**NEW ISSUE—BOOK-ENTRY ONLY**

**RATINGS: Moody's: "Aa1"**
**Standard & Poor's: AA+"**
**See "RATINGS" herein**

***In the opinion of Bond Counsel, under current law, interest on the Series 2024 Bonds will not be excluded from gross income for Federal income tax purposes. Interest on the Series 2024 Bonds will be exempt from income taxation by the Commonwealth of Virginia. See "Tax Matters" in Section Four.***

# $25,745,000
# ECONOMIC DEVELOPMENT AUTHORITY OF THE COUNTY OF SPOTSYLVANIA (VIRGINIA)
## PUBLIC FACILITIES REVENUE BONDS, SERIES 2024 (FEDERALLY TAXABLE)

**Dated: Date of Delivery** **Due: June 1, as shown on the inside cover**

This Official Statement has been prepared by the County of Spotsylvania, Virginia (the "County"), on behalf of the Economic Development Authority of the County of Spotsylvania (the "Authority") to provide information on the Authority's Public Facilities Revenue Bonds, Series 2024 (Federally Taxable) (the "Bonds"), the security therefor, the County, the projects being financed with the proceeds of the Series 2024 Bonds, and other relevant information. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series 2024 Bonds, a prospective investor should read this Official Statement in its entirety.

| | |
|---|---|
| **Security** | **THE SERIES 2024 BONDS WILL BE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM CERTAIN PAYMENTS TO BE MADE BY THE COUNTY PURSUANT TO A FINANCING AGREEMENT DATED AS OF AUGUST 1, 2000, AS SUPPLEMENTED FROM TIME TO TIME (THE "FINANCING AGREEMENT"), BETWEEN THE COUNTY AND THE AUTHORITY AND FROM CERTAIN FUNDS AND THE INVESTMENT INCOME THEREFROM HELD BY THE TRUSTEE (AS HEREINAFTER DEFINED). THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS UNDER THE FINANCING AGREEMENT WILL BE SUBJECT TO APPROPRIATIONS BY THE COUNTY BOARD OF SUPERVISORS FROM TIME TO TIME OF SUFFICIENT FUNDS FOR SUCH PURPOSE. NEITHER THE SERIES 2024 BONDS NOR THE FINANCING AGREEMENT CONSTITUTES A DEBT OF THE COUNTY OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE COUNTY. THE SERIES 2024 BONDS AND THE INTEREST ON THEM SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY AND THE COUNTY. NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY AND THE COUNTY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2024 BONDS OR OTHER COSTS INCIDENT TO THEM EXCEPT FROM THE REVENUES AND RECEIPTS PLEDGED FOR SUCH PURPOSE. THE AUTHORITY HAS NO TAXING POWER.** |
| **Issued Pursuant To** | The Agreement of Trust dated as of August 1, 2000, as previously supplemented, and as supplemented by a Eleventh Supplemental Agreement of Trust dated as of September 1, 2024, between the Authority and U.S. Bank Trust Company, National Association, as successor trustee. |
| **Trustee** | U.S. Bank Trust Company, National Association, Richmond, Virginia |
| **Purpose** | The proceeds of the Series 2024 Bonds will be used to (a) pay the cost of acquisition rehabilitation and equipping of an existing approximately 157,819 square foot building located in the County at 10300 Spotsylvania Avenue, including parking lots and surrounding environs (the "New County Building") which is expected to be used by the County for its governmental purposes; and (b) pay the cost of rehabilitation of an existing County building located in the County at 9019 Old Battlefield Boulevard, Spotsylvania, Virginia 22553, which is commonly known as the Merchant Square Building, and (c) pay certain costs associated with the issuance of the Series 2024 Bonds. See the subsection "USE OF PROCEEDS" in Section Two. |
| **Interest Payment Dates** | June 1 and December 1, commencing December 1, 2024 |
| **Record Date** | May 15 and November 15 |
| **Redemption** | The Series 2024 Bonds are subject to redemption prior to their respective maturity dates as set forth herein. |
| **Denominations** | $5,000 and integral multiples thereof |
| **Sale Date and Time** | 10:45 a.m. Eastern Time, Wednesday, September 4, 2024 |
| **Closing/Delivery Date** | On or about September 18, 2024 |
| **Registration** | Full book-entry only; The Depository Trust Company, New York, New York |
| **Bond Counsel** | Haneberg Hurlbert PLC, Richmond, Virginia |

*The Series 2024 Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Haneberg Hurlbert PLC, Bond Counsel, as described herein. Certain legal matters will be passed upon for the County by the County Attorney, Karl R. Holsten, Esquire, and for the Authority by McGuireWoods LLP, Tyson's Corner, Virginia.*

Dated: September 4, 2024

**$25,745,000**
**ECONOMIC DEVELOPMENT AUTHORITY OF**
**THE COUNTY OF SPOTSYLVANIA (VIRGINIA)**
**PUBLIC FACILITIES REVENUE BONDS,**
**SERIES 2024 (FEDERALLY TAXABLE)**

| Maturity (June 1) | Amount | Interest Rate | Yield | CUSIP No. |
|---|---|---|---|---|
| 2026 | $ 630,000 | 4.100% | 4.100% | 849258CX4 |
| 2027 | 655,000 | 3.900 | 3.900 | 849258CY2 |
| 2028 | 680,000 | 3.950 | 3.950 | 849258CZ9 |
| 2029 | 705,000 | 3.950 | 3.950 | 849258DA3 |
| 2030 | 735,000 | 4.050 | 4.050 | 849258DB1 |
| 2031 | 765,000 | 4.150 | 4.150 | 849258DC9 |
| 2032 | 795,000 | 4.200 | 4.200 | 849258DD7 |
| 2033 | 830,000 | 4.300 | 4.300 | 849258DE5 |
| 2034 | 865,000 | 4.400 | 4.400 | 849258DF2 |
| 2035 | 905,000 | 4.450 | 4.450 | 849258DG0 |
| 2036 | 945,000 | 4.500 | 4.500 | 849258DH8 |
| 2037 | 985,000 | 4.550 | 4.550 | 849258DJ4 |
| 2038 | 1,030,000 | 4.600 | 4.600 | 849258DK1 |
| 2039 | 1,080,000 | 4.650 | 4.650 | 849258DL9 |
| 2040 | 1,130,000 | 4.750 | 4.750 | 849258DM7 |
| 2041 | 1,180,000 | 4.800 | 4.800 | 849258DN5 |
| 2042 | 1,240,000 | 4.850 | 4.850 | 849258DP0 |
| 2046* | 5,605,000 | 5.000 | 5.000 | 849258DT2 |
| 2049* | 4,985,000 | 5.050 | 5.050 | 849258DW5 |

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* Denotes Term Bond

The Series 2024 Bonds will be exempt from registration under the Securities Act of 1933. As obligations of a political subdivision of the Commonwealth of Virginia, the Series 2024 Bonds will also be exempt from registration under the securities laws of the Commonwealth of Virginia.

No dealer, broker, salesman or other person has been authorized by the County or the Authority to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Series 2024 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract or agreement between the County or the Authority and the purchasers or owners of any of the Series 2024 Bonds. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Authority since the date hereof.

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# OFFICIAL STATEMENT

## $25,745,000
## ECONOMIC DEVELOPMENT AUTHORITY OF THE COUNTY OF SPOTSYLVANIA (VIRGINIA)
## PUBLIC FACILITIES REVENUE BONDS, SERIES 2024 (FEDERALLY TAXABLE)

### SECTION ONE: INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide information in connection with the issuance by the Economic Development Authority of the County of Spotsylvania (the "Authority"), a political subdivision of the Commonwealth of Virginia (the "Commonwealth"), of its $25,745,000 Public Facilities Revenue Bonds, Series 2024 (Federally Taxable) (the "Bonds"). The following introductory material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is hereby made for all purposes.

### THE ISSUER

The issuer of the Series 2024 Bonds is the Economic Development Authority of the County of Spotsylvania, a political subdivision of the Commonwealth of Virginia.

### THE SERIES 2024 BONDS

The Series 2024 Bonds will consist of $25,745,000 Public Facilities Revenue Bonds, Series 2024 (Federally Taxable), dated the date of their delivery and maturing on June 1 in the years 2026 through 2049, in the amounts set forth on the inside cover of this Official Statement. Interest on the Series 2024 Bonds will be payable on each June 1 and December 1, beginning December 1, 2024, until the earlier of maturity or redemption, at the rates set forth on the inside cover of this Official Statement.

The proceeds of the Series 2024 Bonds will be used for the purpose of (a) paying the cost of acquisition rehabilitation and equipping of an existing approximately 157,819 square foot building located in the County of Spotsylvania, Virginia (the "County") at 10300 Spotsylvania Avenue, including parking lots and surrounding environs (the "New County Building") which is expected to be used by the County for its governmental purposes; (b) paying the cost of rehabilitation of an existing County building located in the County at 9019 Old Battlefield Boulevard, which is commonly known as the Merchant Square Building (collectively the items described in clauses (a) and (b) above are referred to as the "Plan of Finance"); and (c) paying certain costs associated with the issuance of the Series 2024 Bonds. See the subsection "USE OF PROCEEDS" in Section Two.

The Series 2024 Bonds will be issued in accordance with the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the "Act"), and pursuant to an Agreement of Trust dated as of August 1, 2000, as previously supplemented (the "Master Trust Agreement"), and as further supplemented by a Eleventh Supplemental Agreement of Trust dated as of September 1, 2024 (the "Eleventh Supplemental Trust Agreement" and, together with the Master Trust Agreement, the "Trust Agreement"), between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"). Pursuant to the terms of the Trust Agreement, the Authority has determined to issue from time to time public facility revenue bonds or notes and use the proceeds thereof to finance or refinance certain "authority facilities" (as defined in the Act), as requested by the County. The Authority and the County have entered into a Financing Agreement dated as of August 1, 2000, as previously supplemented (the "Master Financing Agreement"), and as further supplemented by a Tenth Supplemental Financing Agreement dated as of September 1, 2024 (the "Tenth Supplemental Financing Agreement" and, together with the Master Financing Agreement, the "Financing Agreement"), pursuant to which the County has requested the Authority to undertake the Plan of Finance (as hereinafter defined) with the proceeds of the Series 2024 Bonds, and the County has agreed to support such requests by paying to or on behalf of the Authority, subject to appropriation by the Board of Supervisors of the County (the "County Board") from time to time, certain amounts sufficient to pay the principal of and interest due on the Series 2024 Bonds (the "Annual Payments") and other amounts due under the Financing Agreement (the "Additional Payments").

The Series 2024 Bonds are to be equally and ratably secured under the Trust Agreement with the Authority's $32,750,000 Revenue and Refunding Bonds, Series 2014 (the "Series 2014 Bonds") and the Authority's $26,000,000 Public Facilities Revenue Refunding Bonds, Series 2021 (the "Series 2021 Bonds" and collectively with the Series 2014 Bonds and the Series 2024 Bonds, the "Bonds"), and any other series issued pursuant to Article III of the Master Agreement of Trust, without preference, priority or distinction of any Bonds over any other Bonds, as provided in the Trust Agreement; provided, however, that the other series of Bonds may be secured by bond insurance policies, lease arrangements and debt service reserve accounts that do not secure the Series 2024 Bonds.

**The Series 2024 Bonds and the interest thereon will be limited obligations of the Authority payable solely from the revenues and receipts derived by the Authority under the Financing Agreement, which revenues and receipts have been pledged and assigned to secure payment thereof, and from certain funds established under the Trust Agreement. The Series 2024 Bonds and the interest thereon shall not be deemed to constitute a debt or a pledge of the faith and credit of the Commonwealth or any political subdivision thereof, including the Authority and the County. Neither the Commonwealth nor any political subdivision thereof, including the Authority and the County, shall be obligated to pay the principal of or interest on the Series 2024 Bonds or other costs incident thereto except from the revenues and receipts pledged and assigned therefor, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof, including the Authority and the County, is pledged to the payment of the principal of or interest on the Series 2024 Bonds or other costs incident thereto.**

More complete descriptions of the Trust Agreement and the Financing Agreement are provided in Appendix B.

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## OPTIONAL REDEMPTION

The Series 2024 Bonds are subject to redemption at the option of the County at any time, following requisite notice, on or after June 1, 2034. A more complete description of the optional redemption features is provided in the subsection "DESCRIPTION OF THE SERIES 2024 BONDS – Redemption" in Section Two.

## MANDATORY REDEMPTION

The Series 2024 Bonds maturing on June 1, 2046 and June 1, 2049 are subject to mandatory redemption as described further in the subsection "DESCRIPTION OF THE SERIES 2024 BONDS – Redemption" in Section Two.

## DELIVERY

The Series 2024 Bonds are offered for delivery, when, as and if issued, subject to the approval of their validity by Haneberg Hurlbert PLC, Bond Counsel, and to certain other conditions referred to herein. It is expected that the Series 2024 Bonds will be available for delivery, at the expense of the County, in New York, New York, through the facilities of The Depository Trust Company, New York, New York ("DTC"), on or about September 18, 2024.

## RATINGS

The Series 2024 Bonds have been rated Aa1 by Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007 and AA+ by Standard & Poor's Ratings Group, 25 Broadway, New York, New York 10004 ("Standard & Poor's"). A more complete description of the ratings is provided in the subsection "Ratings" in Section Four.

## CONTINUING DISCLOSURE

The County has agreed to execute a Continuing Disclosure Agreement at closing to assist the purchaser of the Series 2024 Bonds in complying with the provisions of Rule 15c2-12, as amended ("Rule 15c2-12"), promulgated by the Securities and Exchange Commission ("SEC"), by providing annual financial information and event notices required by the Rule. See the subsection "CONTINUING DISCLOSURE" in Section Four.

## FINANCIAL ADVISOR

PFM Financial Advisors LLC, Arlington, Virginia, is employed as Financial Advisor to the County and has advised the County in connection with the planning, structuring and issuance of the Series 2024 Bonds. A portion of the Financial Advisor's fee for services rendered in connection with the sale of the Series 2024 Bonds is contingent upon the issuance and delivery of the Series 2024 Bonds.

## ADDITIONAL INFORMATION

Any questions concerning the content of this Official Statement should be directed to the attention of Edward Petrovitch, County Administrator, 9104 Courthouse Road, Spotsylvania, Virginia 22553 (540-507-7010) or Rebecca R. Forry, Chief Financial Officer, Spotsylvania County, 8800 Courthouse Road, Spotsylvania, Virginia 22553 (540-507-7597), or to the County's Financial Advisor, PFM Financial Advisors LLC (571-527-5128).

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## SECTION TWO: THE SERIES 2024 BONDS

### THE AUTHORITY

The Authority is a political subdivision of the Commonwealth created pursuant to the Act. The Act empowers the Authority to acquire, whether by purchase, exchange, gift, lease or otherwise, and to improve, maintain, equip and furnish, one or more authority facilities, which include facilities for use by a locality. The County Board has requested the Authority to undertake the Plan of Finance and the Authority has agreed to undertake such financing. **The Authority has no taxing power.**

The Authority shall not be obligated to pay the principal of or interest on the Series 2024 Bonds or other costs incident thereto except from amounts received therefor under the Financing Agreement.

### DESCRIPTION OF THE SERIES 2024 BONDS

The Series 2024 Bonds will be issued in fully registered form in the denominations of $5,000 and integral multiples thereof and will be held by DTC or its nominee, as securities depository with respect to the Series 2024 Bonds. See the subsection "Book-Entry System" below. Purchases of beneficial ownership interests in the Series 2024 Bonds will be made only in book-entry form and individual purchasers will not receive physical delivery of bond certificates. The Series 2024 Bonds will be dated the date of their issuance, will bear interest at the rates per annum set forth on the inside cover page hereof, calculated on the basis of a 360-day-year of twelve 30-day months, payable semi-annually on June 1 and December 1 of each year (an "Interest Payment Date"), beginning December 1, 2024, and will mature on June 1 in the years and in the principal amounts set forth on the inside cover page hereof.

As long as the Series 2024 Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in next day funds on each Interest Payment Date. If the book-entry system is discontinued, Bond certificates will be delivered as described in the Trust Agreement, and Beneficial Owners (as hereinafter defined) will become registered owners of the Series 2024 Bonds ("Bondholders"). Interest on the Series 2024 Bonds shall be payable on each Interest Payment Date by check or draft mailed to the registered owner at his address as it appears on the May 15 and November 15 immediately preceding the respective Interest Payment Date. If any Interest Payment Date is not a Business Day, such payment will be made on the next succeeding Business Day with the same effect as if made on the Interest Payment Date and no additional interest shall accrue.

#### Redemption

*Optional Redemption.* The Series 2024 Bonds may be redeemed at the option of the County prior to their respective maturities in whole or in part (in integral multiples of $5,000) at any time, following requisite notice, on or after June 1, 2034, upon payment of 100% of the principal amount of the Series 2024 Bonds to be redeemed, together with accrued interest to the redemption date.

*Mandatory Redemption*. The Series 2024 Bond maturing on June 1, 2046, is required to be redeemed prior to maturity in part upon payment of 100% of the principal amount thereof, plus interest accrued to the redemption date, on June 1 in the years and in the amounts set forth below:

| Year | Amount | Year | Amount |
|---|---|---|---|
| 2043 | $1,300,000 | 2045 | $1,435,000 |
| 2044 | 1,365,000 | 2046 (final maturity) | 1,505,000 |

The Series 2024 Bond maturing on June 1, 2049, is required to be redeemed prior to maturity in part upon payment of 100% of the principal amount thereof, plus interest accrued to the redemption date, on June 1 in the years and in the amounts set forth below:

| Year | Amount | Year | Amount |
|---|---|---|---|
| 2047 | $1,580,000 | 2049 (final maturity) | $1,745,000 |
| 2048 | 1,660,000 | | |

*Manner of Redemption.* If less than all of the Series 2024 Bonds are called for redemption, the Series 2024 Bonds to be redeemed shall be selected by the County's Chief Financial Officer in such a manner as she may determine to be in the best interest of the County. If less than all of the Series 2024 Bonds of a particular maturity are called for redemption, the Series 2024 Bonds to be redeemed shall be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, by the Trustee by lot in such manner as the Trustee in its discretion may determine. In either case, (a) the portion of any Bond to be redeemed shall be in a minimum principal amount of $5,000 or some multiple thereof and (b) in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such bond by $5,000.

*Notice of Redemption.* The County will cause notice of the call for redemption, identifying the Series 2024 Bonds or the portions thereof to be redeemed, to be sent by facsimile or electronic transmission, registered or certified mail or overnight express delivery not less than 30 nor more than 60 days prior to the redemption date, to DTC or its nominee as the registered owner thereof. The County shall not be responsible for mailing notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Series 2024 Bonds. If no qualified securities depository is the registered owner of the Series 2024 Bonds, notice of redemption shall be mailed to the registered owners of the Series 2024 Bonds being redeemed.

At the direction of the County, the Trustee may give or cause to be given notice of redemption prior to a deposit of redemption moneys if such notice states that the redemption is to be funded with the proceeds of a refunding bond issue and is conditioned on the deposit of such proceeds. Provided that moneys are deposited on or before the redemption date, such notice shall be effective when given. If such proceeds are not available on the redemption date, such Bonds will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption and principal will continue to be payable as scheduled. On presentation and surrender of the Series 2024 Bonds called for redemption at the place or places of payment, such Bonds shall be paid and redeemed.

**Book-Entry System**

***The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Series 2024 Bonds, payments of principal of and interest on the Series 2024 Bonds to DTC, its nominee, Direct Participants (as hereinafter defined) or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Series 2024 Bonds and other bond-related transactions by and between DTC, the Direct Participants and Beneficial Owners is based solely on information furnished by DTC.***

DTC will act as securities depository for the Series 2024 Bonds. The Series 2024 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2024 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of New York Banking Law, member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding agency for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2024 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2024 Bonds, except in the event that use of the book-entry system for the Series 2024 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2024 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County, the Authority or the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC (nor its nominee), the Trustee, the Authority or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2024 Bonds at any time by giving reasonable notice to the County, the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

**The information in this subsection concerning DTC and DTC's book-entry system has been obtained from sources that the County and the Authority believe to be reliable, but neither the County nor the Authority takes any responsibility for the accuracy thereof.**

**Neither the County, the Authority nor the Trustee has any responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2024 Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Series 2024 Bond Resolutions to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.**

**So long as Cede & Co. is the registered owner of the Series 2024 Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Series 2024 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of Bonds for all purposes under the Trust Agreement.**

**The County may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Series 2024 Bonds without the consent of Beneficial Owners or Bondholders.**

### CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Series 2024 Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal to accept delivery of and payment of the purchase price for the Series 2024 Bonds. All expenses in connection with the assignment and printing of CUSIP numbers shall be paid by the County.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS

*The following is a summary of the sources of security and sources of payment for the Series 2024 Bonds. The references to the Series 2024 Bonds, the Financing Agreement, and the Bond Fund are qualified in their entirety by reference to such documents and to the provisions relating to the funds and accounts established in the Trust Agreement.*

### General

The Series 2024 Bonds will be equally and ratably secured by (1) Annual Payments which will be assigned by the Authority to the Trustee and shall be applied to the payment of principal of and interest on the Series 2024 Bonds as set forth in the Trust Agreement, without preference, priority or distinction of any Series 2024 Bond over any other Series 2024 Bond, and (2) certain funds established under the Trust Agreement. The Series 2024 Bonds are equally and ratably secured under the Trust Agreement with the Series 2014 Bonds and the Series 2021 Bonds;

*provided that* (a) any lease agreement relating to a particular Series of Bonds shall secure only such Bonds; (b) moneys in any account or subaccount of the Bond Fund relating to a particular Series of Bonds shall secure only such Series of Bonds; (c) moneys in any account or subaccount of a Project Fund relating to a particular Series of Bonds shall secure only such Series of Bonds; and (d) moneys in any account or subaccount of the Debt Service Reserve Fund relating to a particular Series of Bonds shall secure only such Series of Bonds. **A Series Debt Service Reserve Account has not been established to secure the Series 2024 Bonds.**

**The Series 2024 Bonds and the interest thereon will be limited obligations of the Authority payable solely from the revenues and receipts derived by the Authority under the Financing Agreement, which revenues and receipts have been pledged and assigned to secure payment thereof, and from certain funds established under the Trust Agreement and the investment income therefrom. The obligation of the County to make payments under the Financing Agreement is subject to appropriation by the County Board. The County Board has no legal obligation to make any such appropriations.**

THE SERIES 2024 BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY AND THE COUNTY. NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY AND THE COUNTY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2024 BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES AND RECEIPTS PLEDGED AND ASSIGNED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY AND THE COUNTY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE SERIES 2024 BONDS OR OTHER COSTS INCIDENT THERETO. THE AUTHORITY HAS NO TAXING POWER.

**Financing Agreement**

The Authority is issuing the Series 2024 Bonds for the purpose of providing funds to finance the Plan of Finance and to pay the costs of issuance of the Series 2024 Bonds. The Financing Agreement provides for the County to make payments on behalf of the Authority that will be sufficient to pay the principal of and interest on the Bonds (to consist of the Series 2014 Bonds and the Series 2021 Bonds together with the Series 2024 Bonds to be issued as described herein) as the same shall become due in accordance with their terms and provisions and the terms of the Trust Agreement. **The obligation of the County to make payments under the Financing Agreement will constitute a current expense of the County, subject to appropriation by the County Board from time to time of sufficient funds for such purpose. The County will not be liable for any such payments due under the Financing Agreement unless and until funds have been appropriated by the County Board for payment and then only to the extent of such appropriation.**

The Financing Agreement provides for the County to pay to the Trustee, as assignee of the Authority, Annual Payments in amounts and on or before dates calculated to be sufficient to pay principal of and interest when due on the Bonds and any additional bonds and notes issued under the Trust Agreement. The Financing Agreement also provides for the County to pay certain Additional Payments, including any redemption premium that may be payable on the Bonds and any amounts necessary to restore deficiencies in any accounts established within the Debt Service Reserve Fund. Certain provisions of the Financing Agreement are summarized in Exhibit B – "Summary of the Financing Documents."

The provision for the County to make payments under the Financing Agreement does not constitute a debt of the County within the meaning of any constitutional or statutory limitation nor a liability of or a lien or charge upon funds or property of the County beyond any Fiscal Year for which the County Board has appropriated moneys to make such payments. Neither the Trustee nor the Authority shall have any obligation or liability to the Series 2024 Bondholders with respect to the County's obligations to make payments under the Financing Agreement or with respect to the performance by the County of any other covenant contained therein.

## Bond Fund

Under the Trust Agreement, the Authority pledges to the Trustee all right, title and interest to the Financing Agreement, including the Annual Payments made by the County, but excluding certain rights to receive payment of the Authority's fees and expenses and to receive notices thereunder. Such payments under the Financing Agreement, along with funds on deposit in the respective subaccounts within the Bond Fund, are pledged to the payment of principal of and interest on the Series 2024 Bonds.

The Trust Agreement provides that the Trustee will deposit in the Bond Fund all Annual Payments received by the Trustee from the County under the Financing Agreement or with respect to the Series 2024 Bonds. From the amounts received by the Trustee, the Trustee will deposit (a) in the subaccount established for the Series 2024 Bonds in the Interest Account an amount equal to the interest due and payable on the next interest payment date for the Series 2024 Bonds and (b) in the subaccount established for the Series 2024 Bonds in the Principal Account an amount equal to the principal due and payable on the next principal payment date for the Series 2024 Bonds. If a redemption premium is payable on the Series 2024 Bonds, the Trustee will deposit in the subaccount in the Premium Account of the Bond Fund that portion of an Additional Payment representing the amount of the redemption premium due.

# ADDITIONAL BONDS

Additional Series of Bonds secured on an equal and ratable basis with the Bonds may be issued by the Authority from time to time under a Supplemental Trust Agreement and an amendment to the Financing Agreement providing for modification of the amount of Annual Payments to provide for a new amount of Annual Payments sufficient to pay principal of and interest on all obligations outstanding under the Trust Agreement. For additional information concerning Additional Series of Bonds, see Appendix B.

# USE OF PROCEEDS

The proceeds of the Series 2024 Bonds will be used to (a) pay the costs of acquisition, construction and equipping of the New County Building, which is expected to be used by the County for its governmental purposes; (b) pay the cost of rehabilitation of an existing County building, which is commonly known as the Merchant Square building; and (c) pay certain costs associated with the issuance of the Series 2024 Bonds.

## Plan of Finance

The Plan of Finance consists of the acquisition, construction and equipping of the New County Building, and the payment of certain costs associated with the issuance of the Series 2024 Bonds.

## Sources and Uses of Funds

The following table sets forth the anticipated application of the proceeds of the Series 2024 Bonds for the purposes described above:

| | |
|---|---|
| **Sources of Funds** | |
| Par Amount of Bonds | $25,745,000 |
| Total Sources | $25,745,000 |
| **Uses of Funds** | |
| Deposit to Series 2024 Project Fund | $25,300,000 |
| Estimated Costs of Issuance (including Underwriters' Compensation) | 445,000 |
| Total Uses | $25,745,000 |

**ESTIMATED DEBT SERVICE REQUIREMENTS**

The following table shows for each Fiscal Year the amounts required for payment of principal of and interest on the Series 2024 Bonds and the other Series of Bonds outstanding of the Authority. For a table of the annual debt service requirements of the County's governmental long-term obligations, see Appendix C, at page C-27.

| Fiscal Year Ending June 30, | Outstanding Parity Bonds Debt Service | Series 2024 Bonds Debt Service | Total Bonds Debt Service |
|---|---|---|---|
| | Total | Total | Total |
| 2025 | $6,478,228 | $ 845,020 | $7,323,248 |
| 2026 | 6,344,578 | 1,832,400 | 8,176,978 |
| 2027 | 6,222,678 | 1,831,570 | 8,054,248 |
| 2028 | 6,199,878 | 1,831,025 | 8,030,903 |
| 2029 | 4,953,028 | 1,829,165 | 6,782,193 |
| 2030 | 3,621,778 | 1,831,318 | 5,453,095 |
| 2031 | 2,395,090 | 1,831,550 | 4,226,640 |
| 2032 | 286,650 | 1,829,803 | 2,116,453 |
| 2033 | 278,200 | 1,831,413 | 2,109,613 |
| 2034 | 269,100 | 1,830,723 | 2,099,823 |
| 2035 | | 1,832,663 | 1,832,663 |
| 2036 | | 1,832,390 | 1,832,390 |
| 2037 | | 1,829,865 | 1,829,865 |
| 2038 | | 1,830,048 | 1,830,048 |
| 2039 | | 1,832,668 | 1,832,668 |
| 2040 | | 1,832,448 | 1,832,448 |
| 2041 | | 1,828,773 | 1,828,773 |
| 2042 | | 1,832,133 | 1,832,133 |
| 2043 | | 1,831,993 | 1,831,993 |
| 2044 | | 1,831,993 | 1,831,993 |
| 2045 | | 1,833,743 | 1,833,743 |
| 2046 | | 1,831,993 | 1,831,993 |
| 2047 | | 1,831,743 | 1,831,743 |
| 2048 | | 1,831,953 | 1,831,953 |
| 2049 | | 1,833,123 | 1,833,123 |
| Totals* | $37,049,205 | $44,801,508 | $81,850,713 |

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* Column totals may not sum due to rounding.

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## SECTION THREE: SPOTSYLVANIA COUNTY

Located in the northeastern section of Virginia, the County is bounded 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, Virginia and 55 miles south of Washington, D.C.

The County Board is the governing body of the County. The County Board is comprised of seven members, who are elected for four-year terms. The County Board members select from themselves a Chairperson and a Vice-Chairperson for one-year terms. The County Board is elected to staggered terms, with three members elected in one election cycle and the remaining four members elected in a different election cycle.

The County functions under a traditional form of government with a County Administrator, as is common throughout Virginia. Under this form of government, the elected officials include the members of the County Board, the Treasurer, the Commissioner of the Revenue, the Sheriff, the Clerk of the Circuit Court and the Commonwealth's Attorney. Mental Health/Mental Retardation Services are provided by the Community Services Board. The Health Department and the Court System are under the control of the Commonwealth. The County Attorney is appointed by the County Board and reports directly to the County Board. All other functions of the County government are managed by department directors that in turn report to one of three Assistant County Administrators, the Deputy County Administrator, or the County Administrator. The Deputy County Administrator also serves as the head of the Social Services Administrative Board.

The County Administrator is appointed by the County Board to act as the County Board's agent in the administration and operation of the departments and agencies. All departments directly responsible to the County Board report to Assistant County Administrators, the Deputy County Administrator, or the County Administrator, all of whom act as the County Board's liaison to all other departments and agencies. The County Administrator serves at the pleasure of the County Board, carries out its policies and directs business procedures.

Appendix C contains additional financial, economic and demographic information concerning the County. The County's audited financial statements for the Fiscal Year ended June 30, 2023, are contained in Appendix D.

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## SECTION FOUR: MISCELLANEOUS

### BONDHOLDERS' RISKS

The purchase of the Series 2024 Bonds involves a degree of risk; therefore, prospective purchasers of the Series 2024 Bonds should review this Official Statement in its entirety in order to identify risk factors and make an informed investment decision. The following factors in particular should be considered:

(1) Source of Payments. The Series 2024 Bonds are not general obligations of the Authority or the County but are payable only from revenues received by the Trustee on behalf of the Authority from payments received under the Financing Agreement and other moneys held by the Trustee and pledged the payment of the Series 2024 Bonds. The ability of the Authority to make timely payments of principal and interest on the Series 2024 Bonds depends solely on the ability of the County to make timely payments under the Financing Agreement. The obligation of the County to make payments under the Financing Agreement is subject to and dependent on amounts being lawfully appropriated from time to time by the County Board for such purpose. The County Board is not legally obligated to appropriate the funds necessary to make the payments due under the Financing Agreement.

(2) Non-Appropriation and Limited Remedies. The County Administrator or other officer charged with the responsibility for preparing the County's annual budget is required to include in the proposed County budget for each Fiscal Year as a single appropriation the amount of all Annual Payments and estimated Additional Payments coming due during such Fiscal Year. Throughout the term of the Financing Agreement, the County Administrator or other officer charged with the responsibility for preparing the County's annual budget is required to deliver to the Trustee and the Authority within 10 days after the adoption of the annual budget for each Fiscal Year, but not later than 10 days after the beginning of each Fiscal Year, a certificate stating whether an amount equal to the Annual Payments and estimated Additional Payments which will come due during such Fiscal Year has been appropriated by the County Board in the adopted annual budget. If any adopted annual budget does not include an appropriation of funds sufficient to pay both Annual Payments and estimated Additional Payments coming due for the relevant Fiscal Year, the County Board will take a roll call vote immediately after adoption of such annual budget acknowledging the impact of its failure to appropriate such funds. If, by 15 days after the beginning of the Fiscal Year, the County Board has not appropriated funds for the payment of both Annual Payments and estimated Additional Payments coming due for the then current Fiscal Year, the County Administrator or other officer charged with the responsibility for preparing the County's annual budget is required to give written notice to the County Board of the consequences of such failure to appropriate and to request the County Board to consider a supplemental appropriation for such purposes.

Upon an appropriation of County funds in an amount less than the total of all Annual Payments and estimated Additional Payments coming due during the Fiscal Year, the funds received by the Trustee will be applied pro rata to all Series subaccounts established within the Bond Fund. Consequently, no Series subaccount will be fully funded, creating an Event of Default affecting all Bonds then Outstanding.

In the event of non-appropriation of funds by the County Board, neither the County nor the Authority may be held liable for the principal of and interest payments on the Series 2024 Bonds following the last Fiscal Year in which funds to make payment under the Financing Agreement were appropriated by the County Board. In the event of non-appropriation, moneys already on deposit in the Series 2024 subaccounts in the Bond Fund will be used for the payment of principal of and interest payments on the Series 2024 Bonds but these moneys may not be sufficient to pay the Series 2024 Bonds in full.

Upon an Event of Default under the Trust Agreement, the Trustee has no right to accelerate the payment of the Series 2024 Bonds by declaring the entire principal of and interest on the Series 2024 Bonds to be due and payable. Similarly, upon an Event of Default under the Financing Agreement, the Authority has no right to accelerate the payments due thereunder by declaring such payments to be due and payable.

(3) Political Risk. The current County Board has evidenced in its resolution adopted in connection with the Series 2024 Bonds a present intent to make future appropriations of such funds as may be necessary to make payments due under the Financing Agreement as and when such payments become due. There can be no guarantee, however, that the County Board will retain its current constituency in the future, and there can be no

guarantee that a future County Board will retain the current County Board's policy with respect to the Series 2024 Bonds.

(4) Limitation on Enforceability of Remedies. The realization of any rights upon a default will depend upon the exercise of various remedies specified in the Trust Agreement and the Financing Agreement. Any attempt by the Trustee to enforce such remedies may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the legal and equitable remedies specified in the Trust Agreement and the Financing Agreement may not be readily available or may not be enforced to the extent enforcement of such remedy is unconstitutional or contravenes public policy.

(5) Ratings Downgrades. Economic and political uncertainty relating to the economy and the debt of the United States of America, and other developments that may affect the financial condition of the United States government, the United States debt limit and the bond ratings of the United States and its instrumentalities, could adversely affect the perceived creditworthiness of issuers such as the County and result in ratings downgrades of obligations issued by state and local governments, including the Series 2024 Bonds. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity and market value of outstanding debt obligations, including the Series 2024 Bonds.

## CERTIFICATES OF AUTHORITY AND COUNTY OFFICIALS

Concurrently with the delivery of the Series 2024 Bonds, the Authority and the County will furnish to the successful bidder without cost (a) certificates dated the date of delivery of the Series 2024 Bonds, signed by the appropriate Authority and County officials and stating that no litigation of any kind is then pending or, to the best of their information, knowledge and belief, threatened against the Authority or the County to restrain or enjoin the issuance or delivery of the Series 2024 Bonds and (b) certificates dated the date of delivery of the Series 2024 Bonds, stating that the descriptions and statements in the Official Statement (except in the sections entitled "DESCRIPTION OF THE SERIES 2024 BONDS – Book-Entry System" and "TAX MATTERS," in the columns "Yield" and "CUSIP No." on the inside cover and in Appendix E and Appendix F), on the date of the Official Statement and on the date of delivery of the Series 2024 Bonds, were and are true and correct in all material respects, did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in light of the circumstances under which they were made, not misleading. Such certificates will also state, however, that such Authority and County officials did not independently verify the information indicated in the Official Statement as having been obtained or derived from sources other than the Authority or County and its officers but they have no reason to believe that such information is not accurate.

## SALE AT COMPETITIVE BIDDING

The Series 2024 Bonds were offered for sale at competitive bidding at 10:45 a.m. Eastern Time, September 4, 2024 and were awarded to Piper Sandler & Co. (the "Purchaser") on the terms as to interest rates, prices and yields set forth on the inside front cover of this Official Statement. The expected selling compensation to such winning bidder is $252,557.75 (or .980997% of the principal amount of the Series 2024 Bonds).

The Purchaser may offer and sell the Series 2024 Bonds to certain dealers (including dealer banks and dealers depositing the Series 2024 Bonds into investment trusts) and others at a price different from the public offering price stated on the cover page of this Official Statement. Such initial public offering price may be changed from time to time by the Purchaser.

## RATINGS

Moody's and Standard & Poor's have assigned ratings of "Aa1" and "AA+," respectively, to the Series 2024 Bonds.

Reference should be made to Moody's and Standard & Poor's for a more complete explanation of the significance of the ratings assigned by such rating agencies. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be downgraded, changed, suspended or withdrawn entirely by such rating agencies if, in the judgment of such rating agencies, changes in or unavailability of, information so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Series 2024 Bonds. See "BONDHOLDERS' RISKS – Ratings Downgrades," above.

## BONDS ELIGIBLE FOR INVESTMENT AND SECURITY FOR PUBLIC DEPOSITS

The Act provides that bonds issued pursuant thereto shall be legal and authorized investments for banks, savings banks, trust companies, building and loan associations, insurance companies, fiduciaries, trustees and guardians and for all public funds of the Commonwealth or other political corporations or subdivisions of the Commonwealth. The Act also provides that bonds, such as the Series 2024 Bonds, issued pursuant thereto may properly and legally be deposited with and received by any state or municipal officer or any agency or political subdivision of the Commonwealth for any purpose for which the deposit of bonds or obligations of the Commonwealth is now or may hereafter be authorized by law. The opinion of Bond Counsel as described herein will state that, subject to the conditions set forth therein, the Series 2024 Bonds are issued in accordance with the Act. No representation is made as to the eligibility of the Series 2024 Bonds for investment or any other purchase under any law of any other state.

## LITIGATION

To the best information, knowledge and belief of the Authority and the County, there is no litigation of any kind now pending or threatened to restrain or enjoin the issuance or delivery of the Series 2024 Bonds, in any manner questioning the proceedings and authority under which the Series 2024 Bonds are being issued, or affecting the power and authority of the Authority or the County to execute or perform their obligations under the Financing Agreement or the Trust Agreement, or of the County to make payments due under the Financing Agreement. In addition, to the best information, knowledge and belief of the County, there is no litigation presently pending, or threatened against the County which, in the event of an unfavorable decision, would have a material adverse effect upon the financial condition of the County.

## LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Series 2024 Bonds will be subject to the approving opinion of Haneberg Hurlbert PLC, Bond Counsel, which will be furnished at the expense of the County upon delivery of the Series 2024 Bonds, in substantially the form set forth as Appendix E (the "Series 2024 Bond Opinion"). Certain legal matters will be passed upon for the County by the County Attorney, Karl R. Holsten, Esquire, and for the Authority by McGuireWoods LLP.

The Series 2024 Bond Opinion will be limited to matters relating to authorization and validity of the Series 2024 Bonds and to the tax status of interest thereon as described in the subsection "TAX MATTERS." Bond Counsel has not been engaged to investigate the financial resources of the County or its ability to provide for payment of the Series 2024 Bonds, and the Series 2024 Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making a decision to purchase Bonds.

## TAX MATTERS

***Opinion of Bond Counsel***

*Federal Income Taxes*. The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2024 Bonds. The summary is based upon the provisions of the Code, the Treasury Regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. Such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those described below. The summary generally addresses Series 2024 Bonds held as capital assets within the meaning of Section 1221 of the Code and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Series 2024 Bonds as a hedge against currency risks or as a position in a "straddle," "hedge," "constructive sale transaction" or "conversion transaction" for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers that acquire Series 2024 Bonds at their initial issue price except where otherwise specifically noted. Potential purchasers of the Series 2024 Bonds should consult their own tax advisors in determining the federal, state, local, foreign and other tax consequences to them of the purchase, holding and disposition of the Series 2024 Bonds.

The Authority has not sought and will not seek any rulings from the Internal Revenue Service with respect to any matter discussed herein. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax characterizations and tax consequences set forth below.

As used herein, the term "U.S. Holder" means a beneficial owner of Series 2024 Bonds that is (a) an individual citizen or resident of the United States for federal income tax purposes, (b) a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (c) an estate whose income is subject to federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding clause (d) of the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that elect to continue to be treated as United States persons also will be U.S. Holders. In addition, if a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) holds Series 2024 Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) that holds Series 2024 Bonds, the U.S. Holder is urged to consult its own tax advisor regarding the specific tax consequences of the purchase, ownership and dispositions of the Series 2024 Bonds.

Non-U.S. Holders should consult their own tax advisors with respect to the specific tax consequences of the purchase, ownership and disposition of the Series 2024 Bonds, including without limitation the possible applicability of federal withholding and other taxes upon income realized in respect of the Series 2024 Bonds.

*Taxation of Interest Generally.* Interest on the Series 2024 Bonds is <u>not</u> excluded from gross income for federal income tax purposes under Section 103 of the Code and so will be fully subject to federal income taxation. Purchasers will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series 2024 Bonds. In general, interest paid on the Series 2024 Bonds and recovery of any accrued original issue discount and market discount will be treated as ordinary income to a bondholder, and after adjustment for the foregoing, principal payments will be treated as a return of capital to the extent of the U.S. Holder's adjusted tax basis in the Series 2024 Bonds and capital gain to the extent of any excess received over such basis.

*Recognition of Income Generally.* Section 451(b) of the Code provides that purchasers using an accrual method of accounting for U.S. federal income tax purposes may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such purchaser. In this regard, Treasury Regulations provide that, with the exception of certain fees, the rule in section 451(b) will generally not apply to the timing rules for original issue discount and market discount, or to the timing rules for de minimis original issue discount and market discount. Prospective purchasers of the Series 2024 Bonds should consult their own tax advisors regarding any potential applicability of these rules and their impact on the timing of the recognition of income related to the Series 2024 Bonds under the Code.

*Virginia Taxation.* Bond Counsel is also of the opinion that, under existing law, the interest on the Series 2024 Bonds will be exempt from income taxation by the Commonwealth and any political subdivision thereof. Bond Counsel expresses no opinion as to other Commonwealth or local tax consequences arising with respect to the

Series 2024 Bonds nor as to the taxability of the Series 2024 Bonds or the income therefrom under the laws of any state other than the Commonwealth.

*Other Tax Matters.* In addition to the matters addressed above, prospective purchasers of the Series 2024 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2024 Bonds, either upon issuance of the Series 2024 Bonds or thereafter, should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Series 2024 Bonds also should consult their own tax advisors as to the status of interest on the Series 2024 Bonds under the tax laws of any state other than the Commonwealth.

## FINANCIAL ADVISOR

PFM Financial Advisors LLC, Arlington, Virginia, serves as Financial Advisor to the County. The Financial Advisor has advised the County in matters relating to the planning, structuring and issuance of the Series 2024 Bonds and has assisted in the review of this Official Statement, but the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is a financial advisory, investment management and consulting organization and is not engaged in the business of underwriting municipal securities. A portion of the Financial Advisor's fee for services rendered with respect to the sale of the Series 2024 Bonds is contingent upon the issuance and delivery of the Series 2024 Bonds.

## CONTINUING DISCLOSURE

To permit compliance by the purchasers of the Series 2024 Bonds with the continuing disclosure requirements of Rule 15c2-12, the County will execute a Continuing Disclosure Agreement (the "CDA") at closing, by which it will agree to provide certain annual financial information and event notices required by Rule 15c2-12. Such information will be filed through the Electronic Municipal Market Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board and may be accessed through the Internet at emma.mrsb.org. Prior to July 1, 2009, filings by the County were made through the then existing national recognized municipal securities information repositories. As described in <u>Appendix F</u>, the CDA requires the County to provide only limited information at specific times, and the information provided may not be all the information necessary to value the Series 2024 Bonds at any particular time. The County may from time to time disclose certain information and data in addition to that required by the CDA. If the County chooses to provide any additional information, the County will have no obligation to continue to update such information or to include it in any future disclosure filing. The County has previously either filed Continuing Disclosure Notices on EMMA, or included disclosure in Official Statements with respect to its bonds, notifying the marketplace of the late filing of its Annual Disclosure (Annual Comprehensive Financial Report, or "ACFR") for its Fiscal Years ended June 30, 2018, 2019, and 2020, and notice of late cross-linkage of its Fiscal Year 2018 Annual Disclosure to one base CUSIP number for certain lease revenue bonds of the Authority, as to which the County is the obligated party. In addition to such notices previously filed on EMMA or otherwise disclosed, the County filed a Continuing Disclosure Notice on EMMA on or about August 16, 2024 disclosing the late filing of Annual Disclosure for Fiscal Year 2023. The County continues to work with its auditors regarding the timely completion and filing of the County's ACFR. Except to the extent that such circumstances or other circumstances previously disclosed on EMMA and/or in prior Official Statements of the County with respect to the County's prior filings of its Annual Disclosure, all of which are available on EMMA and incorporated herein by reference, are deemed material, (1) the County has not failed in the last five years to comply in all material respects with any previous continuing disclosure undertakings under Rule 15c2-12, and (2) the County's previous statements in this regard have been materially accurate.

Failure by the County to comply with the CDA is not an event of default under the Series 2024 Bonds or the Trust Agreement. The sole remedy for a default under the CDA is to bring an action for specific performance of the County's covenants thereunder, and no assurance can be provided as to the outcome of any such proceeding.

## MISCELLANEOUS

References in this Official Statement to the Financing Agreement and the Trust Agreement and to other materials and documents are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of their provisions. Reference is hereby made to such materials and documents, copies of which are on file with the Trustee, for the complete provisions thereof.

Except with respect to the section "THE AUTHORITY" and that part of the section "LITIGATION" pertaining to the Authority, all information in this Official Statement, including the appendices, has been furnished by the County or the Financial Advisor, and such information has not been reviewed by Authority representatives or approved by the Authority for use in this Official Statement. The Authority assumes no responsibility for the accuracy or completeness of such information.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Series 2024 Bonds.

The distribution of this Official Statement has been duly authorized by the County Board.

**SPOTSYLVANIA COUNTY, VIRGINIA**

By: *<u>/s/ Edward Petrovitch</u>*
Edward Petrovitch,
County Administrator

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# APPENDIX A

# DEFINITIONS OF CERTAIN TERMS

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**APPENDIX A**

## DEFINITIONS OF CERTAIN TERMS

"Account" means any of the various Accounts created under a Fund under the Trust Agreement.

"Additional Payments" means payments made by the County pursuant to the Financing Agreement other than Annual Payments.

"Annual Payments" means the payments payable by the County under the Financing Agreement, which payments are calculated to correspond in amount to the payments of principal and interest due on the Bonds.

"Arbitrage Rebate Fund" means the Arbitrage Rebate Fund established in the Financing Agreement.

"Authorized Authority Representative" means any officer of the Authority.

"Authorized County Representative" means such person or persons as may be designated to act on behalf of the County by a certificate executed by the County Administrator and on file with the Trustee.

"Bond Counsel" means an attorney or a firm of attorneys nationally recognized on the subject of municipal bonds and reasonably acceptable to the Trustee.

"Bond Fund" means the Bond Fund established in the Master Trust Agreement.

"Bond Payment Date" means the date on which any payment of principal of (whether at maturity or pursuant to mandatory sinking fund redemption) or interest on any Series of Bonds is due.

"Bonds" means collectively, the Series 2024 Bonds, the Authority's $32,750,000 Revenue and Refunding Bonds, Series 2014, the Authority's $26,000,000 Public Facilities Revenue Refunding Bonds, Series 2021, and any additional Series of Bonds issued under the Master Trust Agreement.

"Business Day" means a day on which banking business is transacted, but not including Saturday, Sunday or legal holiday, or any day which banking institutions are authorized by law to close in the city in which the Trustee has its designated corporate trust office.

"Code" means the Internal Revenue Code of 1986, as amended, including applicable regulations, rulings and revenue procedures promulgated or applicable thereunder.

"Debt Service Reserve Fund" means the Debt Service Reserve Fund established in the Trust Agreement.

"Fiscal Year" means the twelve-month period beginning July 1 of one year end and ending on June 30 the following year, or such other Fiscal Year of twelve months as may be selected by the County.

"Fitch Ratings" means Fitch Ratings, New York, New York, or its successors.

"Government Certificates" means certificates representing proportionate ownership of Government Obligations, which Government Obligations are held by a bank or trust company organized under the laws of United States of America or any of its states in the capacity of custodian of such certificates.

"Government Obligations" means (a) bonds, notes and other direct obligations of the United States of America, (b) securities unconditionally guaranteed as to the timely payment of principal, if applicable, and interest by the United States of America or (c) bonds, notes and other obligations issued or guaranteed as to the timely payment of principal and interest by the Rural Utilities Service (certificates of beneficial ownership), Federal Housing Administration (debentures), General Services Administration (participation certificates), U.S. Maritime Administration (guaranteed Title XI financing), U.S. Department of Housing and Urban Development (project notes and local authority bonds), provided such obligations are backed by the full faith and credit of the United States of

America. Stripped Securities are permitted only if stripped by the agency itself. Government Obligations may be held directly by the Trustee or in the form of securities of any open-end or closed-end management type investment of company or investment trust registered under the Investment Company Act of 1940, provided that the portfolio or such investment company or investment trust is limited to Government Obligations.

"Interest Account" means the Interest Account in the Bond Fund established in the Master Trust Agreement.

"Moody's" means Moody's Investors Service, New York, New York, or its successors.

"Net Proceeds" means the gross proceeds from any insurance recovery, or condemnation, eminent domain or loss of title award in connection with the Collateral Property, less payments for attorneys' fees, fees and expenses of the Trustee and other expenses incurred in the collection of such gross proceeds.

"New County Building" shall mean an existing approximately 157,819 square foot building located at 10300 Spotsylvania Avenue, including parking lots and surrounding environs.

"Opinion of Counsel" means an opinion of any attorney or firm of attorneys, who may be counsel for the Authority, the County or the Trustee but who shall not be a full-time employee of the Authority, the County or the Trustee.

"Outstanding" means, when used as descriptive of Bonds, that such Bonds have been authorized, issued, authenticated and delivered under the Master Trust Agreement and have not been canceled or surrendered to the Trustee for cancellation, deemed to have been paid as provided in Master Trust Agreement, have had other Bonds issued in exchange therefor or had their principal become due and moneys sufficient for their payment deposited with the Trustee as provided in the Master Trust Agreement.

In determining whether holders of a requisite aggregate principal amount of the Outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the Master Trust Agreement, words referring to or connoting "principal of" or "principal amount of" Outstanding Bonds shall be deemed also to be references to, to connote and to include the accreted value of Bonds of any Series as of the immediately preceding interest compounding date for such Bonds. Bonds that are owned by the County shall be disregarded and deemed not to be Outstanding for the purpose of any such determination.

"Plan of Finance" means the payment of or reimbursement to the County for the costs of acquisition, construction and equipping of the New County Building, which is expected to be used by the County for its governmental purposes.

"Principal Account" means the Principal Account in the Bond Fund established in the Master Trust Agreement.

"Rating Agency" or "Rating Agencies" means Fitch, Moody's or Standard & Poor's, or any of them, and their successors. The Authority may appoint any nationally recognized securities rating agency in addition to or as a replacement for Fitch, Moody's or Standard & Poor's.

"Series" or "Series of Bonds" means a separate series of Bonds issued under the Master Trust Agreement and a Supplemental Agreement of Trust. The Series 2024 Bonds shall constitute a Series of Bonds.

"Series 2024 Project Fund" means the fund by such name established in the Supplemental Agreement of Trust for the Series 2024 Bonds.

"Series Debt Service Reserve Requirement" for any Series of Bonds means the amount required by the Supplemental Agreement of Trust authorizing such Series of Bonds to be maintained within the Series Debt Service Reserve Account.

"Standard & Poor's" means Standard & Poor's Public Finance Ratings, New York, New York, or its successors.

"Supplemental Agreement of Trust" means any Supplemental Agreement of Trust supplementing, amending or modifying the provisions of the Master Trust Agreement entered into by the Authority and the Trustee pursuant to Article X of the Master Trust Agreement.

"Supplemental Financing Agreement" means any Supplemental Financing Agreement supplementing, amending or modifying the provisions of the Financing Agreement entered into by the Authority and the County pursuant to the Master Trust Agreement.

"Term Bonds" means any Bonds stated to mature on a specified date and required to be redeemed in part prior to maturity according to a sinking fund schedule.

"Virginia Code" means the Code of Virginia of 1950, as amended.

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# APPENDIX B

# SUMMARY OF FINANCING DOCUMENTS

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**APPENDIX B**

## SUMMARY OF FINANCING DOCUMENTS

The following is a summary of certain provisions of the Trust Agreement and the Financing Agreement. This summary does not purport to be comprehensive or definitive and is qualified by references to such documents in their entirety, copies of which may be obtained at the office of the County Administrator. All capitalized terms used in this summary have the meanings set forth in the Official Statement and in Appendix A, unless otherwise indicated.

## TRUST AGREEMENT

***Establishment of Funds and Accounts***. The following funds and accounts are established and utilized the Trust Agreement:

(a) Project Fund. A "Series 2024 Project Fund" account has been established in the Project Fund for deposit of the proceeds of the Series 2024 Bonds.

(b) Bond Fund, in which there are established a separate Interest Account and Principal Account and a separate subaccount in each such Account with respect to the Series 2024 Bonds.

(c) Debt Service Reserve Fund. An account has not been established in the Debt Service Reserve Fund to secure the Series 2024 Bonds.

The Trust Agreement provides that separate subaccounts will be established for each Series of Bonds issued under the Trust Agreement.

The Trust Agreement permits funds and accounts to be established pursuant to Supplemental Agreements of Trust. The Supplemental Agreement of Trust for the Series 2024 Bonds establishes the Series 2024 Project Fund for deposit of the proceeds of the Series 2024, in connection with the Plan of Finance.

***Pledge of Payments and Funds***. All payments received by the Authority under the Trust Agreement (except certain payments to the Authority for its fees and expenses) and all money in the Bond Fund are pledged to the payment of the principal of and interest on the Bonds, subject only to the right of the Authority to apply them to other purposes as provided in the Trust Agreement. The lien and trust created by the Trust Agreement is for the equal and ratable benefit of the holders of the Bonds issued under the Trust Agreement; provided that moneys in any account or subaccount of the Bond Fund relating to a particular Series of Bonds shall secure only such Bonds; that (moneys in any account or subaccount of the Project Fund relating to a particular Series of Bonds shall secure only such Bonds; and that moneys in any account or subaccount of the Debt Service Reserve Fund relating to a particular Series of Bonds shall secure only such Series of Bonds.

***Bond Fund***. The Trustee will deposit in the Bond Fund installments of all Annual Payments received by the Trustee from the County, together with other amounts transferred from the Project Fund pursuant to the Financing Agreement or the Trust Agreement. The Trustee shall deposit each installment (a) to the applicable subaccount established in the Interest Account an amount equal to the interest due and payable on the next Bond Payment Date for each Series of Bonds, and (b) to the applicable subaccount established in the Principal Account an amount equal to the principal due and payable on the next Bond Payment Date for each Series of Bonds, whether at maturity or pursuant to mandatory sinking fund redemption. The Trustee shall withdraw from the respective subaccounts within the Interest Account and the Principal Account, on each Bond Payment Date, amounts equal to the amounts of interest and principal, if any, due with respect to the related Series of Bonds on such Bond Payment Date, and shall cause the same to be applied to the payment of interest and principal, respectively, if any, due on such Bond Payment Date. In the event there are insufficient moneys in the Interest Account or the Principal Account on any Bond Payment Date to pay interest and principal, if any, due on such Bond Payment Date, the Trustee shall transfer any excess amounts on deposit in the Interest Account or the Principal Account, as applicable, to the other Account in which there are insufficient moneys. At any time the Trustee is required to make transfers to the Bond Fund and there are insufficient moneys to make all required transfers, the Trustee shall make the transfers ratably from the moneys available. The Trustee will pay from the Bond Fund when due the principal of and interest on the Bonds then outstanding and will redeem or purchase Bonds in accordance with the redemption provisions of the Bonds and the Trust Agreement.

***Parity of Bonds***. Each Series of Bonds shall be issued pursuant to a Supplemental Agreement of Trust and shall be equally and ratably secured under the Trust Agreement, without preference, priority or distinction; provided, however, that the moneys in each Series Debt Service Reserve Account, if any, shall secure only the applicable Series of Bonds which provided such moneys; moneys in any account or subaccount of the Bond Fund relating to a particular Series of Bonds shall secure only such Bonds; and moneys in any account or subaccount of the Project Fund relating to a particular Series of Bonds shall secure only such Bonds; and provided further that any Series of Bonds may have other security pledged to its payment. In connection with the issuance of each Series of Bonds, the Trustee may create additional accounts and subaccounts within any Fund or Account established by the Master Trust Agreement.

***Investments***. Any money held under the Trust Agreement may be invested in obligations or securities that are permitted for the investment of public funds under the Investment of Public Funds Act (Chapter 45, Title 2.2 of the Virginia Code), or any successor provision of law applicable to such investments.

Any investments will be held by or under the control of the Trustee and while so held will be deemed a part of the fund in which such money was originally held. The earnings accruing on such investments, including any profit realized, will be credited to such funds, except as otherwise provided in the Trust Agreement, and any loss resulting from such investments shall be charged to such funds. The Trustee will sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund is insufficient for its purposes.

