,805,229
Assigned to:				
Food service	-	622,935	-	622,935
Unassigned	-	-	(48,199)	(48,199)
Total fund balance	<u>\$ -</u>	<u>\$ 622,935</u>	<u>\$ 3,757,030</u>	<u>\$ 4,379,965</u>
Total liabilities and fund equity	<u>\$ 20,650,597</u>	<u>\$ 1,030,313</u>	<u>\$ 5,488,843</u>	<u>\$ 27,169,753</u>

Adjustments for the Statement of Net Assets:

Total fund balances, above	\$ 4,379,965
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	(66,940,516)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	319,428,938
Prepaid expenses used current resources and therefore are not reported in the governmental funds	194,566
Internal service fund included in entity wide statements	<u>11,367,492</u>
Net assets of governmental activities	<u>\$ 268,430,445</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - SCHOOL BOARD**

Year Ended June 30, 2012

Schedule E-2

	Operating	Cafeteria	Capital Projects	Total
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 19,863	\$ 19,863
Charges for services	2,328,987	4,943,221	-	7,272,208
Miscellaneous	837,913	-	-	837,913
Intergovernmental	122,930,639	4,363,908	-	127,294,547
Payments from primary government	84,039,059	-	4,372,829	88,411,888
	<u>\$ 210,136,598</u>	<u>\$ 9,307,129</u>	<u>\$ 4,392,692</u>	<u>\$ 223,836,419</u>
EXPENDITURES				
Current:				
Education	\$ 210,221,788	\$ 9,448,749	\$ -	\$ 219,670,537
Capital projects	-	-	5,234,720	5,234,720
	<u>\$ 210,221,788</u>	<u>\$ 9,448,749</u>	<u>\$ 5,234,720</u>	<u>\$ 224,905,257</u>
Deficiency of revenues over expenditures	<u>\$ (85,190)</u>	<u>\$ (141,620)</u>	<u>\$ (842,028)</u>	<u>\$ (1,068,838)</u>
Other financing sources (uses):				
Transfers in (out)	<u>\$ (55,870)</u>	<u>\$ 55,870</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ (55,870)</u>	<u>\$ 55,870</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (141,060)	\$ (85,750)	\$ (842,028)	\$ (1,068,838)
Fund balance, beginning	141,060	708,685	4,599,058	5,448,803
Fund balance, ending	<u>\$ -</u>	<u>\$ 622,935</u>	<u>\$ 3,757,030</u>	<u>\$ 4,379,965</u>
<i>Adjustments for the Statement of Activities:</i>				
Change in fund balance, from above				\$ (1,068,838)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their useful lives.				(8,821,567)
Internal service fund included in entity wide statements.				(107,403)
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>(10,636,629)</u>
Change in net assets of governmental activities.				<u>\$ (20,634,436)</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

COMBINING BUDGETARY COMPARISON SCHEDULE - SCHOOL BOARD

Year Ended June 30, 2012

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	2,111,170	2,111,170	2,328,987	217,817	5,458,296	5,458,296	4,943,221	(515,075)
Miscellaneous	1,060,246	1,060,246	837,913	(222,333)	-	100,000	-	(100,000)
Intergovernmental	124,749,793	125,095,870	122,930,639	(2,165,231)	3,738,027	4,150,834	4,363,908	213,074
Payments from primary government	114,830,339	115,943,413	114,492,849	(1,450,564)	-	-	-	-
	<u>\$ 242,751,548</u>	<u>\$ 244,210,699</u>	<u>\$ 240,590,388</u>	<u>\$ (3,620,311)</u>	<u>\$ 9,196,323</u>	<u>\$ 9,709,130</u>	<u>\$ 9,307,129</u>	<u>\$ (402,001)</u>
Expenditures								
Current:								
Education	\$ 212,180,737	\$ 213,639,888	\$ 210,221,789	\$ 3,418,099	\$ 9,252,193	\$ 9,765,000	\$ 9,448,749	\$ 316,251
Capital projects	-	-	-	-	-	-	-	-
Debt service:								
Principal	20,983,466	20,983,466	20,983,466	-	-	-	-	-
Interest and fiscal charges	9,531,475	9,531,475	9,470,323	61,152	-	-	-	-
	<u>\$ 242,695,678</u>	<u>\$ 244,154,829</u>	<u>\$ 240,675,578</u>	<u>\$ 3,479,251</u>	<u>\$ 9,252,193</u>	<u>\$ 9,765,000</u>	<u>\$ 9,448,749</u>	<u>\$ 316,251</u>
Excess (deficiency) of revenues over expenditures	\$ 55,870	\$ 55,870	\$ (85,190)	\$ (141,060)	\$ (55,870)	\$ (55,870)	\$ (141,620)	\$ (85,750)
Other financing sources (uses):								
Debt issuance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	(55,870)	(55,870)	(55,870)	-	55,870	55,870	55,870	-
	<u>\$ (55,870)</u>	<u>\$ (55,870)</u>	<u>\$ (55,870)</u>	<u>\$ -</u>	<u>\$ 55,870</u>	<u>\$ 55,870</u>	<u>\$ 55,870</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ (141,060)	\$ (141,060)	\$ -	\$ -	\$ (85,750)	\$ (85,750)
Fund balance, beginning	-	-	141,060	141,060	-	-	708,685	708,685
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 622,935</u>	<u>\$ 622,935</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, 2012