***Events of Default and Remedies***. Each of the following is an Event of Default under the Trust Agreement: (1) default in the payment of interest on any Bond when due, (2) default in the payment of principal of any Bond when due, (3) failure by the Authority to observe and perform any of its other covenants, conditions or agreements under the Trust Agreement or in the Bonds, subject to certain rights of the Authority to notice and an opportunity to cure, and (4) any event of default under the Financing Agreement.

***Remedies; Rights of Bondholders***. Upon the occurrence and continuation of an Event of Default, the Trustee may, and if required by the holders of twenty-five percent in principal amount of Bonds outstanding will, declare the entire unpaid principal of and interest on the Bonds due and payable and, thereupon, the entire unpaid principal of and interest on the Bonds will be immediately due and payable. Upon any such declaration, the Authority will immediately pay to the holders of the Bonds the entire unpaid principal of and premium, if any, and accrued interest on the Bonds, but only from revenues and receipts derived from the County under the Financing Agreement as well as funds held by the Trustee and pledged to the payment of the Bonds.

The Trustee may (and if requested by the holders of not less than 25% in aggregate principal amount of Bonds outstanding shall) proceed to protect and enforce the rights of the holders of such Bonds and to enforce the covenants and conditions of the Financing Agreement in the manner it deems most expedient to the interests of such holders. All remedies under the Trust Agreement are cumulative.

Other than the remedies described above, no holder of any Bond will have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Trust Agreement, the execution of any of its trust agreement or any other remedy under it, unless (1) an Event of Default (as defined in the Trust Agreement) has occurred and is continuing and the Trustee has notice of it; (2) the holders of 25% in aggregate principal amount of Bonds and an additional Series then Outstanding have made written request to the Trustee, and offered it reasonable opportunity either to proceed to exercise the powers granted by the Trust Agreement, to institute such action, suit or proceeding in its own name; (3) the Trustee has been indemnified as provided by the Trust Agreement; (4) the Trustee has failed or refused within a reasonable time to comply with such request; and (5) no direction inconsistent with such request and has been given to the Trustee by the holders of a majority in principal amount of Bonds then Outstanding. Notwithstanding any other provision to the contrary, the holders of a majority in aggregate principal amount of the Bonds and any additional Series outstanding, upon compliance with the Trust Agreement's requirements and indemnification of the Trustee, will have the right to direct all proceedings to be taken by the Trustee.

Subject to limitations set forth in the Trust Agreement, the Trustee may in its discretion, waive any Event of Default under the Trust Agreement or any action taken pursuant to such Event of Default and will do so on the request of the holders of a majority in aggregate principal amount of Bonds then Outstanding. However, no waiver will extend to any subsequent or other default or 'impair any right resulting from it.

***Discharge of Trust Agreement***. A Bond will be deemed no longer outstanding when any such Bond has been cancelled or surrendered for cancellation or purchased by the Authority from moneys in the Bond Fund or as to any Bond not so cancelled or purchased when (i) payment of the principal and the applicable premium, plus interest to the due date thereof shall have been made or cause to be made in accordance with the terms thereof, or (ii) payment of the principal and applicable premium, plus interest on such principal to the due date thereof shall have been provided by irrevocably depositing with the Trustee (A) money sufficient to make such payment (B) noncallable Government Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, or (C) a combination of both such moneys and noncallable Government Obligations and (D) payment of all necessary and proper fees, costs and expenses of the Trustee shall have been made. Notwithstanding the foregoing, the Bonds which are to be redeemed before their maturity will be deemed paid and no longer outstanding only if such Bonds have been irrevocably called or designated for redemption.

***Supplemental Agreements of Trust***. Any provision of the Trust Agreement may be modified or altered by the Authority and the Trustee, by a Supplemental Agreement of Trust, upon consent of the holders of a majority in an aggregate principal amount of Bonds outstanding; provided that certain amendments relating to the payment of the Bonds may be made only with the consent of all holders of the applicable Bonds.

In addition, the Authority and the Trustee may enter into Supplemental Agreements of Trust without the consent of holders of the Bonds, (1) to cure any ambiguity, formal defect or omission in the Trust Agreement; (2) grant to or confer upon the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred on the Bondholders; (3) to add to the covenants and agreements of the Authority in the Trust Agreement other covenants and agreements to be observed by the Authority; (4) to modify, amend or supplement the Trust Agreement in such manner as required to permit its qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or any state securities (Blue Sky) law; (5) to modify the Trust Agreement as required to permit the Authority to comply with the provisions of the Code relating to the rebate requirement with respect to investment of proceeds of the Bonds, provided that such modification does not materially adversely affect the holders of all Bonds then outstanding; (6) to modify the Trust Agreement in such manner as may be required to maintain any rating on any Bonds, provided that such amendment does not, in the opinion of the Trustee, materially adversely affect the holders of all Bonds then outstanding; (7) to authorize the issuance of and secure one or more Series of Bonds; and (8) to modify the Trust Agreement in any manner that the Trustee concludes is not materially adverse to holders of all Bonds then outstanding.

## THE FINANCING AGREEMENT

***Agreement to Make Loan to Finance the Plan of Finance***. In the Financing Agreement, the Authority agrees to make, but solely from the proceeds of the Series 2024 Bonds, and the County agrees to accept a loan to finance the costs of the Plan of Finance. The County agrees to make all Annual Payments and Additional Payments when and as the same become due and payable to repay such loan, subject to appropriation to the County Board.

***Bonds***. In order to provide funds for making such loan the Authority will agree to issue the Series 2024 Bonds bearing interest, maturing and having the other terms and provisions set forth in the Eleventh Supplemental Trust Agreement.

***Payments Under Financing Agreement***. Under the Financing Agreement the County agrees to pay to the Authority, or to its assignee, the Annual Payments set forth in the Financing Agreement. The Annual Payments are in such amounts and are payable at such times as are calculated to be sufficient to pay principal of and interest on the Bonds and any additional Bonds. The County will receive a credit against its undertaking to make Annual Payments to the extent there are amounts on deposit in the Bond Fund, provided that such amounts have not been applied previously as a credit with respect to any Annual Payment. The County also agrees to make Additional Payments to the Trustee for its reasonable fees and expenses and to the Authority for its expenses.

**Payments of Annual Payments and Additional Payments by the County are subject to appropriations being made from time to time by the County Board for such purposes. In the Financing Agreement, the Board of Supervisors has directed the County Administrator or other officer charged with the responsibility for preparing the County's annual budget to include in the budget for each Fiscal Year as a single appropriation the amount of all Annual Payments and estimated Additional Payments during such Fiscal Year.**

The County Administrator or other officer charged with the responsibility for preparing the County's annual budget is required to deliver to the Trustee and the Authority within ten days after the adoption of the annual budget for each Fiscal Year, but not later than ten days after the beginning of each Fiscal Year, a certificate stating whether an amount equal to the Annual Payments and estimated Additional Payments which will be due during such Fiscal year has been appropriated by the County Board. If, by fifteen days after the beginning of the Fiscal Year, the County Board has not appropriated funds for the payment of both Annual Payments and estimated Additional Payments for the then current Fiscal Year, the County Administrator or other officer charged with the responsibility for preparing the annual budget shall give written notice to the County Board of the consequences of such failure to appropriate, including the right of the Authority to accelerate Annual Payments, and request the County Board to consider a supplemental appropriation for such purposes.

The County has the option to prepay Annual Payments at the times and amounts as necessary to exercise its option to cause all or a portion of the Bonds to be redeemed before maturity. Any applicable redemption premium would be paid as an Additional Payment.

***Agreement to Make Additional Loans and Issue Bonds to Finance Additional Projects***. In order to finance the costs of additional projects for the County, the Authority agrees that it will, from time to time, make additional loans to the County for such purposes. Such additional loans shall be made solely from the proceeds of a Series of Bonds issued, at the request of the County, from time to time under the Trust Agreement. The obligation of the Authority to make such additional loans and to issue additional Series of Bonds shall be conditioned upon compliance with the provisions of the Master Trust Agreement.

***Events of Default***. Events of Default under the Financing Agreement include (1) default in the due and punctual payment of an Annual Payment when the same becomes due and payable and continuation of such failure for a period of five days, (2) failure of the County to pay when due any other payment due under the Financing Agreement or to observe and perform any covenant, condition or agreement, which failure shall continue for a period of 30 days after notice is given, with certain rights to cure as described in the Financing Agreement, and (3) bankruptcy or insolvency of the County. Notwithstanding the foregoing, failure to make any payment due or to perform any covenant under the Financing Agreement which results from a failure of the County Board to appropriate moneys for such purposes will not constitute an Event of Default.

***Remedies***. If an Event of Default occurs, remedies available to the Authority are as follows: (1) declare immediately due and payable the entire unpaid principal balance of the Annual Payments due and thereafter to become due through and including the final installment payment of principal on any Bonds then outstanding or (2) take whatever action at law or in equity may appear necessary or desirable to collect Annual Payments and Additional Payments then due or to become due, or to enforce performance and observance of any obligation, agreement or covenant of the County. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS – Financing Agreement." An event of non-appropriation is not an Event of Default. See "BONDHOLDERS' RISKS – Non-Appropriation and Limited Remedies."

The Financing Agreement will be reinstated and any default waived upon certain conditions, including the payment of all arrears in respect of the Bonds.

***Remedy for Non-Appropriation***. If by June 15 of any year, the County Board has failed to appropriate moneys sufficient for the payment of Annual Payments and estimated Additional Payments for the following Fiscal Year, the County Administrator will give notice to the Authority and the Trustee of such failure to appropriate within five Business Days thereafter, and if no such appropriation has been made by June 30 of such year, the Authority will declare immediately due and payable the entire unpaid principal and interest of all Annual Payments due and thereafter to become due through and including the final payment of principal and interest on any Bonds then outstanding. In the event of non-appropriation of funds by the County Board, neither the County nor the Authority may be held liable for the principal and interest payments on the Bonds following the last Fiscal Year in which funds to make payments under the Financing Agreement were appropriated by the County Board.

***Amendments***. The Financing Agreement may be supplemented, amended or modified prior to the payment of all outstanding Bonds, only with the consent of the Trustee, given in accordance with the Master Trust Agreement.

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# APPENDIX C

# INFORMATION REGARDING SPOTSYLVANIA COUNTY, VIRGINIA

## TABLE OF CONTENTS TO APPENDIX C

**APPENDIX C**

# INFORMATION REGARDING SPOTSYLVANIA COUNTY, VIRGINIA

## INTRODUCTION

Located in the northeastern section of Virginia, Spotsylvania County (the "County") is bounded 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, Virginia and 55 miles south of Washington, D.C.

The County was formed in 1721 from sections of the Counties of Essex, King William and King and Queen. It was named for Alexander Spotswood, who was Royal Colonial Governor of Virginia from 1710 to 1722. A fort had been built at the falls of the Rappahannock River in 1676 and settlement started around 1700. Germanna was established as the first county seat in 1722. It had been settled in 1714 by a colony of Germans who were brought to the area by Governor Spotswood. The county seat was moved to Fredericksburg in 1732, to "Old Court House" in 1788, and to Spotsylvania in 1839, where it has remained.

## RECENT DEVELOPMENTS

***Response to Coronavirus (COVID-19) – Spotsylvania County***

Federal Funding. The County received $23.76 million in allocated funds made available to the Commonwealth under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which the County deployed prior to the original spending deadline of December 30, 2020 to the permitted use of funding for public safety personnel costs. Additionally, the County received $26.5 million directly from the U.S. Treasury as its allocation of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) pursuant to the 2021 American Rescue Plan Act. The Board of Supervisors has taken action to allocate this most recent federal funding largely to broadband and water treatment plant capital projects. Unlike the CARES Act funds that originally had a very short timeframe in which the funds were to be spent, the SLFRF allocation has a generous timeframe for expenditure – funds must be obligated by December 31, 2024 and must then be spent by December 31, 2026. SLRF funds remaining as of June 30, 2024 in the amount of $ 24.12 million are expected to be obligated in 2024 and expended prior to the 2026 deadline.

## GOVERNMENT

The Board is the governing body of the County. The Board is comprised of seven members elected from seven voting districts in the County: Battlefield, Berkeley, Chancellor, Courtland, Lee Hill, Livingston and Salem. Each member is elected for a four-year term. The Board members select from among themselves a Chair and a Vice-Chair for one-year terms. The Board is elected to staggered terms, with three members elected in one election cycle and the remaining four members elected in a different election cycle. Terms of three current members expire on December 31, 2025. Terms of the remaining four current members expire on December 31, 2027.

The County functions under a traditional form of government with a County Administrator. Under this form of government, the elected officials include the members of the Board, the Treasurer, the Commissioner of the Revenue, the Sheriff, the Clerk of the Circuit Court and the Commonwealth's Attorney. Mental health, developmental disability, and substance abuse services are provided by the Community Services Board. The Health Department and the Court System are under the control of the Commonwealth of Virginia. All other functions of the County government are managed by department directors that in turn report to the County Administrator. The Deputy County Administrator serves as head of the Social Services Administrative Board.

The County Administrator is appointed by the Board to act as the Board's agent in the administration and operation of the departments and agencies. All departments directly responsible to the Board report to the County Administrator, and he or she acts as the Board's liaison to all other departments and agencies. The County Administrator serves at the pleasure of the Board, carries out its policies and directs business procedures.

## PRINCIPAL EXECUTIVE OFFICERS

| Official | Name | Term and Manner of Selection | Length of Service with County | Expiration of Term |
|---|---|---|---|---|
| Chairman and Board Member (Livingston District) | Jacob Lane | 4 Years (Elected) | 2-½ Years | 12/31/25 |
| Vice Chairman and Board Member (Battlefield District) | Chris Yakabouski | 4 Years (Elected) | 14-½ Years | 12/31/25 |
| Board Member (Chancellor District) | Gerald Childress | 4 Years (Elected) | ½ Years | 12/31/27 |
| Board Member (Berkeley District) | Kevin Marshall | 4 Years (Elected) | 21-½ Years[1] | 12/31/27 |
| Board Member (Courtland District) | Drew Mullins | 4 Years (Elected) | ½ Years | 12/31/27 |
| Board Member (Salem District) | Deborah H. Frazier | 4 Years (Elected) | 26 Years[2] | 12/31/27 |
| Board Member (Lee Hill District) | Lori Hayes | 4 Years (Elected) | 2-½ Year | 12/31/25 |
| County Administrator | Edward Petrovitch | Appointed by Board | 18 Years[3] | Pleasure of Board |
| County Attorney | Karl R. Holsten | Appointed by Board | 11 Years[4] | Pleasure of Board |
| Deputy County Administrator | Mark L. Cole | Appointed by County Administrator | 11-½ Years | Pleasure of County Administrator |
| Commissioner of the Revenue | Deborah F. Williams | 4 Years (Elected) | 37 Years | 12/31/27 |
| Treasurer | Larry K. Pritchett | 4 Years (Elected) | 50 Years | 12/31/27 |
| Superintendent of Schools | Dr. Clint M. Mitchell | Appointed by School Board | 2 months[5] | Pleasure of School Board |
| Chief Financial Officer | Rebecca R. Forry | Appointed by County Administrator | 17 Years[6] | Pleasure of County Administrator |

Source: Office of the County Administrator, Spotsylvania County.

[1] Served as a Firefighter from 2002 to May, 2019, joined the Board of Supervisors in 2018, and was named Business Development Manager in May, 2019.

[2] Has been employed by Spotsylvania County Public Schools for 24 years, including as an Assistant Principal for one year and as Principal in several County schools. Currently, is Principal at Chancellor Middle School. Joined the Board of Supervisors in 2020.

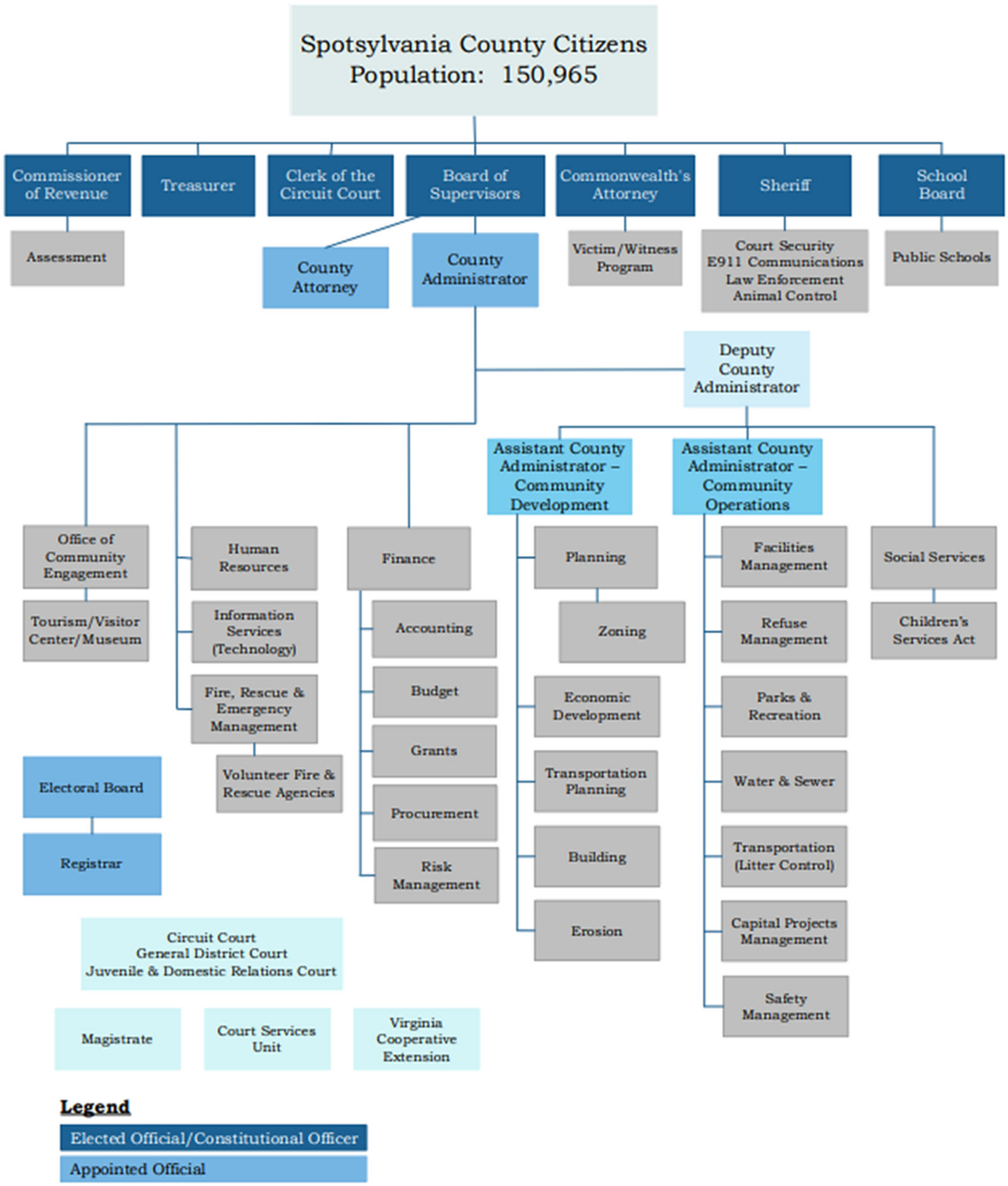
[3] Served as Deputy Director of Utilities since 2006 and Deputy County Administrator from 2008 through 2019. Appointed to serve as County Administrator, effective June, 2019.

[4] Served as Deputy County Attorney since 2013, Interim County Attorney, effective March 31, 2016, and County Attorney effective September 27, 2016.

[5] Appointed Superintendent effective August 1, 2024.

[6] Previously served as Accounting Manager from 2007 to 2014, Controller from 2015 to 2019, and Chief Accounting Officer from 2019 through 2022. Appointed to serve as Chief Financial Officer, effective January, 2023.

**SPOTSYLVANIA COUNTY ORGANIZATIONAL CHART**



## CERTAIN COUNTY ADMINISTRATIVE AND FINANCIAL STAFF MEMBERS

**Edward Petrovitch, E.M.B.A., County Administrator**, was appointed County Administrator in June 2019. Prior to his appointment as County Administrator, he served as Interim County Administrator beginning in April 2019, and prior to that appointment, he served as Deputy County Administrator beginning in March 2015. Mr. Petrovitch was initially hired by the County in August 2006, serving as Deputy Director of Utilities until July 2008, when he was promoted to Director of Utilities. Prior to his employment with the County, he was employed by Fairfax County Water Authority for 29 years. In his tenure with Fairfax County Water Authority he held several positions of increasing responsibility and last served as the Manager of Water Production and Quality. He holds a Bachelor of Science degree and an Executive Master's degree in Business Administration from Virginia Commonwealth University. He is a life member of the Beta Gamma Sigma Honor Society for accredited business school graduates. His professional affiliations include the American Water Works Association and the Water Environment Federation. He also served as an adjunct professor for Germanna Community College, where he taught courses in strategic planning and quality management.

**Karl R. Holsten, Esq., County Attorney,** was appointed to his current position on September 27, 2016 after serving as either a Deputy County Attorney or the Interim County Attorney for a total of three years. He earned a Bachelor of Arts (Political Science) degree and a Juris Doctor degree from the University of Richmond. After graduating from law school, Mr. Holsten worked in the City Attorney's office for the City of Richmond for approximately 10 years, rising to the position of Senior Assistant City Attorney, before joining the Spotsylvania County Attorney's Office in 2013 as a Deputy County Attorney.

**Mark L. Cole, Deputy County Administrator,** was appointed effective January 2, 2013. Prior to this appointment, he was a Program Manager and Systems Analyst for a major defense contractor for more than 27 years. From 1980 to 1985 he served as an officer in the US Navy and continued to serve in the Navy Reserve before retiring as a Commander in 2004. He is currently a member of the Virginia House of Delegates and previously served as a member of the Spotsylvania County Board of Supervisors. He holds bachelor's degrees in computer science and Civil Engineering Technology from Mary Washington College and Western Kentucky University, and is a member of the American Legion and the Veterans of Foreign Wars.

**Rebecca R. Forry, Chief Financial Officer** was appointed Chief Financial Officer effective January, 2023. Prior to her appointment as Chief Financial Officer, Ms. Forry served as the County's Chief Accounting Officer. She was the County's Controller from January 2014 to October 2019 and served as Accounting Manager from August 2007 through December 2014. Prior to her employment with the County, she was employed as an Accounting Manager for a subsidiary of JPMorgan Chase & Co. for approximately three years. Ms. Forry started her career with a CPA Firm providing audit services for local governments and not for profit organizations. She has a Bachelor of Science degree in Accounting, *summa cum laude*, from Strayer University, and earned a CPA certification in May 2004. She is a member of the national and state Government Finance Officers Associations and served as a past board member with the Virginia Government Finance Officers Association and the non-profit organization Healthy Families Rappahannock Area.

**Larry K. Pritchett, Treasurer,** has served as Treasurer since January 1988. He was an accountant with the County from July 1974 to January 1975 and from July 1978 to January 1979 served as Interim County Administrator. He also served as Finance Officer of the County from February 1975 to December 1987. He holds an Associate degree in Business Administration from Germanna Community College and a Bachelor of Science degree in Accounting from Virginia Polytechnic Institute and State University. He is a member and past president of the Virginia Treasurers Association, and is a member of the National Association of County Treasurers and Finance Officers. He holds the certification of Master Governmental Treasurer and the Treasurer's Office is accredited through the Virginia Treasurers Association and the Weldon Cooper Center for Public Service of the University of Virginia.

**Deborah F. Williams, Commissioner of Revenue,** has served in that capacity since January 1, 1996. Prior to this date, Ms. Williams was the Assistant to the Commissioner and Meals Tax Administrator for eight years. She holds a Bachelor of Science degree in Education from Radford University. She is currently a member of the Northern Virginia League of Commissioners of the Revenue, the Virginia Association for Local Executive Constitutional Officers, the Virginia Association of Assessing Officers, the International Association of Assessing Officers and the Commissioners of the Revenue Association. In 1998, she received certification as a Certified Commissioner of the

Revenue by the University of Virginia, Weldon Cooper Center for Public Service and the Division of Continuing Education.

**Dr. Clint M. Mitchell, Superintendent of Schools,** was appointed by the Spotsylvania County School Board to serve as the Superintendent on June 24, 2024, with a contract start date of August 1, 2024. Dr. Mitchell has over 19 years of educational leadership experience in Virginia school systems. Prior to his appointment as Superintendent, he served as the Superintendent of the Town of Colonial Beach Public Schools for approximately three years. In addition to his experience as a Superintendent, he has served in a variety of instructional and leadership roles to include being an adjunct professor at James Madison University, a principal in the Fairfax County Public School system, and a principal, assistant principal, and teacher in the Prince William County Public School system. He earned a Bachelor Arts in Political Science from Brooklyn College, a Master of Arts in Urban Policy and Public Administration from the City University of New York, a Master of Education in Education Leadership from George Mason University, a Doctor of Education in Education Leadership and Policy Studies from Virginia Tech University, and an AASC-Howard University Urban Superintendents Academy Certificate.

## SERVICES PROVIDED BY THE COUNTY

The County provides general governmental services for its citizens including but not limited to emergency medical services and fire protection, collection and disposal of refuse, water and sewer services, parks and recreation, libraries/culture, health and social services. Other services provided by the County, which receive partial funding from the State, include public education in grades kindergarten through twelve and certain technical, vocational and special education, mental health assistance, agricultural services, law enforcement and judicial activities.

### Public Schools

The County school system (the "School System") is governed by an elected seven-member School Board. The School Board appoints a school superintendent who serves at the pleasure of the School Board (as he has no right to automatic contract approval) and is responsible for the operation of the School System in accordance with Virginia laws, regulations of the Virginia Board of Education, and the policies and regulations of the School Board. The superintendent recommends and the School Board appoints a staff that directs the School System.

The School Board presents an annual budget to the Board. Effective with the FY 2024 adopted budget, the Board makes annual categorical appropriations for school operations, but has limited authority over how the appropriations are spent within each category. For FY 2024, the school system's non-capital expenses are funded by the Commonwealth of Virginia (approximately 50.3%), federal funds (approximately 8.3%), fees charged for services (approximately 2.8%) use of prior years' School Food Service Fund balance (approximately 1.0%), and a transfer of revenues from the County's General Fund (approximately 37.6%).

**Summary of Certain School Statistics**

| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|---|
| Kindergarten | 1,623 | 1,379 | 1,646 | 1,607 | 1,656 |
| Elementary (Grades 1-7) | 12,368 | 11,743 | 11,905 | 12,248 | 12,244 |
| Secondary (Grades 8-12) | 9,482 | 9,582 | 9,853 | 9,959 | 9,623 |
| Special Education* | 462 | 383 | 483 | 449 | 465 |
| **Total Enrollment** | **23,935** | **23,087** | **23,887** | **24,263** | **23,988** |
| Teachers & Administrators | 2,032 | 2,032 | 2,046 | 2,129 | 2,164 |
| Other Employees | 1,214 | 1,208 | 1,238 | 1,355 | 1,459 |
| Total Employees | **3,246** | **3,240** | **3,284** | **3,484** | **3,623** |
| Elementary & Intermediate | 24 | 24 | 24 | 24 | 24 |
| Secondary (Includes Vocational) | 7 | 7 | 7 | 7 | 7 |
| **Total Buildings** | **31** | **31** | **31** | **31** | **31** |

Source: Superintendent of Schools, Spotsylvania County.
As of September 30 of each school year.
* Includes pre-kindergarten and Head Start.

## Data on Existing Public Schools

| School | Grade | Site Size | Original Construction Date | Date of Additions | Institutional Capacity | 2023-24 Enrollment |
|---|---|---|---|---|---|---|
| **Elementary:** | | | | | | |
| Battlefield | K-5 | 30.0 Acres | 1974 | 2000 | 833 | 672 |
| Berkeley | K-5 | 17.0 Acres | 1961 | 1971, 1979, 2000, 2005 | 353 | 285 |
| Brock Road | K-5 | 24.4 Acres | 1992 | 2004 | 907 | 691 |
| Cedar Forest | K-5 | 52.4 Acres | 2008 | --- | 936 | 783 |
| Chancellor | K-5 | 12.0 Acres | 1940 | 1948, 1961, 2000 | 455 | 443 |
| Courthouse Road | K-5 | 25.0 Acres | 1994 | 2005 | 907 | 771 |
| Courtland[(1)] | K-5 | ------ | 1989 | 2000 | 789 | 565 |
| Harrison Road[(2)] | K-5 | ------ | 2001 | 2006 | 936 | 728 |
| Lee Hill | K-5 | 21.0 Acres | 1977 | 1990, 1999 | 807 | 686 |
| Livingston | K-5 | 15.5 Acres | 1961 | 1971, 1992 | 504 | 449 |
| Parkside | K-5 | 26.8 Acres | 1994 | 2007 | 936 | 929 |
| Riverview | K-5 | 25.0 Acres | 1994 | 2005 | 907 | 676 |
| Salem | K-5 | 20.0 Acres | 1979 | 1989, 1999 | 815 | 583 |
| Smith Station | K-5 | 23.0 Acres | 1991 | 1999, 2004 | 986 | 705 |
| Spotswood | K-5 | 20.0 Acres | 1965 | 1971, 2000 | 641 | 524 |
| Spotsylvania | K-5 | 14.1 Acres | 1952 | 1977 | 586 | 590 |
| Wilderness | K-5 | 25.0 Acres | 1998 | 2003 | 936 | 649 |
| **Middle:** | | | | | | |
| Battlefield | 6-8 | 30.0 Acres | 1978 | 2003 | 807 | 763 |
| Chancellor[(2)] | 6-8 | ------ | 1989 | --- | 857 | 785 |
| Freedom | 6-8 | 76.7 Acres | 2003 | --- | 948 | 751 |
| Ni River | 6-8 | 75.0 Acres | 1999 | --- | 774 | 714 |
| Post Oak[(3)] | 6-8 | ------ | 2007 | --- | 948 | 709 |
| Spotsylvania | 6-8 | 41.7 Acres | 1968 | 1973 | 907 | 998 |
| Thornburg | 6-8 | 50.0 Acres | 1994 | --- | 790 | 734 |
| **Secondary:** | | | | | | |
| Chancellor | 9-12 | 100.0 Acres | 1988 | --- | 1,427 | 1,359 |
| Courtland | 9-12 | 100.0 Acres | 1980 | 2019 | 1,565 | 1,488 |
| Massaponax | 9-12 | 100.0 Acres | 1998 | 2005 | 1,830 | 1,680 |
| Riverbend | 9-12 | 90.7 Acres | 2004 | --- | 1,995 | 1,937 |
| Spotsylvania | 9-12 | 100.0 Acres | 1994 | --- | 1,611 | 1,307 |
| Spotsylvania Vocational Center[(1)(4)] | --- | ------ | 1980 | 1993 | --- | --- |
| **Alternative:** | | | | | | |
| John J. Wright | K-12 | 20.0 Acres | 1952 | 1962, 1982, 2008 | n/a | n/a |
| Pre-K[(5)] | | | | | | |
| Alt Education | | | | | 90 | 34 |
| | | | | Total | 27,783 | 23,988 |

Source: Superintendent of Schools, Spotsylvania County.
(1) On same site as Courtland High School.
(2) On same site as Chancellor High School.
(3) On same site as Spotsylvania High School.
(4) Included in high school enrollments.
(5) Pre-K enrollment is counted at the home elementary schools above. However, such enrollment for the 2023–2024 school year was 484 students as of October 1, 2023.

**Actual and Projected Daily Student Enrollment by Grade**[1]

| | Actual Daily Student Enrollment by Grade | | | | Projected Daily Student Enrollment by Grade | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Grade** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2025-26** | **2026-27** | **2027-28** | **2028-29** |
| Pre-K | 383 | 483 | 449 | 465 | 483 | 483 | 483 | 483 | 483 |
| K | 1,379 | 1,646 | 1,607 | 1,656 | 1,725 | 1,693 | 1,642 | 1,621 | 1,612 |
| 1 | 1,569 | 1,562 | 1,729 | 1,693 | 1,731 | 1,794 | 1,744 | 1,694 | 1,673 |
| 2 | 1,557 | 1,694 | 1,654 | 1,780 | 1,765 | 1,763 | 1,727 | 1,779 | 1,731 |
| 3 | 1,606 | 1,611 | 1,746 | 1,658 | 1,797 | 1,796 | 1,791 | 1,761 | 1,814 |
| 4 | 1,680 | 1,696 | 1,671 | 1,759 | 1,656 | 1,828 | 1,825 | 1,820 | 1,796 |
| 5 | 1,720 | 1,773 | 1,794 | 1,718 | 1,793 | 1,690 | 1,859 | 1,856 | 1,858 |
| 6 | 1,702 | 1,781 | 1,833 | 1,800 | 1,716 | 1,830 | 1,714 | 1,885 | 1,884 |
| 7 | 1,909 | 1,788 | 1,821 | 1,836 | 1,790 | 1,750 | 1,867 | 1,750 | 1,925 |
| 8 | 1,915 | 1,958 | 1,830 | 1,817 | 1,870 | 1,816 | 1,775 | 1,893 | 1,775 |
| 9 | 1,986 | 2,247 | 2,214 | 1,990 | 2,049 | 2,088 | 2,025 | 1,982 | 2,110 |
| 10 | 2,029 | 1,914 | 2,143 | 2,080 | 1,923 | 1,956 | 1,990 | 1,932 | 1,889 |
| 11 | 1,817 | 1,885 | 1,797 | 1,886 | 1,989 | 1,839 | 1,869 | 1,902 | 1,846 |
| 12 | 1,835 | 1,849 | 1,975 | 1,850 | 2,097 | 2,041 | 1,896 | 1,924 | 1,956 |
| **Total** | **23,087** | **23,887** | **24,263** | **23,988** | **23,384** | **24,307** | **24,207** | **24,282** | **24,352** |

Source: Superintendent of Schools, Spotsylvania County.
(1) As of September 30 or October 1 of each school year.

### Higher Education

Local opportunities for higher education are Germanna Community College, the University of Mary Washington and Strayer University. Germanna Community College, a unit of the Virginia Community College System, offers technical, arts and sciences, and business courses leading to an associate degree. Strayer University enrolls students each quarter from an eight-county service region. The local campus, one of nine campuses in the metropolitan Washington D.C., Maryland and Northern Virginia areas, offers associate, bachelor, and master degrees in a variety of fields. The University of Mary Washington is a state-supported residential and co-educational liberal arts institution with an undergraduate enrollment of approximately 4,000 and more than 300 enrolled in professional studies and graduate programs. The college offers a broad range of academic programs, including bachelor degrees in arts and science and also master degrees in business administration, education and information systems.

In addition, a number of public and private institutions are within 100 miles of the County. To the west and north are the University of Virginia in Charlottesville, George Mason University in Fairfax, and Northern Virginia Community College in Northern Virginia. To the south in Ashland is Randolph-Macon College and in Richmond are the University of Richmond, Virginia Union University, and Virginia Commonwealth University and its medical sciences division, the Medical College of Virginia. Other schools within the City of Richmond offer specialized secretarial and/or technical training.

### Water and Sewer System

Prior to 1971, water and sewer services were provided through a service authority, a sanitary district and the City of Fredericksburg. In 1975, the Department of Utilities was established as an enterprise fund and took over the assets of the service authority and the sanitary district. The Department of Utilities became financially self-supporting in 1981. The Department is managed by the Assistant County Administrator, who reports to the County Administrator, with ultimate authority resting with the Board. The Department has a staff of 140 employees, who are responsible for operating and maintaining the System.

The County water and sewer system currently serves over 34,000 residential and non-residential customers within the County and includes over 1,200 miles of water and sewer mains and laterals. The County's waterworks also provides the City of Fredericksburg with water and up to 1.5 million gallons per day ("MGD") of wastewater treatment. The water system consists of the 6 MGD Ni River Reservoir Water Treatment Plant, the 15 MGD Motts Run Water Treatment Plant and eight water storage tanks with a total storage capacity of 7 million gallons. The sewer system consists of the 9.4 MGD Massaponax Wastewater Treatment Plant, the 4 MGD FMC Wastewater Treatment Plant, and a 0.345 MGD plant at Thornburg. All biosolids generated by the wastewater treatment facilities are composted at the County owned and operated Livingston's Blend compost facility.

**Solid Waste Management**

The waste management needs of County residents are currently met by the Livingston Sanitary Landfill, a 777.9 acre property with a facility boundary of 583.6 acres located in the southwestern part of the County. The County is currently in Phase I, and Phase II. Phase I consists of 65 acres, and has a remaining life expectancy of approximately .5 years. Phase II consists of 34 acres, and has a remaining life expectancy of approximately 27.6 years The facility has an EPA approved composite liner and leachate collection system and an operating permit from the Department of Environmental Quality. Approximately 700 tons per day are disposed of at the site, and the facility meets or exceeds all Department of Environmental Quality standards. An extensive groundwater and methane monitoring program facilitates sound environmental protection.

The residents of the County are also served by 13 staffed convenience centers which integrate residential waste collection with recycling, yard waste mulching operation at two locations and a biosolid composting facility. The County enjoys a residential recycling rate of approximately 45%. The County currently recycles glass, lead acid batteries, aluminum, antifreeze, oil, tires, appliances, propane tanks, wood waste, plastic bottles, steel cans, cardboard, magazines, phonebooks and newsprint at various sites.

**Health Care**

Health care in the County is provided through the local office of the State Health Department and by private institutions. Spotsylvania Regional Medical Center ("SRMC"), the County's first hospital and the region's third hospital, employs over 500. SRMC is part of the HCA hospital chain, the nation's largest, with HCA's Virginia network consisting of 13 other hospitals and more than 30 outpatient centers, freestanding clinics, and urgent care centers. SRMC operates a 7,000 square foot Cancer Center through partnership with Virginia Commonwealth University Massey Cancer Center in Richmond, VA. Mary Washington Healthcare, formerly Mary Washington Hospital, provides primary and advanced health care in the City of Fredericksburg, Spotsylvania, Stafford and Caroline Counties. Mary Washington Hospital also has a cancer treatment center in the County, along with a free-standing emergency room and trauma center. In addition, there are a number of private walk-in clinics that serve the County, and the Medical College of Virginia, the University of Virginia and a number of Washington, D.C. metropolitan area hospitals are located within 75 miles.

**Public Library**

The County participates as a member jurisdiction of the Rappahannock Regional Library and provides economic support with two other counties and the City of Fredericksburg for library services. The main library is located in Fredericksburg and provides a complete range of services including a law library and a historical collection. Two branch library facilities serve the County directly. The Salem Church Branch Library opened in 1994 and serves the northern part of the County. The C. Melvin Snow Branch Library is located at Spotsylvania Courthouse. Additionally, the County has three satellite library branches, one of which occupies space in The Spotsylvania Towne Centre and is a catalyst for trips to the shopping facilities at the Towne Centre.

**Parks and Recreation**

The County Parks and Recreation Department provides and manages a variety of leisure activities and facilities that promote personal growth and physical fitness and serve the recreational needs of County residents. The department maintains 14 parks throughout the County, each with a number of athletic fields, playgrounds and picnic shelters and all are available for public enjoyment. The department offers a variety of programs, including youth sports, leisure classes for children and adults, summer camps and special events. Boating and fishing opportunities exist at the Ni River Reservoir Recreational Area and Hunting Run Park. The Senior Citizens Association is sponsored by the Parks and Recreation Department, providing a social outlet for the County's senior population. County residents and organizations also have access, for meetings and social gatherings, to four community centers maintained by the department, and the Senior Center, which provides activities for senior citizens. Four major Civil War battlefields in the County are managed by the National Park Service, and the 2,000-acre Lake Anna State Park is located on the southern border of the County. The County's central location allows residents easy access to mountains and beaches located within an hour's drive of the County.

**Transportation**

Centrally located in the mid-Atlantic region between Washington, D.C. and Richmond, Virginia, the County is served by an established transportation network. Interstate 95 runs north-south through the County with connectors east and west on Interstate 66 near Washington, D.C., and Interstate 64 in Richmond. U.S. Route 1 and St. Route 208 provide alternative north and south routes and State Route 3 offers east-west access on a four-lane divided highway.

The CSX Railroad passes through the County connecting rail yards in Washington, D.C. and Richmond. Commuter rail service between Washington, D.C. and the City of Fredericksburg, Virginia, began in July 1992. The County joined the Virginia Railway Express (VRE), which provides commuter rail service connecting Northern Virginia suburbs to Union Station in Washington, D.C., in February 2010. Spotsylvania's first commuter rail station has been operational since September 2015.

Shannon Airport, a privately-owned general aviation facility, provides charter, corporate and commuter services and facilities. The airport has a 3,000-foot paved runway and FAA approved lighting. The Stafford Regional Airport facility includes a 5,000 foot by 100-foot instrument runway with full parallel taxiways. The facilities can accommodate 75,000 annual operations and 100 based aircraft, including corporate business jets, with gross weights up to 70,000 pounds and wingspans up to 80 feet. Washington Dulles International Airport and Reagan National Airport are each within 75 miles of the County.

Regional bus service is provided by Fredericksburg Regional Transit (FRED) within the northern portions of the County and the City of Fredericksburg. Thirteen-passenger buses operate along Route 3, Four Mile Fork, Massaponax, and Spotsylvania Courthouse, and connect with routes into the City of Fredericksburg.

**Environmental Initiatives**

Environmental stewardship is one of the County's seven strategic goals. The County is committed to protecting and managing its natural resources in both rural and developed areas. Various departments at the County (such as refuse management, public works) use specific service metrics to measure performance to achieve its goals towards environmental stewardship (i.e., waste recycled, biosolids composted, etc.). The County's Utilities continue to achieve the level of Exemplary Environmental Enterprise (E3) provided by the Virginia Environmental Excellence Program by demonstrating proactive environmental management, compliance with requirements and continuous improvement in its performance.

The County houses one of the largest solar energy facilities in the United States. In April 2019, the Spotsylvania County Board approved special use permits for the Spotsylvania Solar Energy Center (the "Solar Facility"), which is now built and operational in western Spotsylvania County. The Solar Facility is built on 6,350 acres with approximately 3,500 acres developed, and remaining acreage dedicated to open space and buffers. The Solar Facility contains over one million solar panels, and is, at the present time, the largest solar facility east of the Rocky Mountains. The Solar Facility is owned by The AES Corporation and the power generated is utilized by several corporations and organizations including, among others, Microsoft and the University of Richmond. The Solar Facility generates about 600 megC-watts ("MW") dc (485 MW ac) of power and offsets approximately 850,000 tons of carbon from the atmosphere each year. The County's commitment highlights the importance of alternative energy solutions in the County. The Solar Facility also supports the Commonwealth's mandated goal of 100% zero-carbon energy generation by 2050, as written in the Virginia Clean Economy Act (VCEA), passed by the General Assembly in 2020.

### Cybersecurity

The County has a formal Security Strategy in place to ensure appropriate resources are dedicated to various processes, safeguards, on-going testing and data loss prevention to protect County assets and systems from internal and external threats. The County has a dedicated Security Team to oversee these efforts. The County maintains a robust cybersecurity insurance policy.

## ECONOMIC AND RELATED DATA

### Population Figures

The following table presents County population figures for selected years:

| Year | Population |
|---|---|
| 1990 | 57,403 |
| 2000 | 91,504 |
| 2010 | 122,397 |
| 2015 | 130,042 |
| 2016 | 131,401 |
| 2017 | 132,889 |
| 2018 | 134,227 |
| 2019 | 136,447 |
| 2020 | 138,449 |
| 2021 | 139,971 |
| 2022 | 144,796 |
| 2023 | 149,588 |
| 2024 | 150,965 |

Sources: U.S. Census Bureau for years 2023 and prior; Spotsylvania County Planning Department for 2024 estimate.

***[Remainder of Page Intentionally Left Blank – Additional Economic Tables Follow]***

## Income Profile

### Median Household Income

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Spotsylvania County** | $86,695 | $90,262 | $94,299 | $100,162 | $105,068 |
| **Commonwealth of Virginia** | 72,600 | 76,471 | 79,154 | 80,926 | 87,249 |

Sources : U.S. Census Bureau, American Community Survey, 2022 five-year estimates. Latest information available.

### Per Capita Income

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Spotsylvania County + City of Fredericksburg** | $50,016 | $52,041 | $56,272 | $60,595 | $62,617 |
| **Commonwealth of Virginia** | 56,133 | 58,368 | 61,469 | 66,838 | 69,021 |

Source: U.S. Bureau of Economic Analysis, Federal Reserve Bank of St. Louis. Latest information available.

## Construction Activity

The following data is presented to illustrate construction activity in the County:

### Building Permits and Value

| | Number | | | | Value[4] | | | |
|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Commercial[1] | Residential[2] | Accessory Permits[3] | Total | Commercial | Residential | Accessory Permits | Total |
| 2014 | 298 | 429 | 2,384 | 3,111 | $ 57,939,747 | $ 99,272,843 | $ 23,497,438 | $180,710,028 |
| 2015 | 304 | 442 | 2,250 | 2,996 | 74,394,943 | 112,494,521 | 39,905,998 | 226,795,462 |
| 2016[5] | 390 | 510 | 2,689 | 3,589 | 268,671,597 | 131,377,317 | 47,341,882 | 447,390,796 |
| 2017 | 310 | 640 | 2,805 | 3,755 | 93,178,917 | 169,340,263 | 69,390,729 | 331,909,909 |
| 2018[6] | 309 | 715 | 2,999 | 4,023 | 667,146,793 | 186,182,287 | 108,323,303 | 961,652,383 |
| 2019 | 295 | 730 | 2,977 | 4,002 | 159,698,790 | 194,007,855 | 41,686,747 | 395,393,392 |
| 2020 | 217 | 796 | 2,596 | 3,609 | 203,352,245 | 187,811,766 | 51,371,965 | 442,535,976 |
| 2021 | 213 | 942 | 2,978 | 4,133 | 201,978,993 | 177,002,036 | 78,882,048 | 457,863,077 |
| 2022 | 256 | 884 | 3,930 | 5,070 | 328,232,103 | 272,731,535 | 107,046,544 | 708,010,182 |
| 2023 | 276 | 494 | 3,393 | 4,163 | 351,308,647 | 200,547,226 | 158,458,719 | 710,314,592 |

Source: Code Compliance Department, Spotsylvania County.
(1) Commercial includes all new construction, renovations, additions, accessories, tenant build-outs, and site plans.
(2) Residential includes all dwelling unit permits for single family dwellings, townhouses, apartments, singlewides, doublewides, and triplewides.
(3) Accessory permits include all commercial and residential trade work (mechanical, electrical, plumbing), fire permits, residential accessories, over-the-counter permits, and all miscellaneous permit transactions.
(4) Values are taken from permit applications as provided by the applicants. These values do not represent the value assigned by Spotsylvania's Assessment Office.
(5) Includes submissions of several large commercial applications with sizeable stated values, including a substantial site plan for the 900,000 sq. ft. Lidl grocery distribution center.
(6) Includes submission of one large commercial application with a stated value of $500 million.

## Housing

The following data is presented to illustrate the character of housing in the County:

**Housing Units By Type of Structure**

| Type of Structure | 2000[1] Number | 2000[1] % | 2010[2] Number | 2010[2] % | 2020[2] Number | 2020[2] % | 2023[2] Number | 2023[2] % |
|---|---|---|---|---|---|---|---|---|
| Single Family: | | | | | | | | |
| Detached[3] | 28,804 | 86.5% | 37,476 | 86.5% | 41,776 | 80.1% | 43,766 | 77.5% |
| Attached[4] | 2,522 | 7.6 | 2,730 | 6.3 | 4,756 | 9.1 | 5,184 | 9.2 |
| Multi Family: | | | | | | | | |
| Apartments[5] | 1,983 | 5.9 | 3,136 | 7.2 | 5,629 | 10.8 | 7,547 | 13.3 |
| Total | 33,309 | 100.0% | 43,342 | 100.0% | 52,161 | 100.0% | 56,497 | 100.0% |

Source: Planning Department and Assessment Office, Spotsylvania County.
(1) As of April 1, for 1990 and 2000.
(2) As of December 31, for 2010, 2020 and 2023.
(3) Includes trailers, manufactured homes and mobile homes.
(4) Consists of duplexes and townhouses.
(5) Represents the total number of apartments and condominiums (age-restricted included) and assisted living housing units per County building permit data.

## Business and Labor

The County's primary economic development mission is to attract new businesses and capital investment, and to provide a supportive climate for the growth of existing businesses in order to stimulate the creation of jobs and tax revenues. The County has implemented numerous new initiatives and specific programs to accomplish this mission:

The County continues to be a prime business location due to Spotsylvania's geographical location along interstate 95, proximity to military installations and academic institutions, and nearby northern Virginia, D.C., and Richmond, but with a much lower cost-of-living. Due to the County's low tax rates, quality education system, and desirable location, the County has become a leader in job creation in the Commonwealth. The County's pro-business, low regulatory environment has succeeded in the attraction of companies that have created local job opportunities, invested in their properties and in the community, and enhanced the quality of life for our citizens.

The Department of Economic Development and the Economic Development Authority (EDA) continue to jointly embark on a vigorous effort to remain abreast of changes in the local economy, as well as evaluate the potential for future growth of new and existing industries. The EDA has generated over $350,000 in fee revenue through its Bond Financing Program and plans to invest these funds in infrastructure, site development, or other programs to further economic development opportunities in the County.

The County remains a partner with the Fredericksburg Regional Alliance (FRA), a public-private partnership which promotes and markets the region while focusing on targeted industries; assesses and forwards leads to localities from the Virginia Economic Development Partnership (VEDP); and works in many other ways to create and promote opportunities for business growth in the region. In Fall 2015, FRA partnered with the University of Mary Washington and the Fredericksburg Regional Chamber of Commerce in establishing the Center for Economic Research enabling the Fredericksburg Region to join Virginia's other three major metropolitan areas along the "Urban Crescent" in providing local university research services related to the region's economy. FRA is one of four regions in Virginia with universities in their communities that provide excellent research products dealing with our regions' economies.

*Economic Development Programs & Initiatives:*

- The County participates in the Virginia Business Ready Sites Program (VBRSP) administered by the Virginia Economic Development Partnership. The VBRSP is a discretionary program to promote development and characterization of large sites (minimum of 100 contiguous, developable acres) to enhance the

Commonwealth's infrastructure and promote a competitive business environment. The program's goal is to identify, assess, and improve the readiness of potential industrial sites for prospective investment. The County currently has 11 sites that have undergone characterization studies.

- GO Virginia is a statewide economic development initiative intended to create more higher-paying jobs in Virginia through business-led, regional collaboration. The state is split into nine GO Virginia regions, each with its own Regional Council and funding to allocate to qualified projects. Through an application process, applicants must meet certain economic growth and diversification requirements. The County is included in Region 6 which includes Caroline, Fredericksburg, King George, and Stafford along with Northern Neck and Middle Peninsula communities.

- The County has three Opportunity Zones designated by the U.S. Department of Treasury. Opportunity zones are an important federal tool to spur vitality in economic growth in communities across Virginia. The Federal Tax Cuts and Jobs Act of 2017 allows investors to receive tax benefits on currently unrealized capital gains by investing those gains in census tracts designated as Opportunity Zones. The designations are effective until December 31, 2028.

- Technology and Tourism Zone Programs serve both new and existing qualified businesses. The Technology Zone covers the County's primary settlement district encompassing the County's fully-serviced business corridors to encourage growth in Spotsylvania's high-technology sector. Qualifying businesses located within the Technology and Tourism zones are afforded local tax rebates on Business, Professional and Occupational License and Machinery and Tools taxes, and are placed in the County's Targeted Industries Program.

- There are four census tracts designated by the Small Business Administration as Qualified HUBZones that offer businesses an advantage when applying for federal contracts. Two adjacent HUBZones are located in the northern portion of the County on the Route 3 corridor, and the remaining two adjoining tracts are located near Lake Anna.

The County continues to attract businesses that provide a diverse economic base with above average annual salaries. Target market sectors consisting of distribution/manufacturing, professional services, information technology/defense contractors, data centers and destination tourism venues continue to remain strong and out-perform other areas of the state due to Spotsylvania's location and versatile workforce. High-tech service, distribution centers and data center clusters have been identified as the top industry clusters to target due to the on-going changes the pandemic has presented and the introduction of artificial intelligence.

*Major Economic Development Announcements*:

Veterans Administration Clinic – The nation's largest Veterans Administration Clinic will occupy 470,000 square feet on a 48-acre site in Spotsylvania. The nearly $400 million development is in its final year of construction. The facility will be privately owned and, upon completion, will be leased to the United States government for a minimum term of 20 years. The new facility is expected to provide jobs to more than 600 healthcare and administrative employees. Significant public transportation improvements are necessary and underway in the area of the clinic construction.

Kalahari Resorts and Convention Center – Currently under construction in the Thornburg growth corridor, Kalahari Resorts will provide approximately 1.4 million square feet of commercial space to include a 900-room resort, convention center, indoor waterpark and family entertainment center, 12 restaurants, retail and a 10-acre outdoor pool/waterpark. The capital investment is expected to exceed $800 million and create 1,200 jobs. The resort is scheduled to open in 2026.

SpotsyTechPark – This project is a 314-acre industrial-commercial campus envisioned to include 2.9 million square feet of industrial and commercial space. The approved rezoning in February 2023 includes 300,000 square feet of commercial space and 2.6 million square feet of light industrial space to include warehouses, data centers, life science labs, and light manufacturing businesses.

Data Center Development –

- Amazon Web Services (AWS) finalized its performance agreement with the County to invest up to $9.9 billion in Spotsylvania over the next 15 years. The project is expected to include up to thirty (30) 250,000 sq. ft. data centers to be built through 2040. An individual data center is estimated to invest $330 million in real estate and $670 million in business personal property, generating an estimated $4.9 million annually in positive tax revenues. Each center is also estimated to bring in approximately thirty (30) higher-paying technical jobs, and indirect and induced employment from on-going operations to generate another 108 jobs and $5.0 million in labor income. When scaled for full build-out of approximately thirty (30) data centers, the County estimates the potential for up to $450 million in tax revenues and up to 900 higher paying technical jobs through 2040.

- PowerHouse 95 (PH95) broke ground in July 2024 on an 800MW data center campus. The first of three substations is currently under development and is expected to be completed by October 2025. PH95 completed purchase of 145 acres in January. The campus will include a maximum of eight three-story buildings built, totaling 3.5 million sq ft.

- Hunter's Ridge LLC received approval in October 2023 to rezone a 127-acre parcel of land from rural to industrial for data center development. The first phase includes two data centers with a combined 900,000 sq ft of floor space, and another six buildings to be constructed over two additional phases.

Tourism:

One of the primary markets due to its relative size and importance within the County's economy is tourism. According to the Virginia Tourism Corporation 2022 report, Spotsylvania County ranked 23rd out of 133 counties and incorporated cities within the Commonwealth for tourism expenditures generating approximately $334 million in overall economic value, up 2.8% from 2021 and 26% from 2016. Spotsylvania Tourism continues to update its marketing plan, focusing on growth, and quickly adapting to changes in travel trends. Following are examples of the many tourism opportunities that are available in Spotsylvania:

Virginia Renaissance Faire – The Faire currently is held at the Lake Anna Winery for five weekends each year, averaging 20,000 visitors each season. The primary activity of the cast consists of presenting a series of events that will both educate and entertain audiences. Attendance reached a record high of close to 30,000 attendees in 2022.

Virginia Youth Soccer Association (VYSA) – VYSA, a nonprofit devoted to promoting youth soccer in Virginia and D.C., at the Publix Sportsplex, is situated on 80 acres in Spotsylvania. The facility boasts eight Federation International Football Association (FIFA) regulation fields including a small stadium. VYSA hosted the 2017/2018 U.S. Youth Soccer Region 1 Championships. The Championships used 4,000 hotel rooms in the region from Alexandria to Glen Allen and provided ample opportunities for tourism exposure and retail sales for the County. The Publix Sportsplex also hosted the Women and Girls in Soccer (WAGS) Tournament in October 2022, bringing over 5,000 athletes in the region utilizing hotel rooms, restaurants, meeting space, shopping and local attractions.

The County continues to grow in the Agritourism Industry with the addition of breweries and wineries to our inventory. Lake Anna Winery, Wilderness Run Vineyard and Mattaponi Winery are large farm wineries that grow much of their own grapes or fruit. Eden Try Winery is a boutique winery that grows only a small amount of grapes with all production and bottling being done elsewhere, and the product is sold only onsite at special occasions. Bacchus Winery is a micro-winery that purchases grape juice and creates the wine in their facility. Additionally, multiple breweries exist in the County. Maltese and 1781 Breweries have expanded and have seen increased visitation, also offering events that draw large crowds.

A. Smith Bowman Distillery is located in the Bowman Center and continues to win awards for their special blends of bourbon. They have added an additional still and several new staff members and expanded their production capabilities. John J. Bowman Single Barrel Virginia Straight Bourbon Whiskey was recognized as the world's best bourbon by Whiskey Magazine in 2017 and 2021, and they received the gold medal at the 2022 International Wine and Spirits Competition.

Lake Anna State Park continues to expand their program offerings and to host events that draw large crowds such as Iron Man competitions, Lake Anna Brewfest, and a wine festival. The park has a beach on one of Virginia's most popular lakes, a fishing pond accessible for children and the disabled, a bathhouse-concessions complex and a boat launch. Overnight stays are made possible by camping, six camping cabins, four yurts, two six-bedroom lodges and 10 two-bedroom cabins. With more than 15 miles of trails, the park offers many hiking, biking and horseback riding options.

Shannon Air Museum continued to see an increase in visitation and has expanded the gift shop and seating area for the Robin's Nest Café. The Virginia Aeronautical Historical Society is headquartered at Shannon Air Museum. The Shannon Airport held its 9th annual Shannon Harvest Festival Fly-In in 2023, bringing in over 1,000 guests to the area.

Dominion Raceway and Entertainment, a premier motorsports and entertainment venue, continues to over year-round activities featuring three motorsports tracks, a outdoor concert venue, 10 acre retail commercial center and a 33 acre commercial center. The main 36,600 square foot complex hosts corporate events, commercial product releases, a restaurant, and live music.