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	\$ -	\$ 312,204	\$ 19,863	\$ (292,341)	\$ -	\$ 312,204	\$ 19,863	\$ (292,341)
Charges for services	-	-	-	-	7,569,466	7,569,466	7,272,208	(297,258)
Miscellaneous	-	-	-	-	1,060,246	1,160,246	837,913	(322,333)
Intergovernmental	-	-	-	-	128,487,820	129,246,704	127,294,547	(1,952,157)
Payments from primary government	-	231,676	231,676	-	114,830,339	116,175,089	114,724,525	(1,450,564)
	<u>\$ -</u>	<u>\$ 543,880</u>	<u>\$ 251,539</u>	<u>\$ (292,341)</u>	<u>\$ 251,947,871</u>	<u>\$ 254,463,709</u>	<u>\$ 250,149,056</u>	<u>\$ (4,314,653)</u>
Expenditures								
Current:								
Education	\$ -	\$ -	\$ -	\$ -	\$ 221,432,930	\$ 223,404,888	\$ 219,670,538	\$ 3,734,350
Capital projects	700,000	7,934,635	5,234,720	2,699,915	700,000	7,934,635	5,234,720	2,699,915
Debt service:								
Principal	-	-	-	-	20,983,466	20,983,466	20,983,466	-
Interest and fiscal charges	-	-	-	-	9,531,475	9,531,475	9,470,323	61,152
	<u>\$ 700,000</u>	<u>\$ 7,934,635</u>	<u>\$ 5,234,720</u>	<u>\$ 2,699,915</u>	<u>\$ 252,647,871</u>	<u>\$ 261,854,464</u>	<u>\$ 255,359,047</u>	<u>\$ 6,495,417</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (700,000)</u>	<u>\$ (7,390,755)</u>	<u>\$ (4,983,181)</u>	<u>\$ 2,407,574</u>	<u>\$ (700,000)</u>	<u>\$ (7,390,755)</u>	<u>\$ (5,209,991)</u>	<u>\$ 2,180,764</u>
Other financing sources (uses):								
Debt issuance	\$ -	\$ 4,141,153	\$ 4,141,153	\$ -	\$ -	\$ 4,141,153	\$ 4,141,153	\$ -
Transfers	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 4,141,153</u>	<u>\$ 4,141,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,141,153</u>	<u>\$ 4,141,153</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ (700,000)</u>	<u>\$ (3,249,602)</u>	<u>\$ (842,028)</u>	<u>\$ 2,407,574</u>	<u>\$ (700,000)</u>	<u>\$ (3,249,602)</u>	<u>\$ (1,068,838)</u>	<u>\$ 2,180,764</u>
Fund balance, beginning	700,000	3,249,602	4,599,058	1,349,456	700,000	3,249,602	5,448,803	2,199,201
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,757,030</u>	<u>\$ 3,757,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,379,965</u>	<u>\$ 4,379,965</u>

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

COUNTY OF SPOTSYLVANIA, VIRGINIA

Statement of Net Assets - Internal Service Fund

June 30, 2012

Schedule F-1

FLEET
SERVICES
FUND

ASSETS

Current assets:

Cash and investments	\$ 267,470
Receivables, net	1,116
Inventory	<u>268,728</u>
Total current assets	<u>537,314</u>

Noncurrent assets:

Capital assets, net:

Land and construction in progress	94,400
Depreciable assets	<u>11,052,524</u>
Total noncurrent assets	<u>11,146,924</u>
Total assets	<u>\$ 11,684,238</u>

LIABILITIES

Current liabilities:

Accounts payable	\$ <u>8,745</u>
Total current liabilities	<u>8,745</u>

Noncurrent liabilities:

Other post employment benefits	<u>308,000</u>
Total noncurrent liabilities	<u>308,000</u>
Total liabilities	<u>\$ 316,745</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 11,146,924
Unrestricted	<u>220,569</u>
Total net assets	<u><u>\$ 11,367,493</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

Statement of Revenues, Expenses and Changes in
Fund Net Assets - Internal Service Fund

Year Ended June 30, 2012

Schedule F-2

	FLEET SERVICES FUND
OPERATING REVENUES	
Charges for services	\$ 2,243,506
	<u>\$ 2,243,506</u>
OPERATING EXPENSES	
Personnel services	\$ 731,685
Fringe benefits	315,613
Depreciation	182,920
Other	<u>1,120,691</u>
	<u>\$ 2,350,909</u>
Operating income (loss)	<u>\$ (107,403)</u>
Net assets, beginning	<u>11,474,896</u>
Net assets, ending	<u><u>\$ 11,367,493</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

Statement of Cash Flows - Internal Service Fund

For the Fiscal Year Ended June 30, 2012

Schedule F-3

	Fleet Services Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 2,243,078
Payments to suppliers and service providers	(1,083,096)
Payments to employees for salaries and benefits	(1,047,298)
Net cash provided by operating activities	<u>112,684</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(42,282)
Net cash used for capital and related financing activities	<u>(42,282)</u>
Net increase in cash and cash equivalents	70,402
Cash and cash equivalents:	
Beginning	197,068
Ending	<u><u>\$ 267,470</u></u>
Reconciliation of operating income(loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (107,403)
Depreciation expense	182,920
(Increase) decrease in receivables	(428)
(Increase) decrease in inventory	(268,728)
Increase (decrease) in accounts payable	(1,677)
Increase (decrease) in other post employment benefits	308,000
Net cash provided by operating activities	<u><u>\$ 112,684</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

Statement of Net Assets - Fiduciary Funds

June 30, 2012

Schedule G-1

	<u>School Board OPEB Trust Fund</u>
ASSETS	
Investments:	
Common Trust Funds	<u>\$ 1,389,946</u>
Total assets	<u>1,389,946</u>
 NET ASSETS	
Net assets held in trust for other post employment benefits	<u>1,389,946</u>
Total net assets	<u><u>\$ 1,389,946</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

Statement of Changes in Net Assets - Fiduciary Funds

Year Ended June 30, 2012

Schedule G-2

	<u>School Board OPEB Trust Fund</u>
ADDITIONS	
Investment earnings:	
Interest	\$ 28
Net decrease in the fair value of investments	<u>(3,168)</u>
Total investment earnings	(3,140)
Less investment expense	<u>(375)</u>
Total additions	<u>\$ (3,515)</u>
DEDUCTIONS	
Administrative fees	<u>\$ 6,539</u>
Net decrease in net assets	\$ (10,054)
Net assets held in trust for other post employment benefits	
Net assets, beginning	<u>1,400,000</u>
Net assets, ending	<u><u>\$ 1,389,946</u></u>

PART III: STATISTICAL SECTION

STATISTICAL SECTION

This part of the County of Spotsylvania's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Contents	Tables
Financial Trends Information These schedules contain trend information to help the reader understand how the County's financial performance has changed over time.	S-1 to S-4
Revenue Capacity Information These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	S-5 to S-7
Debt Capacity Information These schedules present information to help the reader assess the affordability of the County's current level of outstanding debt and its ability to issue additional debt in the future.	S-8 to S-10
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	S-11 to S-13
Operating Information These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	S-14 to S-16