**Principal Employers Within Spotsylvania County**

| Name | Nature of Business | Employee Range |
|---|---|---|
| Spotsylvania County Schools | Education | 1,000+ |
| Spotsylvania County Government | Local Government | 1,000+ |
| HCA Virginia Health System | Hospital – Spotsylvania Regional | 500-999 |
| Wal-Mart | Retail | 500-999 |
| CVS Pharmacy | Pharmacy Distribution Center | 250-499 |
| Lidl US Operations | Grocery Distribution Center | 250-499 |
| United Parcel Service | Package Delivery Service | 250-499 |
| Germanna Community College | Education | 250-499 |
| Weis Markets | Grocery | 250-499 |
| Kaeser Compressors | Air Compressor Manufacturer | 250-499 |
| Costco Wholesale | Retail | 250-499 |
| Wawa | Convenience Store | 250-499 |
| Target Corp | Retail | 100-249 |
| Administaff | Administrative and Support Services | 100-249 |
| Giant Food | Grocery | 100-249 |
| Alorica Inc. | Administrative and Support Services | 100-249 |
| Mary Washington Hospital | Hospitals | 100-249 |
| Carmax | Automobile Dealer | 100-249 |
| Matern Staffing Inc. | Administrative and Support Services | 100-249 |
| Rappahannock Electric Cooperative | Utilities | 100-249 |

Source: Virginia Employment Commission, as of 4th quarter 2023.

***[Remainder of Page Intentionally Left Blank – Additional Employment Tables Follow]***

Additional major employers located in the surrounding area (but not located in the County) include:

| **Name** | **Nature of Business** | **Employee Range** |
|---|---|---|
| U.S. Department of Defense | Federal Government Agency | 1,000+ |
| GEICO | Insurance Customer Service Center | 1,000+ |
| Stafford County Schools | Education | 1,000+ |
| Federal Bureau of Investigation | Federal Government Agency | 1,000+ |
| County of Stafford | Local Government | 1,000+ |
| University of Mary Washington | Education | 500-999 |
| Medicorp Health System | Physician Recruiting | 500-999 |
| King George County Schools | Education | 500-999 |
| Fredericksburg City Schools | Education | 500-999 |
| McLane Mid Atlantic | Distributor for Convenience Centers | 500-999 |
| Caroline County Schools | Education | 500-999 |
| City of Fredericksburg | Local Government | 500-999 |
| YMCA | Social Advocacy Organization | 500-999 |
| Rappahannock Area Community Services Board | Social Advocacy Organization | 500-999 |
| McDonald's | Food Services and Drinking Place | 500-999 |
| United States Postal Service | Federal Government Agency | 250-499 |
| The Home Depot | Retail | 250-499 |
| County of Caroline | Local Government | 250-499 |
| Wegmans | Food and Beverage Store | 250-499 |

Source: Virginia Employment Commission, as of 4th quarter 2023.

***[Remainder of Page Intentionally Left Blank – Unemployment and Sales Tables Follow]***

**Unemployment Rate**

The following table illustrates the unemployment rate for the County, the Commonwealth of Virginia and the United States for selected years.

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Spotsylvania County** | 5.3% | 4.6% | 4.0% | 3.7% | 3.0% | 2.8% | 6.0% | 3.9% | 2.9% | 2.9% |
| **Commonwealth of Virginia** | 5.1 | 4.4 | 4.0 | 3.7 | 3.0 | 2.8 | 6.2 | 3.9 | 2.9 | 3.0 |
| **United States** | 6.2 | 5.3 | 4.9 | 4.4 | 3.9 | 3.7 | 8.1 | 5.9 | 3.7 | 3.7 |

Source: Bureau of Labor Statistics.

**Taxable Retail Sales**

The table below is a summary of recent County taxable retail sales and per capita taxable retail sales.

**Taxable Retail Sales and**
**Taxable Retail Sales Per Capita**

| Calendar Year | Taxable Retail Sales | Taxable Retail Sales Per Capita |
|---|---|---|
| 2014 | $1,506,373,874 | 11,688 |
| 2015 | 1,547,887,315 | 11,903 |
| 2016 | 1,590,677,800 | 12,106 |
| 2017 | 1,634,908,083 | 12,303 |
| 2018 | 1,696,332,232 | 12,638 |
| 2019 | 1,745,970,012 | 12,796 |
| 2020 | 1,822,004,763 | 12,970 |
| 2021 | 2,125,657,058 | 14,795 |
| 2022 | 2,377,400,013 | 16,419 |
| 2023 | 2,388,309,228 | 15,966 |

Source: Department of Taxation, Commonwealth of Virginia. Latest available information.

## ACCOUNTING SYSTEM AND ANNUAL AUDIT

The accounts of the County are organized on the basis of funds, each of which is considered to be a separate accounting and reporting entity. Operations are accounted for by a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenditures or expenses.

The modified accrual basis of accounting is followed for the governmental funds. Revenue is recorded when received, except for revenue deemed to be available and of a material amount which is accrued. Expenditures are recorded when liabilities are incurred.

An annual audit is made of the various funds of the County, and the most recently completed financial statement submitted by CliftonLarsonAllen, LLP, independent certified public accountants, is presented as Appendix B to this Official Statement. CliftonLarsonAllen, LLP will not review this Official Statement or any other matters in connection with the issuance of the Bonds. For years prior to fiscal year 2020, the County's audit was prepared by Cherry Bekaert, LLP.

Note 1 of the financial statements in Appendix B gives a more detailed summary of significant accounting policies.

## BUDGET

### General

Prior to March 30 of each year, the County Administrator submits to the Board a proposed operating and capital budget for the Fiscal Year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain citizen comments. Prior to June 30, the budget is enacted by resolution of the Board. Thereafter, appropriations are approved annually by the Board. Additions to the budget must be approved and appropriated by the Board. The County Administrator is authorized to transfer budgeted amounts within general government departments and has limited authority to transfer budgeted amounts between departments.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds, and Enterprise Fund. The School Funds are integrated only at the level of legal adoption.

Appropriations lapse on June 30 for all County units except for the Capital Projects Funds which carry unexpended balances into the following year on a continuing appropriation basis.

The Code of Virginia requires that the School Board's requested budget be submitted in its entirety to the Board. Legislation passed in the 1978 General Assembly requires the County to approve an annual budget for education purposes by May 1 or within 30 days of the receipt of estimates of educational funds to the County. The County budget document includes the school system's adopted budget. Once adopted by the County, the School Board's budget is controlled by the School Board. The County and the School Board have adopted their respective budgets for Fiscal Year 2025, which began July 1, 2024.

***[Remainder of Page Intentionally Left Blank – Budget Table Follows]***

Set forth in the table below is a summary of the FY 2025 Adopted General Fund Budget.

| | FY 2025 ADOPTED BUDGET |
|---|---|
| **Sources:** | |
| Revenues: | |
| Property Taxes | $236,266,955 |
| Other Local Taxes | 73,085,825 |
| Licenses & Permits | 764,856 |
| Charges for Services | 6,001,440 |
| Other Local Revenue | 5,678,440 |
| State | 46,865,438 |
| Federal | 1,471,268 |
| Transfer from Fire/EMS Service Fee Fund | 3,600,000 |
| Transfer from Code Compliance Fund | 1,114,805 |
| Total Revenues & Transfers In | 374,849,027 |
| Use of (Addition to) Fund Balance | 14,365,625 |
| Total Sources | $389,214,652 |
| **Uses:** | |
| Executive Services | $ 8,662,422 |
| Administrative Services | 23,466,810 |
| Voter Services | 1,033,008 |
| Judicial Administration | 6,931,835 |
| Public Safety | 96,530,199 |
| Public Works | 14,137,627 |
| Health & Human Services | 33,796,984 |
| Parks, Recreation & Cultural | 9,778,728 |
| Community Development | 5,394,708 |
| Debt Service | 9,778,728 |
| Subtotal | 209,316,828 |
| Tax Relief | 1,400,000 |
| Transfer to School Operating Fund | 155,518,759 |
| Transfers to Other Funds | 22,979,065 |
| Total Uses | $389,214,652 |

**Strategic Plan**

In June 2018, the Board approved strategic plan guidance, entailing the County's vision, values, and long-term strategic goals. The strategic plan adopted by the Board creates a vision of "setting the standard for Virginia Counties." The plan centers around seven strategic initiatives, each initiative requires funding and human capital resources to maintain existing levels of service in addition to the growing list of federal and state unfunded mandates. The seven strategic initiatives are summarized as follows:

*Quality Government*. The County will encourage collaborative enhancements to programs and policies through innovation and creativity, acknowledge the contributions from all participants, and insist on integrity, ethical behavior and respect for diversity. The County will allocate resources to ensure effective and efficient delivery of high-quality services, allocating limited resources among competing high priorities. The County will ensure government's capacity to provide high quality service that achieves community priorities.

*Public Safety*. The County will ensure continuing trust and confidence in the safety of our community by providing the flexibility for leaders to adjust to changing threats. The County's public safety forces will be trained, equipped and deployed to help citizens, preserving life and property through prompt and skillful all-hazard emergency response, incident prevention, education, and community engagement.

*Infrastructure Investment*. The County will prioritize, plan and invest in critical infrastructure that responds to past and future changes and improves capacity to serve community needs.

*Growth Management*. The County will attend to and further rural quality of life through a clear vision of the Spotsylvania of tomorrow, providing a balance between commercial and residential development that also recognizes the dynamic relationship between revenue and expenses as the County's community grows, and fostering an environment that honors heritage while enhancing the County's future through the well-being of people and the quality of services.

*Environmental Stewardship*. The County will thoughtfully protect and manage its ecosystems and natural resources in both rural and developed areas to safeguard the quality of life of current and future generations.

*Educational Opportunity*. The County will foster a rich, lifelong learning environment to increase educational opportunities and workforce readiness to meet evolving market demands.

*Economic Prosperity*. The County will foster a community environment that stimulates diversified job creation, capital investments, and tax revenues that support community goals.

## FISCAL POLICY GUIDELINES

In March 1992, the Board of Supervisors adopted a series of fiscal policies designed to provide target parameters and goals that will influence and guide the financial management practices of the County. These policies relate to: Financial Planning and Budgeting; Revenues; Expenditures, including Debt Management and Reserves; Utilities and Code Compliance Funds; and Virginia Railway Express Funding. Updates to the guidelines have been approved by the Board periodically, most recently in 2017 to support the County's goal maintaining its superior credit ratings, and in 2019 to incorporate policies associated with the school health insurance and school OPEB reserves held by the County.

## CAPITAL IMPROVEMENT PLAN

The County makes annual appropriations for capital projects on a continuing basis. These appropriations cover projects until completed unless amended or superseded by action of the Board.

The Capital Improvement Plan ("CIP") represents a five-year program of capital outlays for general County, water and sewer and school improvements. It is reviewed and updated annually but does not represent a legislative commitment to expend capital funds for the projects indicated. It is a plan for future spending and establishes priorities for the orderly development of the County. The CIP is subject to continuing examination and revision and is reviewed and adopted by the Board on an annual basis. The most recent CIP adopted by the Board of Supervisors appears on the following page.

***[Remainder of Page Intentionally Left Blank]***

## FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM
## Capital Improvement Plan

### SUMMARY OF PROJECT ESTIMATES[1]

| | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2024-2029 Estimated Cost |
|---|---|---|---|---|---|---|
| **GENERAL CAPITAL PROJECTS** | | | | | | |
| General Government Facilities | $35,719,771 | $9,310,300 | $11,009,655 | $7,513,423 | $7,615,815 | $71,168,964 |
| Solid Waste | 3,007,111 | 11,738,920 | 7,082,660 | 6,944,800 | 1,800,000 | 30,573,491 |
| Parks and Recreation | 5,666,250 | 6,405,150 | 3,299,000 | 2,265,000 | 50,000 | 17,685,400 |
| Fire/Rescue Services | 11,091,893 | 19,651,038 | 7,451,009 | 17,295,957 | 8,335,650 | 63,825,547 |
| Transportation | - | 24,164,186 | 32,662,623 | 31,788,000 | 27,138,000 | 115,752,809 |
| **TOTAL** | **$55,485,025** | **$71,269,594** | **$61,504,947** | **$65,807,180** | **$44,939,465** | **$299,006,211** |
| **SCHOOL CAPITAL PROJECTS** | **$ 36,807,856** | **$ 66,863,623** | **$ 16,824,711** | **$ 25,246,804** | **$ 13,048,447** | **$158,791,441** |
| **UTILITIES CAPITAL PROJECTS** | **$ 58,720,000** | **$125,995,700** | **$ 76,950,000** | **$ 62,495,000** | **$ 54,675,000** | **$378,835,700** |
| **TOTAL** | **$151,012,881** | **$264,128,917** | **$155,279,658** | **$153,548,984** | **$112,662,912** | **$836,633,352** |

### SUMMARY OF FUNDING ESTIMATES[1] [2]

| | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2024-2029 Estimated Cost |
|---|---|---|---|---|---|---|
| **GENERAL CAPITAL PROJECTS** | | | | | | |
| General Fund Revenues | $ 18,147,381 | $ 15,171,931 | $ 17,239,676 | $ 18,137,598 | $ 19,752,733 | $ 88,449,319 |
| General Obligation Bonds | 10,557,213 | 42,890,537 | 39,166,357 | 47,264,961 | 35,138,703 | 175,017,771 |
| EDA Revenue Bonds[2] | 25,300,000 | - | - | - | - | 25,300,000 |
| Other Sources | 921,356 | 2,033,781 | 471,635 | 339,000 | 339,000 | 4,104,772 |
| Use of (Add to) CIP Fund Balance | 559,075 | 11,173,345 | 4,627,279 | 65,621 | (10,290,971) | 6,134,349 |
| **TOTAL GENERAL PROJECTS** | **$ 55,485,025** | **$ 71,269,594** | **$ 61,504,947** | **$ 65,807,180** | **$ 44,939,465** | **$299,006,211** |
| **SCHOOL CAPITAL PROJECTS** | | | | | | |
| Bond/Lease Issues | $ 36,312,491 | $ 66,863,623 | $ 16,824,711 | $ 25,246,804 | $ 13,048,447 | $158,296,076 |
| Other Sources | 495,365 | - | - | - | - | 495,365 |
| **TOTAL SCHOOL PROJECTS** | **$ 36,807,856** | **$ 66,863,623** | **$ 16,824,711** | **$ 25,246,804** | **$ 13,048,447** | **$158,791,441** |
| **UTILITIES CAPITAL PROJECTS** | | | | | | |
| Connection Fees | $ 6,982,143 | $ 5,998,972 | $ 6,118,951 | $ 6,241,330 | $ 6,366,157 | $ 31,707,553 |
| Bond Issues | 42,788,000 | 108,530,700 | 52,220,000 | 62,495,000 | 54,675,000 | 320,708,700 |
| Other Sources | 6,142,000 | 10,850,000 | 7,930,000 | 700,000 | 700,000 | 26,322,000 |
| Use of (Add to) Util. Fund Balance | 2,807,857 | 616,028 | 10,681,049 | (6,941,330) | (7,066,157) | 97,447 |
| **TOTAL UTIL. CAP. PROJECTS** | **$ 58,720,000** | **$125,995,700** | **$ 76,950,000** | **$ 62,495,000** | **$ 54,675,000** | **$378,835,700** |
| **TOTAL** | **$151,012,881** | **$264,128,917** | **$155,279,658** | **$153,548,984** | **$112,662,912** | **$836,633,352** |

Source: Finance Department, Spotsylvania County.

(1) Some of the columns and rows may not add exactly due to rounding.

(2) FY 2025 Adopted Five-Year Capital Improvement Plan, as revised July, 2024, to reflect the issuance of Public Facilities Revenue Bonds by the Economic Development Authority of the County of Spotsylvania, expected to be issued in September, 2024 in the estimated amount of $25,300,000.

## SELECTED FINANCIAL INFORMATION

The financial data shown in the following tables present a summary for the last five fiscal years of revenues, expenditures and changes in fund balances for the County's General Fund and School Funds, respectively.

### Five - Year Summary of
### Revenues, Expenditures and Changes in Fund Balances
### General Fund
### Fiscal Year Ended June 30

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Fund Balance at Beginning of Year | $ 87,116,708[(2)] | $ 93,859,805[(3)] | $118,759,634 | $132,567,708 | $145,329,590 |
| **Revenues:** | | | | | |
| General property taxes[(1)] | $176,930,157 | $184,706,333 | $189,606,067 | $198,432,134 | $210,834,857 |
| Other local taxes | 44,231,599 | 46,963,078 | 53,332,192 | 63,035,272 | 66,560,438 |
| Permits, privilege fees and regulatory license | 383,399 | 271,722 | 256,638 | 236,964 | 235,801 |
| Fines and Forfeitures | 549,846 | 356,918 | 327,313 | 275,326 | 403,721 |
| Use of money and property | 3,737,335 | 3,494,644 | 684,768 | (1,060,415) | 6,187,636 |
| Charges for Services | 5,617,482 | 4,787,180 | 5,468,326 | 6,015,773 | 6,117,780 |
| Gifts and donations | 171,234 | 196,642 | 109,734 | 137,375 | 114,699 |
| Miscellaneous | 259,594 | 206,364 | 367,575 | 330,546 | 653,113 |
| Intergovernmental | 44,644,969 | 53,185,280 | 57,192,402 | 44,077,977 | 48,214,743 |
| Total revenues | $276,525,615 | $294,168,161 | $307,345,015 | $311,480,952 | $339,322,788 |
| **Expenditures:** | | | | | |
| General government administration | $ 13,199,943 | $ 13,856,733 | $ 15,207,705 | $ 16,313,396 | $16,984,645 |
| Judicial administration | 7,743,719 | 7,944,601 | 8,884,041 | 9,971,635 | 10,907,294 |
| Public safety | 53,934,435 | 58,974,210 | 63,302,261 | 68,217,965 | 76,189,867 |
| Public works | 8,399,612 | 8,284,639 | 8,560,241 | 9,731,786 | 11,299,243 |
| Health and human services | 26,510,533 | 25,735,332 | 24,556,558 | 26,013,827 | 27,731,542 |
| Education | 124,574,067 | 122,806,912 | 113,680,175 | 125,749,864 | 139,938,697 |
| Parks, recreation and cultural | 8,007,414 | 7,271,230 | 7,099,779 | 7,545,252 | 8,268,454 |
| Community development | 4,048,241 | 3,504,373 | 3,906,612 | 4,021,501 | 4,156,935 |
| General debt service[(4) (5)] | 34,750,285 | 37,891,564 | 37,230,625 | 38,094,841 | 40,247,385 |
| Non-departmental | 2,042,174 | 1,541,446 | 1,401,727 | 1,927,164 | 2,060,479 |
| Total expenditures | $283,210,423 | $287,811,040 | $283,829,724 | $307,587,231 | $337,784,541 |
| Excess (deficiency) of revenues over (under) expenditures | $ (6,684,808) | $ 6,357,121 | $ 23,515,291 | $ 3,893,721 | $ 1,538,247 |
| **Other financing sources (uses):** | | | | | |
| Bond proceeds | $ 28,465,000 | $ 36,357,131 | $ 18,110,000 | $ 47,582,299 | $ 22,610,000 |
| Debt issuance premiums (discounts) | 2,594,020 | 6,686,378 | 3,552,202 | 8,286,339 | 2,758,977 |
| Payment for refunded debt | - | (13,892,905) | (8,508,531) | (37,305,050) | - |
| Lease liabilities issued[(4)] | - | - | - | 403,419 | 316,869 |
| Subscription liabilities issued[(5)] | - | - | - | - | 788,482 |
| Transfers in (out) | (15,998,087) | (10,607,896) | (22,860,888) | $ 10,098,846 | (16,987,515) |
| Total other financing sources (uses): | $ 15,060,933 | $ 18,542,708 | $ (9,707,217) | $ 8,868,161 | $ 9,486,813 |
| Net change in fund balance | $ 8,376,125 | $ 24,899,829 | $ 13,808,074 | $ 12,761,882 | $11,025,060 |
| Fund balance at end of year | $ 95,492,833 | $118,759,634 | $132,567,708 | $145,329,590 | $156,354,650 |

Source: Spotsylvania County Annual Comprehensive Financial Report, Fiscal Year 2018 through Fiscal Year 2023 – Required Supplementary Information – Budgetary Comparison Schedule – General Fund and related Notes to Budgetary Comparison Schedule.

(1) See footnote (1) in the table entitled "Tax Revenues by Source" on page C-30 for additional information regarding general property taxes.

(2) Effective July 1, 2019, the Economic Development Opportunities (EDO) Fund is consolidated into the General Fund. The General Fund beginning balance has been adjusted to reflect the $511,581 in fund balance previously held by the EDO Fund.

(3) The FY 2019 ending/FY 2020 beginning balance was restated to properly account for prior years' pre-paid tax revenue.

(4) Adoption of GASB Statement No. 87, Leases.

(5) Adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs).

**Summary of**
**Revenues, Expenditures and Fund Balances**
**School Funds**
**Fiscal Year Ended June 30**

| | 2019 | 2020 | 2021 | 2022[1] | 2023 |
|---|---|---|---|---|---|
| Fund balance at beginning of year | $ 22,603,016 | $ 13,745,782 | $ 13,503,453 | $24,257,261 | $ 33,740,949 |
| **Revenues:** | | | | | |
| Use of money and property | $ 418,101 | $ 466,621 | $89,995 | $ 179,285 | $ 1,312,015 |
| Charges for services | 7,520,796 | 5,790,933 | 361,644 | 1,015,813 | 2,796,406 |
| Miscellaneous | 264,427 | 461,034 | 650,292 | 872,339 | 767,656 |
| Gifts and donations | - | - | - | - | - |
| Intergovernmental | 159,596,917 | 167,413,113 | 199,887,509 | 211,382,844 | 222,301,351 |
| Payments from primary government | 124,484,896 | 122,617,741 | 113,491,004 | 125,560,693 | 139,749,526 |
| Total Revenues | $292,285,137 | $296,749,442 | $314,480,444 | $339,010,974 | $366,926,954 |
| **Expenditures:** | | | | | |
| Education | $263,264,111 | $274,613,845 | $293,121,400 | $314,064,283 | $332,859,010 |
| Capital projects | 37,878,260 | 22,377,926 | 10,586,828 | 15,433,126 | 24,421,140 |
| Debt service | - | - | - | 83,923 | 744,923 |
| Total expenditures: | $301,142,371 | $296,991,771 | $303,708,228 | $329,581,332 | $358,025,073 |
| Excess (deficiency) of revenues over (under) expenditures | $ (8,857,234) | $ (242,329) | $ 10,772,216 | $ 9,429,642 | $ 8,901,881 |
| **Other financing sources (uses):** | | | | | |
| Transfers in (out) | $ - | $ - | $ (18,408) | $ (193,494) | $ (140,334) |
| Lease liabilities issued[2] | $ - | $ - | $ - | $ 247,540 | $ 63,763 |
| **Total other financing sources (uses)** | $ - | $ - | $ (18,408) | $ 54,046 | $ (76,571) |
| Net change in fund balance | $ (8,857,234) | $ (242,329) | $ 10,753,808 | $ 9,483,688 | $ 8,825,310 |
| Fund balance at end of year | $ 13,745,782 | $ 13,503,453 | $ 24,257,261 | $ 33,740,949 | $ 42,566,259 |

Source: Spotsylvania County Annual Comprehensive Financial Report Fiscal Year 2018 through Fiscal Year 2023 – Combining Budgetary Comparison Schedule – Discretely Presented Component Unit – School Board and related Notes to Budgetary Comparison Schedule.

(1) Beginning in FY 2021, the County implemented GASB Statement 84, "Fiduciary Activities" and reclassified School Activity Funds as funds within the School Board component unit. The display above excludes the School Activity Funds, and therefore will differ from the Annual Comprehensive Financial Report for FY 2021 and forward.

(2) Adoption of GASB Statement No. 87, Leases.

## DEBT MANAGEMENT

Pursuant to the Constitution of Virginia and the Public Finance Act of 1991, a county in Virginia is authorized, subject to certain limitations, to issue general obligation bonds secured by a pledge of its full faith and credit and for which the County is authorized and required to levy on all taxable property within the County such ad valorem taxes as may be necessary to pay principal and interest. Although the issuance of bonds by Virginia counties is not subject to any limitation on amount, counties are prohibited from issuing general obligation bonds unless the issuance of such bonds has been approved by public referendum except for certain bonds issued for school purposes.

Counties may, with voter approval, elect to be treated as cities for the purpose of incurring debt. This election allows a county to issue bonds in a principal amount up to 10% of the assessed value of real estate subject to taxation by the county without voter approval. The County has not elected to be treated as a city for this purpose.

**Statement of Debt Service Charges on Outstanding**
**General Governmental Long-Term Obligations to Maturity**
**At June 30, 2024[(1), (2), (3)]**

Annual requirements to amortize general governmental long-term obligations (consisting of school bonds, Literary Fund loans and other subject-to-appropriation obligations) and related interest are as follows:

**General Governmental Long-Term Debt**

| Year Ending June 30 | General Government Principal | General Government Interest | General Government Total | Schools Principal | Schools Interest | Schools Total | Total Debt Service Principal | Total Debt Service Interest | Total Debt Service Total |
|---|---|---|---|---|---|---|---|---|---|
| 2025 | $ 10,835,267 | $ 3,732,635 | $ 14,567,902 | $ 21,341,927 | $ 7,576,046 | $ 28,917,973 | $ 32,177,194 | $ 11,308,681 | $ 43,485,875 |
| 2026 | 10,953,597 | 3,275,624 | 14,229,221 | 20,933,597 | 6,599,497 | 27,533,094 | 31,887,194 | 9,875,122 | 41,762,316 |
| 2027 | 11,203,037 | 2,836,754 | 14,039,791 | 20,334,157 | 5,670,358 | 26,004,515 | 31,537,194 | 8,507,112 | 40,044,306 |
| 2028 | 7,555,967 | 2,368,159 | 9,924,126 | 16,906,227 | 4,630,140 | 21,536,367 | 24,462,194 | 6,998,299 | 31,460,493 |
| 2029 | 7,138,615 | 2,026,515 | 9,165,130 | 14,918,579 | 3,859,817 | 18,778,396 | 22,057,194 | 5,886,331 | 27,943,525 |
| 2030 | 6,885,464 | 1,706,177 | 8,591,641 | 13,146,730 | 3,196,107 | 16,342,837 | 20,032,194 | 4,902,284 | 24,934,478 |
| 2031 | 4,997,705 | 1,398,097 | 6,395,802 | 11,669,489 | 2,639,981 | 14,309,470 | 16,667,194 | 4,038,079 | 20,705,273 |
| 2032 | 4,661,563 | 1,181,817 | 5,843,380 | 7,780,631 | 2,163,081 | 9,943,712 | 12,442,194 | 3,344,898 | 15,787,092 |
| 2033 | 4,504,208 | 1,006,250 | 5,510,458 | 6,982,985 | 1,841,772 | 8,824,757 | 11,487,194 | 2,848,021 | 14,335,215 |
| 2034 | 4,137,008 | 835,220 | 4,972,228 | 6,410,185 | 1,551,073 | 7,961,258 | 10,547,194 | 2,386,293 | 12,933,487 |
| 2035 | 3,431,650 | 676,339 | 4,107,989 | 5,700,544 | 1,289,159 | 6,989,703 | 9,132,194 | 1,965,498 | 11,097,692 |
| 2036 | 2,357,194 | 545,741 | 2,902,935 | 5,265,000 | 1,058,240 | 6,323,240 | 7,622,194 | 1,603,981 | 9,226,175 |
| 2037 | 2,142,194 | 457,149 | 2,599,343 | 5,080,000 | 848,628 | 5,928,628 | 7,222,194 | 1,305,777 | 8,527,971 |
| 2038 | 2,112,194 | 373,596 | 2,485,790 | 4,215,000 | 644,320 | 4,859,320 | 6,327,194 | 1,071,916 | 7,399,110 |
| 2039 | 2,112,194 | 289,948 | 2,402,142 | 3,705,000 | 465,950 | 4,170,950 | 5,817,194 | 755,898 | 6,573,092 |
| 2040 | 1,652,194 | 210,839 | 1,863,033 | 2,165,000 | 329,250 | 2,494,250 | 3,817,194 | 540,089 | 4,357,283 |
| 2041 | 1,592,194 | 144,629 | 1,736,823 | 1,970,000 | 234,550 | 2,204,550 | 3,562,194 | 329,179 | 3,891,373 |
| 2042 | 982,194 | 80,219 | 1,062,413 | 1,640,000 | 145,700 | 1,785,700 | 2,662,194 | 225,919 | 2,888,113 |
| 2043 | 682,194 | 34,110 | 716,304 | 1,335,000 | 66,750 | 1,401,750 | 2,017,194 | 100,860 | 2,118,054 |
| **Total** | **$89,936,633** | **$23,179,818** | **$113,116,451** | **$171,500,051** | **$44,810,419** | **$216,310,470** | **$261,476,686** | **$67,994,237** | **$329,470,923** |

Source: Finance Department, Spotsylvania County.
(1) Some of the columns and rows may not add up exactly because of the effect of rounding.
(2) Excludes bonds issued for transportation projects for which Special Service District taxes are in place to fully fund debt service.
(3) Excludes debt service on the County's $42,110,000 General Obligation Public Improvement Bonds, Series 2024, issued on September 5, 2024.

**Statement of Debt Service Charges on Outstanding**
**General Governmental Long-Term Obligations to Maturity[(1), (2), (3)]**
**Subsequent to June 30, 2024**

| Year Ending June 30 | Existing Governmental Debt Service Total | Series 2024 Bonds Principal | Series 2024 Bonds Interest | Series 2024 Bonds Total | Total Debt Service Principal | Total Debt Service Interest | Total Debt Service Total |
|---|---|---|---|---|---|---|---|
| 2025 | $ 46,321,194 | $ - | $ 845,020 | $ 845,020 | $34,252,194 | $12,914,020 | $47,166,214 |
| 2026 | 46,819,066 | 630,000 | 1,202,400 | 1,832,400 | 35,572,194 | 13,079,272 | 48,651,466 |
| 2027 | 44,938,306 | 655,000 | 1,176,570 | 1,831,570 | 35,237,194 | 11,532,682 | 46,769,876 |
| 2028 | 36,197,243 | 680,000 | 1,151,025 | 1,831,025 | 28,182,194 | 9,846,074 | 38,028,268 |
| 2029 | 32,513,275 | 705,000 | 1,124,165 | 1,829,165 | 25,787,194 | 8,555,246 | 34,342,440 |
| 2030 | 28,812,978 | 735,000 | 1,096,318 | 1,831,318 | 23,252,194 | 7,392,102 | 30,644,296 |
| 2031 | 24,454,523 | 765,000 | 1,066,550 | 1,831,550 | 19,912,194 | 6,373,879 | 26,286,073 |
| 2032 | 19,382,342 | 795,000 | 1,034,803 | 1,829,803 | 15,687,194 | 5,524,951 | 21,212,145 |
| 2033 | 17,802,965 | 830,000 | 1,001,413 | 1,831,413 | 14,762,194 | 4,872,184 | 19,634,378 |
| 2034 | 16,273,987 | 865,000 | 965,723 | 1,830,723 | 13,852,194 | 4,252,516 | 18,104,710 |
| 2035 | 14,081,192 | 905,000 | 927,663 | 1,832,663 | 12,242,194 | 3,671,661 | 15,913,855 |
| 2036 | 12,099,425 | 945,000 | 887,390 | 1,832,390 | 10,772,194 | 3,159,621 | 13,931,815 |
| 2037 | 10,590,971 | 985,000 | 844,865 | 1,829,865 | 9,712,194 | 2,708,642 | 12,420,836 |
| 2038 | 9,386,860 | 1,030,000 | 800,048 | 1,830,048 | 8,862,194 | 2,354,714 | 11,216,908 |
| 2039 | 8,485,592 | 1,080,000 | 752,668 | 1,832,668 | 8,402,194 | 1,916,066 | 10,318,260 |
| 2040 | 6,019,533 | 1,130,000 | 702,448 | 1,832,448 | 6,277,194 | 1,574,787 | 7,851,981 |
| 2041 | 5,487,123 | 1,180,000 | 648,773 | 1,828,773 | 6,072,194 | 1,243,702 | 7,315,896 |
| 2042 | 4,417,363 | 1,240,000 | 592,133 | 1,832,133 | 5,232,194 | 1,017,302 | 6,249,496 |
| 2043 | 3,580,804 | 1,300,000 | 531,993 | 1,831,993 | 4,647,194 | 765,603 | 5,412,797 |
| 2044 | 1,391,250 | 1,365,000 | 466,993 | 1,831,993 | 2,690,000 | 533,243 | 3,223,243 |
| 2045 | | 1,435,000 | 398,743 | 1,833,743 | 1,435,000 | 398,743 | 1,833,743 |
| 2046 | | 1,505,000 | 326,993 | 1,831,993 | 1,505,000 | 326,993 | 1,831,993 |
| 2047 | | 1,580,000 | 251,743 | 1,831,743 | 1,580,000 | 251,743 | 1,831,743 |
| 2048 | | 1,660,000 | 171,953 | 1,831,953 | 1,660,000 | 171,953 | 1,831,953 |
| 2049 | | 1,745,000 | 88,123 | 1,833,123 | 1,745,000 | 88,123 | 1,833,123 |
| **Total** | **$389,055,992** | **$25,745,000** | **$19,056,508** | **$44,801,508** | **$329,331,686** | **$104,525,814** | **$433,857,500** |

Source: Finance Department, Spotsylvania County.

(1) Some of the columns and rows may not add up exactly because of the effect of rounding.

(2) Excludes bonds issued for transportation projects for which Special Service District taxes are in place to fully fund debt service.

(3) Includes debt service on the County's $42,110,000 General Obligation Public Improvement Bonds, Series 2024, issued on September 5, 2024.

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## Ratio of Net Bonded Debt to Assessed Valuation and Net Bonded Debt per Capita

| Fiscal Year | Population[1] | Assessed Value of Real Property[2] | Net[3] Bonded Debt | Percentage of Net Bonded Debt to Assessed Value | Net Bonded Debt Per Capita |
|---|---|---|---|---|---|
| 2015 | 130,042 | $12,641,335,473 | $263,795,039 | 2.09% | $2,029 |
| 2016 | 131,401 | 13,441,945,734 | 266,867,938 | 1.99 | 2,031 |
| 2017 | 132,889 | 13,778,110,158 | 267,604,097 | 1.94 | 2,014 |
| 2018 | 134,227 | 14,849,064,873 | 266,018,023 | 1.79 | 1,982 |
| 2019 | 136,447 | 15,138,224,874 | 273,673,161 | 1.81 | 2,006 |
| 2020 | 140,475 | 16,514,732,942 | 268,082,997 | 1.62 | 1,908 |
| 2021 | 143,676 | 16,875,047,298 | 248,819,998 | 1.47 | 1,732 |
| 2022 | 144,796 | 19,470,140,981 | 240,054,998 | 1.23 | 1,658 |
| 2023 | 148,588 | 19,949,211,458 | 238,800,000 | 1.19 | 1,611 |
| 2024 | 150,965 | 24,224,477,429 | 261,436,685 | 1.07 | 1,732 |

Source: Finance Department, Spotsylvania County.
(1) U.S. Census Bureau for 2023 and prior, Spotsylvania County Planning Department for 2024 estimate.
(2) Assessed value net of tax deferrals and tax relief. Reflects main book value only; no supplemental books.
(3) Represents debt outstanding at year's end. There are no incorporated municipalities within the County. Thus, there is no overlapping debt. Excludes bonds issued for transportation projects for which Special Service District taxes are in place to fully fund the debt service.

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## OPERATING DATA

The following tables present operating data with respect to the County, some of which, as noted, will be updated in the County's Annual Comprehensive Financial Report, and posted on the Electronic Municipal Market Access system of the Municipal Securities and Rulemaking Board in connection with the County's continuing disclosure obligations. See the subsection "Continuing Disclosure" in Section Four of the front part of this Official Statement.

### Tax Revenues By Source

### Last Ten Fiscal Years

| Fiscal Year | Property Taxes[1] | Sales Taxes | Utilities Taxes | Other Taxes | Total Taxes |
|---|---|---|---|---|---|
| 2014 | $150,750,977 | $15,778,707 | $2,530,703 | $19,208,252 | $188,268,639 |
| 2015 | 155,425,369 | 16,437,035 | 2,552,040 | 19,755,059 | 194,169,503 |
| 2016 | 160,136,405 | 17,123,500 | 2,547,905 | 20,491,125 | 200,298,935 |
| 2017 | 165,784,448 | 17,707,867 | 2,601,318 | 21,521,186 | 207,614,859 |
| 2018 | 170,465,838 | 18,105,300 | 2,518,953 | 22,278,770 | 213,368,861 |
| 2019 | 176,416,351 | 18,933,735 | 2,731,219 | 22,566,645 | 220,647,950 |
| 2020 | 184,127,074 | 20,731,314 | 2,624,828 | 23,606,936 | 231,090,152 |
| 2021 | 189,131,945 | 24,148,206 | 2,773,048 | 26,410,938 | 242,464,137 |
| 2022 | 197,973,776 | 27,699,091 | 2,827,741 | 32,508,440 | 261,009,048 |
| 2023 | 210,294,078 | 29,464,781 | 2,773,425 | 34,322,232 | 276,854,516 |

Source: Audited Financial Statements, 2014 - 2023. Tax Revenues by Source Reported in the General Fund.

[1] In 1998, the General Assembly of the Commonwealth enacted legislation that reduced the personal property taxes applicable to the first $20,000 in assessed value of certain individually owned motor vehicles. Such legislation provided a formula for the Commonwealth generally to reimburse localities, including the County, for up to 100% of the decrease in revenues attributable to such tax; however, the timing and the amount of such reimbursements are subject to annual appropriation and further modification by the General Assembly. Implementation of such reimbursements began with Fiscal Year 1998, with the level of reimbursement reaching 70%. Beginning in 2006, reimbursement by the Commonwealth to all localities was capped at $950 million. In addition to the property taxes shown here, the County receives $14,509,422 million each fiscal year in reimbursements from the Commonwealth.

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## Assessed Value of All Taxable Property

**Last Ten Calendar Years**
**($ in thousands)**

| Calendar Year | Real Property[1] | Personal Property[2] | Machinery and Tools | Mobile Homes | Heavy Construction | Public Service[3] | Total |
|---|---|---|---|---|---|---|---|
| 2015 | $13,095,404 | $1,628,072 | $26,695 | $11,407 | $13,926 | $338,190 | $15,113,694 |
| 2016 | 13,920,390 | 1,685,432 | 28,975 | 11,283 | 15,116 | 352,055 | 16,013,251 |
| 2017 | 14,259,034 | 1,738,036 | 25,145 | 10,633 | 16,332 | 390,161 | 16,439,341 |
| 2018 | 15,358,064 | 1,737,814 | 27,943 | 8,792 | 17,157 | 383,376 | 17,533,146 |
| 2019 | 15,648,765 | 1,811,151 | 27,679 | 9,261 | 21,409 | 416,736 | 17,935,001 |
| 2020 | 17,043,131 | 1,862,180 | 28,398 | 11,232 | 21,881 | 413,003 | 19,379,825 |
| 2021 | 17,389,570 | 2,000,747 | 25,205 | 10,768 | 21,957 | 454,444 | 19,902,691 |
| 2022 | 20,036,651 | 2,655,074 | 34,624 | 20,386 | 24,137 | 462,810 | 23,233,682 |
| 2023 | 20,520,953 | 2,472,920 | 35,380 | 18,775 | 27,445 | 521,208 | 23,596,681 |
| 2024 | 24,872,510 | 2,544,020 | 38,144 | 20,221 | 29,553 | 515,177 | 28,019,625 |

Source: Commissioner of the Revenue, Spotsylvania County. Annual original property books.
(1) Locally assessed real estate at 100% of estimated fair market value. The calendar year 2024 assessment became effective January 1, 2024.
(2) Locally assessed personal property tax is levied on all cars and trucks (100% assessment value shown here; currently taxed at 50% value).
(3) Based on valuations as established by State Corporation Commission.

## Ten Largest Taxpayers
## December 31, 2023

| Name | Type of Business | Assessed Valuation[1] (000s omitted) | Amount of Tax | Percent of Total Tax Billed |
|---|---|---|---|---|
| Dominion Virginia Power | Public Utility | $178,360 | $1,377,970 | 1.34% |
| Spotsylvania Regional Medical Center | Hospital | 98,243 | 1,260,164 | 0.74 |
| Lidl US Operations | Grocery Distribution | 111,116 | 1,046,128 | 0.83 |
| Spotsylvania Mall Company | Shopping Mall | 128,231 | 1,001,271 | 0.96 |
| Rappahannock Electric | Public Utility | 96,770 | 777,589 | 0.73 |
| Allure 1, LLC | Apartments | 67,451 | 523,857 | 0.51 |
| Comcast | Public Utility | 10,538 | 479,516 | 0.08 |
| Columbia Gas of VA | Public Utility | 53,798 | 415,162 | 0.40 |
| Abberly Southpoint LLC | Apartments | 51,968 | 403,062 | 0.39 |
| PAC Kingson LLC | Apartments | 51,329 | 399,115 | 0.39 |

Source: Treasurer, Spotsylvania County.
(1) Includes real and personal property taxes. This schedule is sorted by tax paid. Due to varying rates for real and personal property and public service corporations, assessed values may appear to be out of order.

## General Government Revenues By Source
## All Governmental Fund Types

### Last Ten Fiscal Years

| Fiscal Year | General Property Taxes | Other Local Taxes | Permits, Privilege Fees and Regulatory Licenses | Fines And Forfeitures | Revenues From Use of Money And Property | Charges For Services | Miscellaneous | Inter-Governmental | Total |
|---|---|---|---|---|---|---|---|---|---|
| 2014 | $151,945,820 | $46,939,533 | $2,685,169 | $544,449 | $1,108,352 | $14,808,265 | $1,687,726 | $178,014,581 | $397,733,895 |
| 2015 | 156,655,140 | 43,526,116 | 3,184,983 | 634,822 | 1,172,402 | 15,049,360 | 1,051,706 | 184,768,422 | 406,042,951 |
| 2016 | 161,724,970 | 43,557,610 | 4,338,229 | 516,791 | 1,957,329 | 15,016,889 | 1,693,088 | 184,319,566 | 413,124,472 |
| 2017 | 167,521,135 | 45,574,161 | 3,781,794 | 558,004 | 1,573,898 | 15,870,501 | 1,210,728 | 187,046,968 | 423,137,189 |
| 2018 | 172,314,525 | 47,175,486 | 4,845,487 | 529,585 | 2,278,172 | 16,672,709 | 2,182,187 | 197,846,373 | 443,844,524 |
| 2019 | 178,186,133 | 49,731,885 | 5,166,301 | 549,846 | 5,259,056 | 16,245,358 | 2,494,232 | 204,969,764 | 462,602,575 |
| 2020 | 186,098,542 | 52,570,914 | 5,545,355 | 356,918 | 5,281,748 | 13,651,154 | 3,216,692 | 220,901,621 | 487,622,944 |
| 2021 | 190,977,802 | 59,052,597 | 6,881,956 | 327,313 | 1,138,605 | 8,946,338 | 1,331,405 | 257,898,395 | 526,554,411 |
| 2022 | 199,781,301 | 69,301,792 | 7,765,788 | 275,326 | (637,579) | 10,611,472 | 2,353,888 | 255,512,952 | 544,964,940 |
| 2023 | 211,974,409 | 73,476,669 | 6,870,101 | 403,721 | 9,417,739 | 12,919,762 | 2,097,068 | 270,677,101 | 587,836,570 |

Source: Audited Financial Statements 2014 – 2023. General Revenues By Source – All Governmental Funds and the Component Unit – School Board.

## General Property Tax Rates Per $100 of Assessed Value

### Last Ten Calendar Years

| Calendar Year | Real Estate and Mobile Home | Personal Property[1] | Business Furniture and Fixtures | Machinery And Tools | Heavy Construction Equipment |
|---|---|---|---|---|---|
| 2015 | $ 0.86 | $6.73/6.25 | $ 5.95 | $ 2.50 | $ 2.00 |
| 2016 | 0.85 | 6.55/6.25 | 5.95 | 2.50 | 2.00 |
| 2017 | 0.85 | 6.55/6.25 | 5.95 | 2.50 | 2.00 |
| 2018 | 0.8330 | 6.55/6.25 | 5.95 | 2.50 | 2.00 |
| 2019 | 0.8474 | 6.55/6.25/1.25 | 5.95 | 2.50 | 2.00 |
| 2020 | 0.8094 | 6.55/6.25/1.25 | 5.95 | 2.50 | 2.00 |
| 2021 | 0.8094 | 6.35/6.25/1.25 | 4.55 | 1.90 | 1.55 |
| 2022 | 0.7377 | 6.35/6.25/1.25/5.42 | 4.55 | 1.90 | 1.55 |
| 2023 | 0.7717 | 6.35/6.25/1.25/5.42 | 4.55 | 1.90 | 1.55 |
| 2024 | 0.7343 | 6.35/6.25/1.25/5.37 | 4.55 | 1.90 | 1.55 |

Source: Finance Department, Spotsylvania County.

(1) Beginning in 2015, a separate tax rate was established for boats and boat trailers. Beginning in 2019, a third tax rate was established for data center equipment and peripherals. Then in 2022, in response to significant increases in the book values for used vehicles, a fourth tax rate was established to separate automobiles, certain trucks and other vehicles, motorcycles, mopeds, all-terrain vehicles, campers, and other recreational vehicles.

## Property Tax Levies and Collections

### Last Ten Fiscal Years
### ($ in thousands)

| Fiscal Year | Total Tax Levy[2] | Current Tax Collections[2] | Percent of Levy Collected[3] | Collections in Subsequent Years[1,2] | Total Tax Collections | Total Tax Collection to Tax Levy[3] |
|---|---|---|---|---|---|---|
| 2014 | $145,801 | $137,564 | 94.35% | $7,219 | $144,783 | 99.30% |
| 2015 | 148,400 | 141,151 | 95.12 | 7,248 | 148,399 | 99.99 |
| 2016 | 152,943 | 145,122 | 94.89 | 7,114 | 152,236 | 99.54 |
| 2017 | 158,329 | 151,128 | 95.45 | 6,740 | 157,868 | 99.71 |
| 2018 | 163,803 | 155,695 | 95.05 | 6,420 | 162,115 | 98.97 |
| 2019 | 172,093 | 161,306 | 93.73 | 7,168 | 168,474 | 97.90 |
| 2020 | 179,989 | 167,880 | 93.79 | 7,484 | 175,364 | 97.97 |
| 2021 | 184,225 | 172,041 | 93.70 | 7,380 | 179,421 | 97.72 |
| 2022 | 187,343 | 172,935 | 92.31 | 8,257 | 181,192 | 96.72 |
| 2023 | 205,495 | 190,459 | 92.68 | - | 190,459 | 92.68 |

Source: Audited Financial Statements 2014 – 2023.

(1) Does not include land redemptions.

(2) Exclusive of penalties and interest.

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

## PENSION PLAN

All permanent full-time employees of the County and the non-professional employees of the Spotsylvania School Board are automatically enrolled in the Virginia Retirement System ("VRS"), which provides retirement and disability benefits. The VRS maintains separate accounts for each participating locality based on contributions made by the locality and its employees and the benefits being paid to former employees.

The VRS Basic Benefit is a lifetime monthly benefit based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. For members hired before July 1, 2010, the monthly benefit is based on 1.7% (1.85% for hazardous duty employees) of the member's 36 consecutive months of highest compensation. For non-hazardous duty members hired or rehired on or after July 1, 2010 and members who were not vested on January 1, 2013, the monthly benefit is based on 1.65% of the member's 60 consecutive months of highest compensation. Effective January 1, 2014, all new employees without prior VRS service are required to enroll in the VRS Hybrid Plan except for sworn personnel, a combination of defined benefit and defined contribution plans. The Hybrid Plan, introduced to address future affordability, lowered the retirement multiplier to 1.0% and increased the number of months used to calculate the average final compensation.

The plan is funded through annual required contributions, actuarially determined every two years, at rates that provide for both normal and accrued funding liability. Plan members are required by Virginia law to contribute 5.0% of their creditable compensation toward their retirement. The County and schools are required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

As reported in the County's Annual Comprehensive Financial Report for Fiscal Year 2023, the County and School Board's net pension liabilities were $25.0 million and $146.9 million, respectively. Details on the pension liability for each entity can be found in the County's Annual Comprehensive Financial Report for Fiscal Year 2023.

## POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The County and School Board Other Postemployment Benefit Plans are each a single-employer, defined plan, providing health and dental care to retired employees upon meeting certain eligibility requirements. The provisions of each plan may be amended by the Board of each respective entity. In addition, pursuant to Virginia law, the School Board has joined the Virginia Pooled OPEB Trust Fund, an irrevocable trust to receive, invest, and disburse OPEB funds. For additional information on plan descriptions, actuarial methods and assumptions please see Note 12 in the County's Annual Comprehensive Financial Report for Fiscal Year 2023.

At a minimum both the County and School Board fund retiree health benefits on a pay-as-you-go basis. For Fiscal Year 2023, the County and the School Board paid benefits of $2,219,384 and $5,143,855, respectively. The County maintains OPEB reserves through the assignment of $12,153,361 of the County's General Fund balance, and $6,685,844 of the Utilities Funds' unrestricted net position, totaling $18,839,205 as of June 30, 2023. The County increased its total OPEB reserves to $21,091,379 across all funds at the close of FY 2023. Additionally, the School Board has $14,416,647 in assets held in an irrevocable OPEB trust.

Additional information on each plan's funded status and funding progress can be found in the County's Annual Comprehensive Financial Report for Fiscal Year 2023.

## LABOR RELATIONS

There are presently no strikes or work stoppages by employees of the County, or independent contractors that provide essential government services, either in progress or threatened. Under current Virginia law, the County is empowered to enact one or more ordinances that allow certain local government employees to form unions and engage in collective bargaining with the County. To date, the County has not adopted any such ordinance(s), and the County has neither negotiated nor bargained with its employees in any manner concerning any aspect of the terms and conditions of the employment of its employees. The County does provide, pursuant to Virginia law, a grievance procedure for the resolution of various personnel complaints.

# APPENDIX D

# AUDITED FINANCIAL STATEMENTS OF

# SPOTSYLVANIA COUNTY, VIRGINIA

# FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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CliftonLarsonAllen LLP
CLAconnect.com

# INDEPENDENT AUDITORS' REPORT

Honorable Members of the Board of Supervisors
County of Spotsylvania, Virginia

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Spotsylvania, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County of Spotsylvania's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Spotsylvania, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the County of Spotsylvania and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Emphasis of Matter*

*Change in Accounting Principle*

As discussed in Note 1 to the financial statements, effective July 1, 2022, the County adopted new accounting guidance for Subscription-Based Information Technology Arrangements (SBITA). The guidance requires governments to recognize a right-to-use SBITA asset and corresponding SBITA liability for all SBITA with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

Honorable Members of the Board of Supervisors
County of Spotsylvania

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Spotsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of County of Spotsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Spotsylvania's ability to continue as a going concern for a reasonable period of time.

Honorable Members of the Board of Supervisors
County of Spotsylvania

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and the required supplementary information other than MD&A as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Spotsylvania's basic financial statements. The accompanying combining and individual fund statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section, as listed in the table of contents but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Honorable Members of the Board of Supervisors
County of Spotsylvania

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2023, on our consideration of the County of Spotsylvania'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Spotsylvania's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Spotsylvania's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Arlington, Virginia
December 28, 2023

# Management's Discussion & Analysis (MD&A)

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, 2023. We encourage readers to consider the information presented here in conjunction with the transmittal letter, which is located in the Introductory Section of this report, and the County's financial statements, including the notes to the financial statements, which are located after this analysis.

## Financial Highlights

*Government-wide Statements*

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $355.3 million (net position), a 19.8% increase from the previous year. Net position for governmental activities increased by $29.7 million, reporting a net position of $3.6 million. Net position for business-type activities increased by $29.0 million bringing its total net position to $351.7 million.
- Program and general revenues for governmental activities increased by $28.4 million, or 8.4%, from the previous year. Total expenses, prior to transfers, increased by $34.0 million, or 11.3%, from the previous year.
- Program and other general revenues for business-type activities increased by $24.0 million, or 45.5%, from the previous year. Total expenses, prior to transfers, increased by $9.4 million, or 24.5%, from the previous year.

*Fund Financial Statements*

- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of $248.7 million, an increase of $21.0 million, or 9.2%. Of this amount, $24.8 million, or 10.0% is available for spending at the government's discretion (unassigned fund balance). Unrestricted fund balance of the General Fund (the total of the committed, assigned, and unassigned components of fund balance) was $151.6 million, a little over five months, or 44.9%, of total general fund expenditures.

## Overview of the Financial Statements

This annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements, required supplementary information (RSI),* and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the County government, reporting the County's operations in *more detail* than the government-wide statements.
    - The *governmental funds'* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.
    - *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.
    - *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The basic financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The basic financial statements are followed by a section of RSI that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide the details about our non-major governmental funds and Component unit – School Board, each of which are added together and presented in their respective columns in the basic financial statements.

Table 1 below summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section explains the structure and contents of each of the statements.

Table 1
Major Features of County's Government-wide and Fund Financial Statements

| | | **Fund Statements** | | |
|---|---|---|---|---|
| | **Government-wide Statements** | **Governmental Funds** | **Proprietary Funds** | **Fiduciary Funds** |
| Scope | Entire County government (except fiduciary funds) and the County's Component units | The activities of the County that are not proprietary or fiduciary (e.g. public safety) | Activities the County operates similar to private businesses such as the water and sewer system | Instances in which the County is the trustee or agent for someone else's resources |
| Required financial statements | • Statement of net position<br>• Statement of activities | • Balance sheet<br>• Statement of revenues, expenditures, and changes in fund balances | • Statement of net position<br>• Statement of revenues, expenses, and changes in fund net position<br>• Statement of cash flows | • Statement of fiduciary net position<br>• Statement of changes in fiduciary net position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term |
| Type of inflow/outflow information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All revenues and expenses during the year, regardless of when cash is received or paid |

## GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Position* presents information on all the County's assets and deferred outflows of resources less liabilities and deferred inflows of resources, resulting in the County's net position. The *Statement of Activities* presents information showing how the County's net position changed during the most recent fiscal year, regardless of when cash is received or paid. The government-wide financial statements of the County are divided into three categories:

- *Governmental activities* – account for functions of the County that are primarily supported by taxes and intergovernmental revenues (e.g. federal and state grants). The majority of the County's basic services, such as education, law enforcement, fire and rescue, health & welfare, general government, public works, and parks, fall with this category.
- *Business-type* activities – account for functions that are intended to recover all or a significant portion of their costs through user fees and charges. The County's water and sewer services are included here.
- *Discretely presented component unit*s – account for functions of legally separate entities for which the County is financially accountable. The County has two discretely presented component units, the Spotsylvania County Public School System (School Board) and the Economic Development Authority (EDA).

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the County's most significant *funds* – not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. The County has three kinds of funds:

- *Governmental funds* – Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page of the governmental funds statement that explains the relationship between them. The following indicates some of the reporting differences between the government-wide financial statements and the fund financial statements.
    - Capital assets used in governmental activities are not reported in governmental fund statements.
    - Long-term liabilities, unless due and payable, are not included in the fund financial statements.
    - Other long-term assets that are not available to pay for current period expenditures are deferred in the governmental fund statements, but not deferred in the government-wide statements.
    - Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures in the fund financial statements.
    - Bond proceeds provide current financial resources on the fund financial statements, but are recorded as long-term liabilities in the government-wide financial statements.

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

- *Fiduciary funds* – Resources held for other governments, individuals, or agencies not part of the County are reported as fiduciary funds. The County is responsible for ensuring that the assets reported are used for their intended purposes. The County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

## Government-wide Financial Analysis

The table below presents a Summary of Net Position for the reporting entity as of June 30, 2023 and 2022:

**Table 2**
**Summary of Net Position**
(amounts in millions)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Component Units | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | $ 426.9 | $ 385.2 | $ 191.1 | $ 135.4 | $ 618.0 | $ 520.6 | $ 91.6 | $ 77.7 |
| Capital assets, net | 164.6 | 150.4 | 371.2 | 335.1 | 535.8 | 485.5 | 340.0 | $ 330.9 |
| **Total assets** | **591.5** | **535.6** | **562.3** | **470.5** | **1,153.8** | **1,006.1** | **431.6** | **408.6** |
| **Total deferred outflows** | **33.5** | **41.2** | **5.2** | **6.1** | **38.7** | **47.3** | **83.5** | **98.9** |
| Other liabilities | 58.7 | 40.7 | 11.6 | 9.4 | 70.3 | 50.1 | 37.5 | 31.0 |
| Long-term liabilities | 410.1 | 391.5 | 197.3 | 134.7 | 607.4 | 526.2 | 323.0 | 337.8 |
| **Total liabilities** | **468.8** | **432.2** | **208.9** | **144.1** | **677.7** | **576.3** | **360.5** | **368.8** |
| **Total deferred inflows** | **152.6** | **170.7** | **6.9** | **9.8** | **159.5** | **180.5** | **197.0** | **243.8** |
| Net position: | | | | | | | | |
| Net investment in capital assets | 113.1 | 101.9 | 261.9 | 232.9 | 375.0 | 334.8 | 338.6 | 330.9 |
| Restricted | 14.6 | 14.4 | 3.0 | 2.6 | 17.6 | 17.0 | 24.2 | 17.2 |
| Unrestricted | (124.1) | (142.4) | 86.8 | 87.2 | (37.3) | (55.2) | (405.2) | (453.2) |
| **Total net position** | **$ 3.6** | **$ (26.1)** | **$ 351.7** | **$ 322.7** | **$ 355.3** | **$ 296.6** | **$ (42.4)** | **$ (105.1)** |

*Primary Government*

The largest portion of the Primary Government's net position represents $375.0 million of investment in capital assets (e.g., land, buildings, equipment, construction in progress, etc.), less any related outstanding debt and deferred inflows and outflows of resources used to acquire those assets. Due to their purpose, which is to serve the citizens of the County, these capital assets would not be considered available for future spending. The restricted net position of $17.6 million represents resources subject to external restrictions on how they may be used, and include future debt service ($3.0 million), capital projects ($4.3 million), transportation ($4.7 million), and grant program and opioid recovery funds of ($5.6 million). The remaining balance equals a net deficit of $37.3 million, driven mostly from $172.7 million in debt incurred by the County on-behalf of the School Board without the offset of related capital assets reported by the School Board. When School Board debt is excluded, the Primary Government's unrestricted net position rises to $113.9 million, and a total net position of $528.0 million.