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

TABLE S-1

(Amounts in Millions)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 18.3
Restricted	5.3	15.2	7.6	59.0	45.6	45.6	31.0	35.4	19.3	19.7
Unrestricted	<u>(172.2)</u>	<u>(182.3)</u>	<u>(201.3)</u>	<u>(240.3)</u>	<u>(249.9)</u>	<u>(260.2)</u>	<u>(238.7)</u>	<u>(211.3)</u>	<u>(167.2)</u>	<u>(147.0)</u>
Total governmental activities net assets	<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>	<u>\$ (109.0)</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 128.5	\$ 140.7	\$ 129.4	\$ 141.0	\$ 161.2	\$ 148.7	\$ 177.9	\$ 175.7	\$ 170.5	\$ 166.1
Restricted	4.5	4.4	26.3	22.3	3.4	25.6	10.8	0.6	34.1	19.4
Unrestricted	<u>50.3</u>	<u>46.0</u>	<u>52.6</u>	<u>55.4</u>	<u>63.7</u>	<u>66.3</u>	<u>51.9</u>	<u>67.1</u>	<u>34.8</u>	<u>54.7</u>
Total business-type activities net assets	<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>	<u>\$ 240.2</u>
Primary government										
Invested in capital assets, net of related debt	\$ 167.3	\$ 164.9	\$ 142.6	\$ 148.7	\$ 161.2	\$ 175.0	\$ 201.0	\$ 190.4	\$ 182.2	\$ 184.4
Restricted	9.8	19.6	33.9	81.3	49.0	71.2	41.8	36.0	53.4	39.1
Unrestricted	<u>(121.9)</u>	<u>(136.3)</u>	<u>(148.7)</u>	<u>(184.9)</u>	<u>(186.2)</u>	<u>(193.9)</u>	<u>(186.8)</u>	<u>(144.2)</u>	<u>(132.4)</u>	<u>(92.3)</u>
Total primary government net assets	<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>	<u>\$ 131.2</u>
Component unit - School Board (1)										
Invested in capital assets, net of related debt	\$ 223.7	\$ 262.1	\$ 286.0	\$ 301.9	\$ 305.9	\$ 335.3	\$ 350.5	\$ 349.3	\$ 328.3	\$ 330.6
Restricted	33.8	21.8	53.2	48.5	82.0	33.6	13.9	2.6	4.8	3.8
Unrestricted	<u>(6.1)</u>	<u>(7.4)</u>	<u>(11.0)</u>	<u>(4.0)</u>	<u>(3.9)</u>	<u>(12.0)</u>	<u>(22.2)</u>	<u>(42.7)</u>	<u>(44.0)</u>	<u>(66.0)</u>
Total component unit - School Board net assets	<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>	<u>\$ 268.4</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.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

TABLE S-2
 Page 1

(Amounts in Millions)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities										
General government	\$ 7.3	\$ 8.0	\$ 13.0	\$ 12.1	\$ 12.4	\$ 16.1	\$ 13.9	\$ 12.5	\$ 11.7	\$ 10.9
Judicial	3.2	3.6	4.2	4.7	5.2	5.9	5.9	6.1	7.3	7.3
Public safety	22.6	24.2	26.1	31.3	36.7	41.7	40.3	40.2	41.0	43.4
Public works	6.6	7.8	5.1	7.1	7.8	4.3	9.0	6.9	8.8	9.5
Health and welfare	12.0	13.0	13.0	13.5	15.8	17.2	16.7	17.1	17.5	17.5
Education	100.0	93.0	128.0	99.8	123.1	80.3	95.3	77.9	85.8	88.6
Parks, recreation & cultural	5.0	5.0	6.0	6.0	6.9	7.2	9.8	7.1	7.9	7.9
Community development	2.0	2.9	4.0	4.1	9.9	11.5	6.9	17.3	12.9	14.6
Nondepartmental	0.2	0.2	-	-	-	-	-	-	-	-
Interest on long-term debt	0.7	12.0	11.1	11.8	15.5	16.2	15.4	13.1	15.2	14.2
Total governmental activities expenses	<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>	<u>\$ 213.9</u>
Business-type activities										
Water and sewer	\$ 19.0	\$ 21.0	\$ 22.0	\$ 26.8	\$ 32.0	\$ 27.8	\$ 31.3	\$ 29.1	\$ 33.6	\$ 32.5
Total business-type activities expenses	<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>	<u>\$ 32.5</u>
Total primary government expenses	<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>	<u>\$ 246.4</u>
Program revenues										
Governmental activities										
Charges for services										
General government	\$ 0.6	\$ 1.3	\$ 1.4	\$ -	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.3
Judicial	1.2	2.0	2.0	2.0	1.7	1.5	1.6	1.3	1.2	1.1
Public safety	3.0	4.7	5.0	7.9	5.7	5.6	7.3	4.5	4.4	4.4
Public works	0.4	0.7	1.0	2.3	2.3	2.7	2.9	0.5	0.7	0.8
Other	0.8	1.0	0.9	1.8	2.4	2.3	2.1	1.7	1.4	1.6
Operating grants & contributions	11.8	12.5	12.6	13.2	16.3	18.7	16.0	15.2	15.2	15.7
Capital grant & contributions	6.1	-	-	0.9	0.4	-	0.1	1.9	4.7	9.3
Total governmental activities program revenues	<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>	<u>\$ 33.2</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

TABLE S-2
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(Amounts in Millions)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities										
Charges for services										
Water and sewer	\$ 21.7	\$ 23.4	\$ 28.6	\$ 26.4	\$ 26.6	\$ 26.4	\$ 24.8	\$ 26.1	\$ 25.3	\$ 25.7
Operating grants & contributions	-	-	-	-	-	-	-	-	-	0.5
Capital grants & contributions	6.1	5.2	9.3	6.3	6.6	8.8	3.0	3.6	2.8	7.0
Total business-type program revenues	<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>	<u>\$ 33.2</u>
Total primary government program revenues	<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>	<u>\$ 66.4</u>
Net (expense)/revenue										
Governmental activities	\$ (141.8)	\$ (147.5)	\$ (187.6)	\$ (162.3)	\$ (204.3)	\$ (169.4)	\$ (183.0)	\$ (172.8)	\$ (180.2)	\$ (180.8)
Business-type activities	8.8	7.6	15.9	5.9	1.0	7.4	(3.5)	0.6	(5.4)	0.7
Total primary government net expenses	<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>	<u>\$ (180.1)</u>
General revenues and other changes in net assets										
Governmental activities:										
Property taxes	\$ 83.8	\$ 89.4	\$ 95.4	\$ 104.5	\$ 110.8	\$ 120.7	\$ 129.7	\$ 140.0	\$ 145.3	\$ 146.2
Other taxes	28.1	31.9	37.2	41.9	40.4	41.1	39.1	39.4	42.9	45.5
Grants and contributions not restricted	14.0	15.3	15.8	17.9	16.4	16.0	16.0	15.8	15.3	15.3
Interest and investment earnings	1.1	0.4	1.0	2.3	5.9	4.4	1.6	0.6	0.8	0.3
Gain on sale of property	-	-	-	-	-	(0.1)	0.2	0.2	0.4	-
Miscellaneous	0.6	(0.4)	0.1	2.1	0.2	0.2	0.1	-	0.5	0.5
Transfers	-	-	-	-	-	0.2	0.1	0.2	-	0.3
Total governmental activities	<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>	<u>\$ 208.1</u>
Business-type activities										
Grants and contributions not restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.2	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	1.3	0.6	1.6	3.9	7.1	3.7	2.6	0.8	0.9	0.4
Gain on sale of property	-	-	-	0.5	-	-	-	-	-	-
Miscellaneous	-	(0.9)	-	0.1	1.4	1.2	1.0	1.6	0.5	-
Transfers	-	-	-	-	-	(0.1)	(0.1)	(0.2)	-	(0.3)
Total business-type activities	<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>	<u>\$ 0.1</u>
Total primary government	<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>	<u>\$ 208.2</u>
Change in net assets										
Governmental activities	\$ (14.2)	\$ (10.9)	\$ (38.1)	\$ 6.4	\$ (30.6)	\$ 13.0	\$ 3.8	\$ 23.4	\$ 25.0	\$ 27.3
Business-type activities	10.1	7.3	17.5	10.4	9.5	12.4	-	2.8	(4.0)	0.8
Total primary government	<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>	<u>\$ 28.1</u>