*Component Units*

Net position of component units consists of School Board net investment in capital assets of $338.6 million and $24.2 million in School Board funds restricted for capital projects of $20.3 million, student activity funds of $2.8 million, and $1.1 million in net pension assets. Unrestricted net position includes $1.5 million primarily from land held as an investment with the EDA, and a School Board deficit of $406.7 million primarily from net postemployment liabilities.

## *Changes in Net Position*

The following table summarizes the changes in net position for the primary government and its component units for the fiscal years ended Jun 30, 2023 and 2022:

**Table 3**
**Changes in Net Position**
(amounts in millions)

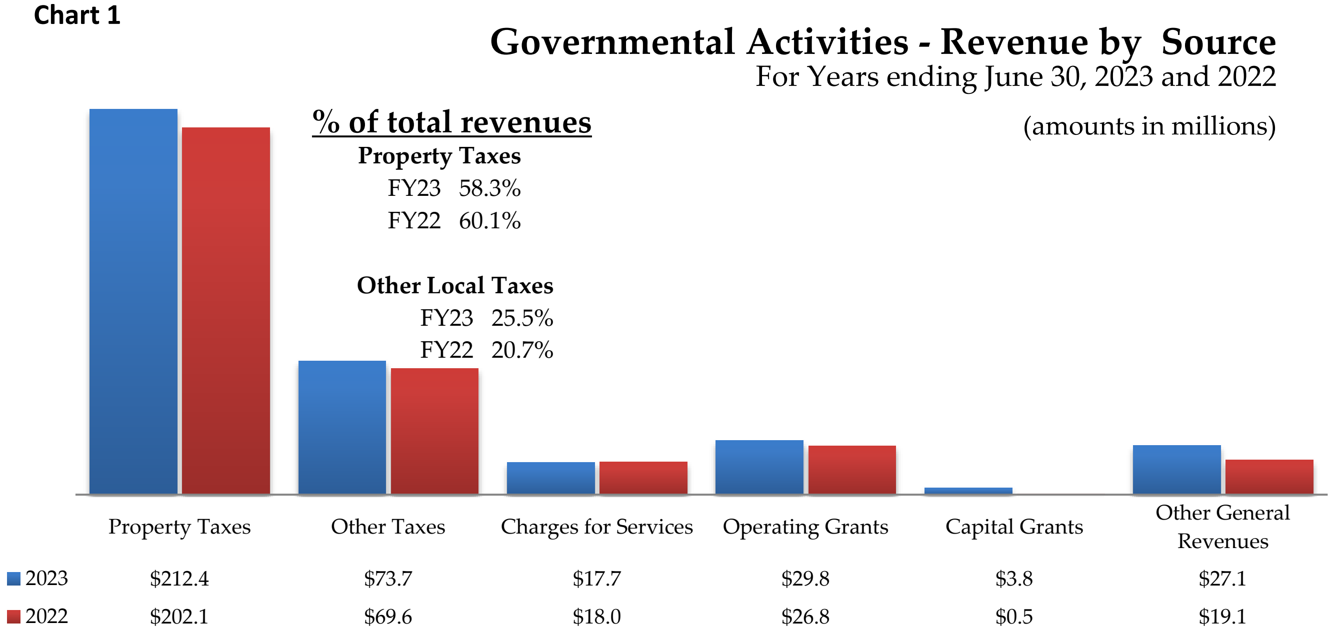
| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Component Units | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| **Revenues** | | | | | | | | |
| Program Revenues: | | | | | | | | |
| Charges for services | $ 17.7 | $ 18.0 | $ 42.6 | $ 38.8 | $ 60.3 | $ 56.8 | $ 3.5 | $ 1.7 |
| Operating grants and contributions | 29.8 | 26.8 | 0.3 | 0.1 | 30.1 | 26.9 | 232.4 | 217.1 |
| Capital grants and contributions | 3.8 | 0.5 | 29.0 | 15.5 | 32.8 | 16.0 | 1.0 | - |
| General Revenues: | | | | | | | | |
| General property taxes | 212.4 | 202.1 | - | - | 212.4 | 202.1 | - | - |
| Other taxes | 73.7 | 69.6 | - | - | 73.7 | 69.6 | - | - |
| Payments from Primary Government | - | - | - | - | - | - | 142.9 | 126.6 |
| Other general revenues | 27.1 | 19.1 | 4.9 | (1.6) | 32.0 | 17.4 | 1.6 | 1.1 |
| **Total Revenues** | 364.5 | 336.1 | 76.8 | 52.8 | 441.3 | 388.9 | 381.4 | 346.5 |
| **Expenses** | | | | | | | | |
| General government | 22.9 | 20.8 | - | - | 22.9 | 20.8 | - | - |
| Judicial administration | 13.1 | 11.0 | - | - | 13.1 | 11.0 | - | - |
| Public safety | 85.5 | 77.7 | - | - | 85.5 | 77.7 | - | - |
| Public works | 16.1 | 12.7 | - | - | 16.1 | 12.7 | - | - |
| Health and welfare | 27.7 | 26.0 | - | - | 27.7 | 26.0 | - | - |
| Education | 139.9 | 125.7 | - | - | 139.9 | 125.7 | 315.5 | 305.3 |
| Parks and recreation | 9.2 | 8.5 | - | - | 9.2 | 8.5 | - | - |
| Community development | 12.4 | 11.0 | - | - | 12.4 | 11.0 | 3.2 | 1.0 |
| Water and sewer | - | - | 47.7 | 38.3 | 47.7 | 38.3 | - | - |
| Interest on long-term debt | 8.1 | 7.5 | - | - | 8.1 | 7.5 | - | - |
| **Total Expenses** | 334.9 | 300.9 | 47.7 | 38.3 | 382.6 | 339.2 | 318.7 | 306.3 |
| Excess before transfers | 29.6 | 35.2 | 29.1 | 14.5 | 58.7 | 49.7 | 62.7 | 40.2 |
| Transfers | 0.1 | 0.1 | (0.1) | (0.1) | - | 0.1 | - | - |
| **Increase(decrease) in net position** | 29.7 | 35.3 | 29.0 | 14.4 | 58.7 | 49.7 | 62.7 | 40.2 |
| **Net position - beginning** | (26.1) | (61.4) | 322.7 | 308.3 | 296.6 | 246.9 | (105.1) | (145.3) |
| **Net position - ending** | $ 3.6 | $ (26.1) | $ 351.7 | $ 322.7 | $ 355.3 | $ 296.6 | $ (42.4) | $ (105.1) |

## GOVERNMENTAL ACTIVITIES

*Revenues*

Revenues from governmental activities for fiscal year 2023 totaled $364.5 million, an increase of $28.4 million or 8.4% from the previous fiscal year. The chart below provides information on year over year changes by each major revenue source.

**Chart 1**




*Program Revenues*

Overall program revenues increased by $6.0 million, or 13.2%, to $51.3 million for fiscal year 2023.

- Charges for services decreased $0.3 million, or 1.7%, as a result of a slowdown in building permit activity.
- Operating grants and contributions increased by $3.0 million, or 11.2%, from the recognition of $1.5 million in American Rescue Plan Act of 2021 – Coronavirus State and Local Fiscal Recovery Funds, from the revenue replacement allowable use category, used for general government employee bonuses; $0.5 million in increased state Children's Services Act funding; and $0.4 million in increased funding for federally mandated public assistance programs.
- Most capital grants and contributions are cyclical in nature and non-recurring. For fiscal year 2023, revenues increased by $3.3 million, reflecting $2.3 million in developer donated assets for Keswick Park and $0.9 million in funding from the Northern Virginia Transportation Authority to support construction of the Massaponax commuter lot.

*General Revenues*

Overall general revenues, consisting mostly of general property taxes, increased by $22.4 million, or 7.7%, to $313.2 million for the year.

- General property taxes, the single largest source of local government tax revenue, rose $10.3 million, or 5.1%. Real property assessed values rose 2.4% ($0.5 billion) in 2023 in response to new construction and rezonings. The rise in assessed values combined with an increase in the tax rate of $0.0340, contributed to $7.5 million in new revenues. Due to the significant growth of new and used vehicles in calendar year 2022, fiscal year

2023 assessments were up 9.9% ($0.2 billion) from the previous year, providing $2.8 million in additional revenue.

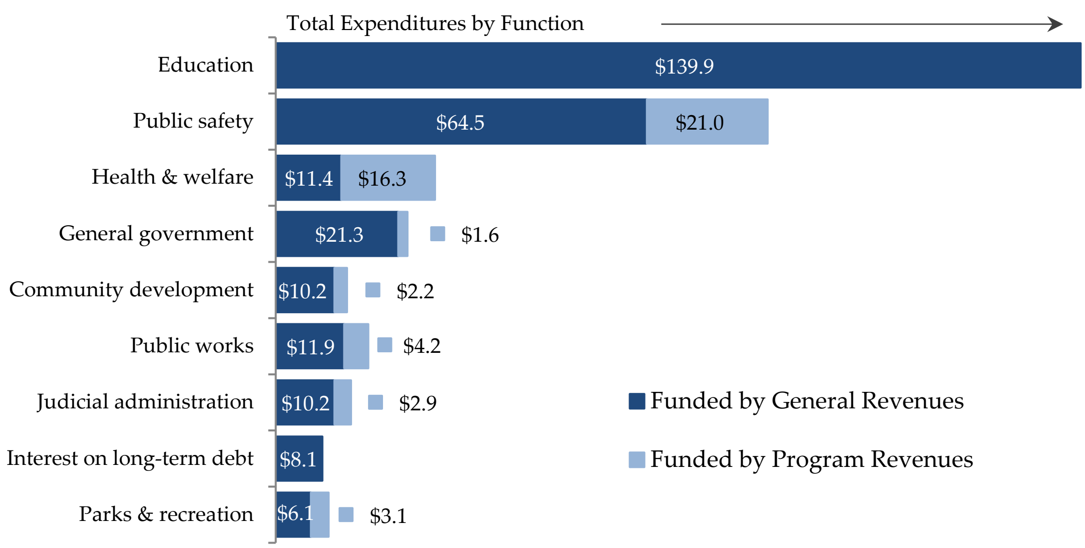
- Other local taxes rose $4.1 million, or 5.9%, from growth in consumer spending, generating additional sales tax of $2.0 million and meals tax of $1.4 million. Revenues from fuel taxes increased $0.7 million through a combination of increased fuel prices and consumption.
- Other general revenues increased by $8.0 million, or 41.9%, due primarily from investment returns of $8.9 million through a combination of realized gains of $6.3 million and $2.4 million in unrealized investment gains.

### *Expenses*

Expenses of governmental activities for fiscal year 2023 totaled $334.9 million. Of this amount, $51.3 million was paid from program specific revenues, leaving a net functional cost of $283.6 million to be funded by general revenues such as - taxes, interest and unrestricted aid from the Commonwealth. The chart below provides a breakdown of the allocation of general revenues by function (in dark blue) to cover any expenses not met through its program specific revenues (in light blue.)

**Chart 2**

**Governmental Activities - Funding of Net Functional Costs**
For the Year ended June 30, 2023
(amounts in millions)



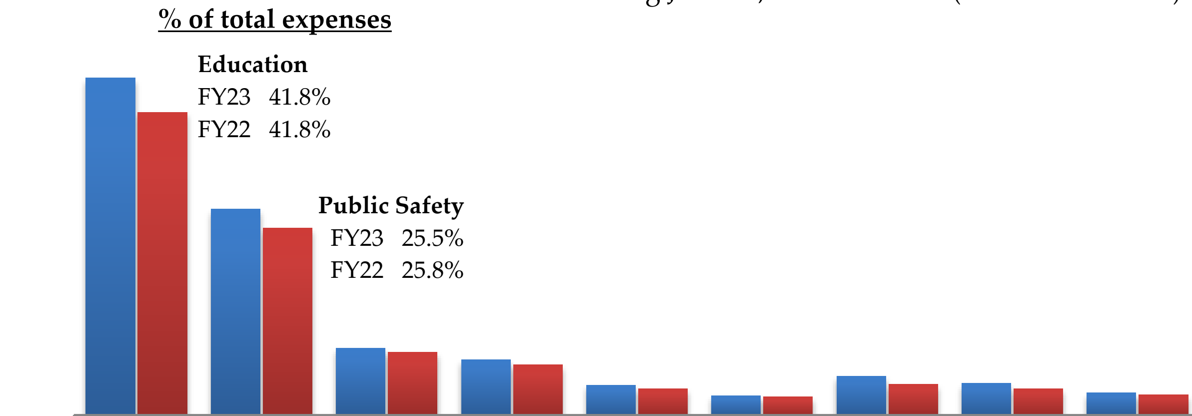

### *Governmental Expenses (continued)*

Expenses from governmental activities for fiscal year 2023 increased $34.0 million or 11.3% from the previous fiscal year. Of this increase, approximately $14.1 million relates to increased personnel related costs. The most significant drivers of this increase represent the first full year of the mid-year FY22 salary adjustment, a 2.6% cost of living adjustment for all employees, a step for employees on the public pay scale, and a 2.0% performance merit for full-time and part-time employees not on the public safety pay scale, $3,000 bonus to match similar Sheriff's Office bonuses provided in the previous year, as well as the authorization of 40.86 new FTEs in the 2023 adopted budget. Additional personnel cost changes include an increase to pension expense of $3.7 million

**Chart 3**

**Governmental Activities - Expenses by Function**

For Years ending June 30, 2023 and 2022 (amounts in millions)




| | Education | Public Safety | Health & Welfare | General Govern-ment | Comm-unity Dev't | Interest on LT Debt | Public Works | Judicial Admin | Parks & Recreation |
|---|---|---|---|---|---|---|---|---|---|
| 2023 | $139.9 | $85.5 | $27.7 | $22.9 | $12.4 | $8.1 | $16.1 | $13.1 | $9.2 |
| 2022 | $125.7 | $77.7 | $26.0 | $20.8 | $11.0 | $7.5 | $12.7 | $11.0 | $8.5 |

In addition to the year over year personnel cost changes noted above, notable functionally-specific year over year changes are as follows:

- Education expense represents a contribution to the Germanna Community College of $0.2 million (for both FY23 and FY22) and the County's local transfer to the Component unit – School Board of $139.7 million (a $14.1 million increase) to fund operating expenses after all other funding sources (e.g. federal and state) are exhausted. Actual contributions to the School Board totaled $143.2 million, before required debt adjustments below represent an increase of $7.4 million, or 5.4%, from increased personnel costs and a one-time contribution of $3.0 million to the School Capital Projects fund for the Spotsylvania Middle School expansion project.

| | 2023 | 2022 |
|---|---|---|
| Payments from the Primary Government (County) for school operating expenditures prior to the following adjustments: | $143,210,392 | $135,793,494 |
| Less: Transfer to the County for school insurance reserves refunded from third party administrator | - | (228,499) |
| Less: Net non-cash financial reporting adjustments for bonds issued by the County on-behalf of the School Board: | | |
| Move bond proceeds to the County for reporting purposes | 25,368,977 | 18,481,727 |
| Move debt service to the County for reporting purposes | (28,829,843) | (28,486,029) |
| Reported school operating expense of the Primary Government: | $139,749,526 | $125,560,693 |

- Landfill closure and post closure costs increased by $2.1 million from available volume consumed and inflationary increases to post closure estimates.
- Interest on long-term debt increased by $0.6 million, or 8.0%, from the recognition of arbitrage liabilities of $1.0 million offset by reductions in bond interest expense.

### BUSINESS-TYPE ACTIVITIES

Net position related to the County's business-type activities increased by $29.0 million, or 9.0%. Overall revenues, consisting mostly of water and sewer user fees, increased by $24.0 million, or 45.5%.

- Water and sewer user fees increased $3.8 million, or 9.8%, from new connections and planned rate increases of 8.1% (based on average monthly residential bill using 4,300 gallons.)
- Capital grants and contributions increased $13.5 million, or 87.1%, from $6.0 million in state assistance from the Water Quality Improvement Fund (WQIF) to fund improvements to the Thornburg and Massaponax Waste Water Treatment Plants; $2.3 million in availability fee revenues from scheduled rate increases and four apartment complex connections; $1.5 million in developer donated infrastructure assets; and $3.7 in cost sharing revenues from capital improvement projects.
- Other general revenues increased by $6.5 million, due primarily from investment returns of $6.2 million through a combination of realized gains of $3.6 million and $2.6 million in unrealized investment gains.

Overall expenses increased by $9.4 million, or 24.5%. Of this increase, approximately $1.3 million relates to increased personnel related costs. The most significant drivers of this increase represent a 2.6% cost of living adjustment for all employees and a 2% performance merit for full-time and part-time employees, $3,000 bonus to match similar Sheriff's Office bonuses provided in the previous year, as well as the authorization of 14 new FTEs in the 2023 adopted budget. Additional personnel cost changes include an increase to pension expense of $0.4 million. Debt service increased $2.5 million from $0.5 million in bond issuance costs, $1.6 million in increased interest expense from rising interest rates and project borrowing needs, and $0.4 million in recognized arbitrage liabilities. The majority of the remaining $5.6 million is from cost pressures relating to inflation and increased volume and pricing of chemical treatment and power supply needs.

### COMPONENT UNITS

*School Board*

For fiscal year 2023, the School Board reported an increase in net position of $62.7 million. Total revenues rose $32.7 million, or 9.5%, from increased operating grants and contributions of $15.3 million, or 7.0%, mostly from increased State funding as part of the new biennium budget; $14.4 million from increased payments from the primary government as previously discussed under the governmental expenses section of this MD&A; and $1.7 million in increased charges for food service to offset reductions in federal assistance. Overall expenses increased by $10.2 million, or 3.3%. Compensation and benefits increased $14.9 million, or 5.9%, before adjustments for reduced pension and other postemployment liabilities of $7.3 million. Purchased services increased $5.0 million, material and supplies decreased by $3.8 million, and other charges increased $1.7 million.

*Economic Development Authority*

Payments from the Primary Government (County) and related incentive expenditures increased $2.2 million from growth in VA Hospital construction incentives.

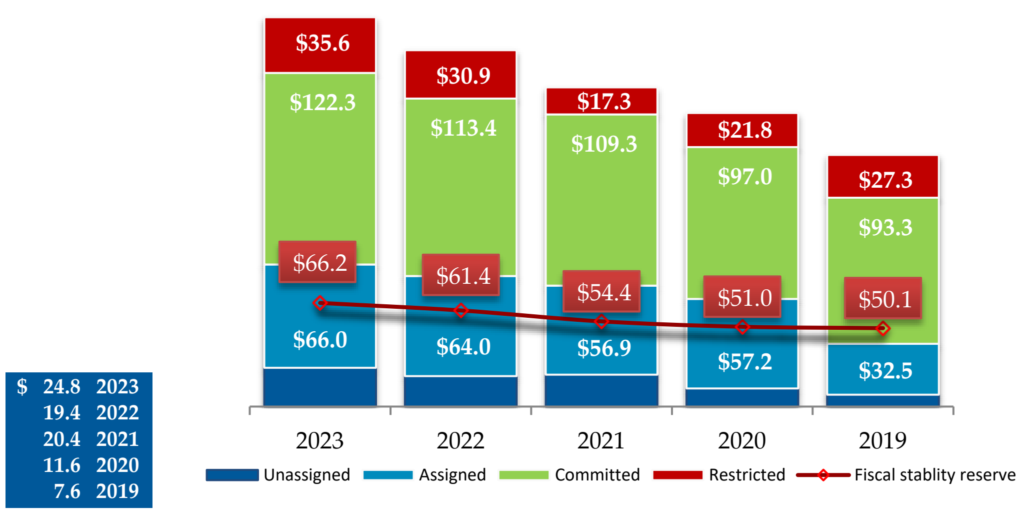
## Financial Analysis of Governmental Funds

Combined governmental fund balances at year-end equaled $248.7 million, an increase of $21.0 million, or 9.2%. As the County's available fund balance is of critical importance to its overall financial health, the Board has established fiscal policies to govern its required balances and allowable uses. Detailed information on these required minimum balances can be found under section 1.15 in the Notes to the Financial Statements. Chart 4 provides a snapshot of the combined governmental fund balances at each year-end and their categorical allocations reported from the highest level of constraint of Restricted down to the lowest level of constraint of Unassigned. Detailed information of balances held under each of the following categories is presented in the Notes to the Financial Statements under Note 8.

- ***Non-spendable*** fund balance, representing amounts comprised of funds that cannot be spent because they are either not in spendable form represent $57,415 from the implementation of GASB 87, Leases, in fiscal year 2022.
- ***Restricted*** fund balance, representing amounts limited to specific purposes imposed by external parties, increased 15.2% to $35.6 million primarily from an increase in restricted general fund revenues.
- ***Committed*** fund balance rose $8.9 million, or 7.8%, to $122.3 million. These funds are reserved by resolution of the Board and may not be changed or removed without equal action by the Board. Committed General Fund reserves increased by 7.5% and include major commitments of $66.2 million in fiscal stability reserve and $5.7 million in health insurance reserve. The Capital Projects Fund includes $38.5 million in locally funded cash reserves for future capital projects, a decrease of 2.7%.
- ***Assigned*** fund balance includes amounts constrained for specific purposes and are normally temporary in nature. In 2023, assigned fund balance increased by 3.1% to $66.0 million. Of this amount, the General Fund holds $16.8 million in carryover and use of fund balance available for the fiscal year 2024 budget, OPEB retiree health insurance reserves of $12.2 million, School health insurance reserve of $16.5 million, and a $2.0 million economics opportunities reserve.
- ***Unassigned*** fund balance includes all remaining amounts considered available for any purpose. After the funding of the County's Budget Stabilization Reserve of $5.0 million, total unassigned fund balance of the General Fund is $24.8 million, up $5.4 million from the previous year.

**Chart 4**

**Governmental Fund Balances**
For the Five Years ending June 30, 2023
(amounts in millions)



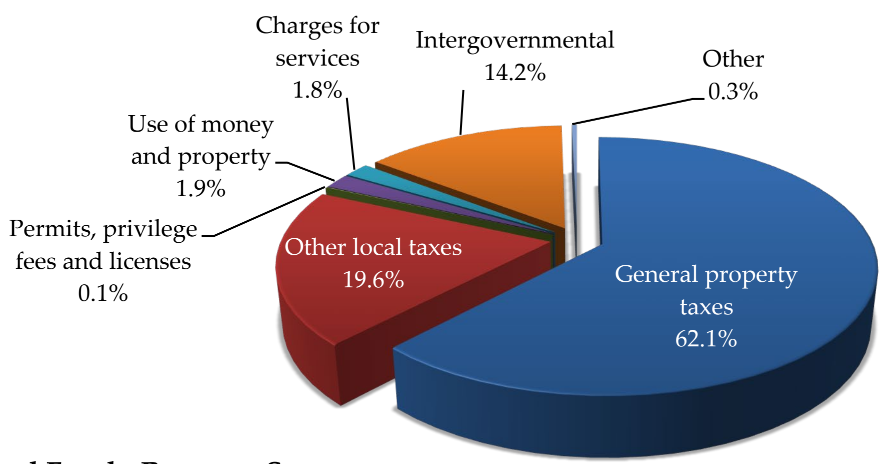

Amounts reflect the cumulative fund balances of the General Fund, Capital Projects Fund, and all non-major governmental funds.

*Governmental Fund Revenues*

Total governmental fund revenues increased by $28.4 million in fiscal year 2023. General property and other local taxes accounted for 78.5% of total revenues and reported a collective increase of $14.4 million, or 11.0%.

Total revenues of the General Fund rose $27.8 million, or 8.9% from the previous year. General property tax collections for the General Fund increased by $12.4 million, or 6.2%. Other local taxes continue to report strong growth of $3.6 million, or 5.7%. Intergovernmental revenues increased by $4.1 million, or 9.3%. Use of money and property increased by $7.3 million primarily from realized and unrealized investment returns.

**Chart 5**




| Revenue sources ($ in millions): | |
|---|---|
| General property taxes | $ 210.8 |
| Other local taxes | 66.6 |
| Permits, fees and licenses | 0.2 |
| Use of money and property | 6.3 |
| Charges for services | 6.1 |
| Intergovernmental | 48.2 |
| Other revenue | 1.2 |
| | $ 339.4 |

**General Fund - Revenue Sources**
**For the Year ended June 30, 2023**

*Governmental Fund Expenditures*

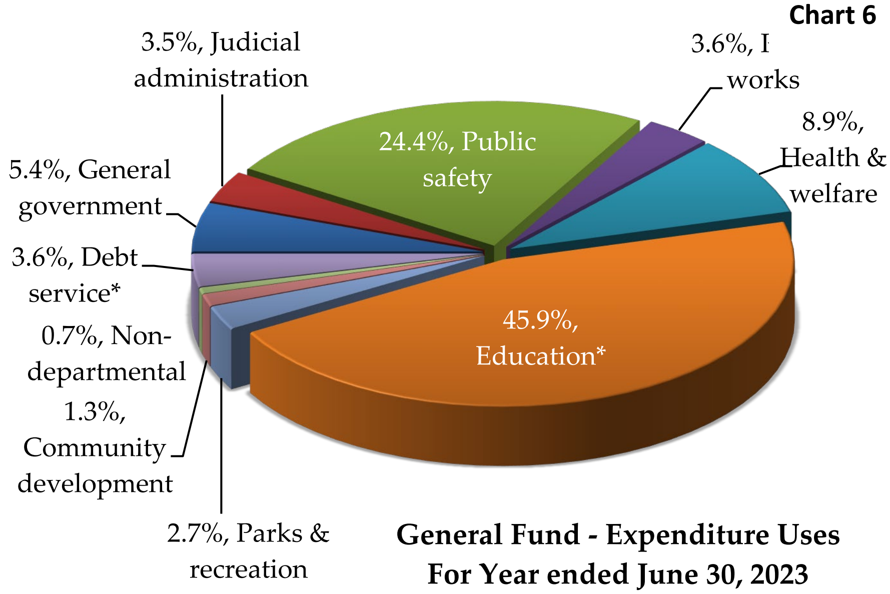
Fiscal year 2023 total governmental fund expenditures increased $34.4 million, or 10.1%. Expenditures of the General Fund, the County's main operating fund, increased $23.2 million, or 8.0%, from the previous year (after the removal of $7.0 million in year over year Education reporting adjustments*). Activity factored into this increase is highlighted below:

- Compensation and benefits increased $9.7 million across all functions primarily from a 2.6% cost of living adjustment for all employees, a step for employees on the public pay scale, and a 2.0% performance merit for full-time and part-time employees not on the public safety pay scale. As part of the 2023 adopted budget, the Board also approved an additional net 39.86 FTEs. The $9.7 million was reported in general government administration ($1.6 million), public safety ($4.2) million, health and human services ($1.3 million), with the remaining $2.6 million spread across the other various functions.
- Operating expenditures rose $2.9 million, or 6.0%, of this amount, $2.6 million was related to public safety needs.
- Expenditures from capital outlays increased $1.1 million, with 63% in public safety, 13% in health and human services, 7% in parks & recreation, with the remaining 17% spread across the other various functions.

- The County's local transfer to the School Board increased $7.4 million to $143.2 million in fiscal year 2023, driven predominantly from rising personnel costs and a one-time contribution to the Schools' Capital Projects fund of $3.0 million for the Spotsylvania Middle School expansion project.

Chart 6

| Expenditure uses ($ in millions) | | |
|---|---|---|
| General government | $ | 17.0 |
| Judicial administration | | 10.9 |
| Public safety | | 76.2 |
| Public works | | 11.3 |
| Health & welfare | | 27.7 |
| Education* | | 143.4 |
| Parks & recreation | | 8.3 |
| Community development | | 4.2 |
| Non-departmental | | 2.1 |
| Debt service* | | 11.4 |
| Total Expenditures: | $ | 312.5 |
| Education adjustments*: | | |
| Issuance of bonds | | 25.4 |
| Total Expenditures (Exh-IV): | $ | 337.9 |




**General Fund - Expenditure Uses**
**For Year ended June 30, 2023**

* The Code of Virginia requires local governments to issue debt through bond referendum on-behalf of the School Board. For financial reporting, GAAP does not allow for the allocation of debt activity to the component-unit school board. As a result, reporting adjustments are necessary to reclass and combine school debt activity with debt activity of the General Fund. The net of these adjustments are recorded through the Education function. Details on these adjustments can be found within Exhibit X of these financial statements.

## General Fund Budgetary Highlights

### ORIGINAL BUDGET TO FINAL BUDGET

Over the course of the year, the Board revised the County budget several times. Most of these adjustments consisted of reallocations of funds between funding sources and departments, with the exception of the following amendments:

- The "carryover" of obligated or approved fiscal year 2022 funding not yet expended by the County and Schools of $10.3 million was approved and appropriated to education ($5.9 million), public safety ($3.3 million), general government ($0.5 million), and $0.6 million spread over the remaining functions.

### FINAL BUDGET TO ACTUAL

As of June 30, the County's General Fund reported a positive budget variance of $40.8 million consisting of $21.8 million in additional revenues and other financing sources and $19.0 million in unexpended budgeted expenditures and other financing uses. The most notable variances are as follows:

*Revenues:*

- General property taxes exceeded budgeted projections by $9.8 million consisting mainly of increased current and delinquent personal property tax collections of $4.9 million, and $3.6 million in current real property taxes as a result of the FY 2024 tax rate adopted of $0.7717, a $0.034 increase effective with first half real estate tax bills due in June 2023.
- Revenues from other local taxes exceeded budgeted projections by $5.4 million primarily from local sales tax ($1.1 million), meals tax ($2.8 million), business license revenues ($1.2 million), transient occupancy tax ($0.7 million), and cigarette taxes of $0.3 million. These increases were partially offset by a drop in recordation tax revenues of $1.4 million.
- Revenue from the use of money and property exceeded budget by $4.8 million in response to increased realized investment revenues from a larger balance of invested funds and higher market rates.

*Expenditures:*

- Current expenditures, excluding Education, were less than the amended budget by $13.9 million as a result of:
    - Vacancy savings of $2.1 million;
    - Unexpended Social Services and Children's Services Act program costs of $4.4 million;
    - Unexpended public safety state and federal assistance of $2.7 million;
    - OPEB contributions budgeted of $2.9 million, but which annually fall to the fund balance at fiscal year-end and are reserved for future transfer to an OPEB trust;
    - Economic development incentive payments being less than projected by $0.5 million; and
    - $0.3 million in budgeted contingency savings.
- The County's local education transfer to the School Board which pays for operating costs, not funded through other intergovernmental sources (state and federal funding), was below budget by $4.0 million mostly from vacancy savings.

Additional information on the County's General Fund budget compliance can be found in Exhibit X, *Budgetary Comparison Schedule – General Fund*.

## Capital Assets and Debt Administration

### CAPITAL ASSETS

County capital assets consist of land, buildings, furniture, equipment and vehicles, and water and sewer infrastructure which are used for operations, and construction in progress. Construction in progress maintains the balance of funds expended on on-going projects as they are incurred. Once the asset is placed into service, the cost is transferred from construction in progress to the appropriate capital category based on the nature of the asset.

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2023, increased to $535.8 million (net of accumulated depreciation), up 10.4% from the previous year, as reported in the table below.

**Table 4**

**Capital Assets**

| | (net of depreciation, amounts in millions) | | | | | |
|---|---|---|---|---|---|---|
| | | | Total Primary Government | | | |
| | Governmental Activities | Business-type Activities | 2023 | 2022 | $ Change | % Change |
| Land & land improvements | $ 15.3 | $ 9.7 | $ 25.0 | $ 23.4 | 1.6 | 6.8% |
| Land improvements, depreciable | 19.8 | 1.7 | 21.5 | 11.9 | 9.6 | 80.7% |
| Buildings & improvements | 70.7 | 84.4 | 155.1 | 162.8 | (7.7) | -4.7% |
| Right-to-use buildings & improvements | 0.3 | - | 0.3 | - | 0.3 | 100.0% |
| Furniture, equipment & vehicles | 43.8 | 13.3 | 57.1 | 57.5 | (0.4) | -0.7% |
| Right-to-use furniture, equipment & vehicles | 7.3 | 1.0 | 8.3 | - | 8.3 | 100.0% |
| Water & sewer systems | - | 198.8 | 198.8 | 196.0 | 2.8 | 1.4% |
| Construction in progress | 7.4 | 62.3 | 69.7 | 33.9 | 35.8 | 105.6% |
| **Total capital assets** | **$ 164.6** | **$ 371.2** | **$ 535.8** | **$ 485.5** | **50.3** | **10.4%** |

Major capital asset activities for fiscal year 2023 included the following:

*Governmental Activities:*

- Solid waste disposal cells A and B of the phase II, Livingston landfill expansion project was completed in June 2023 totaling $9.0 million accounting for the majority of the increase in depreciable land improvements in 2023.
- The County adopted GASB 96, *Subscription-Based Information Technology Arrangements* in fiscal year 2023, adding a beginning balance of $7.6 million to right-to-use furniture, equipment and vehicles.

*Business-type Activities:*

- Ownership of various new water and sewer transmission lines, valued at approximately $9.1 million, was transferred to the County as a result of planned growth in commercial and residential development.
- Construction work continues on the Thornburg wastewater treatment plant upgrade (WWTP). The project will replace the existing Thornburg WWTP with a new facility that will be more efficient and meet increased wastewater processing demands without expanding the facility's footprint. Fiscal year 2023 costs incurred were $8.1 million for a total capital outlay to date of $20.7 million. The facility is expected to be operational in 2024.
- Work on the Massaponax WWTP expansion continues with year to date project costs of $22.6 million. The project will expand the facility to treat all County wastewater flow, except for the Thornburg service area, allowing for the decommissioning of the FMC WWTP. The facility is expected to be operational in late 2024.
- Design work began for the expansion of the Motts Water Treatment Plant. Once completed, the project will double the current capacity from 12 million gallons per day (MGD) to 24 MGD to meet future water demands. Total project costs to date are $6.9 million.

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

## DEBT ADMINISTRATION

At the end of the current fiscal year, the County reported $456.1 million in outstanding bonds and related unamortized bond premiums, an increase of 14.7%. Of this amount, $202.9 million represents general obligation bonds backed by the full faith and credit of the County, $37.5 million in public facility revenue bonds secured through various County and School facilities, and $165.8 million in water and sewer revenue and refunding bonds payable from net revenues derived from the County's water and sewer system.

### Outstanding Bonds & Related Unamortized Premiums

**Table 5**

(amounts in millions)

| | Primary Government 2023 | Primary Government 2022 | % Change |
|---|---|---|---|
| Governmental activities: | | | |
| General obligation bonds - County | $ 82.7 | $ 84.1 | -1.7% |
| General obligation bonds - School Board | 120.2 | 115.2 | 4.3% |
| Public facility revenue bonds - County | 6.2 | 7.0 | -11.4% |
| Public facility revenue bonds - School Board | 31.3 | 35.4 | -11.6% |
| Unamortized premiums on all bonds | 33.7 | 34.1 | -1.2% |
| Total governmental activities debt: | 274.1 | 275.8 | -0.6% |
| Water & Sewer revenue & refunding bonds | 165.8 | 107.3 | 54.5% |
| Unamortized premiums | 16.2 | 14.6 | 11.0% |
| Total business-type activities debt: | 182.0 | 121.9 | 49.3% |
| **Total outstanding bonds:** | **$ 456.1** | **$ 397.7** | **14.7%** |

In August of 2022, the County issued $31.1 million in general obligation bonds (adjusted for premium of $3.8 million and payment of $0.3 million in issuance costs) to finance school, public safety and transportation projects of $34.6 million. In November of 2022, the County issued $65.3 million in Water and Sewer Revenue Bonds (adjusted for premium of $2.8 million and payment of $0.4 million in issuance costs), to finance water and sewer infrastructure projects of $67.7 million. In addition to planned water and sewer line upgrades, major plant upgrades include $22.7 million for the Massaponax WWTP expansion, $6.0 million for the Thornburg WWTP upgrade, $6.0 million for the FMC to Massaponax WWTP conveyance, and $4.4 million for the Motts WTP expansion, rehabilitation and resiliency project.

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

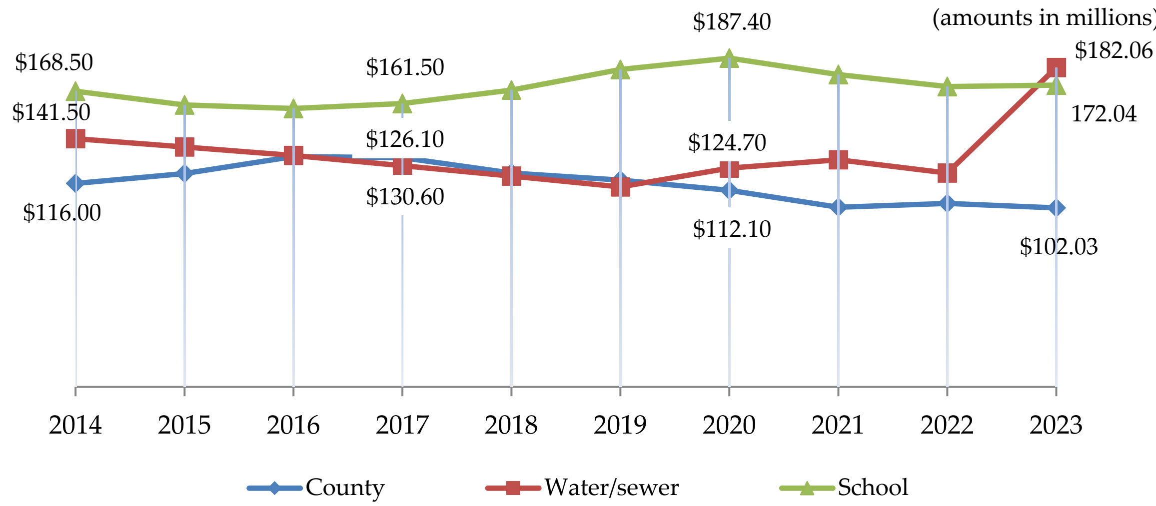
In the fall of 2023, County representatives met with Fitch, Moody's and Standard & Poor's to present current economic and financial information pertaining to Spotsylvania County. As a result, the County was upgraded from Aa1 to Aaa by Moody's to earn 3 AAA ratings for the first time on its general obligation bonds. Only 11 states, 48 counties and 36 cities in the United States have a triple-A bond rating from all three major rating agencies. The highest ratings, Aaa/AAA, are granted to counties that are best managed and prepared to meet debt obligations during periods of recession or fiscal stress.

We are pleased to report that Standard & Poor's also upgraded our rating from AA to AA+ with a stable outlook for our Water and Sewer revenue bonds. Fitch affirmed our current AA+ rating with a stable outlook, and Moody's affirmed their Aa2 rating but upgraded the outlook to positive. Typically, a positive outlook means that unless something changes for the worse, Moody's will consider another upgrade within the next two years. "AA" ratings are only one step below "AAA" and are judged to be of high quality and are subject to very low credit risk.

Bonded debt levels outstanding for the current year and previous nine years by activity are as follows.

**Chart 7** **Bonded Debt Levels**

(amounts in millions)




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

## Economic Factors and Next Year's Budget

The adopted 2024 General Fund budget of $368.2 million reflects a $26.8 million, or 7.8% increase in revenues from the 2023 adopted budget. This increase includes a projected use of fund balance of $12.1 million. The following information provides highlights of the 2024 General Fund Adopted Budget.

- The 2023 land book value reflects an increase in residential and commercial values of 2.7% and 1.1%, respectively. The total assessed value growth for calendar year 2024 is estimated at 2.4%. The County's housing market remains strong with an average assessed value of $331,900 for residential properties with a home. The Board set an increased tax rate of $0.7717 for fiscal year 2024, up from $0.7377 to fund the needs of public safety and schools.
- New vehicle values remained high in January of 2023, marking a year over year increase of 4.2%. Used retail prices have fallen 3.8%, but are still 35% above pre-pandemic levels. The Board maintained the previous year's reduced the tax rate of $5.42 (down from $6.35) for the class of personal property including most passenger automobiles to offset elevated prices.
- The transient occupancy tax was increased from 7% to 9% to generate $435,000 in new revenue.
- The meals tax rate is increased from 4.5% to 6.0% to generate $3.9 million in new revenue.
- Funding is included for the following compensation adjustments:
  - Implementation of the next step on the public safety pay scale.
  - 18.87 net new positions are added to maintain or enhance the delivery of services to citizens.

  - A 6.0% cost of living adjustment and 2.0% merit increase for all employees not on the public safety pay scale.
- The budget includes a $13.9 million transfer from the General Fund to the Capital Projects Fund to cash fund capital projects and reduce borrowing needs.
- A planned transfer of $2.4 million from the General Fund fund balance to the Transportation Fund to help address projected out-year needs.
- The net local transfer to the Schools increased by $10.8 million to $148.9 million in support of compensation adjustments to include $1.2 million in one-time matching funds for the State retention initiative, after removing the FY 2023 onetime transfer for the teacher pay study and accounting for the increase in Schools' debt service. A onetime transfer of $0.7 million to the Schools' Capital Projects fund to help offset increased costs related to the Spotsylvania Middle School expansion.

## Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be sent by email to finance@spotsylvania.va.us or can be addressed to the Office of the Chief Financial Officer at 8800 Courthouse Road, Spotsylvania Virginia, 22553.

# BASIC FINANCIAL STATEMENTS

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Statement of Net Position**

June 30, 2023

Exhibit I

| | Primary Government | | | Component Unit | |
|---|---|---|---|---|---|
| | **Governmental Activities** | **Business-type Activities** | **Total** | **School Board** | **Economic Development Authority** |
| **ASSETS** | | | | | |
| Cash and investments - pooled equity (Note 2) | $ 249,562,811 | $ 96,132,387 | $ 345,695,198 | $ 23,199,710 | $ 1,513,305 |
| Receivables, net (Note 3.01) | 142,071,904 | 19,332,682 | 161,404,586 | 15,666,145 | - |
| Lease Receivable (Note 3.02) | 2,123,876 | 1,546,305 | 3,670,181 | - | - |
| Prepaid items | 2,581,819 | 87,055 | 2,668,874 | 2,846,244 | - |
| Inventory | - | 1,003,933 | 1,003,933 | 600,504 | - |
| Due from primary government (Note 6) | - | - | - | 9,711,936 | - |
| Restricted cash and investments (Note 2) | 30,600,677 | 72,959,117 | 103,559,794 | 35,713,182 | - |
| Land held as investment | - | - | - | - | 1,230,600 |
| Capital assets, net (Note 4): | | | | | |
| Non-depreciable assets | 22,662,457 | 72,007,851 | 94,670,308 | 20,881,812 | - |
| Depreciable assets | 141,941,455 | 299,188,336 | 441,129,791 | 319,098,776 | - |
| Net pension assets (Note 7.05) | - | - | - | 1,133,771 | - |
| **Total assets** | $ 591,544,999 | $ 562,257,666 | $ 1,153,802,665 | $ 428,852,080 | $ 2,743,905 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Debt refunding | $ - | $ 928,336 | $ 928,336 | $ - | $ - |
| Pension contributions (Note 7.05) | 8,779,787 | 1,101,896 | 9,881,683 | 24,906,253 | - |
| Pension actuarial differences (Note 7.05) | 12,518,109 | 1,528,530 | 14,046,639 | 14,737,695 | - |
| OPEB contributions (Note 7.06) | 348,674 | 50,557 | 399,231 | 7,963,590 | - |
| OPEB actuarial differences (Note 7.06) | 11,812,706 | 1,600,701 | 13,413,407 | 35,868,648 | - |
| **Total deferred outflows of resources** | $ 33,459,276 | $ 5,210,020 | $ 38,669,296 | $ 83,476,186 | $ - |
| **LIABILITIES** | | | | | |
| Accounts payable | $ 4,128,050 | $ 7,453,895 | $ 11,581,945 | $ 12,096,814 | $ 1,235,324 |
| Retainage payable | 131,726 | 1,960,188 | 2,091,914 | 286,244 | - |
| Accrued salaries and benefits | 1,123,500 | 130,907 | 1,254,407 | 17,057,381 | - |
| Accrued interest | 3,976,439 | 601,355 | 4,577,794 | - | - |
| Other accrued liabilities | 2,922,467 | 778,049 | 3,700,516 | 24,964 | 6,750 |
| Unearned revenue | 24,215,952 | 524,752 | 24,740,704 | 6,770,565 | - |
| Due to component unit (Note 6) | 9,711,936 | - | 9,711,936 | - | - |
| Deposits | 12,503,918 | 122,491 | 12,626,409 | - | - |
| Noncurrent liabilities (Note 7): | | | | | |
| Due within one year | 33,208,823 | 7,646,998 | 40,855,821 | 6,006,932 | - |
| Due in more than one year | 376,855,405 | 189,654,835 | 566,510,240 | 316,969,848 | - |
| **Total liabilities** | $ 468,778,216 | $ 208,873,470 | $ 677,651,686 | $ 359,212,748 | $ 1,242,074 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Property taxes | $ 101,462,713 | $ - | $ 101,462,713 | $ - | $ - |
| Special assessments | 164,339 | - | 164,339 | - | - |
| Leases | 2,066,461 | 1,488,506 | 3,554,967 | - | - |
| Debt refunding | 698,775 | - | 698,775 | - | - |
| Pension actuarial differences (Note 7.05) | 10,647,465 | 1,115,418 | 11,762,883 | 34,357,510 | - |
| OPEB actuarial differences (Note 7.06) | 37,533,678 | 4,297,099 | 41,830,777 | 162,617,225 | - |
| **Total deferred inflows of resources** | $ 152,573,431 | $ 6,901,023 | $ 159,474,454 | $ 196,974,735 | $ - |
| **NET POSITION** | | | | | |
| Net investment in capital assets | $ 113,129,467 | $ 258,584,293 | $ 371,713,760 | $ 338,620,751 | $ - |
| Restricted for: | | | | | |
| Grant programs | 5,627,312 | - | 5,627,312 | - | - |
| Debt service | - | 2,997,218 | 2,997,218 | - | - |
| Transportation | 4,745,478 | - | 4,745,478 | - | - |
| Capital projects | 4,275,719 | - | 4,275,719 | 20,326,136 | - |
| Net pension assets | - | - | - | 1,133,771 | - |
| Student activities | - | - | - | 2,786,582 | - |
| Unrestricted | (124,125,348) | 90,111,682 | (34,013,666) | (406,726,457) | 1,501,830 |
| **Total net position (deficit)** | $ 3,652,628 | $ 351,693,193 | $ 355,345,821 | $ (43,859,217) | $ 1,501,830 |

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

**COUNTY OF SPOTSYLVANIA, VIRGINIA**
**Statement of Activities**
For the Year Ended June 30, 2023

Exhibit II - Page 1

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants & Contributions | Program Revenues: Capital Grants & Contributions | Primary Government: Governmental Activities |
|---|---|---|---|---|---|
| Primary Government: | | | | | |
| General government | $ 22,921,204 | $ 346,497 | $ 1,251,853 | $ - | $ (21,322,854) |
| Judicial administration | 13,146,846 | 621,236 | 2,364,755 | - | (10,160,855) |
| Public safety | 85,466,528 | 11,464,200 | 9,406,292 | 144,779 | (64,451,257) |
| Public works | 16,102,975 | 3,652,321 | 171,620 | 355,530 | (11,923,504) |
| Health and human services | 27,666,948 | 20,630 | 16,259,926 | - | (11,386,392) |
| Education | 139,938,697 | - | 2,082 | - | (139,936,615) |
| Parks, recreation and cultural | 9,198,533 | 759,367 | 62,414 | 2,329,040 | (6,047,712) |
| Community development | 12,387,063 | 873,469 | 274,610 | 1,013,341 | (10,225,643) |
| Interest on long-term debt | 8,103,514 | - | - | - | (8,103,514) |
| **Total governmental activities** | $ 334,932,308 | $ 17,737,720 | $ 29,793,552 | $ 3,842,690 | $ (283,558,346) |
| Business-type activities: | | | | | |
| Water and sewer | 47,671,223 | 42,643,590 | 310,665 | 29,012,628 | |
| **Total Primary Government** | $ 382,603,531 | $ 60,381,310 | $ 30,104,217 | $ 32,855,318 | |
| Component unit: | | | | | |
| School Board | $ 315,456,968 | $ 3,495,964 | $ 232,382,192 | $ 984,572 | |
| Economic Development Authority | $ 3,226,059 | $ 40,088 | $ - | $ - | |

| | Governmental Activities |
|---|---|
| General revenues: | |
| Taxes | |
| Property taxes | $ 212,438,720 |
| Sales taxes | 29,733,863 |
| Utility taxes | 3,417,519 |
| Business licenses | 6,428,153 |
| Rental taxes | 3,116,672 |
| Motor vehicle licenses | 3,347,494 |
| Bank stock taxes | 1,190,732 |
| Recordation taxes | 2,642,278 |
| Meal taxes | 15,171,263 |
| Fuel taxes | 6,916,231 |
| Cigarette taxes | 1,732,080 |
| Grants and contributions not restricted to specific programs | 19,455,137 |
| Payments from Primary Government | - |
| Interest and investment earnings | 7,403,301 |
| Miscellaneous | 280,316 |
| Transfers | 54,683 |
| Total general revenues and transfers | $ 313,328,442 |
| **Change in net position** | $ 29,770,096 |
| Net position (deficit), beginning | (26,117,468) |
| Net position (deficit), ending | $ 3,652,628 |

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

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Statement of Activities**

For the Year Ended June 30, 2023

Exhibit II - Page 2

| | Net (Expense) Revenue & Changes in Net Position | | | |
|---|---|---|---|---|
| | Primary Government | | Component Unit | |
| Functions/Programs | Business-type Activities | Total | School Board | Economic Development Authority |
| Primary Government: | | | | |
| General government | | $ (21,322,854) | | |
| Judicial administration | | (10,160,855) | | |
| Public safety | | (64,451,257) | | |
| Public works | | (11,923,504) | | |
| Health and human services | | (11,386,392) | | |
| Education | | (139,936,615) | | |
| Parks, recreation and cultural | | (6,047,712) | | |
| Community development | | (10,225,643) | | |
| Interest on long-term debt | | (8,103,514) | | |
| **Total governmental activities** | | $ (283,558,346) | | |
| Business-type activities: | | | | |
| Water and sewer | 24,295,660 | 24,295,660 | | |
| **Total Primary Government** | $ 24,295,660 | $ (259,262,686) | | |
| Component units: | | | | |
| School Board | | | $ (78,594,240) | |
| Economic Development Authority | | | | $ (3,185,971) |
| General revenues: | | | | |
| Taxes | | | | |
| Property taxes | $ - | $ 212,438,720 | $ - | $ - |
| Sales taxes | - | 29,733,863 | - | - |
| Utility taxes | - | 3,417,519 | - | - |
| Business licenses | - | 6,428,153 | - | - |
| Rental taxes | - | 3,116,672 | - | - |
| Motor vehicle licenses | - | 3,347,494 | - | - |
| Bank stock taxes | - | 1,190,732 | - | - |
| Recordation taxes | - | 2,642,278 | - | - |
| Meal taxes | - | 15,171,263 | - | - |
| Fuel taxes | - | 6,916,231 | - | - |
| Cigarette taxes | - | 1,732,080 | - | - |
| Grants and contributions not restricted to specific programs | - | 19,455,137 | - | - |
| Payments from Primary Government | - | - | 139,749,526 | 3,187,559 |
| Interest and investment earnings | 4,390,701 | 11,794,002 | 1,312,015 | 701 |
| Miscellaneous | 324,818 | 605,134 | 313,359 | 1,734 |
| Transfers | (54,683) | - | - | - |
| Total general revenues and transfers | $ 4,660,836 | $ 317,989,278 | $ 141,374,900 | $ 3,189,994 |
| **Change in net position** | $ 28,956,496 | $ 58,726,592 | $ 62,780,660 | $ 4,023 |
| Net position (deficit), beginning | 322,736,697 | 296,619,229 | (106,639,877) | 1,497,808 |
| Net position (deficit), ending | $ 351,693,193 | $ 355,345,821 | $ (43,859,217) | $ 1,501,831 |

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Balance Sheet - Governmental Funds**

June 30, 2023

Exhibit III - Page 1

| | Governmental Funds | | | |
|---|---|---|---|---|
| | **General** | **Capital Projects** | **Other Governmental Funds** | **Total Governmental Funds** |
| **ASSETS** | | | | |
| Cash and investments - pooled equity | $ 186,624,691 | $ 42,920,539 | $ 20,017,581 | $ 249,562,811 |
| Receivables, net | 135,136,736 | 232,479 | 6,702,689 | 142,071,904 |
| Lease receivable | 2,123,876 | - | - | 2,123,876 |
| Restricted cash and investments | 2,037,297 | 27,522,052 | 1,041,328 | 30,600,677 |
| **Total assets** | $ 325,922,600 | $ 70,675,070 | $ 27,761,598 | $ 424,359,268 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 2,513,842 | $ 1,335,657 | $ 278,551 | $ 4,128,050 |
| Retainage payable | - | 131,726 | - | 131,726 |
| Accrued salaries and benefits | 1,371,041 | 2,174 | 50,132 | 1,423,347 |
| Other accrued liabilities | 1,494,180 | 263,093 | 4,346 | 1,761,619 |
| Unearned revenue | 24,215,952 | - | - | 24,215,952 |
| Due to component unit | 9,711,936 | - | - | 9,711,936 |
| Deposits | 8,173,372 | 2,240,266 | 2,090,280 | 12,503,918 |
| **Total liabilities** | $ 47,480,323 | $ 3,972,916 | $ 2,423,309 | $ 53,876,548 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Property taxes | $ 110,489,110 | $ - | $ 534,099 | $ 111,023,209 |
| Special assessments | - | 164,339 | - | 164,339 |
| Other revenues | 7,494,759 | 68,140 | 944,000 | 8,506,899 |
| Leases | 2,066,461 | - | - | 2,066,461 |
| **Total deferred inflows of resources** | $ 120,050,330 | $ 232,479 | $ 1,478,099 | $ 121,760,908 |
| **FUND BALANCES** | | | | |
| Non spendable | $ 57,415 | $ - | $ - | $ 57,415 |
| Restricted | 6,705,448 | 22,796,442 | 6,075,016 | 35,576,906 |
| Committed | 74,431,825 | 38,534,315 | 9,359,804 | 122,325,944 |
| Assigned | 52,421,540 | 5,138,918 | 8,425,370 | 65,985,828 |
| Unassigned | 24,775,719 | - | - | 24,775,719 |
| **Total fund balances** | $ 158,391,947 | $ 66,469,675 | $ 23,860,190 | $ 248,721,812 |
| **Total liabilities, deferred inflows of resources, and fund balances** | $ 325,922,600 | $ 70,675,070 | $ 27,761,598 | $ 424,359,268 |

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

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Position**

June 30, 2023

Exhibit III - Page 2

| | | | | |
|---|---|---|---|---|
| **Total fund balances - governmental funds (Exhibit III)** | | | $ | 248,721,812 |
| *Amounts reported for governmental activities in the Statement of Net Position (Exhibit I) are different because:* | | | | |
| Prepaid items used current resources and, therefore, are not reported in the governmental funds. | | | | 2,581,819 |
| Capital assets, include right to use assets, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | | | |
| Non-depreciable assets | $ | 22,662,457 | | |
| Depreciable assets, net of depreciation | | 141,941,455 | | |
| | | | | 164,603,912 |
| Deferred outflows of resources that represent a consumption of net position applying to future periods and, therefore, are not reported in the governmental funds. | | | | |
| Deferred pension contributions | $ | 8,779,787 | | |
| Deferred pension actuarial differences | | 12,518,109 | | |
| Deferred OPEB contributions | | 348,674 | | |
| Deferred OPEB actuarial differences | | 11,812,706 | | |
| | | | | 33,459,276 |
| Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. | | | | (3,976,439) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | | | |
| Bonds payable, net of related costs | $ | (274,072,826) | | |
| Net pension liability | | (21,651,441) | | |
| LOSAP pension benefits | | (3,489,254) | | |
| Other postemployment benefits | | (81,826,299) | | |
| Lease liability | | (459,403) | | |
| Subscription liability | | (6,692,295) | | |
| Compensated absences | | (6,172,153) | | |
| Landfill closure obligation | | (13,790,547) | | |
| Insurance claims (excludes $299,847 accrued in the General Fund) | | (1,610,163) | | |
| | | | | (409,764,381) |
| Revenue not considered available in governmental funds is susceptible to full accrual on the entity-wide statements. | | | | |
| Property taxes | $ | 9,560,496 | | |
| Intergovernmental revenues | | 2,940,467 | | |
| Sales tax | | 2,649,404 | | |
| Other local revenues | | 2,917,028 | | |
| | | | | 18,067,395 |
| Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period | | | | |
| Deferred pension actuarial differences | $ | (10,647,465) | | |
| Deferred debt refunding | | (698,775) | | |
| Deferred OPEB actuarial differences | | (37,533,678) | | |
| | | | | (48,879,918) |
| Expenses not due and payable in the current period and, therefore, are not reported in the governmental funds. | | | | |
| Arbitrage liability | $ | (1,042,970) | | |
| Other liabilities | | (117,878) | | |
| | | | | (1,160,848) |
| **Total net position - governmental activities (Exhibit I)** | | | $ | 3,652,628 |

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

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**

For the Year Ended June 30, 2023

Exhibit IV - Page 1

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| General property taxes | $ 210,834,857 | $ 33,575 | $ 1,105,977 | $ 211,974,409 |
| Other local taxes | 66,560,438 | - | 6,916,231 | 73,476,669 |
| Permits, fees and regulatory licenses | 235,801 | - | 6,634,300 | 6,870,101 |
| Fines and forfeitures | 403,721 | - | - | 403,721 |
| From use of money and property | 6,258,507 | 1,781,500 | 136,588 | 8,176,595 |
| Charges for services | 6,117,780 | - | 4,005,576 | 10,123,356 |
| Gifts and donations | 114,699 | 104,811 | - | 219,510 |
| Miscellaneous | 653,113 | 456,789 | - | 1,109,902 |
| Intergovernmental | 48,214,743 | 86,865 | 74,142 | 48,375,750 |
| **Total revenues** | $ 339,393,659 | $ 2,463,540 | $ 18,872,814 | $ 360,730,013 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | $ 16,984,645 | $ 163,602 | $ - | $ 17,148,247 |
| Judicial administration | 10,907,294 | - | - | 10,907,294 |
| Public safety | 76,257,041 | - | 2,832,872 | 79,089,913 |
| Public works | 11,299,243 | - | 58,885 | 11,358,128 |
| Health and human services | 27,731,542 | - | - | 27,731,542 |
| Education | 139,938,697 | - | - | 139,938,697 |
| Parks, recreation and cultural | 8,268,454 | - | - | 8,268,454 |
| Community development | 4,156,935 | - | 4,753,703 | 8,910,638 |
| Non-departmental | 2,060,479 | - | - | 2,060,479 |
| Capital projects | - | 25,152,015 | - | 25,152,015 |
| Debt service: | | | | |
| Bonded debt: | | | | |
| Principal retirement | 29,128,394 | - | 3,271,606 | 32,400,000 |
| Interest and other fiscal charges | 9,195,011 | - | 1,614,105 | 10,809,116 |
| Bond issuance costs | 184,442 | 69,359 | - | 253,801 |
| Right to use assets: | | | | |
| Principal retirement | 1,669,944 | - | 8,857 | 1,678,801 |
| Interest and other fiscal charges | 69,594 | - | 79 | 69,673 |
| **Total expenditures** | $ 337,851,715 | $ 25,384,976 | $ 12,540,107 | $ 375,776,798 |
| **Excess (deficiency) of revenues over (under) expenditures** | $ 1,541,944 | $ (22,921,436) | $ 6,332,707 | $ (15,046,785) |
| Other financing sources (uses): | | | | |
| Transfers in (out) | $ (16,987,515) | $ 19,176,364 | $ (2,134,166) | $ 54,683 |
| Issuance of bonds | 22,610,000 | 8,435,000 | - | 31,045,000 |
| Premium on bonds issued | 2,758,977 | 1,053,117 | - | 3,812,094 |
| Lease liabilities issued | 316,869 | - | - | 316,869 |
| Subscription liabilities issued | 788,482 | - | - | 788,482 |
| **Total other financing sources (uses), net** | $ 9,486,813 | $ 28,664,481 | $ (2,134,166) | $ 36,017,128 |
| **Net change in fund balances** | $ 11,028,757 | $ 5,743,045 | $ 4,198,541 | $ 20,970,343 |
| Fund balance, beginning | 147,363,190 | 60,726,630 | 19,661,649 | 227,751,469 |
| Fund balance, ending | $ 158,391,947 | $ 66,469,675 | $ 23,860,190 | $ 248,721,812 |

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

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

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

For the Year Ended June 30, 2023

Exhibit IV - Page 2

| | | |
|---|---|---|
| **Net changes in governmental fund balances (Exhibit IV):** | | $ 20,970,343 |
| *Amounts reported for governmental activities in the Statement of Activities are different because:* | | |
| Governmental funds report prepaids as expenditures. However, in the Statement of Activities, the cost is allocated over its service life and reported against the applicable functional expense. | | (182,521) |
| Governmental funds report capital outlays, including right to use assets, 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, net of disposals and related proceeds | $ 19,427,196 | |
| Depreciation expense | (15,154,183) | |
| | | 4,273,013 |
| Donated capital assets are not reported in the governmental funds as there is no measurable cash exchange at the time of donation. However, in the statement of activities, the revenue related to the donation of the capital asset is reported and the functional expense is allocated over the useful life as depreciation expense. | | 2,329,040 |
| In the Statement of Activities, only the gain or loss on capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold. | | (125,564) |
| The issuance of long-term debt provides current resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums 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 | $ (31,045,000) | |
| Premium on general obligation bonds | (3,812,094) | |
| Right to use leases incurred | (316,869) | |
| Right to use subscriptions incurred | (788,482) | |
| | | (35,962,445) |
| Debt reductions: | | |
| Principal payments on bonds | 32,400,000 | |
| Principal payments on right to use leases | 186,617 | |
| Principal payments on right to use subscriptions | 1,492,184 | |
| | | 34,078,801 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements. | | |
| Property taxes | $ 464,310 | |
| Intergovernmental and other revenues | 1,166,485 | |
| Proportionate share of the Commonwealth's contribution to GLI (Group Life Insurance) OPEB liability | 83,437 | |
| | | 1,714,232 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Other postemployment benefits obligation | $ 1,750,928 | |
| Pension benefits (includes LOSAP - Length of Service Award Plan) | 126,361 | |
| Amortization of bond related costs | 4,249,390 | |
| Accrued interest | (177,344) | |
| Arbitrage liability | (1,042,970) | |
| Landfill closure obligation | (2,125,371) | |
| Compensated absences | 92,264 | |
| Insurance claims (excludes $299,847 in claims expense reported in the General Fund) | (198,061) | |
| | | 2,675,197 |
| **Change in net position - governmental activities (Exhibit II)** | | $ 29,770,096 |

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

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Statement of Fund Net Position - Proprietary Fund**

June 30, 2023

Exhibit V

| | | Water & Sewer Fund |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and investments - pooled equity | $ | 96,132,387 |
| Receivables, net | | 19,332,682 |
| Lease receivable | | 1,546,305 |
| Inventory | | 1,003,933 |
| Prepaid items | | 87,055 |
| Restricted cash and investments | | 72,959,117 |
| Total current assets | $ | 191,061,479 |
| Noncurrent assets: | | |
| Capital assets, net: | | |
| Non-depreciable assets | $ | 72,007,851 |
| Depreciable assets | | 299,188,336 |
| Total noncurrent assets | $ | 371,196,187 |
| **Total assets** | $ | 562,257,666 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred charge on debt refunding | $ | 928,336 |
| Pension contributions | | 1,101,896 |
| Pension actuarial differences | | 1,528,530 |
| OPEB contributions | | 50,557 |
| OPEB actuarial differences | | 1,600,701 |
| **Total deferred outflows of resources** | $ | 5,210,020 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | $ | 7,453,895 |
| Retainage payable | | 1,960,188 |
| Accrued salaries and benefits | | 130,907 |
| Accrued bond interest | | 601,355 |
| Other accrued liabilities | | 778,049 |
| Unearned revenue | | 524,752 |
| Deposits | | 122,491 |
| Current portion of long-term debt | | 7,646,998 |
| Total current liabilities | $ | 19,218,635 |
| Noncurrent liabilities: | | |
| Noncurrent portion of long-term debt | $ | 189,654,835 |
| Total noncurrent liabilities | $ | 189,654,835 |
| **Total liabilities** | $ | 208,873,470 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Leases | $ | 1,488,506 |
| Pension actuarial differences | | 1,115,418 |
| OPEB actuarial differences | | 4,297,099 |
| **Total deferred inflows of resources** | $ | 6,901,023 |
| **NET POSITION** | | |
| Net investment in capital assets | $ | 258,584,293 |
| Restricted for debt service | | 2,997,218 |
| Unrestricted | | 90,111,682 |
| **Total net position** | $ | 351,693,193 |

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

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Statement of Revenues, Expenditures and Changes in Fund Net Position - Proprietary Fund**

For the Year Ended June 30, 2023

Exhibit VI

| | | Water & Sewer Fund |
|---|---|---|
| **OPERATING REVENUES** | | |
| Charges for services | $ | 40,829,626 |
| Other operating revenues | | 1,813,964 |
| **Total operating revenues** | $ | 42,643,590 |
| **OPERATING EXPENSES** | | |
| Personnel and related benefits | $ | 12,488,987 |
| Contractual services | | 6,016,549 |
| Materials and supplies | | 4,139,582 |
| Depreciation | | 13,243,512 |
| Other services and charges | | 5,834,762 |
| **Total operating expenses** | $ | 41,723,392 |
| **Operating income** | $ | 920,198 |
| **NON-OPERATING REVENUES (EXPENSES)** | | |
| Interest and fiscal charges | $ | (5,394,225) |
| Bond issuance costs | | (486,255) |
| Investment earnings, net | | 4,390,701 |
| Intergovernmental revenues | | 7,499,186 |
| Loss on disposal of capital assets | | (67,351) |
| Miscellaneous income | | 324,818 |
| **Total non-operating expenses, net** | $ | 6,266,874 |
| **Income before contributions and transfers** | $ | 7,187,072 |
| Capital contributions: | | |
| Availability fees | $ | 9,024,354 |
| Other capital contributions | | 12,799,753 |
| Total capital contributions | $ | 21,824,107 |
| Transfers to other funds, net | | (54,683) |
| **Total capital contributions and transfers** | $ | 21,769,424 |
| **Change in net position** | $ | 28,956,496 |
| Net position, beginning | | 322,736,697 |
| Net position, ending | $ | 351,693,193 |

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Statement of Cash Flows - Proprietary Fund**

For the Year Ended June 30, 2023

Exhibit VII - Page 1

| | | Water & Sewer Fund |
|---|---|---|
| Cash flows from operating activities: | | |
| Receipts from water and sewer customers | $ | 39,848,578 |
| Receipts from other operating revenues | | 1,821,478 |
| Receipt of customer deposits | | 29,300 |
| Payments to suppliers and service providers | | (12,358,349) |
| Payments to employees for salaries and benefits | | (13,195,132) |
| Return of customer deposits | | (8,850) |
| **Net cash provided by operating activities** | $ | 16,137,025 |
| Cash flows from noncapital financing activities: | | |
| Use of intergovernmental revenue | $ | (2,568,973) |
| Transfers out | | (54,683) |
| **Net cash used in noncapital financing activities** | $ | (2,623,656) |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets | $ | (38,662,182) |
| Proceeds from sale of capital assets | | 3,190 |
| Principal paid on capital related debt | | (6,914,499) |
| Interest paid on capital related debt | | (6,545,075) |
| Proceeds from revenue bonds issued | | 68,142,797 |
| Receipts from leased assets and project refunds | | 300,336 |
| Capital contributions and grants | | 3,465,168 |
| Receipt of availability fees | | 8,584,283 |
| **Net cash provided by capital and related financing activities** | $ | 28,374,018 |
| Cash flows from investing activities: | | |
| Purchase of investment securities | $ | (10,289,365) |
| Sale of investment securities | | 22,425,929 |
| Investment earnings, net | | 4,262,976 |
| **Net cash provided by investing activities** | $ | 16,399,540 |
| **Net increase in cash and cash equivalents** | $ | 58,286,927 |
| Cash and cash equivalents: | | |
| Beginning | | 56,735,307 |
| Ending | $ | 115,022,234 |
| Shown on the Statement of Fund Net Position as: | | |
| Cash and investments - pooled equity | $ | 96,132,387 |
| Restricted cash and investments | | 72,959,117 |
| | $ | 169,091,504 |
| Less investments | | 54,069,270 |
| **Cash and cash equivalents, unrestricted and restricted** | $ | 115,022,234 |

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

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Statement of Cash Flows - Proprietary Fund**

For the Year Ended June 30, 2023

Exhibit VII - Page 2

| | Water & Sewer Fund |
|---|---|
| **Reconciliation of operating income to net cash provided by operating activities:** | |
| Operating income | $ 920,198 |
| Depreciation | 13,243,512 |
| Effect of changes in assets and liabilities: | |
| Accounts receivable (net of capital related financing) | (973,534) |
| Prepaid items | 18,868 |
| Inventory | (193,593) |
| Accounts payable | 3,807,269 |
| Salary and benefits payable (all benefits including pension and OPEB) | (706,145) |
| Customer deposits payable | 20,450 |
| **Net cash provided by operating activities** | $ 16,137,025 |
| | |
| **Noncash investing, capital and financing activities:** | |
| Developer donated capital assets | $ 8,497,471 |
| Net book value of capital assets disposed or sold | (67,405) |
| Net change in availability fee and other capital contribution receivables | 1,277,185 |
| Difference between recognition of lease revenue and deferred inflows | 27,173 |
| Net change in fair value of investments | 178,533 |
| Net change in intergovernmental receivables | 10,068,159 |
| Net change in accrued interest receivable | 4,779 |
| Net change in arbitrage payable | (431,610) |
| Net change in deferred inflows and outflows related to bonded debt | 1,331,650 |

**COUNTY OF SPOTSYLVANIA, VIRGINIA**
**Statement of Fiduciary Net Position**
June 30, 2023

Exhibit VIII

| | | Custodial Fund |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 605,420 |
| Receivables - taxes for the Commonwealth of Virginia | | 52,890 |
| **Total assets** | $ | 658,310 |
| | | |
| **LIABILITIES** | | |
| Accounts payable and other liabilities | $ | 53,525 |
| Due to other governments | | 19,934 |
| Due to individuals or organizations | | - |
| **Total liabilities** | $ | 73,459 |
| | | |
| **NET POSITION** | | |
| Restricted for: | | |
| Individuals, organizations, and other governments | $ | 584,851 |
| **Total net position** | $ | 584,851 |

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

**COUNTY OF SPOTSYLVANIA, VIRGINIA**
**Statement of Changes in Fiduciary Net Position**
For the Year Ended June 30, 2023

Exhibit IX

| | | Custodial Fund |
|---|---|---|
| **ADDITIONS** | | |
| Collections of taxes and fees for other governments | $ | 1,129,529 |
| Social Security Administration deposits (special welfare) | | 18,108 |
| Collections of Sheriff evidence funds | | 156,705 |
| Deposits of unclaimed property | | 27,035 |
| Deposits from and on behalf of service organizations | | 24,973 |
| Collections for real estate sale (unclaimed property) | | 10,195 |
| **Total additions** | $ | 1,366,545 |
| **DEDUCTIONS** | | |
| Payments of taxes and fees to other governments | $ | 1,272,604 |
| Payments made to special welfare individuals | | 12,344 |
| Evidence disbursements | | 652,230 |
| Unclaimed property disbursements | | 84,665 |
| Payments to service organizations | | 26,790 |
| Payments to real estate holders (unclaimed property) | | 21,056 |
| **Total deductions** | $ | 2,069,689 |
| **Net decrease in fiduciary net position** | $ | (703,144) |
| Fiduciary net position, beginning | | 1,287,995 |
| Fiduciary net position, ending | $ | 584,851 |

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

# Note 1

## Summary of Significant Accounting Policies

### 1.01 REPORTING ENTITY

The County of Spotsylvania, Virginia (the County) is organized under the board-administrator form of government. The governing body is the Board of Supervisors (the Board), which is comprised of seven members elected to 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. Additionally, County citizens elect and are served by five constitutional officers: Treasurer, Commissioner of Revenue, Sheriff, Clerk of the Circuit Court, and Commonwealth's Attorney. The County's Health Department and the court system are under the control of the Commonwealth of Virginia.

The County provides services for its citizens including emergency medical services and fire protection, collection and disposal of refuse, water and sewer activities, parks and recreation, libraries funded through various revenue streams such as taxes, charges for services, grants and contributions.

The accompanying financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units are, in substance, part of the Primary Government's operations, even though they are legally separate entities. The County has no component units that meet the requirements for blending and the County's discretely presented component units are reported in separate columns in the government-wide statements to emphasize they are legally separate from the Primary Government.

*Discretely Presented Component Units:*
The Spotsylvania County Public School System (School Board) is responsible for elementary and secondary education within the County's jurisdiction. School Board members are elected to four-year terms by the voters of the district in which the member resides. The School Board functions independently of the County Board and County Administration, but is considered fiscally dependent based on the County's budgetary approval authority. In addition, the County Board must levy taxes to finance School Board operations and issue debt on its behalf as the School Board can neither levy taxes nor incur bonded indebtedness under Virginia law. The School Board does not publish a separate financial report; therefore the fund financial statements of the School Board are included in the other supplementary information section of this report.

The Economic Development Authority of Spotsylvania, Virginia (EDA) was established by ordinance of the Board pursuant to the Industrial Development and Revenue Bond Act (Chapter 33, Title 15.1 Code of Virginia (the Code) of 1950, as amended) so that such authorities may acquire, own, lease and dispose of properties to the end that such authorities may be able to promote industry and develop trade by inducing manufacturing, industrial, governmental and commercial enterprises to locate in or remain in the Commonwealth. Included in the discretely presented component unit EDA are the activities of economic development services. The County Board of Supervisors appoints the seven board directors of the EDA representing each of the seven districts of the County. By statute, the EDA has the power to cause the issuance of tax-exempt industrial revenue bonds to qualifying enterprises wishing to utilize that form of financing. The County is involved in the day-to-day operations of the EDA, the determination of its operating budget and annual service fee rates and the approval of prospective private activity bond issues. The EDA does not publish a separate financial report; therefore the fund financial statements of the EDA are included in the other supplementary information section of this report.

1.02 BASIS OF PRESENTATION

**Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the Primary Government and its component units. These statements include the financial activities of the overall government, except for its fiduciary activities. Financial activities are categorized as either governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

**Fund Financial Statements**

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. In addition, the water and sewer fund recognizes a portion of its availability fees intended to recover the cost of connecting new customers to the system as operating revenue. Operating expenses for the water and sewer fund include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*County's Major Governmental Funds:*

The ***General Fund*** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenue is derived primarily from property taxes, utility taxes, state and federal distributions and other intergovernmental revenue. The general operating expenditures, fixed charges and capital outlay costs that are not paid through other funds are paid from the General Fund.

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

*County's Major Enterprise Fund:*

The ***Water and Sewer Fund*** is responsible for providing water, wastewater and reclaimed water services to residential, commercial, industrial, irrigation, and wholesale customers. Operations are financed through a rate structure based on the amount of service used. Debt is issued, as needed, for large capital projects.

*County's Fiduciary Fund:*
The ***Custodial Fund*** is used to account for resources held for the benefit of individuals, private organizations, and other governments.

*County's Non-major Special Revenue Funds:*
The ***Fire and EMS Service Fee Fund*** was created to account for the revenue recovery program established by County code section 9-39. The program authorizes charges for services to cover emergency medical transport provided by the County.

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

The ***Transportation Fund*** is used to cover costs associated with planning and oversight of transportation projects, funding for the Fredericksburg Regional Transit (FRED) local bus system, and debt service. Funding is provided through a tax on fuel distribution costs and real estate taxes generated from special service districts.

## 1.03 MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of the transactions or events for recognition in the financial statements.

**Government-wide, Proprietary, and Fiduciary Fund Financial Statements**
The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements**
Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Property taxes, sales taxes, franchise taxes, various charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if received within a 45-day availability period, with the exception of local sales and use tax that follows a 30-day availability window. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received within 45 days after the end of the fiscal year. Revenues from reimbursement based grants of the Component unit – School Board are recognized when earned. All other revenue items are considered to be measureable and available only when cash is received.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from leases are reported as other financing sources.

## 1.04 BUDGET INFORMATION

**Budgetary Basis of Accounting**
Budgets for all funds are adopted on a budgetary basis. Budgeted amounts presented in the required supplementary information are as originally adopted and amended by the County Board, School Board, County Administrator or the School Superintendent.

A recommended budget is presented to the County Board at the functional level (i.e. general government, public safety, etc.). The County Board adopts the budget by resolution and funds are appropriated July 1. The resolution adopted by the Board, establishes the level of control at the fund level (e.g. General Fund) at which expenditures may not legally exceed appropriation Appropriations in all budgeted funds lapse at the end of the fiscal year for all funds except the capital projects funds, which are appropriated on a project-length basis. The County adopted additional budgetary controls beyond the legal level, which limit authority to county department heads to only transfer funding between accounts within their operating budgets, and County Administration to transfer funding between all categories of a departmental budget and up to $100,000 between departmental budgets. All other revisions to the budget must be approved by the Board of Supervisors.

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

## 1.05 CASH AND INVESTMENTS – POOLED EQUITY

The County maintains a single cash and investment pool for all its unrestricted funds except for its Length of Service Awards Program - revocable pension trust. Investment income is allocated only when contractually or legally required based on its average daily balances. Investment earnings not required to be allocated are reported in the General Fund.

For the purpose of the Statement of Cash Flows, the County considers cash and all highly liquid investments, including restricted assets with a maturity of three months or less when purchased, as cash and cash equivalents. Cash equivalents represent money market investments reported at amortized cost and defined as short-term, highly liquid debt instruments. These instruments include commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations that have a remaining maturity at time of purchase of one year or less, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. The County holds negotiable certificates of deposit with varying maturities. For ease of presentation, these investments are reported in their entirety at fair value. Positions in external investment pools meeting certain provisions of GAAP are reported at their net asset value per share (which approximates fair value). All other investments are reported at fair value.

## 1.06 RECEIVABLES

Receivables consist of general accounts for services, intergovernmental revenues, property taxes, water and sewer fees and any necessary accruals needed for amounts due to the County at fiscal year-end and are reported net of allowance for uncollectible amounts. The property tax receivable allowance is calculated consistent with criteria established by the Auditor of Public Accounts of the Commonwealth of Virginia, which uses historical collection data, specific account analysis and management's judgment. All remaining accounts receivable utilize the aging analysis method in determining its allowance.

### 1.07 PROPERTY TAXES

Real property is assessed biennially at estimated fair value on January 1. Real estate and personal property taxes are payable in two installments on June 5th and December 5th. The second installment due December 5th is included as a deferred inflow of resources as these taxes are restricted for use to the following fiscal year. Unpaid real estate taxes automatically constitute liens on real property, which must be satisfied prior to sale or transfer. Outstanding personal property taxes do not create a lien; however, once reported to the Virginia Department of Motor Vehicles, a hold will be placed on any license plate requests until paid.

### 1.08 LEASE RECEIVABLE

The County's lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in the amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

### 1.09 PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statements and recorded as an expense when consumed rather than when purchased.

### 1.10 INVENTORIES

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and necessary repair and spare parts for vehicles, water and wastewater systems. The cost of such inventories are expensed when consumed rather than when purchased for accrual-based reporting.

### 1.11 RIGHT TO USE ASSETS

The County has recorded right to use assets as a result of implementing GASB 87 and GASB 96. Right to use assets are defined by the County as assets with an initial cost of more than $50,000. The right to use lease assets are initially measured at an amount equal to the initial measurement period of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use subscription assets are initially measured at an amount equal to the initial measurement period of the related subscription liability, plus any subscription payments made prior to the subscription term, plus capitalizable implementation costs, less any incentives received at or before commencement of the subscription term. The right to use assets are amortized on a straight-line basis over the life of the related lease or subscription.

### 1.12 CAPITAL ASSETS

Capital assets, which include property, plant, equipment, utility infrastructure, and intangibles, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of two years. Individual capital items under $10,000, purchased in bulk at an amount greater than $150,000 with an estimated useful life in excess of two years, are also capitalized. The County does not capitalize any infrastructure, such as roads or bridges, where ownership is conveyed to the Commonwealth.

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

All capital assets are capitalized at cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed.

With the exception of land and construction in progress, assets are depreciated or amortized over their estimated useful life using the straight line method. Useful lives of the various major categories of capital assets are as follows:

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

The term depreciation is used in the accompanying financial statements to describe both depreciation and amortization.

## 1.13 DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The Statement of Net Position reports a separate section for deferred outflows of resources in addition to assets. The County reports deferred outflows of resources for deferred charges on refunding and amounts related to pensions and OPEB in the government-wide statements and the proprietary financial statements in this category. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. Deferred outflows of resources for pensions and OPEB result from changes in actuarial assumptions, proportionate share, investments, experience and contributions made subsequent to the measurement date. Amounts other than contributions made subsequent to the measurement date and investment results are deferred and amortized over the remaining service life of all participants. Contributions are deferred and amortized over one year and investment experience amounts are deferred and amortized over a closed five-year period.

The County reports a separate section for deferred inflows of resources in addition to liabilities for both its governmental funds' Balance Sheet and its Statement of Net Position. Deferred inflows of resources in the governmental funds' Balance Sheet represent unavailable revenue for amounts billed or accrued and not collected, and lease receivables initiated and subsequently amortized on a straight-line basis over the term of the lease. Deferred inflows of resources in the government-wide Statement of Net Position represent unearned revenues for amounts received in advance of meeting timing requirements or amounts collected in advance of the fiscal year to which they apply. Deferred inflows of resources are also reported for deferred charges on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price, and amounts related to pensions and OPEB in the government-wide statement of net position. Actuarial losses resulting from a difference in actual experience, actuarial assumptions and proportionate share are deferred and amortized over the remaining service life of all participants. Deferred inflows of resources resulting from pension and OPEB investment experience are also deferred and amortized over a closed five-year period. The County has also recorded amounts associated with long term receivables, primarily related to leases, as deferred inflows.

## 1.14 COMPENSATED ABSENCES

The County's policy permits employees to accumulate earned but unused annual and sick leave benefits, which are eligible for payment upon separation from service. Annual leave payouts are limited to a maximum of 288 hours for full-time employees. Any amounts exceeding the maximum allowable accumulation, is converted to sick leave. Sick leave obligations are compensated at 25% of accrued sick leave, up to a maximum dollar amount of $3,000 determined by employee's length of service. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements.

## 1.15 FUND BALANCE

**Fund Balance Classifications**
In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned based on the extent to which the County is bound to observe constraints imposed on the use of resources.

*Nonspendable* – includes amounts that cannot be spent because they are either not in spendable form (e.g., inventory), or are legally or contractually required to remain intact (e.g., endowment funds).

*Restricted Fund Balance* – amounts are limited to specific purposes imposed by external parties (e.g., grantors, creditors, contributors), or laws and regulations of other governments.

*Committed Fund Balance* – funds are reserved by resolution for specific purposes, using its highest level of decision making authority (i.e., the Board). Once reported as committed, amounts cannot be used for any other purpose unless the County takes equal action to remove or change the constraint.

*Assigned Fund Balance* – funds are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Unlike committed funds, the assignment generally is temporary and additional action is not required for their removal. The Board authorizes the County Administrator and the Chief Financial Officer as authorities permitted to designate funds as assigned.

*Unassigned Fund Balance* – includes amounts considered available for any purpose. Due to its capacity to account for financial resources not constrained through other Funds, the General Fund is the only fund that may report a positive unassigned fund balance.

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

**Reserves**
The County's fiscal policy requires the maintenance of fund balance reservations in the following priority order:

*Fiscal Stability Reserve* – The County commits within its General Fund at the close of each fiscal year a reserve equal to no less than 11% of the General Fund and School Operating Fund revenues projected for the subsequent fiscal year budget. Appropriations from the Reserve may be made only by a majority vote of the Board of Supervisors to meet a critical, unexpected financial need costing at least $1.0 million and resulting from a natural disaster, declared emergency, or from a local catastrophe that cannot be resolved through other less extraordinary budgetary action. The $1.0 million cost requirement is met when the County incurs a loss in revenue, an increase in expenditures, or a combination of each stemming from eligible events. Any use of the reserve will be replenished within three fiscal years.

*Self-insured Health Insurance Reserve* – The County will maintain a committed self-funded health insurance reserve equal to the total claims incurred but not reported (IBNR) plus three months of claim payments based on the previous three years' experiences. Any use of such reserve will be limited to payment of IBNR in the event the County changes to a new vendor for health insurance and to the payment of claims that exceed applied premiums. Any use of the reserve will be replenished within one year.

*Budget Stabilization Reserve* – The County maintains a reserve to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. The purpose of the reserve is to provide budgetary stabilization and not serve as an alternative funding source for new programs. The reserve equal to $5 million is a component of unassigned fund balance at June 30, 2023.

*Economic Opportunities Reserve* - The County maintains an Economic Opportunities Reserve for the purpose of providing incentives to substantial economic development opportunities. At the end of each fiscal year, the *assigned* reserve will be replenished to the $2.0 million level in the event that unassigned fund balance remains after full funding of the fiscal stability, self-insured health insurance, and budget stabilization reserves.

1.16 NET POSITION

Net position is comprised of three categories: Net investments in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets reflect the portion of net position associated with non-liquid, capital assets, less the outstanding debt related to these capital assets. The related debt is the debt less the unspent bond proceeds and any associated unamortized costs. Restricted net position consists of assets whose use is subject to constraints that is either externally imposed by creditors or by law. Net position, which is neither restricted nor related to capital assets, is reported as unrestricted net position.

**Component unit – School Board Bonded Debt**

The *Code of Virginia* (Code) establishes the School Board as a legal entity holding title to all school assets but having no taxing authority. The County must issue debt through bond referendum, Virginia Public School Authority or Literary Fund to finance the School Board's capital asset program. GAAP provides specific guidance that requires localities to separate internal activities (within the Primary Government) from intra-entity activities (between the Primary Government and its component units). This guidance prevents local governments from allocating debt incurred "on-behalf" of school boards to the Component unit – School Board column. Therefore, the School Board assets are included in the component unit column while the debts related to those assets are included in the Primary Government - Governmental Activities column on Exhibit I.

As of June 30, 2023, the County reported $172.7 million of "on-behalf" net school bonded debt with a corresponding reduction to the County's unrestricted net position. To assist readers in understanding this relationship and to more accurately reflect the respective financial conditions of the Primary Government and the component unit – School Board the following table provides the associated net position before and after the allocation of "on-behalf" school bonded debt.

**Allocation of County Issued "on-behalf" Bonded Debt of the School Board**

| | Net Position Exhibit I | Allocation of "on-behalf" debt | Net Position after allocation |
|---|---|---|---|
| ***Primary Government - Governmental Activities:*** | | | |
| Net investment in capital assets | $ 113,129,467 | $ - | $ 113,129,467 |
| Restricted | 14,648,509 | - | 14,648,509 |
| Unrestricted | (124,125,348) | 172,713,052 | 48,587,704 |
| Total net position at June 30, 2023 | $ 3,652,628 | $ 172,713,052 | $ 176,365,680 |
| ***Component unit - School Board:*** | | | |
| Net investment in capital assets | $ 338,620,751 | $ (156,093,011) | $ 182,527,740 |
| Restricted | 24,246,489 | (16,620,041) | 7,626,448 |
| Unrestricted | (406,726,457) | - | (406,726,457) |
| Total net position at June 30, 2023 | $ (43,859,217) | $ (172,713,052) | $ (216,572,269) |

# Note 2

## Deposits and Investments

### 2.01 DEPOSITS

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

### 2.02 INVESTMENTS

In accordance with Sec. 2.2-4500 of the Code, the County is authorized to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development, the Asian Development Bank, the African Development Bank, "prime quality" commercial paper, negotiable bank and certain corporate notes, bankers' acceptances; repurchase agreements, and the State Treasurer's Local Governmental Investment Pool, and the Virginia State Non-Arbitrage Program.

**Fair Value Hierarchy**

The County categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The County's financial investments are valued using a matrix pricing model, a Level 2 input based on the securities relationship to benchmark quoted prices. The County reports the following recurring fair value measurements as of June 30, 2023:

| Investments Measured at Fair Value | |
|---|---|
| **Investments by fair value level** | **Level 2** |
| Debt securities | |
| Repurchase agreements | $ 6,015,923 |
| U.S. Treasury obligations | 54,878,432 |
| Federal agency obligations | 25,594,958 |
| Supra-national agency notes | 6,195,976 |
| Corporate notes | 22,189,052 |
| Municipals | 1,555,475 |
| Certificates of deposit | 674,043 |
| Total debt securities | $ 117,103,859 |

**External Investment Pools**

The County maintains investments in the following qualified external investment pools at June 30, 2023:

| Investments Measured at Net Asset Value (NAV) | |
|---|---|
| Virginia Local Government Investment Pool | $ 195,627,783 |
| Virginia State Non-arbitrage Program | 119,933,835 |
| | $ 315,561,618 |

*Virginia Local Government Investment Pool (LGIP)*

The County invests in an externally managed investment pool, the LGIP, which is not SEC-registered. Pursuant to Section 2.2-4605 of the Code, the Treasury Board of the Commonwealth sponsors the LGIP and regulatory oversight of the pool rests with the Virginia State Treasury. It is the policy of the LGIP management to invest funds in accordance with Sections 2.2-4500, et seq. of the Code with the primary objectives (in priority order) of safety, liquidity and return on investment. The LGIP maintains a stable net asset value per share of $1.00 using the amortized cost method of valuation. Redemptions of shares are not subject to redemption fees or withdrawal penalties and can be made on any banking day without limitation.

*Virginia State Non-Arbitrage Program (SNAP)*

The County participates in SNAP (the Program) for the investment of and accounting for bond proceeds and related funds in compliance with rebate requirements of the Internal Revenue Code of 1986, as amended. The Program invests in the PFM Funds Prime Series-SNAP Fund Class. Registered under the Investment Act of 1940, as amended, the SNAP Fund Class is a diversified, open-end fund with the primary objective to see as high a rate of current income as is consistent with maintaining liquidity and stability of principal, and to maintain a stable net asset value (NAV) of $1.00 per share. Redemptions of shares are not subject to redemption fees or withdrawal penalties and can be made on any banking day without limitation.

**Defined Benefit Length of Service Award Program**

The Primary Government maintains a revocable, non-contributory, single member, defined benefit Length of Service Award Program (LOSAP). The Plan was established and is maintained to provide retirement benefits to vested participants in the Plan at the time of their retirement from fire and rescue volunteer services. Investments are held in non-participating interest-earning annuity contracts and valued at contract value.

**EDA – Land Held for Investment**

On July 2, 2018 the EDA received a donation of 48 acres of vacant, industrially zoned property in Spotsylvania, County. The land was acquired without access to the site and appraised as-is at $790,000. On December 14, 2018, the EDA exchanged 11 of the 48 acres for access rights to the property. As of June 30, 2023, the remaining 37 acres are valued at a fair market value of $1.2 million based on an internal sales comparison appraisal (level 3 input) assuming the property's highest and best use. Land is not currently undergoing development and is intended to be sold to fund future economic development initiatives.

**School Board OPEB Trust**

Information related to the investments held in the OPEB trust fund of the component unit- School Board is discussed in Note 7.07.

**Interest Rate Risk**

In accordance with the County's investment policy, to the extent possible, the investment portfolio is structured to ensure sufficient cash is available to meet anticipated liquidity needs. Investments are limited to a maximum maturity of five years; however, debt service reserve funds with longer term investment horizons may be invested in securities exceeding five years if the maturity of such investment is made to coincide with the expected use of funds. The County manages its exposure to declines in fair values by limiting the weighted average maturity (WAM) of its investment portfolio to less than 3 years as shown in the Weighted Average Maturity of Investments table. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type. For purposes of this WAM calculation, the County assumes all of its investments will be held to maturity.

**Weighted Average Maturity of Investments**

| Pooled Cash & Investments by Type | Valuation | Fair Value | Weighted Average Maturity (in years) |
|---|---|---|---|
| LGIP | NAV | $ 195,627,783 | 0.0028 |
| SNAP | NAV | 119,933,835 | 0.0028 |
| Other money markets & mm mutual funds | Amortized cost | 5,231,360 | 0.0028 |
| Commercial paper | Amortized cost | 742,121 | 0.1935 |
| Repurchase agreements | Fair | 6,015,923 | 0.0028 |
| U.S. Treasury obligations | Fair | 54,878,432 | 0.8944 |
| Federal agency obligations | Fair | 25,594,958 | 1.8832 |
| Supra-national agency note | Fair | 6,195,976 | 0.6110 |
| Corporate notes | Fair | 22,189,052 | 1.6278 |
| Municipals | Fair | 1,555,475 | 0.6288 |
| Certificates of deposit | Fair | 674,043 | 0.1726 |
| Total investments: | | $ 438,638,958 | |
| Portfolio weighted average maturity: | | | 0.3177 |
| Cash on hand | | 2,870 | |
| Deposits | | 69,607,484 | |
| LOSAP pension benefit Trust funds | | 2,037,297 | |
| **Total pooled cash and investments:** | | **$ 510,286,609** | |
| **Reconciliation of pooled cash and investments:** | | | |
| Exh I: Total primary government cash and investments - pooled equity | | $ 345,695,198 | |
| Exh I: Total primary government restricted cash and investments | | 103,559,794 | |
| Exh I: Component unit school board cash and investments - pooled equity | | 23,199,710 | |
| Exh I: Component unit school board restricted cash and investments | | 35,713,182 | |
| Exh I: Component unit EDA cash and investments - pooled equity | | 1,513,305 | |
| Exh VIII: Custodial cash and investments - pooled equity | | 605,420 | |
| | | **$ 510,286,609** | |

## Credit Risk

All investments must meet or exceed state statutes and shall be diversified by security type and institution. The tables below reflect the level of quality acceptable per policy by investment type and pooled investments, which include (while not required) debt securities issued by the U.S. government, reported by credit quality and exposure as of June 30, 2023.

**Maximum Credit Exposure for Investments**

| | | Maximum Credit Exposure | |
|---|---|---|---|
| Authorized Investment | Minimum Credit Quality Rating | 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 ≤ 1 year and AA for maturities > than one year | 20% | 5% |
| Money market mutual funds | AAA or equivalent and complies with Rule 2a7 | 100% | 50% |
| Repurchase agreements | AA or equivalent | 35% | 35% |

| Pooled Investments Reported by Credit Quality and Exposure | | | |
|---|---|---|---|
| **Investments by Type** | **Fair Value** | **Credit Quality Rating** | **Credit Exposure** |
| LGIP | $ 195,627,783 | AAAm | 44.60% |
| SNAP | 119,933,835 | AAAm | 27.34% |
| Other money market mutual funds | 5,231,360 | AAAm | 1.19% |
| Commercial paper | 742,121 | A-1 | 0.17% |
| Repurchase agreements | 6,015,923 | AAA | 1.37% |
| U.S. Treasury obligations | 54,878,432 | AA(99%)/ A-1(1%) | 12.51% |
| Federal agency obligations | 25,594,958 | AA(92%)/ A-1(8%) | 5.84% |
| Supra-national agency note | 6,195,976 | AAA | 1.41% |
| Corporate notes | 22,189,052 | AA(80%)/ A(20%) | 5.06% |
| Municipals | 1,555,475 | AAA(15%)/ AA(85%) | 0.36% |
| Certificates of Deposit | 674,043 | A-1 | 0.15% |
| **Total investments:** | **$ 438,638,958** | | **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, 2023, the County has no concentrations of credit risk to report.

**Custodial Credit Risk**

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

**Restricted Cash and Investments**

As of June 30, 2023, the County and its Component-unit School Board maintain cash and investments totaling $103.6 million and $35.7 million, respectively, with the following restrictions:

| Restricted Cash and Investments | |
|---|---|
| **Governmental activities:** | |
| General Fund - LOSAP pension benefits | $ 2,037,297 |
| Capital Projects Fund - Project bond proceeds (SNAP) | 27,522,052 |
| Transportation Fund - Transportation special service districts | 1,041,328 |
| **Total restricted cash & invesments:** | **$ 30,600,677** |
| **Busines-type activities:** | |
| Water & Sewer Fund - Project bond proceeds (SNAP) | $ 69,961,899 |
| Water & Sewer Fund - Debt service | 2,997,218 |
| **Total restricted cash & invesments:** | **$ 72,959,117** |
| **Total Primary Government restricted cash & investments:** | **$ 103,559,794** |
| **Component Unit-School Board:** | |
| Capital Projects Fund - Project bond proceeds (SNAP) | $ 32,926,600 |
| Student Activity Fund - School activity fees & contributions | 2,786,582 |
| **Total restricted cash & invesments:** | **$ 35,713,182** |

# Note 3

## Receivables

### 3.01 ACCOUNTS RECEIVABLE

Accounts receivable, net of related allowances, at June 30, 2023 consist of the following:

| Receivables | Primary Government - Governmental Activities | | | | Component Unit |
|---|---|---|---|---|---|
| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds | School Board |
| Special assessments | $ - | $ 164,339 | $ - | $ 164,339 | $ - |
| Property taxes | | | | | |
| Delinquent | 13,022,295 | - | 26,961 | 13,049,256 | - |
| Not yet due | 101,440,168 | - | 485,238 | 101,925,406 | - |
| Fuel taxes | - | - | 4,745,478 | 4,745,478 | - |
| EMS Transport fees | - | - | 1,509,328 | 1,509,328 | - |
| Accounts - other | 11,048,492 | - | 952,382 | 12,000,874 | 280,853 |
| Intergovernmental - Federal | 2,179,193 | 29,699 | - | 2,208,892 | 9,613,201 |
| Intergovernmental - State | 10,083,655 | 38,441 | - | 10,122,096 | 5,772,091 |
| Gross receivables | 137,773,803 | 232,479 | 7,719,387 | 145,725,669 | 15,666,145 |
| Allowance for uncollectibles | (2,637,067) | - | (1,016,698) | (3,653,765) | - |
| Net receivables at June 30, 2023 | $ 135,136,736 | $ 232,479 | $ 6,702,689 | $ 142,071,904 | $ 15,666,145 |

| Primary Government - Business-type activities | Water & Sewer |
|---|---|
| Water & sewer services | $ 7,563,358 |
| Notes - connection & availability fees | 670,771 |
| Accounts - other | 3,030,808 |
| Intergovernmental - State | 8,420,307 |
| Gross receivables | 19,685,244 |
| Allowance for uncollectibles | (352,562) |
| Net receivables at June 30, 2023 | $ 19,332,682 |
| **Total Primary Government net receivables at June 30, 2023** | $ 161,404,586 |

Accounts – other of $1.3 million in the General Fund, special assessments of $142,966 in the Capital Projects Fund and $69,990 of connection and availability fees in the Water and Sewer Fund are not expected to be collected within one year.

### 3.02 LEASES RECEIVABLE

The County owns, operates and maintains various cell and water towers throughout the county. Extra space on these towers is leased out to telecommunication companies allowing for the installation and maintenance of cellular communication equipment. Lease agreements range from 2 years to 15 years with interest rates between 0.32% and 2.68%. For fiscal year 2023, the County recognized the following receivable, deferred inflows, and lease related revenue:

| | General Fund | | | Water & Sewer Fund | | |
|---|---|---|---|---|---|---|
| | Receivable at June 30, 2023 | Deferred Inflow at June 30, 2023 | Fiscal Year Revenue | Receivable at June 30, 2023 | Deferred Inflow at June 30, 2023 | Fiscal Year Revenue |
| Tower space leases | $ 2,123,876 | $ 2,066,461 | $ 204,020 | $ 1,546,305 | $ 1,488,506 | $ 157,043 |
| Interest | - | - | 17,968 | - | - | 14,286 |
| | $ 2,123,876 | $ 2,066,461 | $ 221,988 | $ 1,546,305 | $ 1,488,506 | $ 171,329 |

# Note 4

## Capital Assets

Capital asset, including right to use asset activity, from governmental activities for the year ended June 30, 2023 was as follows:

**Capital Assets - Governmental Activities**

| | Balance July 1, 2022* | Increases | Decreases | Balance June 30, 2023 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land & land improvements | $ 14,191,774 | $ 1,066,027 | $ - | $ 15,257,801 |
| Construction in progress | 8,182,959 | 9,564,406 | 10,342,709 | 7,404,656 |
| Total capital assets, not being depreciated | $ 22,374,733 | $ 10,630,433 | $ 10,342,709 | $ 22,662,457 |
| Capital assets being depreciated/amortized: | | | | |
| Land improvements | $ 27,808,194 | $ 11,607,434 | $ 80,100 | $ 39,335,528 |
| Buildings & improvements | 121,912,498 | 796,456 | 365,875 | 122,343,079 |
| Right-to-use buildings & improvements | 184,158 | 271,398 | - | 455,556 |
| Furn, equip, software & vehicles | 104,249,038 | 7,959,271 | 1,994,799 | 110,213,510 |
| Right-to-use furn, equip, software & vehicles* | 7,638,686 | 833,953 | 21,176 | 8,451,463 |
| Total capital assets, being depreciated/amortized | 261,792,574 | 21,468,512 | 2,461,950 | 280,799,136 |
| Less accumulated depreciation/amortization for: | | | | |
| Land improvements | 17,658,259 | 1,936,074 | 80,100 | 19,514,233 |
| Buildings & improvements | 48,448,681 | 3,532,602 | 351,754 | 51,629,529 |
| Right-to-use buildings & improvements | 24,020 | 109,699 | - | 133,719 |
| Furn, equip, software & vehicles | 59,834,832 | 8,484,923 | 1,883,356 | 66,436,399 |
| Right-to-use furn, equip, software & vehicles | 74,092 | 1,090,885 | 21,176 | 1,143,801 |
| Total accumulated depreciation/amortization | 126,039,884 | 15,154,183 | 2,336,386 | 138,857,681 |
| Total capital assets being depreciated/amortized, net | $ 135,752,690 | $ 6,314,329 | $ 125,564 | $ 141,941,455 |
| **Governmental activities capital assets, net** | **$ 158,127,423** | **$ 16,944,762** | **$ 10,468,273** | **$ 164,603,912** |

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

| | |
|---|---|
| General government | $ 5,139,673 |
| Judicial administration | 1,842,628 |
| Public safety | 5,320,938 |
| Public works | 1,896,575 |
| Health and welfare | 41,709 |
| Parks and recreation | 865,030 |
| Community development | 47,630 |
| | $ 15,154,183 |

*Adjusted for fiscal year 2023 implementation of GASB 96, Subscription-Based Information Technology Arrangements. See Note 16. Implementation of New Accounting Pronouncements.

Construction in progress from governmental activities for the year ended June 30, 2023 was as follows:

| Construction in Progress - Governmental Activities | Project Authorization | Spent to Date | Committed Funding |
|---|---|---|---|
| Land assessment & tax systems | $ 4,181,165 | $ 1,949,950 | $ 2,231,215 |
| Computer aided dispatch system | 1,624,524 | - | 1,624,524 |
| Financial system upgrade | 3,178,340 | 1,886,083 | 1,292,257 |
| Fire house additions & replacements | 13,090,595 | 3,478,313 | 9,612,282 |
| Judicial center renovations | 1,344,958 | 69,845 | 1,275,113 |
| Other projects | 265,930 | 20,465 | 245,465 |
| | $ 23,685,512 | $ 7,404,656 | $ 16,280,856 |

Capital asset, including right to use asset activity, of the Water and Sewer Fund for the year ended June 30, 2023 was as follows:

| Capital Assets - Business-type Activities | Balance July 1, 2022* | Increases | Decreases | Balance June 30, 2023 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land & land improvements | $ 9,161,519 | $ 509,442 | $ - | $ 9,670,961 |
| Construction in progress | 25,657,257 | 37,083,684 | 404,051 | 62,336,890 |
| Total capital assets, not being depreciated | $ 34,818,776 | $ 37,593,126 | $ 404,051 | $ 72,007,851 |
| | | | | |
| Capital assets being depreciated/amortized: | | | | |
| Land improvements | $ 3,744,434 | $ 12,826 | $ - | $ 3,757,260 |
| Buildings & improvements | 179,083,277 | - | 10,175 | 179,073,102 |
| Furn, equip, software & vehicles | 30,390,605 | 2,125,063 | 725,046 | 31,790,622 |
| Right-to-use furn, equip, software & vehicles* | 1,111,642 | - | - | 1,111,642 |
| Water & sewer systems | 301,436,195 | 8,933,427 | 36,607 | 310,333,015 |
| Purchased sewer capacity | 2,073,958 | - | - | 2,073,958 |
| Total capital assets, being depreciated/amortized | 517,840,111 | 11,071,316 | 771,828 | 528,139,599 |
| Less accumulated depreciation/amortization for: | | | | |
| Land improvements | 1,960,442 | 133,367 | - | 2,093,809 |
| Buildings & improvements | 89,747,649 | 4,892,308 | 7,326 | 94,632,631 |
| Furn, equip, software & vehicles | 17,249,728 | 1,903,667 | 682,507 | 18,470,888 |
| Right-to-use furn, equip, software & vehicles | - | 110,707 | - | 110,707 |
| Water & sewer systems | 106,977,401 | 6,161,981 | 14,644 | 113,124,738 |
| Purchased sewer capacity | 477,008 | 41,482 | - | 518,490 |
| Total accumulated depreciation/amortization | 216,412,228 | 13,243,512 | 704,477 | 228,951,263 |
| Total capital assets being depreciated/amortized, net | $ 301,427,883 | $ (2,172,196) | $ 67,351 | $ 299,188,336 |
| **Business-type activities capital assets, net** | **$ 336,246,659** | **$ 35,420,930** | **$ 471,402** | **$ 371,196,187** |

*Adjusted for fiscal year 2023 implementation of GASB 96, Subscription-Based Information Technology Arrangements. See Note 16. Implementation of New Accounting Pronouncements.

Construction in progress from business-type activities for the year ended June 30, 2023 was as follows:

| Construction in Progress - Business-type Activities | Project Authorization | Spent to Date | Committed Funding |
|---|---|---|---|
| Pump station 24 sewer project | 4,802,074 | 404,085 | 4,397,989 |
| Fawn Lake pump stations | 2,972,004 | 144,649 | 2,827,355 |
| Thornburg WWTP upgrades | 31,849,295 | 20,679,219 | 11,170,076 |
| Massaponax WWTP expansions | 84,123,019 | 22,575,321 | 61,547,698 |
| Old Greenwich sewer replacement | 1,447,226 | 400,409 | 1,046,817 |
| Spotsylvania Towne Center sewer | 2,351,729 | 1,545,161 | 806,568 |
| Deep Run pump station rehabilitation | 4,118,150 | 423,286 | 3,694,864 |
| FMC WWTP to Massaponax WWTP | 11,867,264 | 1,153,469 | 10,713,795 |
| Thornburg sanitary sewer | 4,962,853 | 67,029 | 4,895,824 |
| Thornburg water distribution | 8,843,114 | 3,045,909 | 5,797,205 |
| Motts WTP Expansion | 26,654,279 | 6,918,229 | 19,736,050 |
| Pump station 24 Water Project | 2,418,144 | 106,166 | 2,311,978 |
| Tidewater trail waterline | 1,669,509 | 212,251 | 1,457,258 |
| Harrison Road waterline extension | 7,639,687 | 692,551 | 6,947,136 |
| Massaponax Tank | 5,873,520 | 564,231 | 5,309,289 |
| Lake Bottom Booster station | 4,267,354 | 178,871 | 4,088,483 |
| Other water service improvements | 8,523,942 | 1,779,473 | 6,744,469 |
| Other sewer service improvements | 5,361,792 | 1,062,359 | 4,299,433 |
| Other general service improvements | 2,408,802 | 384,222 | 2,024,580 |
| | $ 222,153,757 | $ 62,336,890 | $ 159,816,867 |

Capital asset, including right to use asset activity, of the Component unit – School Board for the year ended June 30, 2023 was as follows:

| Capital Assets - Component unit - School Board | Balance July 1, 2022* | Increases | Decreases | Balance June 30, 2023 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 9,629,070 | $ - | $ - | $ 9,629,070 |
| Construction in progress | 13,384,811 | 6,118,913 | 8,250,982 | 11,252,742 |
| Total capital assets, not being depreciated | $ 23,013,881 | $ 6,118,913 | $ 8,250,982 | $ 20,881,812 |
| Capital assets being depreciated/amortized: | | | | |
| Buildings & improvements | $ 491,982,100 | $ 13,266,040 | $ - | $ 505,248,140 |
| Right-to-use buildings & improvements | - | 15,527 | - | 15,527 |
| Furn, equip, software & vehicles | 138,167,561 | 16,454,802 | 3,332,310 | 151,290,053 |
| Right-to-use furn, equip, software & vehicles* | 3,578,047 | 48,237 | 23,285 | 3,602,999 |
| Total capital assets, being depreciated/amortized | 633,727,708 | 29,784,606 | 3,355,595 | 660,156,719 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings & improvements | 235,389,606 | 12,505,825 | - | 247,895,431 |
| Right-to-use buildings & improvements | - | 5,822 | - | 5,822 |
| Furn, equip, software & vehicles | 86,910,035 | 8,542,308 | 2,878,013 | 92,574,330 |
| Right-to-use furn, equip, software & vehicles | 82,014 | 523,631 | 23,285 | 582,360 |
| Total accumulated depreciation/amortization | 322,381,655 | 21,577,586 | 2,901,298 | 341,057,943 |
| Total capital assets being depreciated/amortized, net | $ 311,346,053 | $ 8,207,020 | $ 454,297 | $ 319,098,776 |
| **Component unit - School Board activities capital assets, net** | **$ 334,359,934** | **$ 14,325,933** | **$ 8,705,279** | **$ 339,980,588** |

*Adjusted for fiscal year 2023 implementation of GASB 96, Subscription-Based Information Technology Arrangements. See Note 16. Implementation of New Accounting Pronouncements.

All depreciation and amortization of the component unit – School Board was charged to education.

Construction in progress activity for the Component unit – School Board for the year ended June 30, 2023 was as follows:

| Construction in Progress - Component unit - School Board | Project Authorization | Spent to Date | Committed Funding |
|---|---|---|---|
| Massaponax High field conversion | $ 1,287,627 | $ 1,227,983 | $ 59,644 |
| Riverbend High Intercom Project | 168,180 | 27,902 | 140,278 |
| Battlefield Middle Intercom Project | 98,212 | 12,717 | 85,495 |
| Spotsylvania High Intercom Project | 226,398 | 111,182 | 115,216 |
| Spotsylvania ES Flooring & Carpet | 48,033 | 30,565 | 17,468 |
| Thornburg Middle Chiller Replacement | 1,167,905 | 1,035,585 | 132,320 |
| Riverview ES HVAC Replacement | 3,413,055 | 1,655,514 | 1,757,541 |
| JJW Water Treatment Renovation | 563,492 | 410,399 | 153,093 |
| Spotsy. H. & Post Oak M. Elev. Water St | 1,964,761 | 1,672,166 | 292,595 |
| SHS Upgrade HVAC Controls | 1,500,000 | 462,514 | 1,037,486 |
| Salem ReRoofing | 56,330 | 41,285 | 15,045 |
| Front Entrance Access Control | 558,308 | 83,381 | 474,927 |
| Berkley Water Treatment Renovation | 429,322 | 349,141 | 80,181 |
| SMS Renovation & Modular | 57,655,941 | 3,671,619 | 53,984,322 |
| MHS Bleachers | 421,000 | 371,205 | 49,795 |
| SHS Stage Lighting | 64,500 | 47,380 | 17,120 |
| Riverview ES Roof Replacement | 62,910 | 42,204 | 20,706 |
| | $ 69,685,974 | $ 11,252,742 | $ 58,433,232 |

# Note 5

## Interfund Transfers

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following table summarizes the transfers between funds of the Primary Government as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds.

| | Transfers out | | | | |
|---|---|---|---|---|---|
| Transfers in | General Fund | Capital Projects Fund | Other Governmental Funds | Water & Sewer Fund | Total |
| General Fund | $ - | $ 50,500 | $ 4,842,998 | $ - | $ 4,893,498 |
| Capital Projects Fund | 19,190,167 | - | - | 54,683 | 19,244,850 |
| Other governmental funds | 2,690,846 | 17,986 | - | - | 2,708,832 |
| Water and Sewer Fund | - | - | - | - | - |
| Total | $ 21,881,013 | $ 68,486 | $ 4,842,998 | $ 54,683 | |

# Note 6

## Receivables/Payables with Component Units

Transactions between the Primary Government and its Component unit - School Board are made for the purpose of providing operational support. The remaining balance of $9.7 million at June 30, 2023 represents School Board accrued revenues and payables expected to be reimbursed by the County in the next fiscal year.