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

TABLE S-2
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(Amounts in Millions)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Component unit - School Board (1)										
Expenses										
Education	\$ 166.3	\$ 168.6	\$ 187.8	\$ 205.1	\$ 228.9	\$ 257.6	\$ 262.0	\$ 260.8	\$ 243.1	\$ 244.9
Program revenues										
Charges for services	\$ 4.8	\$ 4.9	\$ 6.0	\$ 7.1	\$ 6.1	\$ 8.2	\$ 8.5	\$ 7.6	\$ 7.6	\$ 7.8
Operating grants & contributions	184.4	184.3	232.8	213.2	254.9	219.5	226.8	219.1	214.7	215.7
Capital grants & contributions	-	-	-	0.7	-	-	11.3	0.2	-	-
Total component unit program revenue	189.2	189.2	238.8	221.0	261.0	227.7	246.6	226.9	222.3	223.5
Net (expense)/revenue	\$ 22.9	\$ 20.6	\$ 51.0	\$ 15.9	\$ 32.1	\$ (29.9)	\$ (15.4)	\$ (33.9)	\$ (20.8)	\$ (21.4)
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	0.8
Total general revenues and transfers	\$ 0.8	\$ 0.9	\$ 1.0	\$ 2.0	\$ 4.6	\$ 2.8	\$ 0.6	\$ 0.9	\$ 0.6	\$ 0.8
Total component unit change in net assets	\$ 23.7	\$ 21.5	\$ 52.0	\$ 17.9	\$ 36.7	\$ (27.1)	\$ (14.8)	\$ (33.0)	\$ (20.2)	\$ (20.6)

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

TABLE S-3

(Amounts in Millions)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund:										
Prior to GASB 54:										
Reserved	\$ 8.3	\$ 1.2	\$ 2.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated	-	5.4	6.6	10.2	43.9	38.9	37.1	41.6	-	-
Undesignated	30.8	35.0	35.5	42.3	-	1.8	1.4	6.4	-	-
Effective with GASB 54:										
Restricted	-	-	-	-	-	-	-	-	0.2	1.5
Committed	-	-	-	-	-	-	-	-	1.2	10.5
Assigned	-	-	-	-	-	-	-	-	16.0	8.6
Unassigned	-	-	-	-	-	-	-	-	37.5	41.6
Total general fund	<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>	<u>\$ 62.2</u>
All other governmental funds:										
Prior to GASB 54:										
Reserved	\$ 6.0	\$ 15.2	\$ 7.6	\$ 59.0	\$ 45.6	\$ 35.2	\$ 27.8	\$ 35.5	\$ -	\$ -
Unreserved, report in										
Special revenue funds	-	0.1	2.1	3.2	4.7	(4.4)	(5.2)	(1.7)	-	-
Capital projects funds	-	0.3	8.3	10.4	6.9	-	-	2.0	-	-
Effective with GASB 54:										
Restricted	-	-	-	-	-	-	-	-	19.2	19.7
Committed	-	-	-	-	-	-	-	-	10.2	7.4
Assigned	-	-	-	-	-	-	-	-	0.8	0.7
Unassigned	-	-	-	-	-	-	-	-	(1.5)	(0.1)
Total all other governmental funds	<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>	<u>\$ 27.7</u>