# Note 7

## Long-term Debt and Other Liabilities

Long-term liability activity for the year ended June 30, 2023 was as follows:

| Long-term Liabilities - Governmental Activities | Balance July 1, 2022* | Increases | Decreases | Balance June 30, 2023 | Due Within One Year |
|---|---|---|---|---|---|
| Bond obligations: | | | | | |
| General obligation bonds | $ 197,130,000 | $ 31,045,000 | $ 25,890,000 | $ 202,285,000 | $ 24,205,000 |
| Direct placements: | | | | | |
| General obligation bonds | 2,145,000 | - | 1,525,000 | 620,000 | 155,000 |
| Public improvement bonds | 42,450,000 | - | 4,985,000 | 37,465,000 | 4,970,000 |
| Unamortized bond premiums | 34,061,736 | 3,812,094 | 4,171,004 | 33,702,826 | - |
| Total bond obligations (Note 7.01) | 275,786,736 | 34,857,094 | 36,571,004 | 274,072,826 | 29,330,000 |
| Other long-term liabilities: | | | | | |
| Compensated absences | 6,264,417 | 7,844,894 | 7,937,158 | 6,172,153 | 478,355 |
| Leases (Note 7.02.1) | 329,150 | 316,869 | 186,616 | 459,403 | 176,476 |
| Subscriptions (Note 7.02.2)* | 7,395,997 | 788,482 | 1,492,184 | 6,692,295 | 1,183,361 |
| Landfill closure obligation (Note 7.03) | 11,665,177 | 2,247,331 | 121,961 | 13,790,547 | 130,621 |
| Insurance claims payable (Note 11) | 1,670,863 | 14,831,514 | 14,592,367 | 1,910,010 | 1,910,010 |
| LOSAP pension liability (Note 7.04) | 4,484,001 | 181,243 | 1,175,990 | 3,489,254 | - |
| Net pension liability - VRS (Note 7.05) | 11,740,534 | 17,962,890 | 8,051,983 | 21,651,441 | - |
| Total OPEB liability - Healthcare (Note 7.06) | 70,497,875 | 4,569,318 | 3,172,792 | 71,894,401 | - |
| Total OPEB liability - LODA (7.08) | 5,942,951 | 1,157,805 | 469,558 | 6,631,198 | - |
| Net OPEB liability - VRS GLI (Note 7.09) | 3,089,889 | 871,849 | 661,038 | 3,300,700 | - |
| Total other long-term liabilities: | 123,080,854 | 50,772,195 | 37,861,647 | 135,991,402 | 3,878,823 |
| **Total governmental activities** | **$ 398,867,590** | **$ 85,629,289** | **$ 74,432,651** | **$ 410,064,228** | **$ 33,208,823** |

| Long-term Liabilities - Business-type Activities | Balance July 1, 2022* | Increases | Decreases | Balance June 30, 2023 | Due Within One Year |
|---|---|---|---|---|---|
| Bond obligations: | | | | | |
| Water & sewer revenue bonds | $ 107,290,000 | $ 65,315,000 | $ 6,770,000 | $ 165,835,000 | $ 7,255,000 |
| Unamortized bond premiums | 14,618,499 | 2,827,795 | 1,265,660 | 16,180,634 | - |
| Total bond obligations (Note 7.01): | 121,908,499 | 68,142,795 | 8,035,660 | 182,015,634 | 7,255,000 |
| Other long-term liabilities: | | | | | |
| Compensated absences | 789,213 | 886,763 | 870,413 | 805,563 | 69,221 |
| Subscriptions (Note 7.02.2)* | 1,111,642 | - | 144,499 | 967,143 | 126,487 |
| Insurance claims payable (Note 11) | 175,306 | 1,808,065 | 1,787,081 | 196,290 | 196,290 |
| Net pension liability - VRS (Note 7.05) | 2,035,920 | 3,114,936 | 1,830,874 | 3,319,982 | - |
| Total OPEB liability - Healthcare (Note 7.06) | 9,401,674 | 609,369 | 492,419 | 9,518,624 | - |
| Net OPEB liability - VRS GLI (Note 7.09) | 439,133 | 123,008 | 83,544 | 478,597 | - |
| Total other long-term liabilities: | 13,952,888 | 6,542,141 | 5,208,830 | 15,286,199 | 391,998 |
| **Total business-type activities** | **$ 135,861,387** | **$ 74,684,936** | **$ 13,244,490** | **$ 197,301,833** | **$ 7,646,998** |

| Long-term Liabilities - Component unit- School Board | Balance July 1, 2022* | Increases | Decreases | Balance June 30, 2023 | Due Within One Year |
|---|---|---|---|---|---|
| Compensated absences | $ 7,471,145 | $ 2,637,275 | $ 2,930,885 | $ 7,177,535 | $ 600,158 |
| Leases (Note 7.02.1)* | 165,180 | 63,764 | 112,760 | 116,184 | 89,545 |
| Subscriptions (Note 7.02.2)* | 3,330,507 | - | 624,158 | 2,706,349 | 503,285 |
| Insurance claims payable (Note 11) | 5,045,905 | 44,824,178 | 45,056,139 | 4,813,944 | 4,813,944 |
| Net pension liability - VRS (Note 7.05) | 119,866,105 | 82,820,451 | 55,739,924 | 146,946,632 | - |
| Net OPEB liability - Healthcare (Note 7.07) | 176,650,076 | 11,336,857 | 55,217,326 | 132,769,607 | - |
| Net OPEB liability - VRS GLI (Note 7.09) | 8,267,026 | 2,448,709 | 2,178,210 | 8,537,525 | - |
| Total OPEB liability - VRS HIC (Note 7.10) | 20,346,749 | 2,002,676 | 2,440,421 | 19,909,004 | - |
| **Total Component unit - School Board** | **341,142,693** | **146,133,910** | **164,299,823** | **322,976,780** | **6,006,932** |

*Adjusted for fiscal year 2023 implementation of GASB 96, Subscription-Based Information Technology Arrangements. See Note 16. Implementation of New Accounting Pronouncements.

Long-term liabilities of governmental activities are generally liquidated by the General Fund with the exceptions of employee benefit related obligations, (e.g., insurance claims and postemployment benefits), of which approximately 5% is liquidated by other governmental funds; and general obligation bonds, which is normally liquidated 90% and 10% from the General Fund and Transportation Fund, respectively.

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

## 7.01 PRIMARY GOVERNMENT - BOND OBLIGATIONS

### General Obligations Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds (including Virginia Public School Authority bonds) are direct obligations and pledge the full faith and credit of the County. Section 15.2-2659 of the Code outlines remedies with respect to events of default for localities in Virginia on general obligation bonds.

In the event of default, the owner(s) or paying agent for the bonds submits an affidavit to the Governor of Virginia. The Governor of Virginia would make a summary investigation into the facts set forth in the affidavit. If established to the satisfaction of the Governor that a default has occurred, the Governor would direct the Comptroller of Virginia to withhold all further payment of the locality of all or any funds payable to the locality until the default is cured and make payment directly to the bondholders on behalf of the locality. This practice is commonly referred to as state aid intercept.

### Schedule of Outstanding General Obligation Bonds

General obligation bonds payable at June 30, 2023, backed by the full faith and credit of the County, are comprised of the following individual issues:

| Outstanding General Obligation Debt - Governmental Activities | Sale Date | Final Maturity | Interest Rate to Maturity (%) | Annual Principal Requirements (in thousands) | Original Borrowing | Principal Outstanding |
|---|---|---|---|---|---|---|
| **Spotsylvania County:** | | | | | | |
| Qualified Energy Conservation, Series 2012B | 07/2012 | 06/2032 | 1.00 - 3.80 | $55 - $70 | $ 1,240,000 | $ 585,000 |
| Public Improvement & Refunding, Series 2014 | 08/2014 | 01/2034 | 2.00 - 5.00 | $223 - $3,923 | 38,110,410 | 16,811,234 |
| Public Improvement & Refunding, Series 2015 | 08/2015 | 01/2035 | 3.00 - 5.00 | $837 - $910 | 17,769,115 | 10,648,596 |
| Public Improvement, Series 2016 | 09/2016 | 06/2036 | 2.00 - 5.00 | $215 - $680 | 8,370,000 | 3,760,000 |
| Public Improvement, Series 2017A | 09/2017 | 01/2037 | 2.40 - 5.00 | $30 - $130 | 1,715,000 | 960,000 |
| Public Improvement, Series 2018 | 09/2018 | 07/2018 | 2.50 - 5.00 | $275 - $365 | 6,125,000 | 4,665,000 |
| Public Improvement, Series 2019 | 08/2019 | 01/2039 | 4.00 - 5.00 | $185 - $325 | 4,665,000 | 3,420,000 |
| Public Improvement - Refunding, Series 2019 | 08/2019 | 01/2035 | 4.00 - 5.00 | $305 - $1,517 | 16,818,006 | 12,428,492 |
| Public Improvement, Series 2020 | 09/2020 | 01/2040 | 3.00 - 5.00 | $60 - $65 | 1,240,000 | 1,050,000 |
| Public Improvement - Refunding, Series 2020 | 09/2020 | 01/2030 | 5.00 | $680 - $750 | 7,080,000 | 4,965,000 |
| Public Improvement, Series 2021 | 08/2021 | 01/2041 | 3.00 - 5.00 | $435 - $610 | 12,365,000 | 11,510,000 |
| Public Improvement - Refunding, Series 2021 | 08/2021 | 01/2032 | 3.00 - 5.00 | $90 - $1,690 | 5,652,323 | 4,000,043 |
| Public Improvement, Series 2022 | 08/2022 | 01/2042 | 4.00 - 5.00 | $20 - $280 | 8,435,000 | 7,940,000 |
| | | | | | **Total General Obligation Bonds - Spotsylvania County:** | **$ 82,743,365** |

| Outstanding General Obligation Debt - Governmental Activities (Continued) | | | | | | |
|---|---|---|---|---|---|---|
| | Sale Date | Final Maturity | Interest Rate to Maturity (%) | Annual Principal Requirements (in thousands) | Original Borrowing | Principal Outstanding |
| **Component Unit - School Board:** | | | | | | |
| Public Improvement & Refunding, Series 2014 | 08/2014 | 01/2034 | 2.00 - 5.00 | $225 - $2,815 | $20,954,590 | $ 6,683,766 |
| Public Improvement & Refunding, Series 2015 | 08/2015 | 01/2035 | 3.00 - 5.00 | $231 - $2,924 | 27,765,885 | 9,526,404 |
| Public Improvement, Series 2016 | 09/2016 | 06/2031 | 2.00 - 5.00 | $630 - $1,925 | 19,615,000 | 6,520,000 |
| Public Improvement, Series 2017A | 09/2017 | 01/2037 | 2.40 - 5.00 | $570 - $1,695 | 24,440,000 | 14,370,000 |
| Public Improvement, Series 2018 | 09/2018 | 07/2038 | 2.50 - 5.00 | $980 - $1,915 | 28,465,000 | 20,825,000 |
| Public Improvement, Series 2019 | 08/2019 | 01/2039 | 4.00 - 5.00 | $560 - $1,885 | 24,475,000 | 16,405,000 |
| Public Improvement - Refunding, Series 2019 | 08/2019 | 01/2033 | 4.00 - 5.00 | $216 - $484 | 5,206,994 | 2,781,508 |
| Public Improvement, Series 2020 | 09/2020 | 01/2040 | 3.00 - 5.00 | $195 - $995 | 11,030,000 | 8,075,000 |
| Public Improvement, Series 2021 | 08/2021 | 01/2041 | 3.00 - 5.00 | $330 - $1,315 | 15,580,000 | 12,980,000 |
| Public Improvement - Refunding, Series 2021 | 08/2021 | 01/2032 | 3.00 - 5.00 | $107 - $778 | 1,862,677 | 879,957 |
| Public Improvement, Series 2022 | 08/2022 | 01/2042 | 4.00 - 5.00 | $305 - $2,135 | 22,610,000 | 20,495,000 |
| **Total General Obligation Bonds - Component Unit - School Board:** | | | | | | **$119,541,635** |
| **Total Governmental Activities - General Obligation Bonds:** | | | | | | **$202,285,000** |

### Direct Placements – Public Improvement Bonds

Periodically, the EDA has issued Public Facility Revenue Bonds as authorized in the Industrial Development and Revenue Bond Act, Section 15.2-4900 et. seq. of the Code. These bonds provide financial assistance to the County for the acquisition and construction of facilities in the public interest. The bonds are secured by the property financed and are payable solely from County appropriations through an authorized financing agreement with the EDA. Upon repayment of the bonds, ownership of the acquired facilities transfers to the County served by the bond issuance. Through an approved financing agreement, the County is obligated for repayment of the bonds. Accordingly, the bonds are reported as County obligations.

### Schedule of Outstanding Direct Placement - General Obligation and Public Improvement Bonds

General obligation bonds payable and public improvement bonds payable at June 30, 2023, are comprised of the following individual issues:

| Direct Placement Bonds - Governmental Activities | | | | | | |
|---|---|---|---|---|---|---|
| | Sale Date | Final Maturity | Interest Rate to Maturity (%) | Annual Principal Requirements (in thousands) | Original Borrowing | Principal Outstanding |
| **Direct Placement Bonds - General Obligation:** | | | | | | |
| Component Unit - School Board | | | | | | |
| Qualified School Construction | 06/2010 | 06/2027 | 5.31 | $150 - $155 | 2,630,000 | $ 620,000 |
| **Total Governmental Activities - direct placement - general obligation:** | | | | | | **$ 620,000** |
| **Direct Placement Bonds - Public Improvement:** | | | | | | |
| Spotsylvania County | | | | | | |
| Public Facility Revenue, Series 2014 | 08/2014 | 06/2034 | 2.00 - 5.00 | $300 - $360 | $ 6,305,000 | $ 3,145,000 |
| Public Facility Revenue, Series 2021 | 08/2021 | 06/2030 | 4.00 - 5.00 | $182 - $536 | 4,028,110 | 3,048,194 |
| Total Spotsylvania County - direct placement - public improvement: | | | | | | $ 6,193,194 |
| Component Unit - School Board | | | | | | |
| Public Facility Revenue, Series 2014 | 08/2014 | 06/2034 | 2.00 - 5.00 | $840 - $2,035 | 26,445,000 | $ 14,645,000 |
| Public Facility Revenue, Series 2021 | 08/2021 | 06/2030 | 4.00 - 5.00 | $993 - $2,928 | 21,971,890 | 16,626,806 |
| Total Component Unit - School Board - direct placement - public improvement: | | | | | | $ 31,271,806 |
| **Total Governmental Activities - direct placement - public improvement:** | | | | | | **$ 37,465,000** |

In the event of default, possible remedies include acceleration of all unpaid payments on the debt, possession of pledged property by the debtor, or any other necessary legal actions against the County to cure the default.

The following assets are held for collateral as of June 30, 2023:

| Issue | Sale Date | Collateral |
|---|---|---|
| Public Facility Revenue & Refunding Bonds, Series 2021 | 08/2021 | Courtland High School |
| Public Facility Revenue & Refunding Bonds, Series 2014 | 08/2014 | John J. Wright Middle School |

**Water & Sewer Revenue Bonds**

The County issues revenue bonds to finance the costs of expansion and improvements to the County's water and sewer system. The bonds are limited obligations of the County, payable solely from net revenues derived from the County's water and sewer system, certain reserves, income from investments and proceeds of insurance. Net Revenues must be sufficient to equal at least 115% of the amount required to pay annual debt service on the bond's annual debt service.

In the case of an event of default, the Trustee may, if requested by the registered owners of not less than 25% in aggregate principal amount of bonds, proceed to protect and enforce its rights and the rights of the registered owners of the bonds by declaring the entire unpaid principal of and interest on the bonds due and payable or by instituting a mandamus or other suit, action or proceeding at law or in equity.

| Outstanding Bond Obligations - Business-type Activities | Sale Date | Final Maturity | Interest Rate to Maturity (%) | Annual Principal Requirements (in thousands) | Original Borrowing | Principal Outstanding |
|---|---|---|---|---|---|---|
| **Business-type Activities - Revenue Bonds** | | | | | | |
| Water & Sewer Revenue Refunding, Series 2015 | 08/2015 | 06/2037 | 3.00 - 5.00 | $1,650 - $4,040 | $ 55,325,000 | $ 32,845,000 |
| Water & Sewer Revenue Refunding, Series 2019 | 11/2019 | 12/2039 | 3.00 - 5.00 | $910 - $2,125 | 28,665,000 | 25,130,000 |
| Water & Sewer Revenue Refunding, Series 2020 | 11/2020 | 12/2040 | 3.00 - 5.00 | $1,020 - $3,160 | 46,530,000 | 42,545,000 |
| Water & Sewer Revenue, Series 2022 | 11/2022 | 12/2047 | 4.00 - 5.00 | $150 - $4,700 | 65,315,000 | 65,315,000 |
| | | | | | **Total Business-type Activities - Revenue Bonds:** | **$ 165,835,000** |

**New Debt Issuance**

General Obligation Bonds

On August 23, 2022, the County issued $31.1 million in General Obligation Public Improvement Bonds, Series 2022 with fixed interest rates ranging from 4 to 5%. The bonds are to be repaid in various installments beginning January 15, 2023 until final maturity on January 15, 2042. Net bond proceeds of $34.6 million (adjusted for premium of $3.8 million and payment of $0.3 million in issuance costs) were used to purchase State Non-Arbitrage Program funds to finance school, public safety, and transportation projects in the County.

Revenue Bonds

On November 1, 2022, the County issued $65.3 million in Water and Sewer Revenue Bonds, Series 2022, with fixed interest rates ranging from 4 to 5%. The bonds are to be repaid in various installments beginning December 1, 2023 until final maturity on December 1, 2047. Net bond proceeds of $67.7 million (adjusted for premium of $2.8 million and payment of $0.4 million in issuance costs) were used to finance water and sewer infrastructure projects.

**Amortization of Debt Service**

Annual requirements to amortize long-term liabilities and related interest are as follows:

| Future Debt Service - Primary Government | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Governmental Activities | | | | | | Business-type Activities | |
| | | | Direct Placements | | | | | |
| | General Obligation | | General Obligation | | Public Improvement | | Revenue Bonds | |
| Fiscal Year | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | $ 24,205,000 | $ 8,498,792 | $ 155,000 | $ 139,653 | $ 4,970,000 | $ 1,531,728 | $ 7,255,000 | $ 6,944,319 |
| 2025 | 23,170,000 | 7,343,468 | 155,000 | 139,653 | 5,195,000 | 1,283,227 | 7,625,000 | 6,576,944 |
| 2026 | 22,810,000 | 6,311,417 | 155,000 | 139,653 | 5,280,000 | 1,064,578 | 7,990,000 | 6,191,194 |
| 2027 | 22,365,000 | 5,349,818 | 155,000 | 139,653 | 5,380,000 | 842,678 | 5,805,000 | 5,786,569 |
| 2028 | 15,260,000 | 4,392,717 | - | - | 5,585,000 | 614,877 | 6,065,000 | 5,524,069 |
| 2029 - 2033 | 58,615,000 | 12,641,017 | - | - | 10,795,000 | 739,745 | 43,710,000 | 22,108,327 |
| 2034 - 2038 | 28,110,000 | 3,858,327 | - | - | 260,000 | 9,100 | 40,670,000 | 13,369,708 |
| 2039 - 2043 | 7,750,000 | 489,050 | - | - | - | - | 25,195,000 | 7,009,563 |
| 2044 - 2048 | - | - | - | - | - | - | 21,520,000 | 2,508,300 |
| **Totals:** | **$ 202,285,000** | **$ 48,884,606** | **$ 620,000** | **$ 558,612** | **$ 37,465,000** | **$ 6,085,933** | **$ 165,835,000** | **$ 76,018,993** |

**Conduit Debt Obligations**

From time to time, the Economic Development Authority (EDA) has issued 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. Bonds are issued in accordance with the provisions of the Industrial Development and Revenue Bond Act, Title 15.2, Chapter 49 of the Code, as amended. As of June 30, 2023, outstanding revenue bonds totaling $39.0 million include the following issues:

| Name of Issue | Date of Issue | Final Maturity | Original Borrowing | Principal Outstanding |
|---|---|---|---|---|
| Economic Development Authority of Spotsylvania County, Multifamily Housing Revenue Bonds (The Heights of Jackson Village I) Series 2019 | 12/13/2019 | 1/1/2040 | $39,000,000 | $39,000,000 |

Neither the EDA, nor the County, is obligated in any manner for the repayment of these bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

## 7.02 PRIMARY GOVERNMENT & SCHOOL BOARD RIGHT TO USE LIABILITY

*7.02.1 Lease Liability*

The County and School Board have entered into agreements to lease tower space and assorted office equipment for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2029 and provide for renewal options up to five years. The following lease agreements (grouped for purposes of disclosure) have been recorded at the present value of the future minimum lease payments as of the date of their inception.

| Grouped Lease Agreement Information | | | | | |
|---|---|---|---|---|---|
| | Months to Expiration | Interest Rates | Monthly Principal | Original Borrowing | Principal Outstanding |
| **Governmental Activities** | | | | | |
| Office Equipment - Various | 21 - 60 | 0.514% - 3.155% | $49 - $787 | $ 266,984 | $ 130,714 |
| Building - FREM Training | 36 | 2.038% | $7,336 | 271,398 | 187,651 |
| Tower Space - Pamunkey Rd | 92 | 0.727% | $1,844 | 184,158 | 141,038 |
| | | | | **Total Governmental Activities** | **$ 459,403** |
| **School Board** | | | | | |
| Office Equipment - Various | 24 - 59 | 0.316% - 1.059% | $180 - $2,016 | $ 272,492 | $ 106,471 |
| Building - BCWDB | 24 | 0.312% | $649 | $ 15,527 | $ 9,713 |
| | | | | **Total School Board** | **$ 116,184** |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

| Principal and Interest Requirements to Maturity | | | | | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | | | School Board | | |
| Year Ending June 30 | Principal Payments | Interest Payments | Total | Principal Payments | Interest Payments | Total |
| 2024 | $ 176,476 | $ 5,469 | $ 181,945 | $ 89,545 | $ 531 | $ 90,076 |
| 2025 | 157,013 | 2,817 | 159,830 | 20,863 | 151 | 21,014 |
| 2026 | 48,229 | 1,017 | 49,246 | 5,776 | 26 | 5,802 |
| 2027 | 32,150 | 549 | 32,699 | - | - | - |
| 2028 | 27,433 | 242 | 27,675 | - | - | - |
| Thereafter | 18,102 | 49 | 18,151 | - | - | - |
| **Total** | **$ 459,403** | **$ 10,143** | **$ 469,546** | **$ 116,184** | **$ 708** | **$ 116,892** |

### *7.02.2 Subscription Liability*

The County and School Board have entered into subscription agreements to use assorted software for various terms under subscription-based information technology arrangements (SBITA's). The subscriptions expire at various dates through 2033 and provide for renewal options up to ten years. The following SBITA's (grouped for purposes of disclosure) have been recorded at the present value of the future minimum subscription payments as of the date of their inception.

| Grouped Subscription Agreement Information | | | | | |
|---|---|---|---|---|---|
| | Months to Expiration | Interest Rates | Monthly Principal | Original Borrowing | Principal Outstanding |
| **Governmental Activities** | | | | | |
| Software - Various | 24 - 120 | 1.710% - 3.144% | $563 - $38,512 | $ 8,184,479 | $ 6,692,295 |
| | | | | **Total Governmental Activities** | **$ 6,692,295** |
| **Business-type Activities** | | | | | |
| Software - Various | 60 - 120 | 1.710% - 3.144% | $1,016 - $9,167 | $ 1,111,642 | $ 967,143 |
| | | | | **Total Governmental Activities** | **$ 967,143** |
| **School Board** | | | | | |
| Software - Various | 24 - 120 | 1.710% - 2.560% | $1,718 - $16,021 | $ 3,330,507 | $ 2,706,349 |
| | | | | **Total School Board** | **$ 2,706,349** |

The future minimum subscription obligations and the net present value of these minimum subscription payments as of June 30, 2023, were as follows:

| Principal and Interest Requirements to Maturity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Governmental Activities | | | Business-type Activities | | | School Board | | |
| Year Ending June 30 | Principal Payments | Interest Payments | Total | Principal Payments | Interest Payments | Total | Principal Payments | Interest Payments | Total |
| 2024 | $ 1,183,361 | $ 148,927 | $ 1,332,288 | $ 126,487 | $ 18,066 | $ 144,553 | $ 503,285 | $ 59,975 | $ 563,260 |
| 2025 | 1,086,974 | 121,714 | 1,208,688 | 129,015 | 15,538 | 144,553 | 436,186 | 49,679 | 485,865 |
| 2026 | 1,112,353 | 96,336 | 1,208,689 | 131,598 | 12,955 | 144,553 | 445,756 | 40,730 | 486,486 |
| 2027 | 1,100,561 | 70,337 | 1,170,898 | 134,235 | 10,318 | 144,553 | 429,484 | 31,575 | 461,059 |
| 2028 | 546,070 | 44,562 | 590,632 | 97,238 | 7,625 | 104,863 | 169,428 | 22,826 | 192,254 |
| Thereafter | 1,662,976 | 68,769 | 1,731,745 | 348,570 | 15,031 | 363,601 | 722,210 | 46,805 | 769,015 |
| **Total** | **$ 6,692,295** | **$ 550,645** | **$ 7,242,940** | **$ 967,143** | **$ 79,533** | **$ 1,046,676** | **$ 2,706,349** | **$ 251,590** | **$ 2,957,939** |

In fiscal year 2023, the County and School Board made payments of $106,148 and $150,897 respectively, related to seat-based, non-subscription type agreements. These were not recognized as subscription liabilities and are not included in the tables above.

## 7.03 PRIMARY GOVERNMENT - LANDFILL CLOSURE OBLIGATION

### Closure and Post-Closure Care Costs

State and federal laws and regulations require the County to place final covers on its landfills when closed and to perform certain maintenance and monitoring functions at the landfill sites for ten years after final capping on the two landfills no longer accepting waste and thirty years after final capping on the currently operating landfill. In addition to operating expenses related to current activities of the landfill, a liability is being recognized based on the future of closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of landfill use during the year.

The estimated liability for landfill closure and post-closure care costs is $0.5 million and $13.3 million for closed and operating landfills, respectively, which is based on 100% and 43.6% usage, respectively. It is estimated that an additional $5.6 million will be recognized as closure and post-closure care expenses between the date of the Statement of Net Position and the date the operating landfill open cells are expected to be filled to capacity (2052).

The estimated total current cost of the landfill closure and post-closure care ($13.8 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, 2023. 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.

## PENSION LIABILITIES – ALL PLANS

Summary of balances for all pension plans for the primary government and the component-unit School Board.

| | Governmental Activities | Business-type Activities | Component unit-School Board |
|---|---|---|---|
| **Pension liabilities** | | | |
| Length of Service Award Program (Note 7.04) | $ 8,682,277 | $ 1,101,896 | $ 24,906,253 |
| Virginia Retirement System (Note 7.05.4) | 97,510 | - | - |
| | **$ 8,779,787** | **$ 1,101,896** | **$ 24,906,253** |
| **Deferred Outflows of Resources:** | | | |
| Employer contributions subsequent to the measurement date: | | | |
| Length of Service Award Program (Note 7.04) | $ 97,510 | $ - | $ - |
| Virginia Retirement System (Note 7.05.4) | 8,682,277 | 1,101,896 | 24,906,253 |
| **Pension contributions (Exhibit I):** | **$ 8,779,787** | **$ 1,101,896** | **$ 24,906,253** |
| Pension actuarial differences: | | | |
| Length of Service Award Program (Note 7.04) | $ 1,049,877 | $ - | $ - |
| Virginia Retirement System (Note 7.05.4) | 11,468,232 | 1,528,530 | 14,737,695 |
| **Pension actuarial differences (Exhibit I):** | **$ 12,518,109** | **$ 1,528,530** | **$ 14,737,695** |
| **Deferred Inflows of Resources** | | | |
| Pension actuarial differences: | | | |
| Length of Service Award Program (Note 7.04) | $ 1,729,617 | $ - | $ - |
| Virginia Retirement System (Note 7.05.4) | 8,917,848 | 1,115,418 | 34,357,510 |
| **Pension actuarial differences (Exhibit I):** | **$ 10,647,465** | **$ 1,115,418** | **$ 34,357,510** |
| **Pension expense** | | | |
| Virginia Retirement System (Note 7.05.4) | $ 8,518,744 | $ 1,104,078 | $ 5,813,260 |
| Length of Service Award Program (Note 7.04) | 135,374 | - | - |
| | **$ 8,654,118** | **$ 1,104,078** | **$ 5,813,260** |

## 7.04 PRIMARY GOVERNMENT - LOSAP PENSION LIABILITY

### Volunteer Fire & Rescue Length of Service Award Program

### Plan description

The County is the administrator of a revocable, noncontributory, single employer, defined benefit Length of Service Retirement Plan (the Plan). The Plan covers voluntary fire and rescue service members, who are not County employees, but who serve voluntarily with one of the County's volunteer fire and rescue companies. Members are eligible to participate in the Plan if they are 18 years of age and complete one year of active service.

### Plan membership

As of June 30, 2022, the most recent actuarial valuation date, membership in the Plan was as follows:

| **Number of Participants:** | |
|---|---|
| Inactive members currently receiving benefits | 77 |
| Inactive members with deferred vested benefits | 156 |
| Active members | 157 |
| | 390 |

### Benefits provided

The Plan provides retirement, death and disability benefits. Retirement benefits vest within ten years of credited service. Normal commencement of retirement benefits is age 65, after which members are entitled to receive monthly benefit payments for life based on years of creditable service (minimum of 10 years) up to a maximum benefit of $250 per month. The Board maintains the authority to establish, amend and revoke the benefit provisions of this Plan.

**Contributions**

The Plan's funding policy provides for annual contributions by the County at actuarially determined rates to accumulate sufficient assets to pay benefits when due. Plan members are not required to and do not contribute to the Plan. The Board maintains the authority to amend the Plan's funding policy at any time. Accumulated Plan assets are held in a revocable trust and, therefore, do not meet the definition of pension plan assets per GAAP.

**Total pension liability**

The Plan's total pension liability of $3.5 million was determined and measured by an actuarial valuation performed as of June 30, 2022.

*Changes in total pension liability*

Table represents the changes in the total pension liability through the Plan's measurement date of June 30, 2022.

| Changes in the Total LOSAP Pension Liability | | |
|---|---|---|
| | | Total Pension Liability |
| Balance at June 30, 2021 | $ | 4,484,001 |
| Changes for the year: | | |
| Service cost | | 85,668 |
| Interest on total pension liability | | 95,575 |
| Differences between expected and actual experience | | (93,030) |
| Changes in assumptions | | (992,020) |
| Benefit payments | | (90,940) |
| Balance at June 30, 2022 | $ | 3,489,254 |

*Actuarial assumptions*

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Rate of inflation | 4.00% |
| Salary scale | No salary, inflation used |
| Discount rate | 3.69% |

Mortality rates are based on the RP-2014 Combined Mortality Table for Males or Females, as appropriate, based on Scale AA projected to 2022.

*Discount rate*

The discount rate used to measure the total pension liability was 3.69%, based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA or higher as published by the Bond Buyer 20-Bond GO Index. Changes of assumptions and other inputs reflect a change in the discount rate from 2.16% in 2021 to 3.69% in 2022.

*Sensitivity of the total pension liability to changes in the discount rate*

The following presents the total LOSAP pension liability of the County, as well as what the County's liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

| | 1% Decrease 2.69% | Current Rate 3.69% | 1% Increase 4.69% |
|---|---|---|---|
| Total pension liability | $ 4,100,000 | $ 3,489,254 | $ 3,001,000 |

**Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions**
For the year ended June 30, 2023 the County recognized pension expense of $0.1 million. During the year, the Plan made benefit payments that are subsequent to the Plan's measurement date. These payments of $97,510 are reported as a deferred outflow of resources as of June 30, 2023, and will be recognized as a reduction of the total pension liability in fiscal year ending June 30, 2024.

At June 30, 2023, the County reported actuarially determined deferred inflows of resources of $1,729,617 and deferred outflows of resources of $1,049,877 that will be recognized as pension expense in future reporting periods as follows:

| LOSAP Pension Deferred Outflows and Inflows of Resources | | |
|---|---|---|
| | Deferred Outflows | Deferred Inflows |
| Differences between expected and actual experience | $ 32,848 | $ (360,412) |
| Change in assumptions | 1,017,029 | (1,369,205) |
| | $ 1,049,877 | $(1,729,617) |
| Amortization for the year ending June 30, | | |
| 2024 | $ 156,980 | $ (203,542) |
| 2025 | 156,980 | (203,542) |
| 2026 | 131,010 | (203,542) |
| 2027 | 109,758 | (203,542) |
| 2028 | 109,758 | (203,542) |
| Thereafter | 385,391 | (711,907) |
| | $ 1,049,877 | $(1,729,617) |

Deferred outflows of resources and deferred inflows of resources related to the LOSAP pension plan are combined with the Virginia Retirement System pension plan for reporting on Exhibit I. The disaggregated amounts can be located at section 7.05.6 of the notes to the financial statements.

## 7.05 PRIMARY GOVERNMENT & SCHOOL BOARD - NET VRS PENSION LIABILITY

Defined Benefit Pension Plan

*7.05.1 General information about the pension plan*

**Plan Description**
The County and School Board participate in the Virginia Retirement System's (VRS) Political Subdivision Retirement Plan, a multi-employer agent plan for County and School Board employees, and the VRS Teacher Employee Plan, a cost-sharing multiple-employer teacher retirement plan. For the purpose of future disclosure, the term Plan will incorporate both the agent and cost-sharing pension plans of both the County and School Board unless separately noted.

The Plan is administered by the Virginia Retirement System (System) along with plans for other employer groups in the Commonwealth of Virginia. Title 51.1, Article 2.1 of the Code, as amended, grants the authority to the VRS Board of Trustees for the general administration and operation the Plan. State statutes governing the Plan administered by the System may be amended only by the General Assembly of Virginia.

All full-time, salaried permanent employees of the County and School Board are automatically covered by the Plan upon employment. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, based on specific criteria as defined in the Code. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

**Summary of Significant Accounting Policies**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Plan, and the additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Benefits Provided**

The Plan provides retirement, disability, and death benefits. The System administers three different benefit plans for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each Plan and the eligibility for covered groups within each Plan are set out on the following page.

| VRS PLAN 1 | VRS PLAN 2 | HYBRID RETIREMENT PLAN | |
|---|---|---|---|
| | | DEFINED BENEFIT | DEFINED CONTRIBUTION |
| **ELIGIBILITY** | | | |
| Membership date is before July 1, 2010 and they were vested as of January 1, 2013 and have not taken a refund. | Membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. | Membership date is on or after January 1, 2014 for school division and political subdivision employees, and any member opting in from VRS Plans 1 or 2 during the election window. Political subdivision employees who are covered by enhanced benefits for hazardous duty employees are ineligible. | |
| **VESTING** | | | |
| Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members are always 100% vested in the contributions that they make. | | | Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. |
| **CALCULATING THE BENEFIT** | | | |
| The basic benefit is determined using the member's average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied. | | | The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions. |
| **AVERAGE FINAL COMPENSATION** | | | |
| A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. | | Not applicable for defined contribution plans. |
| **SERVICE RETIREMENT MULTIPLIER** | | | |
| The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The multiplier for non-hazardous duty members is 1.70% and eligible political subdivision hazardous duty employees is 1.85%. | Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. | The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited. | Not applicable for defined contribution plans. |

<table>
<tr><th rowspan="2">VRS PLAN 1</th><th rowspan="2">VRS PLAN 2</th><th colspan="2">HYBRID RETIREMENT PLAN</th></tr>
<tr><th>DEFINED BENEFIT</th><th>DEFINED CONTRIBUTION</th></tr>
<tr><td colspan="4">NORMAL RETIREMENT AGE</td></tr>
<tr><td>Normal retirement age is 65. Political subdivision hazardous duty employees is age 60.</td><td>Normal Social Security retirement age. Political subdivision hazardous duty employees same as Plan 1.</td><td>Normal Social Security retirement age, including political subdivision hazardous duty employees.</td><td>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td></tr>
<tr><td colspan="4">EARLIEST REDUCED RETIREMENT ELIGIBILITY</td></tr>
<tr><td>Age 55 with at least five years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees may retire at age 50 with at least 5 years of service credit.</td><td>Members may retire with a reduced benefit as early as age 60 with at least five years of service credit. Political subdivision hazardous duty employees same as Plan 1.</td><td>Members may retire with a reduced benefit as early as age 60 with at least five years of service credit, including political subdivision hazardous duty employees.</td><td>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td></tr>
<tr><td colspan="4">EARLIEST UNREDUCED RETIREMENT ELIGIBILITY</td></tr>
<tr><td>Age 65 with at least 5 years of service credit or at age 50 with at least 30 years of service credit. Hazardous duty employees may retire at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit.</td><td>Members may retire with an unreduced benefit at normal social security retirement age with at least 5 years of service credit or when their age plus service credit equals 90. Political subdivision hazardous duty employees are the same as Plan 1.</td><td>Members may retire with an unreduced benefit at normal social security retirement age with at least 5 years of service credit or when their age plus service credit equals 90, including political subdivision hazardous duty employees.</td><td>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td></tr>
<tr><td colspan="4">COST-OF-LIVING ADJUSTMENT (COLA) IN RETIREMENT</td></tr>
<tr><td>The COLA matches the first 3% increase in the CPI-U and half of any additional increase (up to 4%) up to a maximum COLA of 5%. The COLA will go into effect on July 1 after one calendar year from retirement or the unreduced retirement eligibility date as applicable, with some exceptions.</td><td colspan="2">The COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%) up to a maximum COLA of 3%. The COLA will go into effect on July 1 after one calendar year from retirement or the unreduced retirement eligibility date as applicable, with some exceptions.</td><td>Not applicable for defined contribution plans.</td></tr>
<tr><td colspan="4">RETIREMENT CONTRIBUTIONS</td></tr>
<tr><td colspan="2">Employees contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</td><td colspan="2">A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</td></tr>
<tr><td colspan="4">SERVICE CREDIT</td></tr>
<tr><td colspan="3">Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member is granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit.</td><td>Service credit is used to determine vesting for the employer contribution portion of the plan.</td></tr>
<tr><td colspan="4">PURCHASE OF PRIOR SERVICE</td></tr>
<tr><td colspan="3">Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as a service credit in their plan. Prior service credit counts toward vesting and eligibility for retirement. Only active members are eligible to purchase prior service. Hybrid Retirement Plan members are ineligible for ported service.</td><td>Not applicable for defined contribution plans.</td></tr>
</table>

| VRS PLAN 1 | VRS PLAN 2 | HYBRID RETIREMENT PLAN | |
|---|---|---|---|
| | | DEFINED BENEFIT | DEFINED CONTRIBUTION |
| **DISABILITY COVERAGE** | | | |
| For Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service. | Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service. | Members participate in the Virginia Local Disability Program (VDLP) and are subject to a one-year waiting period before becoming eligible for non-work related disability benefits. | |

**Employees Covered by Benefit Terms**

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | County | School Board* |
|---|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 439 | 309 |
| Inactive employees entitled to but not yet receiving benefits | 709 | 271 |
| Active employees | 1,003 | 391 |
| | 2,151 | 971 |

* Excludes employees reported under the Teacher's Cost Sharing Plan.

**Contributions**

Contribution rates are computed in accordance with title 51.1-145 of the Code, as amended, and equal the sum of the normal contribution and any unfunded accrued liability. Contractual rates are established based on an independent actuarial valuation using recognized actuarial principles, methods and assumptions approved by the VRS Board of Trustees.

Employees are required to contribute 5% of their creditable compensation for each pay period. The County and School Board are required to contribute the difference between the actuarially determined rate and the contribution rate of employees. In June 2022, the Commonwealth made a special contribution of approximately $442.4 million to the VRS Teacher Employee Plan. Of this amount, $6.8 million was proportionately allocated to the School Board's Teacher Employee Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

Details of the County and School Board's contractually required rates for the year ended June 30, 2023, as a percentage of covered employee compensation, are provided in the table below.

| | | School Board | |
|---|---|---|---|
| | County | School Board | Teacher Plan |
| Employee contribution rate | 5.00% | 5.00% | 5.00% |
| Employer contribution rate | 13.72% | 6.28% | 16.62% |
| | 18.72% | 11.28% | 21.62% |

Contributions, both employer and employee, to the pension plan for the years ended June 30, 2023 and June 30, 2022 were as follows:

| | Amounts in thousands | | |
|---|---|---|---|
| | | School Board | |
| | County | School Board | Teacher Plan |
| Year ended June 30, 2023 | $ 13,946 | $ 1,340 | $ 33,159 |
| Year ended June 30, 2022 | 10,295 | 1,027 | 31,126 |

*7.05.2 Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS 2022 Annual Financial Report located at http://www.varetire.org/pdf/publications/2022-annual-report.pdf.

*7.05.3 Net Pension Asset / Liability*

**Multi-Employer Agent Plan**

At June 30, 2023, the County's net pension liability was $25.0 million and the School Board reported a net pension asset of $1.1 million. Each multi-employer agent plan balance was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

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

The net pension liability of the cost-sharing plan is calculated separately for each school system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position.

As of June 30, 2022, the net pension liability amounts for the VRS Teacher Employee Retirement Plan (***for all school systems***) is as follows (amounts expressed in thousands):

| | VRS Employee Retirement Plan - all School Systems in Commonwealth |
|---|---|
| Total pension liability | $ 54,732,329 |
| Plan fiduciary net position | 45,211,731 |
| Employers' Net Pension Liability | $ 9,520,598 |
| Plan fiduciary net position as a percentage of the total pension liability | 82.61% |

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

At June 30, 2023, the School Board reported a liability of $146.9 million for its proportionate share of the VRS Employee Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022 and 2021, the School Board's proportion was 1.54%.

**Actuarial assumptions**

The total pension liability of the Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

| Plan Actuarial Assumptions | | | |
|---|---|---|---|
| | **General Employees** | **Public Safety** | **Teacher Plan** |
| **Assumptions used in calculations:** | | | |
| Investment rate of return* | 6.75% | 6.75% | 6.75% |
| Projected salary increases* | 3.50 – 5.35% | 3.50 – 4.75% | 3.50 – 5.95% |
| *Includes inflation at | 2.50% | 2.50% | 2.50% |
| Mortality rates: % of deaths to be service related | 15.00% | 45.00% | Not available |
| **Mortality tables:** | | | |
| Pre-retirement | Pub-2010 Amount Weighted Safety Employee Rates projected generationally, 95% of rates for males; 105% of rates for females set forward 2 years. | Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a modified MP-2020 Improvement Scale, 95% of rates for males; 105% of rates for females set forward 2 years. | Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males. |
| Post-retirement | Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years. | Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years. | Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females. |
| Post-Disability | Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years. | Pub-2010 Amount Weighted General Disabled Rates projected generationally with a modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years. | Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females. |
| Beneficiaries/Survivors | Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years. | Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years. | Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally. |
| Mortality Improvement | Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. | Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. | Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. |

| Changes to assumptions: | | | |
|---|---|---|---|
| The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. | • Mortality rates updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.<br>• Retirement rates adjusted to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.<br>• Withdrawal rates adjusted to better fit experience at each year age and service through 9 years of service.<br>• Disability rates – no change.<br>• Line of duty disability rate – no change.<br>• Discount rate – no change. | • Mortality rates updated to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.<br>• Retirement rates adjusted to better fit experience and changed final retirement age from 65 to 70.<br>• Withdrawal rates decreased and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.<br>• Disability rates – no change.<br>• Line of duty disability rate – no change.<br>• Discount rate – no change. | • Mortality rates updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.<br>• Retirement rates adjusted to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.from 75 to 80 for all.<br>• Withdrawal rates adjusted to better fit experience at each year age and service through 9 years of service.<br>• Disability rates – no change.<br>• Discount rate – no change. |

**Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate rages of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the table below.

| Long-term Expected Rate of Return | | | |
|---|---|---|---|
| **Asset Class (Strategy)** | **Target Allocation** | **Arithmetic Long-term Expected Rate of Return** | **Weighted Average Long-term Expected Rate of** |
| Public Equity | 34.00% | 5.71% | 1.94% |
| Fixed Income | 15.00% | 2.04% | 0.31% |
| Credit Strategies | 14.00% | 4.78% | 0.67% |
| Real Assets | 14.00% | 4.47% | 0.63% |
| Private Equity | 14.00% | 9.73% | 1.36% |
| Multi-Asset Public Strategies | 6.00% | 3.73% | 0.22% |
| Private Investment Partnership | 3.00% | 6.55% | 0.20% |
| **Total** | 100.00% | | 5.33% |
| | | Inflation | 2.50% |
| | Expected arithmetic nominal return* | | 7.83% |

** The above allocation provides a one-year expected return of 7.83%.However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a ra ge of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.On October 10,2019the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a mediam return of 7.11%, including expected inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member (employee) contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate.

Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined contribution rate from June 30, 2021, actuarial valuations, whichever was greater.

From July 1, 2022, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability**

The following tables represent the changes in net pension liability through the Plan's measurement date of June 30, 2022 for the County and School Board, respectively.

| County Pension Plan: Changes in the Net Pension Liability | | | |
|---|---|---|---|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balances at June 30, 2021 | $ 252,191,888 | $ 238,415,434 | $ 13,776,454 |
| Changes for the year: | | | |
| Service cost | 8,354,120 | - | 8,354,120 |
| Interest | 17,301,284 | - | 17,301,284 |
| Changes of assumptions | - | - | - |
| Difference between expected and actual experience | (4,723,531) | - | (4,723,531) |
| Contributions - employer | - | 7,025,192 | (7,025,192) |
| Contributions - employee | - | 3,270,189 | (3,270,189) |
| Net investment income | - | (418,157) | 418,157 |
| Benefit payments, including refunds of employee contributions | (8,461,389) | (8,461,389) | - |
| Administrative expense | - | (145,953) | 145,953 |
| Other changes | - | 5,633 | (5,633) |
| Net changes | 12,470,484 | 1,275,515 | 11,194,969 |
| Balances at June 30, 2022 | $ 264,662,372 | $ 239,690,949 | $ 24,971,423 |
| | | Governmental activities: | 21,651,441 |
| | | Business-type activities: | 3,319,982 |
| | | | $ 24,971,423 |

| School Board Pension Plan: Changes in the Net Pension Liability | | | |
|---|---|---|---|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension (Asset) Liability (a)-(b) |
| Balances at June 30, 2021 | $ 37,165,490 | $ 39,556,343 | $ (2,390,853) |
| Changes for the year: | | | |
| Service cost | 857,374 | - | 857,374 |
| Interest | 2,507,305 | - | 2,507,305 |
| Changes in assumptions | - | - | - |
| Difference between expected and actual experience | (1,145,092) | - | (1,145,092) |
| Contributions - employer | - | 580,238 | (580,238) |
| Contributions - employee | - | 446,899 | (446,899) |
| Net investment income | - | (40,856) | 40,856 |
| Benefit payments, including refunds of employee contributions | (1,755,212) | (1,755,212) | - |
| Administrative expense | - | (24,687) | 24,687 |
| Other changes | - | 911 | (911) |
| Net changes | 464,375 | (792,707) | 1,257,082 |
| Balances at June 30, 2022 | $ 37,629,865 | $ 38,763,636 | $ (1,133,771) |

* Table excludes data for the VRS Teacher Retirement Plan, a cost-sharing pension plan.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the net pension liability of the County and School Board's multi-employer agent plans and Teacher Retirement Plan, calculated using each Plan's current discount rate, as well as what the respective Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

| Sensitivity Analysis of Net Pension Liability to Changes in Discount Rate | | | |
|---|---|---|---|
| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
| County's calculated net pension liability (asset) | $ 64,540,611 | $ 24,971,423 | $ (7,037,101) |
| School Board's calulated net pension liability (asset) | $ 3,512,526 | $ (1,133,771) | $ (4,934,148) |
| Teacher Retirement Plan's calculated net pension liability* | $ 262,457,934 | $ 146,946,632 | $ 52,895,031 |

* Represents the School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability

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

The following tables summarize the recognized pension expense at June 30, 2023, and the reported deferred outflows and inflows of resources by source as of the June 30, 2022 measurement date for the Primary Government and its Component unit – School Board. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportional share of employer contributions.

| Pension Expense and Deferred Inflows and Outflows of Resources Related to Pensions - Primary Government | Governmental Activities | Business-type Activities | Total Primary Government |
|---|---|---|---|
| **Total pension expense:** | $ 8,518,744 | $ 1,104,078 | $ 9,622,822 |
| **Deferred outflows - pension contributions:** | | | |
| Employer contributions subsequent to the measurement date | $ 8,682,277 | $ 1,101,896 | $ 9,784,173 |
| **Deferred outflows - actuarial differences:** | | | |
| Difference between expected and actual experience | $ 5,607,820 | $ 747,432 | $ 6,355,252 |
| Change of assumptions | 5,860,412 | 781,098 | 6,641,510 |
| **Total deferred outflows - actuarial differences:** | $ 11,468,232 | $ 1,528,530 | $ 12,996,762 |
| **Deferred inflows - actuarial differences:** | | | |
| Difference between expected and actual experience | $ (3,239,866) | $ (405,233) | $ (3,645,099) |
| Net difference between projected and actual earnings on plan investments | (5,677,982) | (710,185) | (6,388,167) |
| **Total deferred inflows - actuarial differences** | $ (8,917,848) | $ (1,115,418) | $ (10,033,266) |

| Pension Expense and Deferred Inflows and Outflows of Resources Related to Pensions - Component Unit - School Board | Component unit - School Board | | | |
|---|---|---|---|---|
| | Multi-Employer Agent Plan | | Teacher Retirement Cost-sharing Plan | Total Component unit School Board |
| | School Board | Internal Service Fund Fleet Services | | |
| **Total pension expense:** | $ 23,569 | $ 2,960 | $ 5,786,731 | $ 5,813,260 |
| **Deferred outflows - pension contributions:** | | | | |
| Employer contributions subsequent to the measurement date | $ 583,654 | $ 47,276 | $ 24,275,323 | $ 24,906,253 |
| **Deferred outflows - actuarial differences:** | | | | |
| Difference between expected and actual experience | $ 72,298 | $ 5,482 | $ - | $ 77,780 |
| Change of assumptions | 275,594 | 20,897 | 13,854,107 | 14,150,598 |
| Changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions | $ - | $ - | $ 509,317 | $ 509,317 |
| **Total deferred outflows - actuarial differences:** | $ 347,892 | $ 26,379 | $ 14,363,424 | $ 14,737,695 |
| **Deferred inflows - actuarial differences:** | | | | |
| Difference between expected and actual experience | $ (663,622) | $ (49,360) | $(10,132,551) | $(10,845,533) |
| Net difference between projected and actual earnings on plan investments | (1,061,294) | (78,938) | (19,158,763) | (20,298,995) |
| Changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions | - | - | (3,212,982) | (3,212,982) |
| **Total deferred inflows - actuarial differences** | $ (1,724,916) | $ (128,298) | $(32,504,296) | $(34,357,510) |

**Amortization of Deferred Outflows and Inflows of Resources**

Employer contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| | Primary Government | | | Component unit - School Board | | | |
|---|---|---|---|---|---|---|---|
| | Multi-Employer Agent Plan | | | | | Teacher Retirement Cost-sharing Plan | Total Component unit School Board |
| | Governmental Activities | Business-type Activities | Total Primary Government | School Board | Internal Service Fund Fleet Services | | |
| **Fiscal year ended June 30,** | | | | | | | |
| 2024 | $ 1,939,637 | $ 314,184 | $ 2,253,821 | $ (469,876) | $ (34,777) | $ (5,886,641) | $ (6,391,294) |
| 2025 | 884,727 | 143,308 | 1,028,035 | (694,019) | (51,367) | (7,402,648) | (8,148,034) |
| 2026 | (2,773,048) | (449,180) | (3,222,228) | (713,221) | (52,789) | (13,502,240) | (14,268,250) |
| 2027 | 2,499,068 | 404,800 | 2,903,868 | 500,092 | 37,014 | 8,650,657 | 9,187,763 |
| 2028 | - | - | - | - | - | - | - |
| | **$ 2,550,384** | **$ 413,112** | **$ 2,963,496** | **$ (1,377,024)** | **$ (101,919)** | **$(18,140,872)** | **$(19,619,815)** |
| Pension actuarial differences: | | | | | | | |
| Total deferred outflows | $ 11,468,232 | $ 1,528,530 | $ 12,996,762 | $ 347,892 | $ 26,379 | $ 14,363,424 | $ 14,737,695 |
| Total deferred inflows | (8,917,848) | (1,115,418) | (10,033,266) | (1,724,916) | (128,298) | (32,504,296) | (34,357,510) |
| | **$ 2,550,384** | **$ 413,112** | **$ 2,963,496** | **$ (1,377,024)** | **$ (101,919)** | **$(18,140,872)** | **$(19,619,815)** |

*7.05.5 Payables to the Pension Plan*

The County and School Board reported payables of $1.1 and $0.8 million, respectively for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

## OPEB LIABILITIES – ALL PLANS

Summary of balances for all OPEB plans for the primary government and the component-unit School Board.

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Component Unit-School Board |
| **OPEB Liabilities** | | | |
| Primary Government Retiree Healthcare (Note 7.06) | $ 71,894,401 | $ 9,518,624 | $ - |
| School Board Retiree Healthcare (Note 7.07) | - | - | 132,769,607 |
| Primary Government LODA (Note 7.08) | 6,631,198 | - | - |
| VRS Group Life Insurance Program (Note 7.09) | 3,300,700 | 478,597 | 8,537,525 |
| VRS Health Insurance Credit Program (Note 7.10) | - | - | 19,909,004 |
| | **$ 81,826,299** | **$ 9,997,221** | **$ 161,216,136** |
| **Deferred Outflows of Resources:** | | | |
| Employer contributions subsequent to the measurement date: | | | |
| School Board Retiree Healthcare (Note 7.07) | $ - | $ - | $ 5,143,855 |
| VRS Health Insurance Credit Program (Note 7.10) | - | - | 1,927,735 |
| VRS Group Life Insurance Program (Note 7.09) | 348,674 | 50,557 | 892,000 |
| **OPEB contributions (Exhibit I):** | **$ 348,674** | **$ 50,557** | **$ 7,963,590** |
| OPEB actuarial differences: | | | |
| Primary Government Retiree Healthcare (Note 7.06) | $ 10,321,099 | $ 1,484,939 | $ - |
| Primary Government LODA Program (7.08) | 693,241 | - | - |
| School Board Retiree Healthcare (Note 7.07) | - | - | 34,058,809 |
| VRS Health Insurance Credit Program (Note 7.10) | - | - | 746,676 |
| VRS Group Life Insurance Program (Note 7.09) | 798,366 | 115,762 | 1,063,163 |
| **OPEB actuarial differences (Exhibit I):** | **$ 11,812,706** | **$ 1,600,701** | **$ 35,868,648** |
| **OPEB Expense** | | | |
| Primary Government Retiree Healthcare (Note 7.06) | $ 168,451 | $ 21,075 | $ - |
| School Board Retiree Healthcare (Note 7.07) | - | - | (14,489,768) |
| Primary Government LODA (Note 7.08) | 462,870 | - | - |
| VRS Group Life Insurance Program (Note 7.09) | 240,673 | 34,897 | 194,969 |
| VRS Health Insurance Credit Program (Note 7.10) | - | - | 1,462,617 |
| | **$ 871,994** | **$ 55,972** | **$ (12,832,182)** |

## 7.06 PRIMARY GOVERNMENT - TOTAL OPEB LIABILITY – RETIREE HEALTHCARE

**Plan Description**

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

In order to be eligible for other postemployment benefits (OPEB) employees must meet VRS's retirement eligibility criteria. They also must retire directly from active employment and enroll in a medical plan offering at the time of retirement. In addition, employees must also meet certain County service requirements based on their County hire date. Employees hired prior to November 1, 2007 must complete ten consecutive years of regular full-time employment with the County immediately prior to full (unreduced) retirement under VRS to be fully subsidized by the County. Employees hired on or after November 1, 2007 must complete at least twenty consecutive years of regular fulltime employment with the County immediately prior to full retirement under VRS for the full subsidy.

Employees retiring with reduced VRS pension benefits, regardless of their hire date, will be required to complete 20 or more consecutive years of full-time County service at retirement to be eligible for a minimum 50% subsidy toward their coverage. For every additional consecutive year of service worked over twenty years the employee receives a 5% subsidy toward their coverage. Retirees reaching the age of 65 must apply for and receive Medicare coverage and convert to a Medicare carve-out policy. Line of duty disabilities receive full subsidization of their coverage regardless of years of service or hire date with the County.

The terms of the Plan are governed by the Board of Supervisors and can be amended by action of the Board at any time. No separate financial report is issued.

Post-65 Health Reimbursement Accounts (HRAs)

Effective January 1, 2019, Spotsylvania County began providing Health Reimbursement Accounts (HRAs) to eligible post-65 retirees. The County makes monthly contributions to the HRAs as determined by the Board of Supervisors. The contribution amount, which is determined annually, is based on the individual retiree's hire date with the County, years of consecutive full-time County services, and eligibility for either unreduced or reduced VRS pension benefits. Eligible expenses that can be paid from the HRA include premiums and other qualifying medical expenses. Excess amounts may be rolled over to subsequent months. Upon the death of the retiree, the surviving spouse may use any remaining funds to pay premiums and other qualifying medical expenses for up to 365 days from the retiree's death. Post-65 retirees hired before September 25, 2018 may elect to either enroll in an HRA or enroll in one of the County's health plan offerings. Post-65 retirees hired on or after September 25, 2018 may only elect to enroll in an HRA.

**Employees Covered by Benefit Terms**

As of June 30, 2021, the most recent actuarial valuation date, membership in the Plan consisted of the following:

| | |
|---|---|
| Number of Participants: | |
| Active Employees | 849 |
| Retirees and Spouses | 212 |
| | 1061 |

**Contributions**

Funding of OPEB liabilities are budgeted and reserved as funds are available and subject to annual appropriation by the Board. Currently, benefits are financed on a pay-as-you-go basis. Although the County does not hold assets in trust to fund its OPEB liabilities, as of June 30, 2023, the County has assigned fund balances of $12,153,361, $92,056 and $2,160,118 in its General Fund, Capital Projects Fund and other governmental funds, respectively; and $6,685,844 of its proprietary Water & Sewer Fund's unrestricted net position to fund future OPEB liabilities.

**Total OPEB Liability**

The County's total OPEB liability of $81.4 million was determined by an actuarial valuation as of June 30, 2021 and projected forward to a measurement date of June 30, 2023.

**Changes in the Total OPEB Liability**

| Changes in the Total OPEB Liability | Total OPEB Liability |
|---|---|
| Total OPEB liability as of June 30, 2022 | $ 79,899,549 |
| Service Cost | 2,307,499 |
| Interest | 2,871,188 |
| Change of assumptions | (1,445,827) |
| Benefit payments | (2,219,384) |
| Total OPEB liability as of June 30, 2023 | $ 81,413,025 |
| Primary Government: | |
| Governmental | $ 71,894,401 |
| Business-type | 9,518,624 |
| | $ 81,413,025 |

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Inflation | 2.50% |
| Discount Rate | 3.65% |
| Healthcare cost trend rate | 6.70% to 3.90% over 52 years |

The discount rate was based on the Bond Buyer 20-Year Bond GO Index at the measurement date increasing from 3.54% as of June 30, 2022 to 3.65% as of June 30, 2023.

Assumption rates for retirement, mortality, withdrawal, and disability were based on the most recent experience study performed for VRS. This study examined actual VRS experience over the four-year period ending June 30, 2016. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 26, 2017.

**Sensitivity of the Total OPEB Liability to Changes in the Discount rate and Healthcare cost Trend**
The following presents the sensitivity of the total OPEB liability to changes in the discount rate and healthcare cost trend using rates that are 1-percentage-point lower of 1-percentage-point higher than the current rate.

*Discount rate sensitivity*

| | 2.65% | 3.65% | 4.65% |
|---|---|---|---|
| Total OPEB liability | $ 96,008,338 | $ 81,413,025 | $ 69,727,165 |

*Healthcare rate sensitivity*

| | 1% Decrease in Trend Rate | Current Rate Trend Rate | 1% Increase in Trend Rate |
|---|---|---|---|
| Total OPEB liability | $ 67,215,991 | $ 81,413,025 | $ 99,839,696 |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits**

The County recognized OPEB expense for fiscal year 2023 of $189,526. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to the following sources:

| | Deferred Outflows | Deferred Inflows |
|---|---|---|
| Difference between expected and actual experience | $ 4,155,287 | $ (12,083,171) |
| Changes of assumptions | 7,650,751 | (24,576,831) |
| Total | $ 11,806,038 | $ (36,660,002) |

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as OPEB expense in future reporting periods as follows:

| | Deferred Outflows | Deferred Inflows |
|---|---|---|
| Year ending June 30, | | |
| 2024 | $ 4,177,186 | $ (8,449,464) |
| 2025 | 4,177,186 | (7,732,580) |
| 2026 | 3,451,666 | (7,013,917) |
| 2027 | - | (5,337,036) |
| 2028 | - | (5,337,036) |
| Thereafter | - | (2,789,969) |
| Total | $ 11,806,038 | $ (36,660,002) |
| | | |
| Governmental Activities | $ 10,321,099 | $ (32,458,693) |
| Business-type Activities | 1,484,939 | (4,201,309) |
| | $ 11,806,038 | $ (36,660,002) |

## 7.07 SCHOOL BOARD - NET OPEB LIABILITY – RETIREE HEALTHCARE

### Plan Description

*Plan administration*

The School Board provides post-retirement healthcare benefits through a single-employer defined benefit plan (the Plan) to all eligible permanent full-time employees. Pursuant to Code Section 15.2-1544, the School Board has joined the Virginia Pooled OPEB Trust Fund. This Trust, operating as the "VACo-VML Pooled OPEB Trust" (Pooled Trust), was established as an irrevocable trust to receive, invest, and disburse funds set aside by political subdivisions of the Commonwealth of Virginia to defray future expenses related to OPEB.

Management of the Plan is vested by the School Board to a Local Finance Board, which consists of eight members – two School Board members, the School Superintendent, Chief Business Officer, finance management team and one citizen representative. The Local Finance Board has been empowered to establish and amend postemployment benefits, and to act as trustee for the Pooled Trust. The Virginia Local Government Finance Corporation (VLGFC) provides the day-to-day administration of the Trust.

*Plan membership*

As of September 17, 2021, the most recent actuarial valuation, membership consisted of the following:

| | 2021 | 2019 |
|---|---|---|
| Active employees | 2,333 | 2,115 |
| Retirees (pre-Medicare) | 219 | 281 |
| Retirees (Medicare-age) | 869 | 855 |
| Total | 3,421 | 3,251 |

*Benefits provided*

The Plan provides healthcare insurance for eligible retirees and their dependents through the School Board's group health insurance plan. To be eligible for the Plan, employees must be entitled to full or reduced pension benefits through the Virginia Retirement System (VRS) and reach:

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

The individual and their dependents must be enrolled in the group plan for a period of one year prior to seeking retiree medical benefits. Individuals hired on or after July 1, 2007 must have a minimum of 15 years of consecutive service with Spotsylvania County Public Schools. Prior to Medicare eligibility, retirees may choose among the same health insurance options as active employees. 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, which is secondary to Medicare. Spouses of retired employees may continue medical coverage but will not receive any explicit subsidy from the School Board.

### Contributions

State Code authorizes the School Board to establish and amend the Plan's contribution requirements. 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. As of June 30, 2023, there are no Plan contribution requirements, benefits are financed on a pay-as-you-go basis. Contributions into the Trust are irrevocable; however, continued participation in the Pooled Trust is voluntary and any Local Finance Board may terminate future participation.

**Investments**

*Investment policy*

To assist local governments in funding their OPEB liabilities, the Virginia Association of Counties and the Virginia Municipal League established the VACo/VML Pooled OPEB Trust (Trust). The Trust is an irrevocable trust offered to local governments and authorities and is governed by a Board of Trustees comprised of nine voting members. Trustees are members of the local finance boards of participating political subdivisions and are elected for staggered three-year terms by the participants in the Trust.

The Trust is comprised of two investment portfolios and operates under the Virginia Pooled OPEB Trust Fund Agreement ("Trust Agreement"). The School Board's participates in the Virginia Pooled OPEB Trust Portfolio I ("Portfolio I") a default portfolio with an asset allocation constructed to achieve a long-term expected rate of return of approximately 7.5%. The Trust seeks to maximize the total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. The investment policy seeks to achieve long-term objectives while maintaining prudent investment guidelines. The objective is partly achieved through asset diversification. The Board of Trustees, with assistance from the investment consultant, makes asset class choices and sets the asset class target allocations. The Board of Trustees chooses which investment managers to include in the investment portfolios. Investment managers construct and manage the strategies for the Trust's investment portfolios.

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. Participant ownership is proportionate and based on market value. The value of each share is determined by dividing the value of the net position of the portfolio by the number of units outstanding at the end of the month when the portfolios are valued. Investments are reported at fair value approximating NAV. The Net Asset Value ("NAV") is floating and fluctuates in accordance with market conditions including asset prices and interest rate levels. Shares are purchased and redeemed at the floating NAV. Interest income is allocated to participants' accounts once per month. Employer contributions are recognized when received. Distributions are recognized when a formal request from a participating employer's local finance board is received. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days' written notice.

Audited financial statements of the Virginia Pooled OPEB Trust Fund are available through the VML/VACo Finance Program, Attn: Managing Director, 8 E. Main St., Suite 100, Richmond, VA 23219.

*Concentrations*

As of June 30, 2023, there are no investments in any one organization that represent 5% or more of the Plan's fiduciary net position.

*Rate of return*

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 7.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Total OPEB Liability**

The total OPEB liability was determined by an actuarial valuation as of April 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

**Changes in the Net OPEB Liability**

| Changes in Net OPEB Liability | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
|---|---|---|---|
| Balances, June 30, 2021 | $ 188,376,805 | $ 11,726,729 | $ 176,650,076 |
| Service Cost | 7,770,288 | - | 7,770,288 |
| Interest | 3,566,569 | - | 3,566,569 |
| Difference between actual and expected experience | (1,985,269) | - | (1,985,269) |
| Changes of assumptions | (48,299,397) | - | (48,299,397) |
| Employer contributions | - | 6,170,905 | (6,170,905) |
| Net investment income | - | (1,238,245) | 1,238,245 |
| Benefit payments | (3,250,763) | (3,250,763) | - |
| Balances, June 30, 2022 | $ 146,178,233 | $ 13,408,626 | $ 132,769,607 |

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of April 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022, unless otherwise specified:

| | |
|---|---|
| Investment rate of return, net* | 7.0% |
| Salary increases* | 3.50 – 5.95% |
| Blended discount rate | 3.99% |
| *Includes inflation at | 2.50% |

Mortality rates are based on the Pub. T.H-2010 Mortality Table (teacher, headcount-weighted), Fully Generational, Projected using Scale MP-2018 and base year 2010.

Healthcare cost trend rates are based on the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model with an initial rate of 4.9% for 2021, decreasing gradually to an ultimate rate of 4.0% for 2075 and later years.

Demographic assumptions mirror those used for the School Board's pension plan, with adjustments made for the actual experience of the School Board employees. The retirement, termination, disability, and mortality assumptions are based on the latest VRS Actuarial Valuation of Other Postemployment Benefits report. Gross claims are based on enrollment and medical and prescription drug premiums for employees and pre age 65 retirees from October 1, 2021 through September 30, 2022. Medical and prescription drug rates were projected assuming 5% annual trend.

Changes in assumptions and other inputs:

- A change in the discount rate from 1.92% in 2021 to 3.99% in 2022.
- The medical trend was updated.
- The claims assumptions were updated to include the most recent claims experience and rates. As of January 1, 2021, the retiree health benefits changed from Healthsmart and Anthem Part D, both self-funded plans, to Aetna, a premium only plan. Healthsmart was the Medicare supplement and Anthem Part D was the RX. Aetna coverage is the Medicare supplement and the Medicare RX together. This change reduced liabilities by over 40 percent.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend**

The following presents the net OPEB liability of the School Board, as well as what the School Board's net OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rate that are 1-percentage-point lower or 1-percentage-point higher than the current discount and healthcare cost trend rates.

***Discount rate sensitivity***

| | 1% Decrease<br>2.99% | Current Rate<br>3.99% | 1% Increase<br>4.99% |
|---|---|---|---|
| Net OPEB liability | $ 153,502,715 | $ 132,769,607 | $ 115,748,255 |

***Healthcare rate sensitivity***

| | 1% Decrease<br>Trend Rate of<br>3.00% | Current Rate<br>Trend Rate of<br>4.00% | 1% Increase<br>Trend Rate of<br>5.00% |
|---|---|---|---|
| Net OPEB liability | $ 111,882,814 | $ 132,769,607 | $ 158,962,755 |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits**

For the fiscal year ended June 30, 2023, the School Board recognized an OPEB expense of ($14,489,768). At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows | Deferred Inflows |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 109,667,624 |
| Changes of assumptions | 32,704,340 | 49,622,218 |
| Net difference between projected and actual earnings | 1,354,469 | - |
| Total | $ 34,058,809 | $ 159,289,842 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

| Year ending June 30, | Deferred Outflows | Deferred Inflows |
|---|---|---|
| 2024 | $ 9,169,532 | $ (34,057,773) |
| 2025 | 9,159,273 | $ (34,057,773) |
| 2026 | 9,126,247 | (30,597,895) |
| 2027 | 5,319,280 | (26,898,380) |
| 2028 | 1,284,477 | (26,494,499) |
| Thereafter | - | (7,183,522) |
| Total | $ 34,058,809 | $ (159,289,842) |

**GASB 74 OPEB Liability**

The following presents information required under GAAP. Use of this information should be limited to the School Board's OPEB Trust Fund, a component unit of the School Board, as reported within Schedule F-1 School Board's Statement of Net Position – Fiduciary Funds, Schedule F-2 School Board's Statement of Changes in Net Position – Fiduciary Funds, and their related Schedules of Required Supplementary Information.

**Net OPEB Liability**

The components of the net OPEB liability of the School Board at June 30, 2023, were as follows:

| | | |
|---|---|---|
| Total OPEB liability | $ | 98,465,379 |
| Plan fiduciary net position | | 14,416,646 |
| School Board's net OPEB liability | $ | 84,048,733 |
| | | |
| Plan fiduciary net position as a % of the total OPEB liability | | 14.64% |

*Actuarial assumptions*

The total OPEB liability was determined by an actuarial valuation as of March 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023, unless otherwise specified:

| | |
|---|---|
| Investment rate of return, net* | 6.75% |
| Salary increases* | 1.00 – 3.45% |
| Blended discount rate | 6.75% |
| *Includes inflation at | 2.50% |

Mortality rates are based on the Pub. T.H-2010 Mortality Table (teacher, headcount-weighted), Fully Generational, Projected using Scale MP-2021 and base year 2010.

Healthcare cost trend rates are based on the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model with an initial rate of 7.5% for 2023, decreasing gradually to an ultimate rate of 3.94% for 2075 and later years.

Demographic assumptions mirror those used for the School Board's pension plan, with adjustments made for the actual experience of the School Board employees. The retirement, termination, and disability assumptions are based on the Teachers and Local Non-Top 10 Employers (non-hazardous duty employees) in the VRS experience study dated September 10, 2021. The mortality assumption is based on the SOA Pub 2010 headcount-weighted mortality tables, projected using mortality improvement scale MP-2021. The average premium was calculated by blending the FY2023 premiums for each plan based on enrollment as of the valuation date and trending to the midpoint of the projection period using 7.50% trend. The average premium for the pre-Medicare plans was then age adjusted to determine a retiree per capita cost.

Changes in assumptions and other inputs:

- A change in the discount rate from 3.99% in 2022 to 6.75% in 2023.
- The mortality improvement scale was updated to MP-2021.
- The per capita cost assumption was updated based on the FY2023 premium rates provided by the Schools.
- The healthcare cost trend assumption was updated based on the 2022 Getzen model released by the SOA.
- The retirement, termination, disability, salary scale, and spouse age differential assumptions were updated based on those developed in the VRS experience study dated September 10, 2021.

The Trust utilizes a strategic asset allocation approach with its investments to achieve the long-term return objectives for Portfolio I. The strategic asset allocation for the portfolio was determined by using the investment consultant's proprietary asset allocation modeling tool. The asset allocation model uses historical returns, volatility, and correlations for each asset class to provide a range of potential risk and return outcomes for Portfolio I. The long-term target allocations are included in the following table, as well as the arithmetic nominal and real rates of return for each asset class. The weighted average real rate of return is derived from the target allocation and real rate of return for each asset class. The weighted averages are combined and added to the expected long-term inflation rate to calculate the expected arithmetic nominal return.

The strategic asset allocation targets and allowable asset allocation ranges are outlined in the Trust's Investment Policy Statement, which was approved by the Trust's Board on March 18, 2022. The table on the next page provides the target asset allocation for the Trust's Portfolio I, the 2023 nominal and real capital market assumptions for those asset classes, and the weighted average real return based on the long-term capital market assumptions, as determined by the investment consultant.

| Asset Class | Target Asset Allocation | Long-Term Arithmetic Average Nominal Return[1] | Long-Term Arithmetic Average Real Return[2] | Long-Term Arithmetic Weighted Average Real Return |
|---|---|---|---|---|
| Core Bonds | 5.00% | 5.33% | 2.58% | 0.13% |
| Core Plus | 11.00% | 5.64% | 2.89% | 0.32% |
| Liquid Absolute Return | 4.00% | 6.00% | 3.25% | 0.13% |
| U.S. Large Cap Equity | 21.00% | 9.92% | 7.17% | 1.51% |
| U.S. Small Cap Equity | 10.00% | 11.36% | 8.61% | 0.86% |
| International Developed Equity | 13.00% | 10.81% | 8.06% | 1.05% |
| Emerging Market Equity | 5.00% | 12.08% | 9.33% | 0.47% |
| Long/Short Equity | 6.00% | 8.52% | 5.77% | 0.35% |
| Private Equity | 10.00% | 13.30% | 10.55% | 1.06% |
| Core Real Estate | 10.00% | 9.29% | 6.54% | 0.65% |
| Opportunistic Real Estate | 5.00% | 12.29% | 9.54% | 0.48% |
| **Total** | 100.00% | | | 7.01% |
| | | **Inflation** | | 2.75% |
| | | **Expected arithmetic nominal return** | | 9.76% |

*1) Long-Term Arithmetic Average Nominal Return is the average return assumption for any given year derived from long-term risk premiums and a long-term average risk-free rate.*

*2) Long-Term Arithmetic Average Real Return is the Long-Term Arithmetic Average Nominal Return minus an average annual inflation rate of 2.75%.*

*Discount rate*

The School Board maintains an irrevocable trust valued at $14.4 million as of June 30, 2023. The Plan's fiduciary net position was projected for each year based on the expected total contributions, benefit payments, and investment earnings from the Trust, and is projected to remain solvent. Therefore, the expected rate of return of 6.75% is used as the discount rate as of June 30, 2023.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend**

*Sensitivity of the net OPEB liability to changes in the discount rate*

The following presents the net OPEB liability of the School Board, as well as what the School Board's net OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rate that are 1-percentage-point lower or 1-percentage-point higher than the current discount and healthcare cost trend rates.

***Discount rate sensitivity***

| | 1% Decrease 5.75% | Current Rate 6.75% | 1% Increase 7.75% |
|---|---|---|---|
| Net OPEB liability | $ 94,557,229 | $ 84,048,733 | $ 75,101,039 |

***Healthcare rate sensitivity***

| | 1% Decrease Trend Rate of 2.94% | Current Rate Trend Rate of 3.94% | 1% Increase Trend Rate of 4.94% |
|---|---|---|---|
| Net OPEB liability | $ 73,863,172 | $ 84,048,733 | $ 96,191,782 |

## 7.08 PRIMARY GOVERNMENT – TOTAL OPEB LIABILITY – LINE OF DUTY ACT (LODA) PLAN

**Plan Description**

The County is a non-participating employer of Virginia's Line of Duty Act (LODA) program as governed by §9.1-400.1 of the Code, as amended, and directly funds the costs of benefits provided under the County's single-employer LODA benefit plan. All employees and volunteers in hazardous duty positions and hazardous duty employees who are covered under the Virginia Retirement System are automatically covered by the LODA program.

The LODA program provides death and disability benefits for public safety employees and volunteer firefighters who die or are who disabled in the line of duty. Benefits include a $100,000 life insurance benefit for death occurring as a direct or proximate result of duties, a $25,000 death benefit for death by presumptive clause within five years of retirement. The Plan also provides medical benefits for disabled employees and their families, including surviving spouses.

The Virginia Retirement System determines line of duty eligibility, and issues notification for benefit payments for LODA Fund non-participating employers. The Virginia Department of Human Resource Management (DHRM) administers continuous LODA health benefit plans, including disabled participants and their families.

**Medical Benefits**

LODA provides medical insurance for eligible participants and their families. "Eligible spouse" is the spouse of a deceased person or a disabled person at the time of the death or disability. "Eligible dependent" is the natural or adopted child or children of a deceased person or disabled person or of a deceased or disabled person's eligible spouse. The child must be the result of a pregnancy that occurred prior to the time of the employee's death or disability; or the result of an adoption agreement entered into prior to the time of the employee's death or disability.
Participants with death or disability eligibility date after July 1, 2017:

- Coverage ends upon eligibility for Medicare due to attainment of age 65. However, if the participant qualifies for Social Security disability benefits or Railroad Retirement Plan disability benefits, then the participant may receive LODA medical benefits for life, but not Medicare Part B reimbursement.
- For eligible spouses, health care benefits terminate upon the earlier of the spouse's death, divorce, or election of alternate coverage. Unless the disabled retiree qualifies for Social Security disability benefits or Railroad Retirement Plan disability benefits, the spouse's health care benefits terminate when the spouse becomes eligible for Medicare due to age.
- If the participant's post-disability income is greater than his/her pre-disability income, then the participant's LODA benefits are suspended.
- Surviving spouses also receive LODA benefits. However, LODA benefits end if they remarry. There is no opportunity to return to the LODA program in the future.

Participants with death or disability eligibility date prior to July 1, 2017:

- Disabled employees receive LODA coverage for life.
- Eligible spouses receive LODA coverage for life. However, health care benefits terminate upon the earlier of the spouse's death, divorce, or election of alternate coverage.
- There is no suspension of benefits due to income.
- Current/existing surviving spouses who remarry prior to July 1, 2017 will continue to receive LODA benefits. Surviving spouses who remarry after July 1, 2017 will lose LODA benefits.
- There is reimbursement for Medicare Part B premiums

For dependent children, LODA coverage ends at the end of the year in which the child turns age 26. LODA requires that the County purchase medical insurance from the State Plan.

**Medical Plans**

Health insurance under LODA covers medical insurance, dental insurance, vision insurance, and prescription insurance, including related Medicare coverage. LODA requires that the County purchase medical insurance from the State Plan. There are three plans: 1. Former LODA employment (not eligible for Medicare), 2. Current LODA employment (for LODA disabled participants who are currently employed by a LODA employer), and 3. Medicare primary plan. The two non-Medicare plans have the same benefit design based on the State employee/retiree health benefits program plans.

**Medicare B Premiums**

LODA pays the Medicare Part B premium for eligible participants that were disabled prior to July 1, 2017 and their eligible spouses once they become Medicare eligible. The Medicare Part B premium depends upon income. Monthly Medicare B premiums ranged from $160 to $177 for 2023 and $149 to $170 for 2022.

**LODA Premiums**

VRS LODA premiums for the fiscal year ending June 30, 2023 are as follows:

| Plan 1 (former LODA) | Premium |
|---|---|
| Single | $ 1,119.00 |
| Family | $ 2,653.00 |

| Plan 3 (Medicare primary) | Premium |
|---|---|
| Single | $ 296.00 |

**Plan Participants**

As of June 30, 2022, the most recent actuarial valuation date, membership in the Plan consisted of the following:

| | Employees | Volunteer Firefighters | Total |
|---|---|---|---|
| Active members | 473 | 152 | 625 |
| Retirees eligible for post-Medicare coverage | N/A | N/A | 10 |
| Retirees not eligible for post-Medicare coverage | N/A | N/A | 4 |

**Contributions**

Funding of OPEB liabilities are budgeted and reserved as funds are available and subject to annual appropriation by the Board. Currently, benefits are financed on a pay-as-you-go basis. As of June 30, 2023, the County has committed $500,000 in General Fund fund balance to finance future LODA OPEB liabilities.

**Total OPEB Liability**

The County's total OPEB liability of $6.6 million was determined by an actuarial valuation as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023.

**Changes in the Total OPEB Liability**

| Changes in the Total OPEB Liability | Total OPEB Liability |
|---|---|
| Balance as of June 30, 2022 | $ 5,942,951 |
| Service Cost | 814,327 |
| Interest | 215,287 |
| Experience losses | 128,191 |
| Changes of assumptions | (124,127) |
| Benefit payments | (345,431) |
| Balance as of June 30, 2023 | $ 6,631,198 |

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Actuarial cost method | Entry Age Normal |
| Inflation | 2.50% |
| Discount rate | 3.69% |
| Medical cost trend rate | 6.00% in 2022 to 3.94% in 2075 |
| Salary increases | 3.50 – 4.75% |
| Mortality rates | |
| Pre-commencement | Pub-2010 Headcount-Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years with 75% of Mortality Improvement Scale MP2020. |
| Post-commencement | |
| Healthy | Pub 2010-Headcount-Weighted Safety Retirees Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years with 75% of Mortality Improvement Scale MP2020. |
| Disabled | Pub-2010 Headcount-Weighted Safety Disabled Retirees Rates projected generationally; 95% of rates for males; 90% of rates for females set forward 3 years with 75% of Mortality Improvement Scale MP2020. |
| Service related deaths | Direct result 12.50% and presumptive result 12.5% |
| Service related disability | 65% of disabilities assumed to be service related |

The discount rate was based on 20-Year municipal AA rated bonds as of June 30, 2023. The medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA model was released in October 2010 and updated in November 2021.

Changes of assumptions and other inputs since the prior valuation:

- A change in the discount rate from 3.69% in 2022 to 3.86% in 2023.
- Premium rates were updated.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend**

The following presents the sensitivity of the total OPEB liability to changes in the discount rate and healthcare cost trend using rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate.

*Discount rate sensitivity*

| | 1% Decrease 2.86% | Current Rate 3.86% | 1% Increase 4.86% |
|---|---|---|---|
| Total OPEB liability | $ 7,411,910 | $ 6,631,198 | $ 5,962,988 |

*Healthcare rate sensitivity*

| | 1% Decrease 2.94% | Current Rate 3.94% | 1% Increase 4.94% |
|---|---|---|---|
| Total OPEB liability | $ 5,548,859 | $ 6,631,198 | $ 7,980,728 |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits**

For the year ended June 30, 2023, the County recognized OPEB expense of $462,870. At June 30, 2023, deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources:

| | Deferred Outflows | Deferred Inflows |
|---|---|---|
| Differrence between expected and actual experience | $ 125,815 | $ (3,524,787) |
| Changes of assumptions | 567,426 | (889,576) |
| Total | $ 693,241 | $ (4,414,363) |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

| Year ending June 30, | Deferred Outflows | Deferred Inflows |
|---|---|---|
| 2024 | $ 128,333 | $ (695,077) |
| 2025 | 128,333 | (695,077) |
| 2026 | 128,333 | (695,078) |
| 2027 | 128,330 | (686,372) |
| 2028 | 66,653 | (683,064) |
| Thereafter | 113,259 | (959,695) |
| Total | $ 693,241 | $ (4,414,363) |

## 7.09 PRIMARY GOVERNMENT & SCHOOL BOARD VRS GROUP LIFE INSURANCE PROGRAM

**Summary of Significant Accounting Policies**

The County and School Board participate in the Virginia Retirement System (VRS) Group Life Insurance (GLI) Program, a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to Section 51.1-500 of the Code, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI program OPEB and the additions to/deductions from the VRS GLI Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Plan Description**

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

The specific information for GLI Program OPEB, including eligibility, coverage and benefits is set out in the table below:

| GLI PLAN PROVISIONS |
|---|
| **Eligible Employees**<br>The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:<br>• City of Richmond<br>• City of Portsmouth<br>• City of Roanoke<br>• City of Norfolk<br>• Roanoke City School Board<br><br>Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest. |
| **Benefit Amounts**<br>The benefits payable under the GLI Program have several components.<br>• <u>Natural Death Benefit</u> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.<br>• <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit.<br>• <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<br>o Accidental dismemberment benefit<br>o Seatbelt benefit<br>o Repatriation benefit<br>o Felonious assault benefit<br>o Accelerated death benefit option |
| **Reduction in Benefit Amounts**<br>The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. |

**Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)**
For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at $8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment calculation and is currently $8,984.

**Contributions**

The contribution requirements for the GLI Program are governed by Sections 51.1-506 and § 51.1-508 of the Code, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the GLI Program from the County and School Board for the years ended June 30, 2023 and June 30, 2022 were as follows:

| | Governmental Activities | Business-type Activities | Spotsylvania County School Board | Spotsylvania School Board Teacher Plan |
|---|---|---|---|---|
| Contributions for year ended June 30, 2023 | $ 348,674 | $ 50,557 | $ 62,291 | $ 829,709 |
| Contributions for year ended June 30, 2022 | 322,837 | 45,881 | 52,951 | 780,912 |

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2023, the County and School Board reported liabilities for their proportionate share of the net GLI OPEB liabilities as shown in the following table. The net GLI OPEB liabilities were measured as of June 30, 2022 and the total GLI OPEB liabilities used to calculate the net GLI OPEB liabilities were determined by actuarial valuations performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The County's and School Board's proportions of the net GLI OPEB liability were based on their actuarially determined employer contributions to the GLI Program for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers.

For the year ended June 30, 2023, the County and School Board recognized GLI OPEB expense as shown in the following table. Since there was a change in proportionate shares between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

| Proportionate share of GLI OPEB Liability and related OPEB Expense | | | | | | |
|---|---|---|---|---|---|---|
| | County of Spotsylvania | | | | | |
| | Governmental Activities | Business-type Activities | Total | Spotsylvania County School Board | Spotsylvania County School Board Teacher Plan | Total Component Unit-School Board |
| Net OPEB liability | $ 3,300,700 | $ 478,597 | $ 3,779,297 | $ 562,072 | $ 7,975,453 | $ 8,537,525 |
| OPEB expense | $ 240,673 | $ 34,897 | $ 275,570 | $ 6,788 | $ 188,181 | $ 194,969 |
| Proportion at June 30, 2022 | | | 0.31387% | 0.04668% | 0.66236% | |
| Proportion at June 30, 2021 | | | 0.30311% | 0.04780% | 0.66226% | |

At June 30, 2023, the County and School Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| OPEB Deferred Outflows of Resources and Deferred Inflows of Resources | County of Spotsylvania | | | Spotsylvania County School Board | Spotsylvania County School Board Teacher Plan | Total Component Unit-School Board |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | | | |
| Deferred outflows | | | | | | |
| Differences between expected and actual experience | $ 261,374 | $ 37,899 | $ 299,273 | $ 44,509 | $ 631,555 | $ 676,064 |
| Net difference between projected and actual earnings on OPEB plan investments | - | - | - | - | - | - |
| Change in assumptions | 123,111 | 17,851 | 140,962 | 20,964 | 297,472 | 318,436 |
| Changes in proportionate share | 413,881 | 60,012 | 473,893 | 7,300 | 61,363 | 68,663 |
| Total deferred outflows | $ 798,366 | $ 115,762 | $ 914,128 | $ 72,773 | $ 990,390 | $ 1,063,163 |
| Deferred inflows | | | | | | |
| Differences between expected and actual experience | $ (132,416) | $ (19,200) | $ (151,616) | $ (22,549) | $ (319,956) | $ (342,505) |
| Net difference between projected and actual earnings on OPEB plan investments | (206,245) | (29,905) | (236,150) | (35,121) | (498,348) | (533,469) |
| Change in assumptions | (321,501) | (46,617) | (368,118) | (54,748) | (776,841) | (831,589) |
| Change in proportionate share | (460) | (68) | (528) | (39,556) | (196,204) | (235,760) |
| Total deferred inflows | $ (660,622) | $ (95,790) | $ (756,412) | $ (151,974) | $ (1,791,349) | $ (1,943,323) |

Contributions subsequent to the measurement date will be recognized as a reduction of the respective net GLI OPEB liabilities in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in GLI OPEB expense in future reporting periods as follows:

| Deferred Outflows of Resources and Deferred Inflows of Resources Maturities | County of Spotsylvania | | | Spotsylvania County School Board | Spotsylvania County School Board Teacher Plan | Total Component Unit-School Board |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | | | |
| Year ending June 30, | | | | | | |
| 2024 | $ 70,793 | $ 10,265 | $ 81,058 | $ (18,143) | $ (196,576) | $ (214,719) |
| 2025 | 55,308 | 8,019 | 63,327 | (15,571) | (153,989) | (169,560) |
| 2026 | (77,821) | (11,284) | (89,105) | (34,887) | (425,988) | (460,875) |
| 2027 | 92,360 | 13,392 | 105,752 | (3,809) | 34,951 | 31,142 |
| 2028 | (2,896) | (420) | (3,316) | (6,791) | (59,357) | (66,148) |
| Thereafter | - | - | - | - | - | - |
| | $ 137,744 | $ 19,972 | $ 157,716 | $ (79,201) | $ (800,959) | $ (880,160) |
| OPEB actuarial differences: | | | | | | |
| Total deferred outflows | $ 798,366 | $ 115,762 | $ 914,128 | $ 72,773 | $ 990,390 | $ 1,063,163 |
| Total deferred inflows | (660,622) | (95,790) | (756,412) | (151,974) | (1,791,349) | (1,943,323) |
| | $ 137,744 | $ 19,972 | $ 157,716 | $ (79,201) | $ (800,959) | $ (880,160) |

## Actuarial Assumptions

The total GLI OPEB liability was based on actuarial valuations as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

| GLI Plan Actuarial Assumptions | | | |
|---|---|---|---|
| | **Locality - General Employees** | **Locality - Hazardous Duty Employees** | **Teacher Plan** |
| **Assumptions used in calculations:** | | | |
| Inflation | 2.50% | 2.50% | 2.50% |
| Salary increases, including inflation | 3.50% - 5.35% | 3.50% - 4.75% | 3.50% - 5.95% |
| Investment rate of return | 6.75%, net of plan investment expenses, including inflation | | |
| **Changes to assumptions:** | | | |
| The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. | • Mortality rates updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020<br>• Retirement rates adjusted to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all<br>• Withdrawal rates adjusted to better fit experience at each year age and service through 9 years of service<br>• Disability rates no change<br>• Discount rate no change | • Mortality rates updated to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020<br>• Retirement rates adjusted to better fit experience and changed final retirement age from 65 to 70<br>• Withdrawal rates decreased and changed from rates based on age and service to rates based on service only to better fit experience and be more consistent with Locals Top 10 Hazardous Duty<br>• Disability rates no change<br>• Discount rate no change | • Mortality rates updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020<br>• Retirement rates adjusted to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all<br>• Withdrawal rates adjusted to better fit experience at each year age and service through 9 years of service<br>• Disability rates no change<br>• Discount rate no change |
| **Mortality tables:** | | | |
| Pre-retirement | Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years | Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years | Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males |
| Post-retirement | Pub-2010 Amount Weighted Safety Healthy Retiree projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year | Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years | Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally, males set forward 1 year; 105% of rates for females |

| | | | |
|---|---|---|---|
| Post-Disability | Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years | Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years | Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females. |
| Beneficiaries and Survivors | Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally | Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years. | Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally. |
| Mortality Improvement Scale | Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. | Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. | Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. |

**Plans' Net GLI OPEB Liability**

The net OPEB liability for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, the net OPEB liability amounts for the GLI Program are as follows (amounts expressed in thousands):

| | VRS GLI OPEB Program |
|---|---|
| Total GLI OPEB Liability | $ 3,577,346 |
| Plan Fiduciary Net Position | 2,413,074 |
| GLI Net OPEB Liability | $ 1,164,272 |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 67.45% |

The total GLI OPEB liability is calculated by the VRS's actuary, and each plan's fiduciary net position is reported in the VRS's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS's notes to the financial statements and required supplementary information.

**Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between the actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the County and School Board for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

**Target Asset Allocation**

| Asset Class (Strategy) | Long-Term Target Asset Allocation | Arithmetic Long-term Expected Rate of Return | Long-term Expected Rate of Return* |
|---|---|---|---|
| Public Equity | 34.00% | 5.71% | 1.94% |
| Fixed Income | 15.00% | 2.04% | 0.31% |
| Credit Strategies | 14.00% | 4.78% | 0.67% |
| Real Assets | 14.00% | 4.47% | 0.63% |
| Private Equity | 14.00% | 9.73% | 1.36% |
| Mulit-Asset Public Strategies | 6.00% | 3.73% | 0.22% |
| Private Investment Partnership | 3.00% | 6.55% | 0.20% |
| Total | 100.00% | | 5.33% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.83% |

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time providing a median return of 7.11%, including expected inflation of 2.50%.

**Sensitivity of the County's and School Board's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate**

The following presents the County's and School Board's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | 1.00% Lower (5.75%) | Current Discount Rate (6.75%) | 1.00% Higher (7.75%) |
|---|---|---|---|
| GLI - County | $ 5,499,320 | $ 3,779,297 | $ 2,389,284 |
| GLI - School Board | $ 817,881 | $ 562,072 | $ 355,344 |
| GLI - School Board Teacher Plan | $ 11,605,218 | $ 7,975,453 | $ 5,042,106 |

**Fiduciary Net Position**

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report. A copy of the 2022 VRS annual report may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Payables to the VRS GLI OPEB Plan**

The County and School Board reported the following payables for the outstanding amount of contributions to the VRS GLI OPEB Plans required for the year ended June 30, 2023.

| | | |
|---|---|---|
| GLI - County | $ | 84,691 |
| GLI - School Board | | 5,425 |
| GLI - School Board Teacher Plan | | 47,708 |
| | $ | 137,824 |

## 7.10 SCHOOL BOARD VRS HEALTH INSURANCE CREDIT PROGRAM

The School Board participates in the following two multiple employer other postemployment benefit plans administered by the VRS, collectively referred to as the “HIC plans” or “Plans”.

- VRS Teacher Employee Health Insurance Credit Program – cost sharing plan
- VRS Political Subdivision Health Insurance Credit Program – agent defined plan

**Summary of Significant Accounting Policies**

The HIC plans were established pursuant to Section 51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The HIC plans are defined benefit plans that provide a credit toward the cost of health insurance coverage for retired teachers and political subdivision employees of participating employers. For purposes of measuring each Plan’s OPEB liability, deferred outflows of resources and deferred inflows of resources and related expense, information about each Plan’s fiduciary net position; and the additions to/deductions from each Plan’s net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

On April, 2020 the Virginia General Assembly amended Section 51.1-1400 et seq. of the Code of Virginia to provide the health insurance credit benefit to employees of local school divisions who are not teachers, who retired under the VRS, including the hybrid retirement program, and who rendered at least 15 years of creditable service, regardless of their date of retirement. The health insurance credit shall only be available on a prospective basis for those eligible retired employees of a local school division who retired prior to July 1, 2020, but did not receive a health insurance credit prior to this date.

**Plan Description**

All full-time, salaried permanent employees of public school divisions are automatically covered by the Plans upon employment. The Plans are administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree’s death.

The specific information about each Plan's eligibility, coverage and benefits is set out in the table below:

<table>
<tr><th colspan="2">HIC PLAN PROVISIONS</th></tr>
<tr><td colspan="2">Eligible Employees<br>The HIC was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and teachers employees, which are covered under VRS who retire with at least 15 years of service credit.<br><br>Eligible employees are enrolled automatically upon employment. They include:<br>• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.</td></tr>
<tr><td colspan="2">Benefit Amounts<br>The HIC provides the following benefits for eligible employees:</td></tr>
<tr><td>Teacher Employee HIC Program<br>• <u>At Retirement</u> – For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.<br>• <u>Disability Retirement</u> – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:<br>o $4.00 per month, multiplied by twice the amount of service credit, or<br>o $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.</td><td>Political Subdivision HIC Program<br>• <u>At Retirement</u> – For employees who retire with at least 15 years of service credit, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month.<br>• <u>Disability Retirement</u> – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.</td></tr>
<tr><td colspan="2">Health Insurance Credit Program Notes<br>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.<br>• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.</td></tr>
</table>

**Employees covered by benefit terms**

As of the June 30, 2021, actuarial valuation, the following employees were covered by the benefit terms of the Political Subdivision Health Insurance Credit Program:

| | |
|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 79 |
| Inactive members: | |
| Vested inactive members | 4 |
| Non-vested inactive members | 0 |
| Inactive members active elsewhere in the System | 0 |
| Total inactive members | 83 |
| Active members | 391 |
| Total covered employees | 474 |

*- Data excludes teacher employees covered through the cost-sharing Teacher Employee HIC Program*

**Contributions**

*Teacher Employee HIC Program*

The contribution requirement for active employees is governed by Section 51.1-1401(E) of the Code, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023, was 1.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan were $1.9 million and $1.8 million for the years ended June 30, 2023 and June 30, 2022, respectively.

*Political Subdivision HIC Program*

The contribution requirement for active employees is governed by Section 51.1-1401(E) of the Code, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. The contractually required employer contribution rate for the year ended June 30, 2023, was 0.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan were $71,069 and $49,941 for the years ended June 30, 2023 and June 30, 2022, respectively.

**Fiduciary Net Position**

Detailed information about the Fiduciary Net Position for the Teacher Employee Health Insurance Credit Program is available in the separately issued VRS 2022 Annual Comprehensive Financial Report. A copy of the 2022 VRS annual report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Net OPEB Liability**

The following represents the net HIC OPEB liabilities through the Plans' measurement date of June 30, 2022.

| | Net HIC OPEB Liability |
|---|---|
| HIC - School Board Cost-Sharing Teacher Plan | $ 19,297,019 |
| HIC - Political Subdivision Agent Plan | 611,985 |
| | $ 19,909,004 |

*Teacher Employee HIC Program*

The net OPEB liability for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, the net OPEB liability amounts for the Plan, prior to each employers' allocation of their proportionate share, is as follows (amounts expressed in thousands):

| | VRS Teacher Employee HIC OPEB Plan |
|---|---|
| Total Teacher Employee HIC OPEB Liability | $ 1,470,891 |
| Plan Fiduciary Net Position | 221,845 |
| Teacher Employee Net HIC OPEB Liability | $ 1,249,046 |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | 15.08% |

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

At June 30, 2023, the School Board reported a liability of $19.3 million for its proportionate share of the VRS Teacher Employer Health Insurance Credit Program Net OPEB Liability. The net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The School Board's proportion of the net OPEB liability was based on the School Board's actuarially determined employer contributions to the Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. The School Board's proportion was 1.55% as of June 30, 2022 and June 30, 2021.

*Political Subdivision HIC Program*

At June 30, 2023, the School Board's net Health Insurance Credit OPEB liability of $0.6 million was measured as of June 30, 2022. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

**Actuarial Assumptions**

The total HIC OPEB liabilities were based on actuarial valuations as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

| Plan Actuarial Assumptions | | |
|---|---|---|
| | **Political Subdivision** | **Teacher Plan** |
| **Assumptions used in calculations:** | | |
| Inflation | 2.50% | 2.50% |
| Salary increases, including inflation | 3.50% - 5.35% | 3.50% - 5.95% |
| Investment rate of return | 6.75%, net of plan investment expenses, including inflation | |
| **Mortality tables:** | | |
| Pre-retirement | Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years. | Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males. |
| Post-retirement | Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years. | Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females. |
| Post-Disability | Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years. | Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females. |

| Plan Actuarial Assumptions | | |
|---|---|---|
| | **Political Subdivision** | **Teacher Plan** |
| Beneficiaries and Survivors | Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years. | Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally. |
| Morality Improvement Scale | • Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. | • Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. |
| **Changes to assumptions:** | | |
| The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. | • Mortality rates updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.<br>• Retirement rates adjusted to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all<br>• Withdrawal rates adjusted to better fit experience at each age and service decrement through 9 years of service.<br>• Disability rates no change<br>• Discount rate no change | • Mortality Rates update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020<br>• Retirement rates adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all<br>• Withdrawal rates adjusted to better fit experience at each year age and service through 9 years of service<br>• Disability rates no change<br>• Discount rate no change |

The actuarial assumptions used in the June 30, 2021 valuations were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020 except for the change in the discount rate, which is based on VRS Board action effective as of July 1, 2019.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| Target Asset Allocation | | | |
|---|---|---|---|
| Asset Class (Strategy) | Long-Term Target Asset Allocation | Arithmetic Long-term Expected Rate of Return | Long-term Expected Rate of Return |
| Public Equity | 34.00% | 5.71% | 1.94% |
| Fixed income | 15.00% | 2.04% | 0.31% |
| Credit Strategies | 14.00% | 4.78% | 0.67% |
| Real Assets | 14.00% | 4.47% | 0.63% |
| Private Equity | 14.00% | 9.73% | 1.36% |
| Multi-Asset Public Strategies | 6.00% | 3.73% | 0.22% |
| Private Investment Partnership | 3.00% | 6.55% | 0.20% |
| Total | 100.00% | | 5.33% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.83% |

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11% including expected inflation of 2.50%.

**Discount Rate**

*Teacher Employee HIC Program*

The discount rate used to measure the total Teacher Employee HIC OPEB liability was 6.75%. The projection of cash flow used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by each school division will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

*Political Subdivision HIC Program*

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. For July 1, 2022, on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB Liability.

**Change in the Political Subdivision Net HIC OPEB Liability**

The following table represents the change in net OPEB liability through the Plan's measurement date of June 30, 2022.

| School Board - Changes in the Political Subdivision Net HIC OPEB Liability | | | |
|---|---|---|---|
| | Increase (Decrease) | | |
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a)-(b) |
| Balances at June 30, 2021 | $ 575,098 | $ 53,845 | $ 521,253 |
| Changes for the year: | | | |
| Service cost | 12,891 | - | 12,891 |
| Interest | 39,038 | - | 39,038 |
| Change in benefit terms | - | | - |
| Changes in assumptions | 72,028 | - | 72,028 |
| Difference between expected and actual experience | 16,621 | - | 16,621 |
| Contributions - employer | - | 49,941 | (49,941) |
| Contributions - employee | - | - | - |
| Net investment income | - | (634) | 634 |
| Benefit payments, including refunds of employee contributions | (19,300) | (19,300) | - |
| Administrative expense | - | (173) | 173 |
| Other changes | - | 712 | (712) |
| Net changes | 121,278 | 30,546 | 90,732 |
| Balances at June 30, 2022 | $ 696,376 | $ 84,391 | $ 611,985 |

* Table excludes data for the VRS Teacher Employee HIC program, a cost-sharing pension plan.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the School Board's Political Subdivision HIC agent plan and the Teacher Employee HIC cost-sharing plan, calculated using each Plan's current discount rate, as well as what the respective Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

| | 1.00% Lower (5.75%) | Current Discount (6.75%) | 1.00% Higher (7.75%) |
|---|---|---|---|
| HIC - School Board Teacher Plan* | $ 21,747,962 | $ 19,297,019 | $ 17,219,417 |
| HIC - Political Subdivision Plan | $ 685,394 | $ 611,985 | $ 549,427 |

*Represents the School Board's proportionate share of the VRS Teacher Employee HIC Program

**OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits**

For the year ended June 30, 2023, the School Board recognized Political Subdivision HIC Program and Teacher Employee HIC Program OPEB expense of $67,166 and $1,395,451, respectively. Since there was a change in proportionate share between measurement dates, a portion of the Teacher Employee HIC program OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the School Board's reported deferred inflows of resources and deferred outflows of resources related to the School Board's Health Insurance Credit Program the following sources:

| Deferred Inflows and Outflows of Resources Related to OPEB | | | | | |
|---|---|---|---|---|---|
| | Component unit - School Board | | | | |
| | Political Subdivision HIC Program | | | | Total |
| | School Board | Internal Service Fund Fleet Services | Total | Teacher Employee HIC Program | Component unit - School Board |
| **Deferred outflows - OPEB contributions:** | | | | | |
| Employer contributions subsequent to the measurement date | $ 66,172 | $ 4,897 | $ 71,069 | $ 1,856,666 | $ 1,927,735 |
| **Deferred outflows - actuarial differences:** | | | | | |
| Changes of assumptions | $ 67,487 | $ 4,995 | $ 72,482 | $ 563,764 | $ 636,246 |
| Net difference between expected and actual experience | 12,573 | 930 | 13,503 | - | 13,503 |
| Net difference between projected and actual earnings on plan | 1,005 | 74 | 1,079 | - | 1,079 |
| Changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions | - | - | - | 95,848 | 95,848 |
| **Total deferred outflows - actuarial differences:** | $ 81,065 | $ 5,999 | $ 87,064 | $ 659,612 | $ 746,676 |
| **Deferred inflows - actuarial differences:** | | | | | |
| Changes of assumptions | $ - | $ - | $ - | $ (49,278) | $ (49,278) |
| Net difference between expected and actual experience | - | - | - | (786,577) | (786,577) |
| Net difference between projected and actual earnings on plan investments | - | - | - | (19,369) | (19,369) |
| Changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions | - | - | - | (528,836) | (528,836) |
| **Total deferred inflows - actuarial differences** | $ - | $ - | $ - | $(1,384,060) | $(1,384,060) |

Contributions subsequent to the measurement date will be recognized as a reduction of the respective net OPEB liabilities in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

| Deferred Inflows and Outflows of Resources Related to OPEB | | | | | |
|---|---|---|---|---|---|
| | Component unit - School Board | | | | |
| | Political Subdivision HIC Program | | | | Total |
| | School Board | Internal Service Fund Fleet Services | Total | Teacher Employee HIC Program | Component unit School Board |
| **Fiscal year ended June 30,** | | | | | |
| 2024 | $ 19,053 | $ 1,410 | $ 20,463 | $ (205,622) | $ (185,159) |
| 2025 | 19,053 | 1,410 | 20,463 | (176,569) | (156,106) |
| 2026 | 19,055 | 1,410 | 20,465 | (115,688) | (95,223) |
| 2027 | 18,793 | 1,391 | 20,184 | (39,445) | (19,261) |
| 2028 | 5,111 | 378 | 5,489 | (111,071) | (105,582) |
| Thereafter | - | - | - | (76,053) | (76,053) |
| | $ 81,065 | $ 5,999 | $ 87,064 | $ (724,448) | $ (637,384) |
| OPEB actuarial differences: | | | | | |
| Total deferred outflows | $ 81,065 | $ 5,999 | $ 87,064 | $ 659,612 | $ 746,676 |
| Total deferred inflows | - | - | - | (1,384,060) | (1,384,060) |
| | $ 81,065 | $ 5,999 | $ 87,064 | $ (724,448) | $ (637,384) |

**Payables to the HIC OPEB Plans**

The School Board reported the following payables for the outstanding amount of contributions to its OPEB Plans required for the year ended June 30, 2023.

| | | |
|---|---|---|
| HIC - School Board Cost-Sharing Teacher Plan | $ | 43,080 |
| HIC - Political Subdivision Agent Plan | | 2,534 |
| | $ | 45,614 |

# Note 8

## Fund Balance

Governmental fund balance allocations for the year ended June 30, 2023 are as follows:

| Fund Balance Classification | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | General Fund | | Capital Projects | | Other Governmental Funds | | Total Governmental Funds |
| **Non-spendable for:** | | | | | | | | |
| Leases | $ | 57,415 | $ | - | $ | - | $ | 57,415 |
| **Total non-spendable fund balance** | **$** | **57,415** | **$** | **-** | **$** | **-** | **$** | **57,415** |
| **Restricted for:** | | | | | | | | |
| Special service district transportation | $ | - | $ | - | $ | 1,329,538 | $ | 1,329,538 |
| PRTC transportation funds | | - | | - | | 4,745,478 | | 4,745,478 |
| Transient occupancy - tourism | | 1,217,314 | | - | | - | | 1,217,314 |
| Available bond proceeds: | | | | | | | | |
| Transportation | | - | | 12,820,368 | | - | | 12,820,368 |
| Fire & Rescue | | - | | 7,802,071 | | - | | 7,802,071 |
| Other | | - | | 2,127,387 | | - | | 2,127,387 |
| Grant and other contributions: | | | | | | | | |
| Forfeiture & seizure - drug enforcement | | 1,296,887 | | - | | - | | 1,296,887 |
| Fire & rescue equipment & personnel | | 2,317,483 | | - | | - | | 2,317,483 |
| Opioid settlement | | 482,943 | | - | | - | | 482,943 |
| ARPA interst restricted for Motts Run | | 673,916 | | - | | - | | 673,916 |
| Other | | 716,905 | | 46,616 | | - | | 763,521 |
| **Total restricted fund balance** | **$** | **6,705,448** | **$** | **22,796,442** | **$** | **6,075,016** | **$** | **35,576,906** |
| **Committed for:** | | | | | | | | |
| Fiscal stability reserve | $ | 66,175,365 | $ | - | $ | - | $ | 66,175,365 |
| Health insurance reserve | | 5,719,163 | | - | | - | | 5,719,163 |
| LOSAP Benefits | | 2,037,297 | | - | | - | | 2,037,297 |
| Public safety line of duty benefits | | 500,000 | | - | | - | | 500,000 |
| Information technology | | - | | 9,821,845 | | - | | 9,821,845 |
| Fire & rescue facilities, equipment & service | | - | | 7,369,002 | | 582,598 | | 7,951,600 |
| Facility maintenance & improvements | | - | | 4,978,799 | | - | | 4,978,799 |
| Transportation | | - | | 3,839,401 | | 8,777,206 | | 12,616,607 |
| Capital projects - various other | | - | | 3,142,737 | | - | | 3,142,737 |
| Capital projects - future budget | | - | | 9,382,531 | | - | | 9,382,531 |
| **Total commited fund balance:** | **$** | **74,431,825** | **$** | **38,534,315** | **$** | **9,359,804** | **$** | **122,325,944** |

| Fund Balance Classification continued | General Fund | | Capital Projects | | Other Governmental Funds | | Total Governmental Funds | |
|---|---|---|---|---|---|---|---|---|
| **Assigned to:** | | | | | | | | |
| Carryover & FY24 use of fund balance: | | | | | | | | |
| Education | $ | 5,941,524 | $ | - | $ | - | $ | 5,941,524 |
| Public safety | | 1,482,615 | | - | | - | | 1,482,615 |
| General government | | 2,505,977 | | - | | - | | 2,505,977 |
| Economic development | | - | | 5,046,862 | | - | | 5,046,862 |
| Transportation | | 2,400,000 | | - | | - | | 2,400,000 |
| Transfer to Capital Projects | | 3,612,934 | | - | | 620,000 | | 4,232,934 |
| Various other | | 852,264 | | - | | 1,060,370 | | 1,912,634 |
| OPEB reserve | | 12,153,361 | | 92,056 | | 2,160,118 | | 14,405,535 |
| ARPA interest | | 309,983 | | - | | - | | 309,983 |
| Loss contingencies | | 2,865,000 | | | | | | 2,865,000 |
| Future community center | | 629,800 | | - | | - | | 629,800 |
| Kalahari incentive | | 1,200,000 | | - | | - | | 1,200,000 |
| School health insurance reserve | | 16,468,082 | | - | | - | | 16,468,082 |
| Economic opportunities reserve | | 2,000,000 | | - | | - | | 2,000,000 |
| Code compliance services | | - | | - | | 4,584,882 | | 4,584,882 |
| **Total assigned fund balance:** | **$** | **52,421,540** | **$** | **5,138,918** | **$** | **8,425,370** | **$** | **65,985,828** |
| **Unassigned*:** | **$** | **24,775,719** | **$** | **-** | **$** | **-** | **$** | **24,775,719** |
| **Total fund balance:** | **$** | **158,391,947** | **$** | **66,469,675** | **$** | **23,860,190** | **$** | **248,721,812** |

* includes $5 million in budget stabilization funds, a minimum fund balance established by the Board.

# Note 9

## Commitments and Contingencies

### 9.01 COMMITMENTS

The County has various contracts for general government and utility capital projects approximating $0.8 million and $105.4 million, respectively, at June 30, 2023. The School Board has construction project commitments of $58.4 million at June 30, 2023.

Bonds authorized at June 30, 2023 but not issued are as follows:

| | | |
|---|---|---|
| Public safety | $ | 46,501,115 |
| Schools | | 200,091,960 |
| Transportation | | 144,186,459 |
| | $ | 390,779,534 |

### 9.02 CONTINGENCIES

**Grants**

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

**Litigation**
The County, including its component units, is subject to a variety of pending and threatened litigation, claims, and assessments. Although the outcome is not presently determinable, in the opinion of legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County or School Board.

# Note 10
## Tax Incentives

In coordination with Economic Development Authority of the County of Spotsylvania, Virginia, the County enters into various tax incentive agreements, as authorized by Section 15.2-953 of the Code, to attract, retain and facilitate expansion of high quality business and industry resulting in a stable, diverse local economy and an improved standard of living for the citizens of the County. All payments are subject to annual appropriation by the County's Board of Supervisors.

For fiscal year ended June 30, 2023, the County reimbursed various business taxes totaling $.6 million, including the following agreements that individually exceeded $500,000 in total tax expected to be refunded over the life of the agreement:

- On January 26, 2017, the County entered into an incentive agreement with a local engineering firm to expand its operational footprint over the next 10 years by entering into a new facility lease and expanding its number of full-time employees. As part of this agreement, the County has committed to reimbursing the firm up to $900,000 in personal property, and Business, Professional and Occupational License (BPOL) taxes in annual not to exceed installments of $90,000. In the event of non-compliance, all payments are subject to recapture. For the year ending June 30, 2023, the County reimbursed $30,727.

- On July 22, 2015, the County entered into an agreement to induce an international grocery chain to make a $125.0 million capital investment and create 200 new jobs in the County to be maintained over a period of seventeen years. As part of this agreement, the County has committed to reimbursing the company up to $7.5 million in personal property and local sales taxes. Various levels of non-compliance and recapture are in place to protect the County's investment. For the year ending June 30, 2023, the County reimbursed $315,906.

- On June 8, 2006, the County entered into an agreement with a local developer to facilitate the development of an $80.0 million first-class retail center. As part of this agreement the County has agreed to reimburse the developer up to $17.1 million in new local sales tax generated over a twenty-year period. Because taxes are abated after the qualifying spending has taken place, there are no provisions for recapturing abated taxes. For the year ending June 30, 2023, the County reimbursed $177,401.

- On May 24, 2022, the County entered into an agreement with an entertainment company to incentivize the construction of a family resort and convention center with approximately 1.38 million square feet of commercial space to include a 900-room hotel; 156,278-square foot convention center; 267,429-square foot indoor waterpark & family entertainment center; multiple restaurant and retail facilities; and a 10-acre outdoor resort pool/waterpark; creating more than 1,000 local jobs. The property is located in a growth-designated area with a focus on tourism. Once the waterpark opens, it is expected to generate nearly $ 7 million a year in tax revenue in excess of the tax incentives for Spotsylvania County. At build out, Kalahari Resort is projected to be the single largest taxpayer in the county.

  As part of this agreement the County has agreed to reimburse the developer 100% of business tangible property taxes, 3% of meals taxes collected, 100% of business license fees, and 5% of transient occupancy tax collected over a twenty-year period. The twenty-year period will begin when the occupancy permit has been issued. Various levels of non-compliance and recapture are in place to protect the County's investment. The project is expected to open no later than June 30, 2028. The County's early projections estimate approximately $150.9 million in incentives will be paid out over the twenty year period. For the year ended June 20, 2023, there were no qualifying reimbursements.

# Note 11

## Risk Management

The County, including its component units, are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are mitigated through the purchase of commercial insurance and participation in public entity risk pools. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

**Health Insurance Plan**

The County and School Board are self-insured for its medical and dental benefits for employees up to $200,000 per employee, per year. Claims in excess of the limitation are covered by third-party insurance. Expenditures are charged to the fund to which the employees' payroll expenditure is charged. Claims processing and payments are made through a third-party administrator and billed weekly. No funds are held by the administrator at year-end.

The County and School Board have reserved $5.7 million and $16.5 million, respectively, of fund balance at June 30, 2023 to ensure adequate funds are available to cover unusual claim fluctuations and incurred but not reported claims (IBNR). Self-insurance liabilities, including IBNR, are estimated based on information provided by the third-party administrator and recognized as a long-term liability due within one year in the Statement of Net Position. Changes in self-insurance liabilities for the past two fiscal years can be found in the following table.

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

| Fiscal Year | Insurance Claim Liability Beginning | Claims and Other Charges Processed | Claim Payments | Insurance Claim Liability Ending |
|---|---|---|---|---|
| *Primary Government* | | | | |
| 2023 | $ 1,846,169 | $ 16,639,579 | $ 16,379,448 | $ 2,106,300 |
| 2022 | 1,938,748 | 16,164,139 | 16,256,718 | 1,846,169 |
| *Component unit - School Board* | | | | |
| 2023 | $ 5,045,905 | $ 44,824,178 | $ 45,056,139 | $ 4,813,944 |
| 2022 | 4,719,532 | 45,754,378 | 45,428,005 | 5,045,905 |

| **Primary Government:** | |
|---|---|
| Governmental | $ 1,910,010 |
| Business-type | 196,290 |
| | $ 2,106,300 |

**Property and Casualty**

*Spotsylvania County & School Board*

The County and School Board participate in Virginia Group Self-Insurance Risk Pools providing coverage for commercial general liability, property, automobile and workers' compensation. In the case of a loss deficit and depletion of all assets and available insurance in the pool, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

**Line of Duty Benefits**

*Spotsylvania County*
The Line of Duty Act (LODA) provides important benefits to public safety officers and public safety volunteers and their beneficiaries due to death or disability resulting from performance of their duties. The County has contracted with VACoRP to administer the Plan and is charged a minimal premium to cover the risk of any claims above the $500,000 deductible. The amount of the deductible has been allocated as committed fund balance in the General Fund as of June 30, 2023.