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

TABLE S-4

Page 1

(Amounts in Millions)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
General property taxes	\$ 84.0	\$ 89.2	\$ 95.3	\$ 104.1	\$ 110.2	\$ 119.5	\$ 128.8	\$ 136.8	\$ 144.9	\$ 147.2
Other local taxes	27.9	31.9	37.1	41.9	40.4	41.1	39.1	38.2	42.1	45.6
Permits, privilege fees and regulatory licenses	2.6	3.8	4.1	6.3	3.9	3.4	3.2	2.3	2.3	2.4
Fines and forfeitures	0.5	0.8	0.8	0.9	0.9	1.0	1.2	1.0	0.9	0.8
Revenues from use of money and property	1.3	0.7	1.3	2.7	6.3	5.0	2.8	1.5	1.5	1.1
Charges for services	2.8	4.1	4.9	6.5	7.1	7.2	7.5	4.7	4.6	5.5
Miscellaneous	0.5	0.5	1.1	1.4	1.7	2.0	1.0	0.5	0.5	0.6
Intergovernmental	25.9	27.9	28.3	31.1	31.7	33.3	31.4	32.2	33.9	31.6
Payment from component unit	-	-	-	-	0.3	-	-	-	-	-
Total revenues	\$ 145.5	\$ 158.9	\$ 172.9	\$ 194.9	\$ 202.5	\$ 212.5	\$ 215.0	\$ 217.2	\$ 230.7	\$ 234.8
Expenditures										
General governmental administration	\$ 8.3	\$ 8.7	\$ 9.8	\$ 10.9	\$ 12.0	\$ 13.4	\$ 12.2	\$ 9.3	\$ 9.9	\$ 10.6
Judicial administration	3.3	3.6	4.1	4.7	5.1	5.7	5.6	5.8	5.8	6.2
Public safety	19.6	22.4	25.5	29.7	34.9	38.9	37.2	36.4	37.0	39.4
Public works	4.8	5.2	5.6	6.7	7.5	7.8	7.4	6.6	7.2	8.0
Health and welfare	12.0	13.2	13.4	13.4	15.8	16.9	16.5	16.7	17.3	17.2
Education (2)	46.1	92.5	127.6	99.8	123.1	86.0	83.9	77.9	85.8	84.5
Parks, recreation and cultural	4.5	5.0	5.4	5.9	6.3	6.8	6.6	6.3	6.8	6.8
Community development	1.9	2.2	2.6	3.0	5.1	4.1	3.8	3.2	2.9	4.3
Non-departmental	0.2	0.2	0.3	0.2	0.2	0.3	0.4	0.5	0.5	0.5
Capital projects	4.4	4.5	4.2	7.7	26.4	27.7	11.0	19.9	43.2	27.0
Debt service:										
Principal (1)	28.2	15.2	15.7	17.4	18.8	21.8	25.4	25.0	26.0	27.1
Interest (1)	9.2	10.3	11.3	11.3	13.4	15.7	15.6	14.6	15.6	14.7
Bond and lease issuance costs	(0.1)	-	(0.2)	2.1	1.0	-	-	(0.1)	0.1	0.5
Total expenditures	\$ 142.4	\$ 183.0	\$ 225.3	\$ 212.8	\$ 269.6	\$ 245.1	\$ 225.6	\$ 222.1	\$ 258.1	\$ 246.8
Other financing sources (uses)										
Bond proceeds (1)	\$ 44.6	\$ 36.3	\$ 55.4	\$ 76.7	\$ 41.1	\$ -	\$ -	\$ 27.6	\$ 19.8	\$ 11.5
Refunding bond proceeds	4.0	-	14.9	-	-	-	-	-	-	17.7
Payment to refund bond escrow agent	(3.8)	-	(14.0)	-	-	-	-	-	-	(6.0)
Lease proceeds and extinguishments	-	-	1.2	-	-	-	-	-	7.3	(7.3)
Transfers in	3.8	3.7	4.2	5.8	5.3	5.1	2.4	0.2	-	0.3
Transfers out (2)	(3.8)	(3.7)	(4.2)	(5.8)	(5.3)	(5.0)	(2.3)	-	-	-
Total other financing sources (uses)	\$ 44.8	\$ 36.3	\$ 57.5	\$ 76.7	\$ 41.1	\$ 0.1	\$ 0.1	\$ 27.8	\$ 27.1	\$ 16.2
Net change in fund balances	\$ 47.9	\$ 12.2	\$ 5.1	\$ 58.8	\$ (26.0)	\$ (32.5)	\$ (10.5)	\$ 22.9	\$ (0.3)	\$ 4.2

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

TABLE S-4

Page 2

(Amounts in Millions)	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Funds										
Total expenditures	\$ 142.5	\$ 183.0	\$ 225.5	\$ 210.7	\$ 268.6	\$ 245.1	\$ 225.6	\$ 222.2	\$ 258.0	\$ 253.9
Less: capital outlay	<u>4.4</u>	<u>4.5</u>	<u>4.2</u>	<u>7.7</u>	<u>23.0</u>	<u>50.7</u>	<u>31.0</u>	<u>4.2</u>	<u>34.0</u>	<u>15.1</u>
Non-capital expenditures	<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>	<u>\$ 238.8</u>
Component unit - School Board										
Total expenditures excluding County contribution	\$ 135.3	\$ 114.8	\$ 83.8	\$ 121.4	\$ 109.9	\$ 110.0	\$ 167.7	\$ 164.1	\$ 139.0	\$ 136.5
Less: capital outlay	<u>30.6</u>	<u>44.4</u>	<u>25.7</u>	<u>24.8</u>	<u>12.1</u>	<u>43.6</u>	<u>16.7</u>	<u>14.9</u>	<u>4.1</u>	<u>7.4</u>
Non-capital expenditures	<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>	<u>\$ 129.1</u>
Total reporting entity for debt service calculation: (Governmental funds and Component Unit - School Board)										
Total debt service	37.4	25.5	27.0	28.7	32.2	37.5	41.0	39.6	41.6	42.2
Total capital outlay (3)	35.0	48.9	29.9	32.5	35.1	94.3	47.7	19.1	38.1	22.5
Total non-capital expenditures (4)	242.8	248.9	280.3	299.6	343.4	327.2	345.6	367.2	358.7	367.7
Debt service as a percentage of non-capital expenditures	15.4%	10.3%	9.6%	9.6%	9.4%	11.5%	11.9%	10.8%	11.6%	11.5%

- (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.
- (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

TABLE S-5

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

(Amounts in Thousands)

Calendar Year	Real Estate (2)	Mobile Home	Personal Property (3)	Machinery and Tools	Heavy Equipment	Public Service Corporation (4)	Total Assessed Value	Total Direct Tax Rate
2012	\$ 12,333,058	\$ 12,395	\$ 1,555,948	\$ 22,598	\$ 10,875	\$ 292,129	\$ 14,227,003	\$ 1.13
2011	12,790,018	12,911	1,495,902	20,121	12,450	285,440	14,616,843	1.09
2010	12,637,662	12,304	1,482,839	36,991	16,792	278,593	14,465,181	1.10
2009	16,249,940	15,982	1,354,551	39,395	19,070	291,219	17,970,157	0.81
2008	16,015,619	15,737	1,464,120	25,086	12,399	285,168	17,818,129	0.78
2007	13,821,768	17,583	1,372,859	24,857	18,272	233,059	15,488,399	0.79
2006	13,233,227	17,494	1,339,692	27,415	19,687	210,222	14,847,737	0.80
2005	8,901,142	17,647	1,201,570	29,020	13,557	167,305	10,330,240	1.08
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
% Change 2012/2011	(3.6)%	(4.0)%	4.0%	12.3%	(12.7)%	2.3%	(2.7)%	
% Change 2012/2003	82.7%	(41.8)%	56.0%	(46.6)%	26.1%	53.4%	77.6%	
Category % of Total AV, CY 2012	86.7%	0.1%	10.9%	0.2%	0.1%	2.0%	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 2012, State Corporation Commission Certified Statements of Assessed Value for Public Service Corp. 2003-2012, 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

(Amounts in Thousands)