# Note 12
## Interjurisdictional Agreements

The County shares an agreement with the City of Fredericksburg, Virginia (City) for joint provisions of water and sewer services. Neither party to the agreement holds any influence to the counterpart's treatment systems.

### *Joint-Use Water Facilities*
In 1995, an agreement between the City and the County provided for the development of a shared water treatment plant at the Motts Run Reservoir. The Motts Run Plant, which is operated by the County, has a treatment capacity of 15 MGD. The City has reserved capacity of 5 MGD. The City is obligated under the agreement to cover their share of the daily operational and maintenance costs associated with the production of potable water. The County bills the City based on their proportionate share of water consumed and records as operating revenues in the County's Water and Sewer fund. In addition, as part of the agreement, any related capital improvement costs are to be shared based on proportionate reserved capacity. The City is billed for their share as costs are incurred. The County recognizes the City's share as capital contribution revenues in its Water and Sewer fund.

### *Joint-Use Wastewater Facilities*
Through agreement, the County and City share the Hazel Run Interceptor Line (Line), a line extending from the County's existing Hazel Run Lift Station to the City's existing Hazel Run Gravity Line. The purpose of the Line, which is maintained by the City, is to provide the transportation of County and City sewage originating in the Hazel Run Watershed to the City Wastewater Treatment Facility, and/or the County's FMC Wastewater Treatment Facility. Costs of necessary capital improvements to the Line are borne between the County and City on a pro-rata basis, established using actual sewage flow. Any capital improvement costs paid by the County are reported as purchased capacity. Through these capital payments, the County maintains exclusive entitlement to flow capacities within the Line.

Furthermore, the County has agreed to provide wastewater treatment capacity to the City of 1.5 MGD at the FMC facility. City wastewater treated at the FMC facility is billed to the City based on their proportionate share of wastewater treated. Amounts received by the County are treated as operating revenues in the County's Water and Sewer fund. Similar to the joint water facility agreement, any related capital improvement costs to the FMC facility are to be shared based on proportionate reserved capacity. The City is billed for their share as costs are incurred. The County recognizes the City's share as capital contribution revenues in its Water and Sewer fund.

# Note 13
## Joint Ventures

### 13.01 POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

On August 18, 2009, the County of Spotsylvania entered into agreement with the Potomac and Rappahannock Transportation Commission (PRTC) effective February 15, 2010. The PRTC was created in fiscal year 1987 to levy a 2% Motor

Fuel Tax authorized by the Commonwealth. The PRTC is a joint venture of the contiguous jurisdictions of Prince William, Stafford, Manassas, Manassas Park, Fredericksburg, and Spotsylvania and was established to improve transportation systems, composed of transit facilities, public highways and other modes of transport. While each jurisdiction effectively controls PTRC's use of motor fuel tax proceeds from that jurisdiction, they do not have an explicit, measurable equity interest in the PRTC.

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

The County is required to fund its share of administrative expenses and subsidies, which includes both the existing VRE related debt service and any new VRE related debt service as authorized by the County. For fiscal year 2023, the County received $6.9 million in Motor Fuel Tax and paid $1.2 million in subsidies. As of June 30, 2023, the PRTC holds $4.8 million in County fuel tax receipts available for future transportation project appropriations.

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

### 13.02 RAPPAHANNOCK REGIONAL JAIL AUTHORITY

The Rappahannock Regional Jail Authority (Authority) was created in January 1995 to share the cost of operating the existing security center and constructing, equipping, maintaining and operating a new regional facility. Member jurisdictions include the City of Fredericksburg, and the Counties of Spotsylvania, Stafford and King George. A twelve-member board consisting of three representatives from each of the member jurisdictions governs the Authority.

In accordance with the Authority agreement, member jurisdictions pay operating (per diem) and debt service costs based on the percentage of inmate population. Due to this requirement of the Agreement, the County retains an ongoing financial responsibility for the joint venture. The County's payments for the year ended June 30, 2023 totaled $7.7 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.

### 13.03 RAPPAHANNOCK JUVENILE CENTER

The Rappahannock Juvenile Center (RJC) operates under the direction of the Rappahannock Juvenile Detention Commission in accordance with Section 16.1-315 of the Code. The primary mission of RJC is to provide secure detention for youths found to be in need of such placement by a court within the participating jurisdictions. RJC originally opened in the fall of 1972 in Fredericksburg, Virginia. In the winter of 2000, located just 7 miles north in Stafford, a new facility was built covering 59,000 square feet with an 80 bed capacity; serving the City of Fredericksburg, and the Counties of Spotsylvania, Louisa, Madison, Orange, King George, and Stafford. The County retains an ongoing financial responsibility and made payments for the year ended June 30, 2023 of $1.5 million.

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

# Note 14

## Jointly Governed Organizations

### 14.01 CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

The Central Rappahannock Regional Library (Library) was organized July 1, 1971, pursuant to the provisions of Title 42.1 of the Code, as amended. Member jurisdictions are the City of Fredericksburg and the Counties of Spotsylvania, Stafford, and Westmoreland. It provides library and related services to the participating jurisdictions. The Library operates under the Regional Library Board consisting of one representative from the County of Westmoreland and two representatives each from the remaining jurisdictions. The Regional Library Board is empowered to budget and expend funds and to execute contracts. For the year ended June 30, 2023, the County's appropriation to the Library was $4.3 million.

# Note 15

## Subsequent Events

On September 20, 2023, the County issued $58.3 million in General Obligation Public Improvement Bonds, Series 2023 with a fixed interest rate of 5%. The bonds are to be repaid in various installments beginning January 15, 2024 until final maturity on January 15, 2043. Net bond proceeds of $63.8 million (adjusted for premium of $5.8 million and payment of $0.3 million in issuance costs) will be used to reimburse the County for costs related to the school, public safety, and transportation projects to be financed with such proceeds.

On November 30, 2023, the County issued $35.0 million in Water and Sewer Revenue Bonds, Series 2023, with a fixed interest rate of 5%. The bonds are to be repaid in various installments beginning December 1, 2024 until final maturity on December 1, 2048. Net bond proceeds of $38.0 million (adjusted for premium of $3.3 million and payment of $0.3 million in issuance costs) will be used to reimburse the County for costs related to water and sewer infrastructure projects to be financed with such proceeds.

# Note 16

## Implementation of New Accounting Pronouncements

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this statement, the County is required to recognize a subscription liability and an intangible right-to-use subscription asset.

The following subscription asset and liability balances were adopted as of July 1, 2022 for the Statement of Net Position and reported under Note 4. Capital Assets, within the category of Right-to-use furniture, equipment, software & vehicles, and under Note 7. Long-term Debt and Other Liabilities, within the category of Subscriptions.

| | Governmental Activities | Business-type Activities | School Board |
|---|---|---|---|
| Subscription assets | $ 7,395,997 | $ 1,111,642 | $ 3,330,507 |
| Subscription liabilities | $ 7,395,997 | $ 1,111,642 | $ 3,330,507 |

# REQUIRED SUPPLEMENTARY INFORMATION

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Required Supplementary Information - Budgetary Comparison Schedule - General Fund**

For the Year Ended June 30, 2023

Exhibit X - Page 1

| | Original Budget | Budget as Amended | Actual | Variance from Amended Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| General property taxes | $ 200,976,112 | $ 200,976,112 | $ 210,834,857 | $ 9,858,745 |
| Other local taxes | 61,182,566 | 61,182,566 | 66,560,438 | 5,377,872 |
| Permits, fees and regulatory licenses | 228,200 | 228,200 | 235,801 | 7,601 |
| Fines and forfeitures | 395,500 | 395,500 | 403,721 | 8,221 |
| From use of money and property | 1,235,622 | 1,387,338 | 6,187,636 | 4,800,298 |
| Charges for services | 5,547,734 | 5,548,034 | 6,117,780 | 569,746 |
| Gifts and donations | 41,425 | 47,425 | 114,699 | 67,274 |
| Miscellaneous | 92,500 | 92,500 | 653,113 | 560,613 |
| Intergovernmental | 47,716,894 | 48,747,814 | 48,214,743 | (533,071) |
| **Total revenues** | $ 317,416,553 | $ 318,605,489 | $ 339,322,788 | $ 20,717,299 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | $ 19,876,954 | $ 20,804,100 | $ 16,984,645 | $ 3,819,455 |
| Judicial administration | 11,556,867 | 12,014,129 | 10,907,294 | 1,106,835 |
| Public safety | 75,809,442 | 80,158,288 | 76,189,867 | 3,968,421 |
| Public works | 10,886,431 | 11,090,496 | 11,299,243 | (208,747) |
| Health and human services | 32,892,438 | 33,261,484 | 27,731,542 | 5,529,942 |
| Education | 138,270,587 | 147,370,107 | 143,399,563 | 3,970,544 |
| Parks, recreation and cultural | 8,423,694 | 8,602,758 | 8,268,454 | 334,304 |
| Community development | 5,055,004 | 5,320,131 | 4,156,935 | 1,163,196 |
| Non-departmental | 1,983,750 | 1,977,350 | 2,060,479 | (83,129) |
| Debt service: | | | | |
| Bonded debt: | | | | |
| Principal retirement | 7,366,926 | 7,330,353 | 7,330,353 | - |
| Interest and other fiscal charges | 2,405,735 | 2,347,481 | 2,347,651 | (170) |
| Right to use assets: | | | | |
| Principal retirement | - | - | 1,669,944 | (1,669,944) |
| Interest and other fiscal charges | - | - | 69,594 | (69,594) |
| **Total expenditures** | $ 314,527,828 | $ 330,276,677 | $ 312,415,564 | $ 17,861,113 |
| **Excess of revenues over expenditures** | $ 2,888,725 | $ (11,671,188) | $ 26,907,224 | $ 38,578,412 |
| Other financing uses: | | | | |
| Transfers out | $ (18,060,639) | $ (18,111,954) | $ (16,987,515) | $ 1,124,439 |
| Premium on refunding bonds issued | - | - | - | - |
| Payment to escrow for refunded bonds | - | - | - | - |
| Lease liabilities issued | - | - | 316,869 | 316,869 |
| Subscription liabilities issued | - | - | 788,482 | 788,482 |
| **Total other financing uses** | $ (18,060,639) | $ (18,111,954) | $ (15,882,164) | $ 2,229,790 |
| **Net change in fund balances** | $ (15,171,914) | $ (29,783,142) | $ 11,025,060 | $ 40,808,202 |
| Fund balance, beginning | 15,171,914 | 29,783,142 | 145,329,590 | 115,546,448 |
| Fund balance, ending | $ - | $ - | $ 156,354,650 | $ 156,354,650 |

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

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Required Supplementary Information - Notes to Budgetary Comparison Schedule - General Fund**

For the Year Ended June 30, 2023

Exhibit X - Page 2

The General Fund Budget Comparison Schedule is prepared on the modified accrual basis of accounting, with the following exceptions:

1 - Under Virginia state law, school boards may not incur debt. Rather, the local government incurs debt on behalf of the local school board, resulting in any debt obligation and its associated debt service being reported under the Primary Government. In comparison, the County's legally adopted budget does not reflect this debt activity as these funds have already been budgeted and appropriated under the component unit - School Board.

2 - Adjustments are required to remove activity related to the County's Length of Service Award Program (LOSAP) which has been consolidated with the General Fund for financial reporting purposes. As a revocable trust, Plan assets of the LOSAP no longer meet the requirements to be reported separately within a fiduciary fund and are not part of the legally adopted budget of the General Fund.

| | Budgetary Basis (Exh X) | School Debt Service (1) | LOSAP Trust (2) | GAAP Basis (Exh IV) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| From use of money and property | $ 6,187,636 | $ - | $ 70,871 | $ 6,258,507 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Public safety | 76,189,867 | - | 67,174 | 76,257,041 |
| Education | 143,399,563 | (3,460,866) | - | 139,938,697 |
| Debt service: | | | | |
| Principal retirement | 7,330,353 | 21,798,041 | - | 29,128,394 |
| Interest and other charges | 2,347,651 | 6,847,360 | - | 9,195,011 |
| Bond issuance costs | - | 184,442 | - | 184,442 |
| **Other financing sources (uses):** | | | | |
| Issuance of bonds | - | 22,610,000 | - | 22,610,000 |
| Premium on bonds issued | - | 2,758,977 | - | 2,758,977 |
| Total reconciling adjustments: | | $ - | $ 3,697 | |
| **Net change in fund balances (Exh X & IV):** | $ 11,025,060 | $ - | $ 3,697 | $ 11,028,757 |
| **Fund balance, beginning (Exh X & IV)** | 145,329,590 | - | 2,033,600 | 147,363,190 |
| **Fund balance, ending (Exh X & IV)** | $ 156,354,650 | $ - | $ 2,037,297 | $ 158,391,947 |

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

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

Last Ten Fiscal Years

Exhibit XI - Page 1

(Amounts in thousands)

| Measurement date: | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total pension liability** | | | | | | | | | | |
| Service cost | $ 8,354 | $ 7,209 | $ 6,468 | $ 5,931 | $ 5,549 | $ 5,654 | $ 5,450 | $ 5,405 | $ 5,123 | |
| Interest | 17,301 | 14,387 | 13,530 | 12,564 | 11,745 | 11,029 | 10,191 | 9,544 | 8,849 | |
| Differences between actual and expected experience | (4,724) | 10,686 | 286 | 3,054 | 864 | 707 | 1,873 | (766) | - | |
| Changes of assumptions | - | 10,644 | - | 6,513 | - | (1,373) | - | - | - | |
| Benefit payments, including refunds of employee contributions | (8,461) | (7,740) | (7,430) | (6,781) | (6,142) | (5,462) | (5,605) | (4,263) | (3,827) | |
| **Net change in total pension liability** | 12,470 | 35,186 | 12,854 | 21,281 | 12,016 | 10,555 | 11,909 | 9,920 | 10,145 | |
| **Total pension liability - beginning** | 252,192 | 217,006 | 204,152 | 182,871 | 170,855 | 160,300 | 148,391 | 138,471 | 128,326 | |
| **Total pension liability - ending** | $ 264,662 | $ 252,192 | $ 217,006 | $ 204,152 | $ 182,871 | $ 170,855 | $ 160,300 | $ 148,391 | $138,471 | |
| **Plan fiduciary net position** | | | | | | | | | | |
| Contributions - employer | $ 7,025 | $ 6,466 | $ 5,337 | $ 4,991 | $ 4,680 | $ 4,437 | $ 4,762 | $ 4,631 | $ 4,736 | |
| Contributions - employee | 3,270 | 3,028 | 2,824 | 2,721 | 2,507 | 2,443 | 2,303 | 2,246 | 2,165 | |
| Net investment income | (418) | 51,290 | 3,506 | 11,453 | 11,629 | 17,039 | 2,399 | 5,869 | 17,024 | |
| Benefit payments, including refunds of employee contributions | (8,461) | (7,740) | (7,430) | (6,781) | (6,142) | (5,462) | (5,605) | (4,262) | (3,827) | |
| Administrative expense | (146) | (122) | (115) | (108) | (97) | (95) | (82) | (76) | (88) | |
| Other | 6 | 5 | (4) | (7) | (10) | (15) | (1) | (1) | 1 | |
| **Net change in plan fiduciary net position** | 1,276 | 52,927 | 4,118 | 12,269 | 12,567 | 18,347 | 3,776 | 8,407 | 20,011 | |
| **Plan fiduciary net position - beginning** | 238,415 | 185,488 | 181,370 | 169,101 | 156,534 | 138,187 | 134,411 | 126,004 | 105,993 | |
| **Plan fiduciary net position - ending** | $ 239,691 | $ 238,415 | $ 185,488 | $ 181,370 | $ 169,101 | $ 156,534 | $ 138,187 | $ 134,411 | $126,004 | |
| **County's net pension liability-ending** | $ 24,971 | $ 13,777 | $ 31,518 | $ 22,782 | $ 13,770 | $ 14,321 | $ 22,113 | $ 13,980 | $ 12,467 | |
| **Plan fiduciary net position as a % of the total pension liability** | 90.6% | 94.5% | 85.5% | 88.8% | 92.5% | 91.6% | 86.2% | 90.6% | 91.0% | |
| **Covered payroll** | $ 68,128 | $ 62,479 | $ 58,248 | $ 53,936 | $ 50,613 | $ 47,488 | $ 45,430 | $ 43,942 | $ 43,592 | |
| **County's net pension liability as a % of covered payroll** | 36.7% | 22.1% | 54.1% | 42.2% | 27.2% | 30.2% | 48.7% | 31.8% | 28.6% | |

Schedule is intended to show information for 10 years. Since 2022 is the ninth year for this presentation, there are only nine years available.

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

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

Last Ten Fiscal Years

Exhibit XI - Page 2

## Notes to Schedule

Changes in benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions are as follows:

| | | |
|---|---|---|
| Non-Largest Ten Locality Employers - General Employees | Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| | Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age. |
| | Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service. |
| | Disability Rates | No change |
| | Salary Scale | No change |
| | Line of Duty Disability | No change |
| | Discount Rate | No change |
| Non-Largest Ten Locality Employers - Hazardous Duty Employees | Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| | Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70. |
| | Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty. |
| | Disability Rates | No change |
| | Line of Duty Disability | No change |
| | Salary Scale | No change |
| | Discount Rate | No change |

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - School Board**

Last Ten Fiscal Years

Exhibit XII - Page 1

(Amounts in thousands)

| Measurement date: | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Service cost | $ 857 | $ 950 | $ 973 | $ 937 | $ 954 | $ 948 | $ 993 | $ 1,024 | $ 1,057 | |
| Interest | 2,507 | 2,266 | 2,136 | 2,065 | 1,972 | 1,906 | 1,846 | 1,760 | 1,662 | |
| Difference between expected and actual experience | (1,145) | 257 | 510 | (112) | (59) | (148) | (454) | (156) | - | |
| Change in assumptions | - | 978 | - | 862 | - | (213) | - | - | - | |
| Benefit payments, including refunds of employee contributions | (1,755) | (1,725) | (1,640) | (1,575) | (1,508) | (1,595) | (1,467) | (1,321) | (1,315) | |
| **Net change in total pension liability** | 464 | 2,726 | 1,979 | 2,177 | 1,359 | 898 | 918 | 1,307 | 1,404 | |
| **Total pension liability - beginning** | 37,165 | 34,439 | 32,460 | 30,283 | 28,924 | 28,026 | 27,108 | 25,801 | 24,397 | |
| **Total pension liability - ending** | $ 37,629 | $ 37,165 | $ 34,439 | $ 32,460 | $ 30,283 | $ 28,924 | $ 28,026 | $ 27,108 | $ 25,801 | |
| **Plan fiduciary net position** | | | | | | | | | | |
| Contributions - employer | $ 580 | $ 588 | $ 597 | $ 574 | $ 587 | $ 584 | $ 729 | $ 762 | $ 872 | |
| Contributions - employee | 447 | 451 | 483 | 460 | 446 | 446 | 443 | 448 | 444 | |
| Net investment income | (41) | 8,627 | 607 | 2,004 | 2,097 | 3,135 | 447 | 1,128 | 3,363 | |
| Benefit payments, including refunds of employee contributions | (1,755) | (1,725) | (1,640) | (1,575) | (1,508) | (1,595) | (1,467) | (1,321) | (1,315) | |
| Administrative expense | (25) | (22) | (21) | (20) | (18) | (18) | (16) | (16) | (18) | |
| Other | 1 | 1 | (1) | (1) | (2) | (3) | - | - | - | |
| **Net change in plan fiduciary net position** | (793) | 7,920 | 25 | 1,442 | 1,602 | 2,549 | 136 | 1,001 | 3,346 | |
| **Plan fiduciary net position - beginning** | 39,556 | 31,636 | 31,611 | 30,169 | 28,567 | 26,018 | 25,882 | 24,881 | 21,535 | |
| **Plan fiduciary net position - ending** | $ 38,763 | $ 39,556 | $ 31,636 | $ 31,611 | $ 30,169 | $ 28,567 | $ 26,018 | $ 25,882 | $ 24,881 | |
| **School Board's net pension liability (asset) - ending** | $ (1,134) | $ (2,391) | $ 2,803 | $ 849 | $ 114 | $ 357 | $ 2,008 | $ 1,226 | $ 920 | |
| **Plan fiduciary net position as a % of the total pension liability** | 103.01% | 106.43% | 91.86% | 97.38% | 99.62% | 98.77% | 92.84% | 95.48% | 96.43% | |
| **Covered payroll** | $ 10,131 | $ 9,833 | $ 10,300 | $ 9,705 | $ 9,307 | $ 9,163 | $ 9,075 | $ 9,042 | $ 8,922 | |
| **School Board's net pension liability (asset) as a % of covered payroll** | (11.19%) | (24.32%) | 27.21% | 8.75% | 1.22% | 3.90% | 22.13% | 13.56% | 10.31% | |

Schedule is intended to show information for 10 years. Since 2022 is the ninth year for this presentation, there are only nine years available.

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - School Board**

Last Ten Fiscal Years

Exhibit XII - Page 2

## Notes to Schedule

Changes in benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions are as follows:

| | | |
|---|---|---|
| Non-Largest Ten Locality Employers - General Employees | Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| | Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age. |
| | Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service. |
| | Disability Rates | No change |
| | Salary Scale | No change |
| | Line of Duty Disability | No change |
| | Discount Rate | No change |

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

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

Last Ten Fiscal Years

Exhibit XIII - Page 1

(Amounts in thousands)

| Measurement date: | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Proportion of the net pension liability | 1.54509% | 1.54457% | 1.57287% | 1.58065% | 1.56580% | 1.59753% | 1.62648% | 1.62945% | 1.62056% | |
| Proportionate share of the net pension liability | $ 146,947 | $ 119,866 | $ 228,939 | $ 208,023 | $ 184,137 | $ 196,464 | $ 227,937 | $ 205,089 | $ 195,840 | |
| Covered payroll | $ 143,991 | $ 136,600 | $ 137,888 | $ 132,344 | $ 126,501 | $ 125,768 | $ 123,993 | $ 121,089 | $ 118,052 | |
| Proportionate share of the net pension liability as a % of its covered payroll | 102.05% | 87.75% | 166.03% | 157.18% | 145.56% | 156.21% | 183.83% | 169.37% | 165.89% | |
| Plan fiduciary net position as a % of the total pension liability | 82.61% | 85.46% | 71.47% | 73.51% | 74.81% | 72.92% | 68.28% | 70.68% | 70.88% | |

Schedule is intended to show information for 10 years. Since 2022 is the ninth year for this presentation, there are only nine years available.

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

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

Last Ten Fiscal Years

Exhibit XIII - Page 2

## Notes to Schedule

Changes in benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions are as follows:

| | | |
|---|---|---|
| Non-Largest Ten Locality Employers - General Employees | Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| | Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all. |
| | Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| | Disability Rates | No change |
| | Salary Scale | No change |
| | Discount Rate | No change |

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Schedule of Employer Contributions - Pensions**

Last Ten Fiscal Years

Exhibit XIV

(Amounts in thousands)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| **County of Spotsylvania** | | | | | | | | | | |
| Contractually required contribution | $ 10,221 | $ 7,365 | $ 6,754 | $ 5,580 | $ 5,167 | $ 4,813 | $ 4,516 | $ 4,806 | $ 4,649 | |
| Contribution in relation to the contractually required contribution | (10,221) | (7,365) | (6,754) | (5,580) | (5,167) | (4,813) | (4,516) | (4,806) | (4,649) | |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | |
| Covered payroll | $ 74,496 | $ 68,128 | $ 62,479 | $ 58,248 | $ 53,936 | $ 50,613 | $ 47,488 | $ 45,430 | $ 43,942 | |
| Contributions as a percentage of covered payroll | 13.72% | 10.81% | 10.81% | 9.58% | 9.58% | 9.51% | 9.51% | 10.58% | 10.58% | |
| **Spotsylvania County School Board** | | | | | | | | | | |
| Contractually required contribution | $ 720 | $ 679 | $ 659 | $ 649 | $ 611 | $ 616 | $ 607 | $ 741 | $ 739 | |
| Contribution in relation to the contractually required contribution | (720) | (679) | (659) | (649) | (611) | (616) | (607) | (741) | (739) | |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | |
| Covered payroll | $ 11,462 | $ 10,131 | $ 9,834 | $ 10,300 | $ 9,705 | $ 9,307 | $ 9,163 | $ 9,075 | $ 9,042 | |
| Contributions as a percentage of covered payroll | 6.28% | 6.70% | 6.70% | 6.30% | 6.30% | 6.62% | 6.62% | 8.17% | 8.17% | |
| **Spotsylvania County School Board - Teacher Plan** | | | | | | | | | | |
| Contractually required contribution | $ 25,502 | $ 23,931 | $ 22,703 | $ 21,621 | $ 20,751 | $ 20,645 | $ 18,438 | $ 17,433 | $ 17,558 | |
| Contribution in relation to the contractually required contribution | (25,502) | (23,931) | (22,703) | (21,621) | (20,751) | (20,645) | (18,438) | (17,433) | (17,558) | |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | |
| Covered payroll | $ 153,443 | $ 143,991 | $ 136,600 | $ 137,888 | $ 132,344 | $ 126,501 | $ 125,768 | $ 123,993 | $ 121,089 | |
| Contributions as a percentage of covered payroll | 16.62% | 16.62% | 16.62% | 15.68% | 15.68% | 16.32% | 14.66% | 14.06% | 14.50% | |

Schedule is intended to show information for 10 years. Since 2023 is the ninth year for this presentation, there are only nine years available.

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Schedule of Employer's Share of Net OPEB Group Life Insurance Liability**

Last Ten Fiscal Years

Exhibit XV - Page 1

(Amounts in thousands)

| Measurement date: | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **County of Spotsylvania** | | | | | | | | | | |
| Proportion of the net OPEB GLI liability | 0.31387% | 0.30311% | 0.28328% | 0.27529% | 0.26618% | 0.25793% | | | | |
| Proportionate share of the net OPEB GLI liability | $ 3,779 | $ 3,529 | $ 4,728 | $ 4,480 | $ 4,043 | $ 3,881 | | | | |
| Covered payroll | $ 68,274 | $ 62,581 | $ 58,300 | $ 53,966 | $ 50,613 | $ 47,576 | | | | |
| Proportionate share of the net OPEB GLI liability as a % of its covered payroll | 5.54% | 5.64% | 8.11% | 8.30% | 7.99% | 8.16% | | | | |
| Plan fiduciary net position as a % of the total OPEB GLI liability | 67.21% | 67.45% | 52.64% | 52.00% | 51.22% | 48.86% | | | | |
| **Spotsylvania County School Board** | | | | | | | | | | |
| Proportion of the net OPEB GLI liability | 0.04668% | 0.04780% | 0.05005% | 0.04959% | 0.04896% | 0.04992% | | | | |
| Proportionate share of the net OPEB GLI liability | $ 562 | $ 557 | $ 835 | $ 807 | $ 743 | $ 751 | | | | |
| Covered payroll | $ 10,154 | $ 9,869 | $ 10,301 | $ 9,721 | $ 9,309 | $ 9,208 | | | | |
| Proportionate share of the net OPEB GLI liability as a % of its covered payroll | 5.53% | 5.64% | 8.11% | 8.30% | 7.98% | 8.16% | | | | |
| Plan fiduciary net position as a % of the total OPEB GLI liability | 67.21% | 67.45% | 52.64% | 52.00% | 51.22% | 48.86% | | | | |
| **Spotsylvania County School Board - Teacher Plan** | | | | | | | | | | |
| Proportion of the net OPEB GLI liability | 0.66236% | 0.66226% | 0.67056% | 0.67560% | 0.66528% | 0.68283% | | | | |
| Proportionate share of the net OPEB GLI liability | $ 7,975 | $ 7,711 | $ 11,191 | $ 10,994 | $ 10,104 | $ 10,276 | | | | |
| Covered payroll | $ 144,081 | $ 136,732 | $ 138,005 | $ 132,441 | $ 126,501 | $ 125,950 | | | | |
| Proportionate share of the net OPEB GLI liability as a % of its covered payroll | 5.54% | 5.64% | 8.11% | 8.30% | 7.99% | 8.16% | | | | |
| Plan fiduciary net position as a % of the total OPEB GLI liability | 67.21% | 67.45% | 52.64% | 52.00% | 51.22% | 48.86% | | | | |

Schedule is intended to show information for 10 years. Since 2017 is the first year of this presentation, no other data is available.

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Schedule of Employer's Share of Net OPEB Group Life Insurance Liability**

Last Ten Fiscal Years

Exhibit XV - Page 2

**Notes to Schedule**

Changes in benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions are as follows:

| | | |
|---|---|---|
| Non-Largest Ten Locality Employers - General Employees | Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| | Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all. |
| | Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| | Disability Rates | No change |
| | Salary Scale | No change |
| | Line of Duty Disability | No change |
| | Discount Rate | No change |
| Non-Largest Ten Locality Employers - Hazardous Duty Employees | Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| | Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70. |
| | Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty. |
| | Disability Rates | No change |
| | Line of Duty Disability | No change |
| | Salary Scale | No change |
| | Discount Rate | No change |
| Teachers | Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| | Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all. |
| | Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service. |
| | Disability Rates | No change |
| | Salary Scale | No change |
| | Discount Rate | No change |

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Schedule of Employer GLI Contributions**

Last Ten Fiscal Years

Exhibit XVI

| (Amounts in thousands) | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| **County of Spotsylvania** | | | | | | | | | | |
| Contractually required contribution | $ 403 | $ 369 | $ 338 | $ 303 | $ 281 | $ 263 | $ 247 | $ 241 | $ 233 | $ 222 |
| Contribution in relation to the contractually required contribution | $ (403) | $ (369) | $ (338) | $ (303) | $ (281) | $ (263) | $ (247) | $ (241) | $ (233) | $ (222) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Employer's covered payroll | $ 74,578 | $ 68,274 | $ 62,581 | $ 58,300 | $ 53,966 | $ 50,613 | $ 47,576 | $ 45,440 | $ 43,948 | $ 41,844 |
| Contributions as a % of covered payroll | 0.54% | 0.54% | 0.54% | 0.52% | 0.52% | 0.52% | 0.52% | 0.48% | 0.48% | 0.48% |
| **Spotsylvania County School Board** | | | | | | | | | | |
| Contractually required contribution | $ 62 | $ 55 | $ 53 | $ 54 | $ 51 | $ 48 | $ 48 | $ 48 | $ 48 | $ 47 |
| Contribution in relation to the contractually required contribution | $ (62) | $ (55) | $ (53) | $ (54) | $ (51) | $ (48) | $ (48) | $ (48) | $ (48) | $ (47) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Employer's covered payroll | $ 11,535 | $ 10,154 | $ 9,869 | $ 10,301 | $ 9,721 | $ 9,309 | $ 9,208 | $ 9,092 | $ 9,073 | $ 8,916 |
| Contributions as a % of covered payroll | 0.54% | 0.54% | 0.54% | 0.52% | 0.52% | 0.52% | 0.52% | 0.48% | 0.48% | 0.48% |
| **Spotsylvania County School Board - Teacher Plan** | | | | | | | | | | |
| Contractually required contribution | $ 829 | $ 778 | $ 738 | $ 718 | $ 689 | $ 658 | $ 655 | $ 658 | $ 643 | $ 629 |
| Contribution in relation to the contractually required contribution | $ (829) | $ (778) | $ (738) | $ (718) | $ (689) | $ (658) | $ (655) | $ (658) | $ (643) | $ (629) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Employer's covered payroll | $ 153,594 | $ 144,081 | $ 136,732 | $ 138,005 | $ 132,440 | $ 126,501 | $ 125,950 | $ 124,222 | $ 121,231 | $ 118,759 |
| Contributions as a % of covered payroll | 0.54% | 0.54% | 0.54% | 0.52% | 0.52% | 0.52% | 0.52% | 0.48% | 0.48% | 0.48% |

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Schedule of Changes in the Net HIC OPEB Liability and Related Ratios - School Board**

Last Ten Fiscal Years

Exhibit XVII - Page 1

(Amounts in thousands)

| Measurement date: | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total HIC OPEB liability** | | | | | | | | | | |
| Service cost | $ 13 | $ 14 | $ - | | | | | | | |
| Interest | 39 | 34 | - | | | | | | | |
| Change in benefit terms | - | - | 505 | | | | | | | |
| Differences between actual and expected experience | 17 | - | - | | | | | | | |
| Changes of assumptions | 72 | 22 | - | | | | | | | |
| Benefit payments | (19) | - | - | | | | | | | |
| **Net change in total HIC OPEB liability** | 122 | 70 | 505 | | | | | | | |
| **Total HIC OPEB liability - beginning** | 575 | 505 | - | | | | | | | |
| **Total HIC OPEB liability - ending** | $ 697 | $ 575 | $ 505 | | | | | | | |
| **Plan fiduciary net position** | | | | | | | | | | |
| Contributions - employer | $ 50 | $ 47 | $ - | | | | | | | |
| Contributions - employee | - | - | - | | | | | | | |
| Net investment income | (1) | 7 | - | | | | | | | |
| Benefit payments | (19) | - | - | | | | | | | |
| Administrative expense | - | - | - | | | | | | | |
| Other | 1 | - | - | | | | | | | |
| **Net change in plan fiduciary net position** | 31 | 54 | - | | | | | | | |
| **Plan fiduciary net position - beginning** | 54 | - | - | | | | | | | |
| **Plan fiduciary net position - ending** | $ 85 | $ 54 | $ - | | | | | | | |
| **School Board's net HIC OPEB liability-ending** | $ 612 | $ 521 | $ 505 | | | | | | | |
| **Plan fiduciary net position as a % of the total HIC OPEB liability** | 12.20 % | 9.39 % | - | | | | | | | |
| **Covered payroll** | $ 10,131 | $ 9,833 | $ 10,301 | | | | | | | |
| **School Board's net HIC OPEB liability as a % of covered payroll** | 6.04% | 5.30% | 4.90% | | | | | | | |

Schedule is intended to show information for 10 years. Since 2022 is the third year for this presentation, there are only three years available.

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Schedule of Changes in the Net HIC OPEB Liability and Related Ratios - School Board**

Last Ten Fiscal Years

Exhibit XVII - Page 2

**Notes to Schedule**

Changes in benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions are as follows:

| | | |
|---|---|---|
| Non-Largest Ten Locality Employers - General Employees | Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| | Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all. |
| | Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service. |
| | Disability Rates | No change |
| | Salary Scale | No change |
| | Line of Duty Disability | No change |
| | Discount Rate | No change |

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Schedule of Employer's Share of Net HIC OPEB Liability - Teacher Plan**

Last Ten Fiscal Years

Exhibit XVIII

(Amounts in thousands)

| Measurement date: | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Proportion of the net HIC OPEB liability | 1.54494% | 1.54456% | 1.57285% | 1.57784% | 1.56262% | 1.59468% | | | | |
| Proportionate share of the net HIC OPEB liability | $ 19,297 | $ 19,826 | $ 20,518 | $ 20,655 | $ 19,841 | $ 20,231 | | | | |
| Covered payroll | $ 143,991 | $ 136,600 | $ 137,888 | $ 132,344 | $ 126,375 | $ 125,852 | | | | |
| Proportionate share of the net HIC OPEB liability as a % of its covered payroll | 13.40% | 14.51% | 14.88% | 15.61% | 15.70% | 16.08% | | | | |
| Plan fiduciary net position as a % of the total HIC OPEB liability | 15.08% | 13.15% | 9.95% | 8.97% | 8.08% | 7.04% | | | | |

Schedule is intended to show information for 10 years. Since 2017 is the first year of this presentation, no other data is available.

**Notes to Schedule:**

Changes in benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all. |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service. |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Schedule of Employer Health Insurance Credit Contributions**

Last Ten Fiscal Years

Exhibit XIX

| (Amounts in thousands) | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Spotsylvania County School Board Plan** | | | | | | | | | | |
| Contractually required contribution | $ 71 | $ 49 | $ 47 | | | | | | | |
| Contribution in relation to contractually required contribution | (71) | (49) | (47) | | | | | | | |
| Contribution deficiency (excess) | $ - | $ - | $ - | | | | | | | |
| Employer's covered payroll | $ 11,462 | $ 10,131 | $ 9,833 | | | | | | | |
| Contributions as a % of covered payroll | 0.62% | 0.48% | 0.48% | | | | | | | |
| **Spotsylvania County School Board - Teacher Plan** | | | | | | | | | | |
| Contractually required contribution | $ 1,857 | $ 1,742 | $ 1,653 | $ 1,655 | $ 1,588 | $ 1,554 | $ 1,548 | $ 1,463 | $ 1,430 | $ 1,387 |
| Contribution in relation to contractually required contribution | (1,857) | (1,742) | (1,653) | (1,655) | (1,588) | (1,554) | (1,548) | (1,463) | (1,430) | (1,387) |
| Contribution (deficiency)/excess | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Employer's covered payroll | $ 153,443 | $ 143,991 | $ 136,600 | $ 137,888 | $ 132,344 | $ 126,375 | $ 125,852 | $ 124,013 | $ 121,149 | $ 118,512 |
| Contributions as a % of covered payroll | 1.21% | 1.21% | 1.21% | 1.20% | 1.20% | 1.23% | 1.11% | 1.06% | 1.06% | 1.11% |

Schedule is intended to show information for 10 years. Contributions for the Spotsylvania School Board Plan is the third year of presentation, no other data is available.

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Schedule of Changes in Total OPEB Liability - Retiree Healthcare and Related Ratios - County**

Last Ten Fiscal Years

Exhibit XX

(Amounts in thousands)

| Measurement Date: | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total OPEB liability** | | | | | | | | | | |
| Service cost | $ 2,307 | $ 3,423 | $ 3,308 | $ 2,903 | $ 4,623 | $ 4,412 | | | | |
| Interest | 2,871 | 2,170 | 2,547 | 3,230 | 5,285 | 4,451 | | | | |
| Changes of benefit items | - | - | - | - | (32,422) | - | | | | |
| Changes of assumptions | (1,446) | (21,664) | (304) | 18,204 | (18,446) | (9,319) | | | | |
| Differences between actual and expected experience | - | - | (18,796) | - | 11,850 | - | | | | |
| Benefit payments | (2,219) | (2,117) | (1,490) | (1,757) | (2,270) | (1,454) | | | | |
| **Net change in total OPEB liability** | 1,513 | (18,188) | (14,735) | 22,580 | (31,380) | (1,910) | | | | |
| **Total OPEB liability - beginning** | 79,899 | 98,087 | 112,822 | 90,242 | 121,622 | 123,532 | | | | |
| **Total OPEB liability - ending** | $ 81,412 | $ 79,899 | $ 98,087 | $ 112,822 | $ 90,242 | $ 121,622 | | | | |
| **Covered-employee payroll** | $ 86,669 | $ 76,951 | $ 69,498 | $ 64,777 | $ 60,082 | $ 55,194 | | | | |
| **County's total OPEB liability as a % of covered-employee payroll** | 93.93% | 103.83% | 141.14% | 174.17% | 150.20% | 220.35% | | | | |

Schedule is intended to show information for 10 years. Since 2018 is the first year of this presentation, no other data is available.

**Notes to Schedule:**

Benefits provided through the OPEB Retiree Healthcare Plan are not administered through a trust or equivalant arrangement as defined by GASB 75.

Changes in benefit terms - Effective January 1, 2019, the county began providing HRAs to eligible post-65 retirees. Post-65 retirees hired before September 25, 2018 may elect to enroll in an HRA or the County's health plan. Post-65 retirees hired on or after September 25, 2018 may only elect to enroll in an HRA. The liability decrease associated with this plan change of about 32.4 million has been recognized per GASB 75 in the FY19 OPEB expense.

Changes in plan experience - No change.

Changes in assumptions

The June 30, 2023 actuarial valuation resulted in a $1.4 million decrease in liability due to the increase in the discount rate from 3.54% to 3.65%.

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| Change in discount rate | 3.65% | 3.54% | 2.16% | 2.21% | 3.50% | 3.87% |

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Schedule of Changes in Net OPEB Liability - Retiree Healthcare and Related Ratios - School Board**

Last Ten Fiscal Years

Exhibit XXI

(Amounts in thousands)

| Measurement date: | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total OPEB liability** | | | | | | | | | | |
| Service cost | $ 5,049 | $ 7,770 | $ 10,378 | $ 8,673 | $ 9,447 | $ 9,179 | $ 10,523 | | | |
| Interest | 5,720 | 3,566 | 7,273 | 8,207 | 8,743 | 8,413 | 7,155 | | | |
| Difference between expected and actual experience | (12,826) | (1,985) | (135,177) | (2,827) | (20,301) | (2,920) | - | | | |
| Changes of assumptions | (40,511) | (48,299) | 8,991 | 25,218 | 27,701 | (3,475) | (27,679) | | | |
| Benefit payments | (5,144) | (3,251) | (3,733) | (4,481) | (5,049) | (4,688) | (4,496) | | | |
| **Net change in total OPEB liability** | (47,712) | (42,199) | (112,268) | 34,790 | 20,541 | 6,509 | (14,497) | | | |
| **Total OPEB liability - beginning** | 146,178 | 188,377 | 300,645 | 265,855 | 245,314 | 238,805 | 253,302 | | | |
| **Total OPEB liability - ending** | $ 98,466 | $ 146,178 | $ 188,377 | $ 300,645 | $ 265,855 | $ 245,314 | $ 238,805 | | | |
| **Plan fiduciary net position** | | | | | | | | | | |
| Contributions - employer | $ 5,144 | $ 6,171 | $ 10,017 | $ 4,481 | $ 5,478 | $ 4,688 | $ 4,496 | | | |
| Net investment income | 1,022 | (1,227) | 1,269 | 124 | 208 | 299 | 357 | | | |
| Benefit payments | (5,144) | (3,251) | (3,733) | (4,481) | (5,049) | (4,688) | (4,496) | | | |
| Administrative expense | (14) | (12) | (5) | (5) | (4) | (4) | (3) | | | |
| **Net change in plan fiduciary net position** | 1,008 | 1,681 | 7,548 | 119 | 633 | 295 | 354 | | | |
| **Plan fiduciary net position - beginning** | 13,408 | 11,727 | 4,179 | 4,060 | 3,427 | 3,132 | 2,778 | | | |
| **Plan fiduciary net position - ending** | $ 14,416 | $ 13,408 | $ 11,727 | $ 4,179 | $ 4,060 | $ 3,427 | $ 3,132 | | | |
| **School Board's net OPEB liability-ending** | $ 84,050 | $ 132,770 | $ 176,650 | $ 296,466 | $ 261,795 | $ 241,887 | $ 235,673 | | | |
| **Plan fiduciary net position as a % of the total OPEB liability** | 14.64% | 9.17% | 6.23% | 1.39% | 1.53% | 1.40% | 1.31% | | | |
| **Covered-employee payroll** | $ 164,829 | $ 154,116 | $ 146,426 | $ 148,123 | $ 141,996 | $ 135,808 | $ 134,931 | | | |
| **School Board's net OPEB liability as a % of covered-employee payroll** | 50.99% | 86.15% | 120.64% | 200.15% | 184.37% | 178.11% | 174.66% | | | |

**Notes to Schedule:**

Information presented in this schedule is in accordance with GASB 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

Total OPEB Liability - Retiree Healthcare, as reported on Exhibits I & II in accordance with GASB 75, is presented having a 2022 measurement date.

Changes in experience - Favorable demographic experience since the prior valuation resulted in a $12.8 million dollar decrease in liability.

Changes in assumptions: The June 30, 2023 actuarial valuation resulted in a $40.5 million dollar decrease in liability, primarily due to the increase of the discount rate from 3.99% to 6.75%. The healthcare cost trend assumption was updatede based on the 2022 Getzen model released by the SOA. The mortality improvement scale was updated to MP 2021. The decrement, salary scale, and spouse age differential assumptions were updated based on those developed in the VRS experience study dated September 10, 2021.

| Change in Discount Rate: | 6.75% | 3.99% | 1.92% | 2.45% | 3.13% | 3.62% | 3.58% |
|---|---|---|---|---|---|---|---|

Schedule is intended to show information for 10 years. Since 2017 is the first year of presentation, no other data is available.

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Schedule of OPEB - Retiree Healthcare Investment Returns - School Board**

Last Ten Fiscal Years

Exhibit XXII

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense | 7.52% | (10.21%) | 27.82% | 3.06% | 5.78% | 9.58% | 12.88% | | | |

Schedule is intended to show information for 10 years. Since 2017 is the first year of this presentation, no other data is available.

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Schedule of Changes in Total OPEB Liability - LODA and Related Ratios**

Last Ten Fiscal Years

Exhibit XXIII

(Amounts in thousands)

| Measurement Date: | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total OPEB liability** | | | | | | | | | | |
| Service cost | $ 814 | $ 945 | $ 840 | $ 1,020 | $ 908 | $ 880 | | | | |
| Interest | 215 | 143 | 152 | 284 | 274 | 240 | | | | |
| Differences between expected and actual experience | 128 | (1,728) | 14 | (3,752) | (29) | (39) | | | | |
| Changes of assumptions | (124) | (756) | 481 | (261) | 555 | (40) | | | | |
| Benefit payments | (345) | (228) | (214) | (203) | (193) | (181) | | | | |
| **Net change in total OPEB liability** | 688 | (1,624) | 1,273 | (2,912) | 1,515 | 860 | | | | |
| **Total OPEB liability - beginning** | 5,943 | 7,567 | 6,294 | 9,206 | 7,691 | 6,831 | | | | |
| **Total OPEB liability - ending** | $ 6,631 | $ 5,943 | $ 7,567 | $ 6,294 | $ 9,206 | $ 7,691 | | | | |
| **Covered-employee payroll** | N/A | N/A | N/A | N/A | N/A | N/A | | | | |
| **County's total OPEB liability as a % of covered-employee payroll** | N/A | N/A | N/A | N/A | N/A | N/A | | | | |

Schedule is intended to show information for 10 years. Since 2018 is the first year of this presentation, no other data is available.

**Notes to Schedule:**

There are no actuarially significant changes to benefit provisions.

Changes to Assumptions

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| Changes in discount rate: | 3.86% | 3.69% | 1.92% | 2.45% | 3.13% | 3.62% |

**COUNTY OF SPOTSYLVANIA, VIRGINIA**

**Schedule of Changes in Length of Service Award Program (LOSAP) Total Pension Liability and Related Ratios**

Last Ten Fiscal Years

Exhibit XXIV

(Amounts in thousands)

| Measurement date: | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total pension liability** | | | | | | | | | | |
| Service cost | $ 86 | $ 128 | $ 90 | $ 85 | $ 93 | $ 147 | $ 109 | | | |
| Interest | 96 | 106 | 128 | 131 | 119 | 102 | 114 | | | |
| Differences between actual and expected experience | (93) | (276) | 10 | (74) | (5) | 46 | 6 | | | |
| Change in assumptions | (992) | (238) | 1,020 | 216 | (43) | (469) | 446 | | | |
| Benefit payments, including refunds of employee contributions | (91) | (106) | (79) | (118) | (79) | (77) | (70) | | | |
| **Net change in total pension liability** | (994) | (386) | 1,169 | 240 | 85 | (251) | 605 | | | |
| **Total pension liability - beginning** | 4,484 | 4,870 | 3,701 | 3,461 | 3,376 | 3,627 | 3,022 | | | |
| **Total pension liability - ending** | $ 3,490 | $ 4,484 | $ 4,870 | $ 3,701 | $ 3,461 | $ 3,376 | $ 3,627 | | | |
| **Covered-employee payroll** | N/A | N/A | N/A | N/A | N/A | N/A | N/A | | | |
| **Total pension liability as a % of covered-employee payroll** | N/A | N/A | N/A | N/A | N/A | N/A | N/A | | | |

Schedule is intended to show information for 10 years. Since 2016 is the first year of this presentation, no other data is available.

**Notes to Schedule:**

Benefits provided through the Length of Service Award Pension Program are not administered thorugh a trust or equivalent arrangement as defined by GASB.

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| Change in discount rate: | 3.69% | 2.16% | 2.21% | 3.50% | 3.87% | 3.58% | 2.85% |

There is no covered employee payroll since this plan provides benefits for volunteers. Projected inflation is used in place of the projected rate of change in salary. Inflation rate projection as of June 30, 2022 remained at 4%.

Mortality Table - RP 2014 Combined - Projected to 2022

# APPENDIX E

# FORM OF BOND COUNSEL OPINION

**APPENDIX E**

**FORM OF BOND COUNSEL OPINION**

September 18, 2024

Economic Development Authority
of the County of Spotsylvania
Spotsylvania, Virginia

Board of Supervisors
of Spotsylvania County, Virginia
Spotsylvania, Virginia

Economic Development Authority
of the County of Spotsylvania
$25,745,000 Public Facilities Revenue Bonds,
Series 2024 (Federally Taxable)

Ladies and Gentlemen:

We have examined the applicable law, including the Industrial Development and Revenue Bond Act (Chapter 49, Title 15.2 of the Code of Virginia of 1950, as amended) (the “Act”), and certified copies of proceedings and documents relating to the organization of the Economic Development Authority of the County of Spotsylvania (the “Authority”), and the issuance and sale by the Authority of its $25,745,000 Public Facilities Revenue Bonds, Series 2024 (Federally Taxable) (the “Series 2024 Bonds”). Reference is made to the forms of the Series 2024 Bonds for information concerning their details, including payment and redemption provisions, their purpose and the proceedings pursuant to which they are issued. Terms used but not otherwise defined herein are defined in the Agreement of Trust dated as of August 1, 2000, as previously supplemented (the “Master Trust Agreement”), between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”), and as further supplemented by a Eleventh Supplemental Agreement of Trust dated as of September 1, 2024 (the “Eleventh Supplemental Agreement” and, together with the Master Trust Agreement, the “Trust Agreement”).

The Series 2024 Bonds are being issued under the Trust Agreement, and are ratably secured thereunder with the Authority's $32,750,000 Revenue and Refunding Bonds, Series 2014, and the Authority’s $26,000,000 Public Facilities Revenue Refunding Bonds, Series 2021 (collectively, the “Parity Bonds”), in order to loan funds to Spotsylvania County, Virginia (the “County”) pursuant to the terms of a Financing Agreement dated as of August 1, 2000, as previously supplemented (the “Master Financing Agreement”), and as further supplemented by a Tenth Supplemental Financing Agreement dated as of September 1, 2024 (the “Tenth Supplemental Financing Agreement” and, together with the Master Financing Agreement, the “Financing Agreement”), between the Authority and the County, such funds to be used to (a) pay, or reimburse the County for, the costs of acquisition, construction and equipping of an existing approximately 157,819 square foot building, including parking lots and surrounding environs, which is expected to be used by the County for its governmental purposes; (b) pay the costs of rehabilitation of an existing County building, which is commonly known as the Merchant Square Building; and (c) pay certain costs associated with the issuance of the Series 2024 Bonds. The Financing Agreement provides for the County to make Annual Payments to the Authority in amounts and on dates expected to be sufficient for payment of principal of and interest on the Series 2024 Bonds and the Parity Bonds. Pursuant to the Trust Agreement, the Authority has assigned certain of its rights under the Financing Agreement, including the right to receive Annual Payments and certain Additional Payments, to the Trustee as security for the Series 2024 Bonds and the Parity Bonds.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the Authority and the County as to certain facts relevant to our opinion. In rendering the following opinions, we have assumed the genuineness of all signatures, the authenticity of all documents tendered to us as originals and the conformity to original documents of all documents submitted to us as certified copies.

Based on the foregoing, we are of the opinion that:

1. The Authority is a political subdivision of the Commonwealth duly created under the Act and is vested with all rights and powers conferred by the Act.

2. The Series 2024 Bonds have been duly authorized and issued in accordance with the Act and constitute valid and binding limited obligations of the Authority payable as to both principal and interest solely from Annual Payments, certain Additional Payments and other funds pledged under the Trust Agreement, and are secured on a parity with the Parity Bonds and any additional bonds subsequently issued on a parity with the Series 2024 Bonds and the Parity Bonds as provided in the Trust Agreement. The Series 2024 Bonds do not create or constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any political subdivision thereof, including the Authority and the County.

3. The Master Trust Agreement, the Eleventh Supplemental Agreement, the Master Financing Agreement and the Tenth Supplemental Financing Agreement (collectively, the "Documents") have been duly authorized, executed and delivered, constitute valid and binding obligations of the Authority and the County, as applicable, and are enforceable against the Authority and the County in accordance with their terms. The obligation of the County to make Annual Payments and Additional Payments under the Financing Agreement is subject to and dependent upon the Board of Supervisors making annual appropriation for such purpose and such obligation does not constitute a debt of the County within the meaning of any constitutional or statutory limitation nor a liability of or a lien or charge upon funds or property of the County beyond any fiscal year for which the Board of Supervisors has appropriated moneys for such purpose.

4. The rights of the holders of the Series 2024 Bonds and the enforceability of such rights, including the enforcement by the Trustee of the obligations of the Authority and the County under the Documents, as applicable, may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws affecting the rights of creditors generally, and (b) principles of equity, whether considered at law or in equity, and by public policy.

5. Under current law, interest on the Series 2024 Bonds is included in gross income for Federal income tax purposes. We express no opinion regarding other Federal tax consequences of the ownership of or receipt or accrual of interest on the Series 2024 Bonds.

6. Under current law, interest on the Series 2024 Bonds is exempt from income taxation by the Commonwealth of Virginia.

Our services as bond counsel to the County have been limited to delivering the foregoing opinions based on our review of such proceedings and documents as we deem necessary to approve the validity of the Series 2024 Bonds and the tax status of the interest thereon. We express no opinion herein as to the financial resources of the County, its ability to provide for payment of the Series 2024 Bonds or the accuracy or completeness of any information, including the County's Preliminary Official Statement dated August 27, 2024 (as supplemented on September 3, 2024), and its Official Statement dated September 4, 2024 that may have been relied upon by anyone in making the decision to purchase Bonds.

The opinions expressed herein are for your benefit and the benefit of your successors and assigns and may not, without our prior written consent, be distributed to or relied upon by any other person. Our opinions are expressed as of the date hereof, and we do not assume any obligation to update or supplement our opinions to reflect any fact or circumstance subsequently arising or any change in law subsequently occurring. Our opinions expressed herein are limited to the matters expressly stated, and no opinion is implied or may be inferred beyond such matters.

Very truly yours,

HANEBERG HURLBERT PLC

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# APPENDIX F

# FORM OF CONTINUING DISCLOSURE AGREEMENT

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**APPENDIX F**

## FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT dated as of September 1, 2024 (the "Disclosure Agreement"), is executed and delivered by the Board of Supervisors of Spotsylvania County, Virginia, on behalf of Spotsylvania County, Virginia (the "County"), in connection with the issuance by the Economic Development Authority of the County of Spotsylvania (the "Issuer") of its $25,745,000 Public Facilities Revenue Bonds, Series 2024 (Federally Taxable) (the "Bonds"). The County hereby covenants and agrees as follows:

**Section 1. Purpose.** This Disclosure Agreement is being executed and delivered by the County for the benefit of the holders of the Series 2024 Bonds (the "Bondholders") and in order to assist the original purchasers of the Series 2024 Bonds in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC") by providing certain annual financial information and event notices required by the Rule.

**Section 2. Annual Disclosure.** (a) The County shall provide annually financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

> (i) audited financial statements of the County, prepared in accordance with generally accepted accounting principles, which contain certain financial and operating data with respect to the County, some of which are included, as noted, in Appendix A of the County's Official Statement dated September [4], 2024, under the caption "Operating Data."

If the financial statements filed pursuant to Section 2(a)(i) are not audited, the County shall file such statements as audited when available.

(b) The County shall file annually with the Municipal Securities Rulemaking Board ("MSRB") the financial information and operating data described in subsection (a) above (collectively, the "Annual Disclosure") within 210 days after the end of the County's fiscal year, commencing with the County's fiscal year ending June 30, 2024.

(c) Any Annual Disclosure may be included by specific reference to other documents previously provided to the MSRB or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

(d) The County shall file with the MSRB in a timely manner notice specifying any failure of the County to provide the Annual Disclosure by the date specified.

**Section 3. Event Disclosure.** The County shall file with the MSRB in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on any credit enhancement reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

* Preliminary, subject to change.

(f) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(g) modifications to rights of Bondholders, if material;

(h) bond calls, if material, and tender offers;

(i) defeasance of all or any portion of the Bonds;

(j) release, substitution, or sale of property securing repayment of the Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the County;

(m) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(o) incurrence by the County of a Financial Obligation (as hereinafter defined), if material, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect Bondholders, if material. "Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "Financial Obligation" does not include municipal securities at to which a final official statement has been otherwise provided o the MSRB under the Rule; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

**Section 4. Termination.** The obligations of the County hereunder will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Bonds.

**Section 5. Amendment.** The County may modify its obligations hereunder without the consent of Bondholders, provided that this Disclosure Agreement as so modified complies with the Rule as it exists at the time of modification. The County shall within a reasonable time thereafter file with the MSRB a description of such modification(s).

**Section 6. Defaults.** (a) If the County fails to comply with any covenant or obligation regarding Continuing Disclosure specified in this Disclosure Agreement, any holder (within the meaning of the Rule) of Bonds then outstanding may, by notice to the County, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the County's covenant to provide the Continuing Disclosure.

(b) Notwithstanding anything herein to the contrary, any failure of the County to comply with any obligation regarding Continuing Disclosure specified in this Disclosure Agreement (i) shall not be deemed to constitute an event of default under the Bonds or the resolution providing for the issuance of the Bonds and (ii) shall not give rise to any right or remedy other than that described in Section 6(a) above.

**Section 7. Filing Method.** Any filing required hereunder shall be made by transmitting such disclosure, notice or other information in electronic format to the MSRB through the MSRB's Electronic Municipal Market Access (EMMA) system pursuant to procedures promulgated by the MSRB.

**Section 8. Additional Disclosure.** The County may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the County shall not incur any obligation to continue to provide, or to update, such additional information or data.

**Section 9. Counterparts.** This Disclosure Agreement may be executed in several counterparts each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 10. Governing Law.** This Disclosure Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

**BOARD OF SUPERVISORS OF**
**SPOTSYLVANIA COUNTY, VIRGINIA**

By: ________________________________________
Chairman

By: ________________________________________
County Administrator

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