	Calendar Year 2011			Calendar Year 2002		
	Assessed Value	Rank	% of Total County Taxable Assessed Value	Assessed Value	Rank	% of Total County Taxable Assessed Value
Spotsylvania Mall Company	\$ 192,155	1	1.31%	\$ 70,258	1	1.17%
Spotsylvania Regional Medical Ctr	92,474	2	0.63%	--		--
Dominion Virginia Power	89,177	3	0.61%	65,387	2	1.09%
Comcast of Va	12,558	4	0.09%	--		--
Rappahannock Electric Cooperative	72,279	5	0.49%	42,715	4	0.71%
Verizon VA (1)	5,382	6	0.04%	37,514	5	0.63%
New Diversified Mailing Services	14,570	7	0.10%	--		--
GLL BVK Prop L P	40,483	8	0.28%	--		--
Lee Property Harrison Crossing	34,753	9	0.24%	--		--
CVS Pharmacy	4,895	10	0.03%	17,176	9	0.29%
Lee's Hill Partnership	--		--	55,319	3	0.92%
General Motors	--		--	11,201	6	0.19%
NTS/Virginia Development	--		--	28,246	7	0.47%
Medicorp Properties	--		--	24,063	8	0.40%
Verizon South, Inc.	--		--	20,997	10	0.35%
	<u>\$ 558,726</u>		<u>3.82%</u>	<u>\$ 372,876</u>		<u>6.22%</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

(Amounts in Thousands)

Fiscal Year	Taxes Levied for the Fiscal Year (2)	Collected within the Fiscal Year of Levy		Collections in Subsequent Years (1) (2)	Total Collections to Date	
		Amount (2)	Percentage of Levy (3)		Amount	Percentage of Levy (3)
2012	\$ 133,293	\$ 124,581	93.46%	\$ -	\$ 124,581	93.46%
2011	129,775	122,179	94.15%	5,393	127,572	98.30%
2010	123,297	116,108	94.17%	5,988	122,096	99.03%
2009	119,288	112,873	94.62%	5,682	118,555	99.39%
2008	114,454	108,901	95.15%	5,426	114,327	99.89%
2007	105,419	100,292	95.14%	4,925	105,217	99.81%
2006	99,211	94,916	95.67%	4,230	99,146	99.93%
2005	90,614	86,986	96.00%	3,563	90,549	99.93%
2004	83,483	80,033	95.87%	3,386	83,419	99.92%
2003	78,839	75,451	95.70%	3,317	78,768	99.91%

(1) Does not include land redemptions.

(2) Exclusive of penalties and interest.

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

Source: Treasurer, Spotsylvania County, Virginia

COUNTY OF SPOTSYLVANIA, VIRGINIA
General Obligation Debt Outstanding
 Last Nine Fiscal Years

TABLE S-8

Page 1

(Amounts in thousands, except per capita)

Fiscal Year	Government Activities						Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita
	Virginia Public									
	General Obligation Bonds	School Authority Bonds	Lease Revenue Bonds	Capital Leases	State Literary Fund Loans	Revenue Bonds				
2012	\$ 158,787	\$ 45,060	\$ 87,236	\$ -	\$ 7,263	\$ 144,258	\$ 442,604	1.31%	3.55	
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	

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

(1) Latest available data for FY 2010, per US Department of Commerce, Bureau of Economic Analysis. Used 2009 income for 2009 through 2012 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

(Amounts in thousands, except per capita)

Fiscal Year	General Obligation Bonded Debt Outstanding (1)					Total Primary Government	Percentage of Assessed Value (2)	Per Capita (3)
	General Obligation Bonds	Virginia Public School Authority Bonds	Lease Revenue Bonds	State Literary Fund Loans				
2012	\$ 158,787	\$ 45,060	\$ 87,236	\$ 7,263	\$ 298,346	2.10%	2.39	
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	

(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

(Amounts in Thousands)

Fiscal Year	Gross Revenue (1)	Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Times (4)
				Principal	Interest (3)	Total	
2012	\$ 29,441	\$ 16,550	\$ 12,891	\$ 3,600	\$ 5,371	\$ 8,971	1.44
2011	28,942	17,661	11,281	3,395	3,617	7,012	1.61
2010	27,668	15,269	12,399	3,265	4,692	7,957	1.56
2009	28,440	17,685	10,755	3,155	5,814	8,969	1.20
2008	31,484	15,376	16,108	2,586	5,624	8,210	1.96
2007	35,089	16,313	18,776	3,333	9,324	12,657	1.48
2006	30,956	13,939	17,017	2,242	6,714	8,956	1.90
2005	30,134	11,331	18,803	1,815	5,007	6,822	2.76
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

(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	
2012	\$ 1,060,037	\$ -	\$ 370,600	2.86	
2011	1,120,653	-	370,600	3.02	
2010	1,062,610	-	370,600	2.87	
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	

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 2012			FY 2003		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Spotsylvania County School Board	Over 1,000	1	1.5%	Over 1,000	1	1.8%
County of Spotsylvania	500 to 999	2	1.1%	500 to 999	2	1.4%
Wal-Mart	500 to 999	3	1.1%	500 to 999	5	1.4%
HCA Virginia Health System	250 to 499	4	0.6%	--		0.0%
CVS, Inc.	250 to 499	5	0.6%	500 to 999	4	1.4%
A T Solutions Inc.	250 to 499	6	0.6%	--		
Food Lion	250 to 499	7	0.6%	250 to 499	8	0.7%
Germanna Community College	250 to 499	8	0.6%	--		
Carmax	100 to 249	9	0.3%	--		
Giant Food	100 to 249	10	0.3%	--		
Capital One Bank	--			500 to 999	3	1.4%
Collegiate Funding Services	--			500 to 999	6	1.4%
Fredericksburg Auto Auction	--			250 to 499	7	0.7%
General Products	--			250 to 499	9	0.7%
GM Powertrain	--			250 to 499	10	0.7%
Total employment	66,474			54,837		

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

COUNTY OF SPOTSYLVANIA, VIRGINIA

TABLE S-12

Full-Time County Government Employees by Function

Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
General government administration	92	93	99	106	111	117	115	115	116	116
Judicial administration	26	26	29	32	34	36	36	35	35	38
Public safety	262	281	317	321	372	393	399	382	381	374
Public works	38	44	45	46	55	57	56	49	49	44
Health and welfare	62	63	67	67	74	74	77	77	77	82
Parks, recreation & cultural	20	20	21	22	23	24	24	24	24	23
Community development	16	18	20	21	24	29	26	22	22	32
Total governmental activities	<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>	<u>709</u>
Business-type activities:										
Water and sewer	<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>	<u>113</u>
Total business-type activities	<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>	<u>113</u>
Total full-time employees	<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>	<u>822</u>

Source: FY 2003 through FY 2012 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)
2012	124,789	N/A	23,775	5.1%
2011	123,427	31,141	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%

- (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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Commissioner of revenue										
Taxable real estate parcels (1)	54,467	55,300	56,359	57,473	58,395	58,768	58,990	59,122	59,248	59,682
Percentage of fair market value (2) (3)	85.00%	90.00%	58.50%	74.70%	80.90%	109.50%	133.70%	90.30%	n/a	n/a
Treasurer										
Real estate tax bills generated	129,721	121,954	124,680	127,680	123,592	142,231	133,784	125,530	127,740	127,923
Personal property tax bills generated (1)	269,300	217,677	231,427	206,776	259,610	290,750	271,542	245,127	248,054	268,067
Registrar										
Number of registered voters	59,180	61,171	64,503	65,901	66,897	70,410	74,600	75,854	77,350	79,900
Judicial administration										
Clerk of the circuit court										
Number of deeds recorded (1)	54,585	51,844	55,161	44,312	34,697	24,819	24,745	23,098	21,458	n/a
Commonwealth attorney										
Average caseload per attorney (1)	2,838	2,265	2,149	1,683	2,306	1,864	2,174	1,931	1,792	n/a
Number of circuit court cases (1)	1,846	2,097	2,162	1,772	1,786	1,936	2,115	2,217	2,157	n/a
Number of general district court cases (1)	9,162	9,979	10,498	9,386	10,746	11,235	12,362	11,945	10,700	n/a
Number of juvenile & domestic relations court cases (1)	3,185	3,243	3,463	3,990	5,923	3,611	4,004	5,143	3,267	n/a
Public safety										
Sheriff										
Calls for service	149,080	150,927	158,650	166,330	167,720	167,523	180,105	172,762	153,069	150,598
Calls for service per road deputy		3,065	3,324	3,696	3,289	2,792	2,814	2,657	2,430	2,091
Civil process papers served	43,055	40,718	51,221	47,912	50,610	49,711	45,326	48,010	60,512	49,999
Warrants served	9,743	12,432	9,279	12,497	13,012	13,404	13,279	12,880	12,280	11,019
Emergency communications										
Total calls received	230,954	242,176	335,577	222,722	215,984	205,535	217,365	213,419	202,674	203,414
911 calls received	46,429	37,717	56,497	52,118	51,826	52,600	52,600	50,941	50,008	52,816
Fire, rescue and emergency services										
Calls for service (4)	16,138	15,454	15,249	15,802	16,576	17,021	16,749	16,540	15,458	15,622
Animal control										
Calls for service (all types)	5,872	5,777	6,119	5,776	5,844	6,102	6,275	8,035	8,517	8,387
Public works										
Refuse disposal										
Solid waste - tons (1)	49,810	49,790	53,408	59,060	56,989	53,081	46,535	45,872	41,518	40,064
Recycling										
Recycled materials - tons	25,807	17,290	14,925	14,998	15,002	17,662	11,087	21,183	20,960	22,758
Sludge composted - tons	7,793	10,226	11,223	11,479	12,246	12,037	12,573	12,369	14,492	15,580

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

TABLE S-14
 Page 2

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Health and welfare										
Social services										
SNAP applications	1,989	1,898	1,931	2,108	2,140	2,434	2,793	3,739	3,628	4,250
Medicaid applications	2,482	2,602	2,487	2,404	2,526	2,425	2,558	2,024	2,250	3,766
Medicaid (avg monthly ongoing caseload)	2,852	4,275	5,032	5,267	5,199	5,780	6,588	7,561	8,295	8,612
Foster care children (avg monthly county)	69	88	101	94	97	111	116	134	121	97
Parks, recreation and cultural										
Parks and recreation										
Sports league participants	8,658	8,662	8,334	8,533	8,431	7,998	7,964	7,762	7,669	7,540
Special interest/leisure participants	9,515	9,740	10,419	12,007	13,532	12,274	12,308	12,842	11,426	11,555
Park visitors	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	1,284,500
Community development										
Planning										
Final platted lots approved (1)	1,315	883	1,147	1,071	656	152	64	48	441	110
Economic development										
Average "annual" salary census of wages (Virginia Employment Commission)	\$ 29,848	\$ 31,772	\$ 33,748	\$ 37,336	\$ 33,852	\$ 33,384	\$ 34,190	\$ 33,787	\$ 33,787	n/a
Tourism										
Tourists visiting area (1)	378,151	375,334	449,734	428,450	504,103	514,738	601,949	782,505	624,786	n/a
Extension office (5)										
Requests for educational information (1)	74,157	50,213	n/a	n/a	6,752	3,773	8,237	15,453	6,486	7,043
Individuals participating in programs (1)	12,442	25,569	n/a	n/a	7,005	6,178	9,210	4,127	13,946	15,196
Other funds										
Code compliance										
Community development permits issued	3,736	4,186	4,456	3,854	3,796	3,504	2,941	2,788	3,009	2,890
Building inspections	30,628	34,086	40,031	38,795	38,394	28,871	15,166	14,361	12,786	11,851
Utilities										
Average daily water consumption (mgd)	5.98	5.64	6.00	6.03	6.10	6.40	6.65	6.06	7.21	6.77
Average effluent flows (mgd)	6.90	7.80	7.60	6.81	8.10	8.21	7.88	8.27	6.72	7.50
Water customers	23,982	25,057	26,166	26,925	27,396	27,586	27,939	28,311	28,391	28,800
Sewer customers	23,420	24,298	25,386	26,155	26,609	26,757	27,065	27,352	27,435	27,416

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 2011 State sales ratio will be issued late 2012.

(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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Sheriff:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	139	143	169	171	185	195	199	205	205	201
Fire & rescue:										
Stations	14	14	14	14	14	13	13	13	13	13
Response units	56	56	56	58	58	61	65	65	67	67
Public works										
Solid waste convenience centers	13	13	13	13	13	13	13	13	13	13
Collection trucks	8	9	9	12	12	12	12	12	12	13
Landfills	3	3	3	3	3	3	3	3	3	3
Square footage of buildings maintained	348,063	348,063	365,276	365,276	365,276	459,989	470,659	471,659	471,659	661,497
Parks, recreation and cultural										
Parks	9	9	9	9	9	11	11	11	11	11
Park acreage	331	331	331	331	331	482	482	482	482	482
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	8	8	8	8	7	7	7	7	7	7
Athletic fields maintained	20	20	20	20	20	32	32	32	32	32
Community centers	5	5	5	5	5	5	6	6	6	6
Public boat ramps	1	1	1	1	1	2	2	2	2	2
Library facilities	2	2	2	2	2	2	2	2	2	2
Museums	1	1	1	1	1	1	1	1	1	1
Community development										
Visitor centers	1	1	1	2	2	2	1	1	1	1
Public utilities										
Water mains (miles)	n/a	412	435	448	457	462	496	502	514	517
Water treatment plants	2	2	2	2	2	2	2	2	2	2
Maximum daily capacity (thousands of gallons)	18,000	18,000	18,000	18,000	18,000	18,000	21,000	21,000	21,000	21,000
Sewer										
Sanitary sewers (miles)	n/a	412	429	437	451	453	455	457	496	497
Wastewater treatment plants	3	3	3	3	3	3	3	3	3	3
Maximum daily treatment capacity (thousands of gallons)	12,300	12,300	12,300	12,300	12,300	12,300	12,300	12,300	12,300	13,700
Reservoirs	3	3	3	3	3	3	3	3	3	3
Pumping stations	64	64	58	59	59	56	56	56	53	52
Fleet management										
Vehicles maintained (1)	n/a	n/a	n/a	n/a	n/a	n/a	1,057	1,101	1,227	1,197

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
 Last Five Fiscal Years

TABLE S-16

Page 1

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Kindergarten	1,745	1,686	1,752	1,686	1,673
Elementary (grades 1-7)	12,623	12,462	12,499	12,427	12,373
Secondary (grades 8-12)	9,709	9,769	9,661	9,394	9,405
Pre-K/Headstart (SpEd)	<u>313</u>	<u>280</u>	<u>301</u>	<u>361</u>	<u>324</u>
Total enrollment (1)	<u>24,390</u>	<u>24,197</u>	<u>24,213</u>	<u>23,868</u>	<u>23,775</u>
Teachers and administrators	1,995	2,058	1,961	1,907	1,895
Other employees	<u>1,291</u>	<u>1,271</u>	<u>1,232</u>	<u>1,147</u>	<u>1,136</u>
Total employees (2)	<u>3,286</u>	<u>3,329</u>	<u>3,193</u>	<u>3,054</u>	<u>3,031</u>
Elementary and intermediate	23	24	24	24	24
Secondary (includes vocational)	<u>6</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
Total buildings	<u>29</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>

Source: Superintendent of Schools, Spotsylvania County, Virginia.

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

(2) As budgeted.

COUNTY OF SPOTSYLVANIA, VIRGINIA
Actual and Projected Average Daily Enrollment by Grade

TABLE S-16
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Grade	Projected Average Daily Student Enrollment by Grade					Actual Average Daily Student Enrollment by Grade				
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
K	1,745	1,686	1,752	1,686	1,673	1,671	1,691	1,711	1,731	1,751
1	1,785	1,815	1,739	1,750	1,755	1,732	1,671	1,691	1,711	1,731
2	1,824	1,714	1,792	1,726	1,766	1,767	1,732	1,671	1,691	1,711
3	1,732	1,818	1,731	1,781	1,725	1,785	1,767	1,732	1,671	1,691
4	1,851	1,716	1,846	1,754	1,792	1,724	1,785	1,767	1,732	1,671
5	1,771	1,829	1,746	1,824	1,768	1,832	1,724	1,785	1,767	1,732
6	1,744	1,794	1,842	1,748	1,811	1,755	1,832	1,724	1,785	1,767
7	1,916	1,776	1,803	1,844	1,756	1,820	1,755	1,832	1,724	1,785
8	1,829	1,920	1,818	1,809	1,879	1,787	1,820	1,755	1,832	1,724
9	2,234	2,131	2,212	2,025	2,012	2,090	1,993	2,026	1,961	2,011
10	2,094	2,012	1,904	1,990	1,864	1,856	1,982	1,885	1,918	1,961
11	1,771	1,889	1,841	1,750	1,864	1,746	1,856	1,982	1,885	1,918
12	1,781	1,817	1,886	1,850	1,786	1,893	1,749	1,859	1,985	1,883
Pre-K*	313	280	301	331	324	324	324	324	324	324
Total	24,390	24,197	24,213	23,868	23,775	23,782	23,681	23,744	23,717	23,660

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	2011 -2012 Enrollment
<i>Elementary:</i>						
Battlefield	K-5	30.0 Acres	1974	2000	833	648
Berkeley	K-5	17.0 Acres	1961	1971, 1979, 2000, 2005	353	325
Brock Road	K-5	24.4 Acres	1992	2004	907	769
Cedar Forest	K-5	52.2 Acres	2008	-	936	732
Chancellor	K-5	12.0 Acres	1940	1948, 1961, 2000	455	363
Courthouse Road	K-5	25.0 Acres	1994	2005	907	870
Courtland (1)	K-5	- Acres	1989	2000	789	577
Harrison Road (2)	K-5	- Acres	2001	2006	936	851
Lee Hill	K-5	21.0 Acres	1977	1990, 1999	807	670
Livingston	K-5	15.5 Acres	1961	1971, 1992	504	444
Parkside	K-5	26.8 Acres	2001	2007	936	691
Riverview	K-5	25.0 Acres	1994	2005	907	623
Robert E. Lee	K-5	14.1 Acres	1952	1977	585	507
Salem	K-5	20.0 Acres	1979	1989, 1999	815	645
Smith Station	K-5	23.0 Acres	1991	1999, 2004	986	794
Spotswood	K-5	20.0 Acres	1965	1971, 2000	641	537
Wilderness	K-5	25.0 Acres	1998	2003	936	757
						<u>10,803</u>
<i>Middle:</i>						
Battlefield	6-8	30.0 Acres	1978	2003	807	808
Chancellor (2)	6-8	- Acres	1989	-	857	844
Freedom	6-8	76.7 Acres	2003	-	948	858
Ni River	6-8	75.0 Acres	1999	-	774	683
Post Oak (3)	6-8	- Acres	2007	-	948	753
Spotsylvania	6-8	41.7 Acres	1968	1973	907	828
Thornburg	6-8	50.0 Acres	1994	-	790	672
						<u>5,446</u>
<i>Secondary:</i>						
Chancellor	9-12	100.00 Acres	1988	-	1517	1,517
Courtland	9-12	100.00 Acres	1980	-	1265	1,192
Massaponax	9-12	100.0 Acres	1998	2005	1830	1,870
Riverbend	9-12	90.7 Acres	2004	-	1995	1,923
Spotsylvania	9-12	100.0 Acres	1994	-	1611	1,113
J.J. Wright Alternative	Pre K-12	20.0 Acres	1952	1962, 1982, 2008, 2009	500	
Vocational Center (1)	-	-	1980	1993	-	n/a
						<u>7,615</u>

(1) On same site as Courtland High School

(2) On same site as Chancellor High School

(3) On same site as Spotsylvania High School

Source: Superintendent of Schools, Spotsylvania County, Virginia

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