

**NEW ISSUE
BOOK-ENTRY ONLY**

**Ratings: Moody's: "Aa1"
Standard & Poor's: "AA+"
Fitch: "AA+"
(See "Ratings" herein)**

In the opinion of Bond Counsel, under current law, interest on the Series 2026 Bonds is not included in gross income for Federal income tax purposes, and is not an item of tax preference for purposes of the Federal alternative minimum income tax on individuals. However, interest on the Series 2026 Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Internal Revenue Code of 1986, as amended (the "Code"), to the extent that such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of such corporations. Bond Counsel is of the further opinion that interest on the Series 2026 Bonds is excludable from gross income of the holders thereof for purposes of income taxation by the Commonwealth of Virginia. A holder may be subject to other tax consequences as described in the Section herein "TAX MATTERS."

\$54,000,000*

**COUNTY OF SPOTSYLVANIA, VIRGINIA
WATER AND SEWER SYSTEM REVENUE BONDS
SERIES 2026**

Dated: Date of Delivery

Due: December 1, as shown on the inside cover

This Official Statement has been prepared by the County of Spotsylvania, Virginia (the "County"), to provide information on its Water and Sewer System Revenue Bonds, Series 2026 (the "Series 2026 Bonds"), the security therefor, the County 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 2026 Bonds, a prospective investor should read this Official Statement in its entirety.

Security The Series 2026 Bonds are limited obligations of the County, payable solely from net revenues derived from the County's water and sewer system and other funds pledged for their payment under the terms of the Agreement of Trust (as hereinafter defined). See "SECURITY FOR THE SERIES 2026 BONDS." The principal of and premium, if any, and interest on the Series 2026 Bonds do not constitute a debt of the Commonwealth of Virginia or any of its political subdivisions other than the County. Neither the Commonwealth of Virginia nor any political subdivision thereof, including the County, will be obligated to pay the principal of or premium, if any, or interest on the Series 2026 Bonds or other costs incident thereto except from the revenues pledged for such purposes. Neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof, including the County, is pledged to the payment of the principal of or premium, if any, or interest on the Series 2026 Bonds.

Issued Pursuant to Agreement of Trust dated as of July 1, 1997 between the County and U.S. Bank Trust Company, National Association, as successor Trustee, as previously supplemented and amended and as further supplemented by a Fourteenth Supplemental Agreement of Trust dated as of March 1, 2026 (collectively, the "Agreement of Trust").

Purpose Series 2026 Bond proceeds will be used to (a) finance a program of capital improvements to the County's water and sewer system, and (b) pay the costs issuing the Series 2026 Bonds.

Interest Payment Dates June 1 and December 1, commencing June 1, 2026

Redemption See inside cover

Denominations \$5,000 and integral multiples thereof

Sale Date and Time 10:30 A.M. Eastern Time, February 24, 2026

Regular Record Date The 15th day of the month preceding each interest payment date

Closing/Delivery Date On or about March 18, 2026

Registration Book-entry only through the facilities of The Depository Trust Company, New York, New York

Trustee U.S. Bank Trust Company, National Association, Richmond, Virginia

Bond Counsel Haneberg Hurlbert PLC, Richmond, Virginia

Financial Advisor PFM Financial Advisors LLC, Arlington, Virginia

The Series 2026 Bonds are offered for delivery when, as and if issued, subject to the approving legal 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.

Dated: February __, 2026

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion and amendment without notice. The Bonds may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$54,000,000*
COUNTY OF SPOTSYLVANIA, VIRGINIA
WATER AND SEWER SYSTEM REVENUE BONDS
SERIES 2026

<u>Maturity (December 1)*</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP No.</u>
2026	\$1,175,000	%	%	%	
2027	1,235,000				
2028	1,295,000				
2029	1,360,000				
2030	1,430,000				
2031	1,505,000				
2032	1,585,000				
2033	1,665,000				
2034	1,750,000				
2035	1,840,000				
2036	1,925,000				
2037	2,005,000				
2038	2,085,000				
2039	2,170,000				
2040	2,260,000				
2041	2,350,000				
2042	2,450,000				
2043	2,560,000				
2044	2,675,000				
2045	2,790,000				
2046	2,910,000				
2047	3,035,000				
2048	3,175,000				
2049	3,310,000				
2050	3,460,000				

* Preliminary, subject to change.

Optional Redemption.*Optional Redemption*

Series 2026 Bonds maturing on or before December 1, 2035,* are not subject to redemption prior to maturity. Series 2026 Bonds maturing on or after December 1, 2036,* are subject to redemption prior to maturity at the option of the County on or after December 1, 2035,* in whole or in part (in any multiple of \$5,000) at any time, upon payment of 100% of the principal amount of the Series 2026 Bonds to be redeemed plus interest accrued to the date fixed for redemption.

* Preliminary, subject to change.

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COUNTY OF SPOTSYLVANIA, VIRGINIA

COUNTY BOARD OF SUPERVISORS

Lori Hayes, Chair
Drew Mullins, Vice-Chair
Gerald Childress
Deborah H. Frazier
David Goosman
Jacob Lane
Chris Yakabouski

COUNTY OFFICIALS

Edward Petrovitch, *County Administrator*
Karl R. Holsten, Esq., *County Attorney*
Mark L. Cole, *Deputy County Administrator*
Rebecca R. Forry, *Chief Financial Officer*
Larry K. Pritchett, *Treasurer*
Deborah F. Williams, *Commissioner of the Revenue*
Dr. Clint M. Mitchell, *School Superintendent*

BOND COUNSEL

HANEBERG HURLBERT PLC
1111 East Main Street, Suite 2010
Richmond, Virginia 23219

FINANCIAL ADVISOR

PFM FINANCIAL ADVISORS LLC
4350 North Fairfax Drive, Suite 590
Arlington, Virginia 22203

AUDITORS

CliftonLarsonAllen LLP
901 North Glebe Road, Suite 200
Arlington, Virginia 22203

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The Series 2026 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 2026 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 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. 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 2026 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 and the purchasers or owners of any of the Series 2026 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 since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

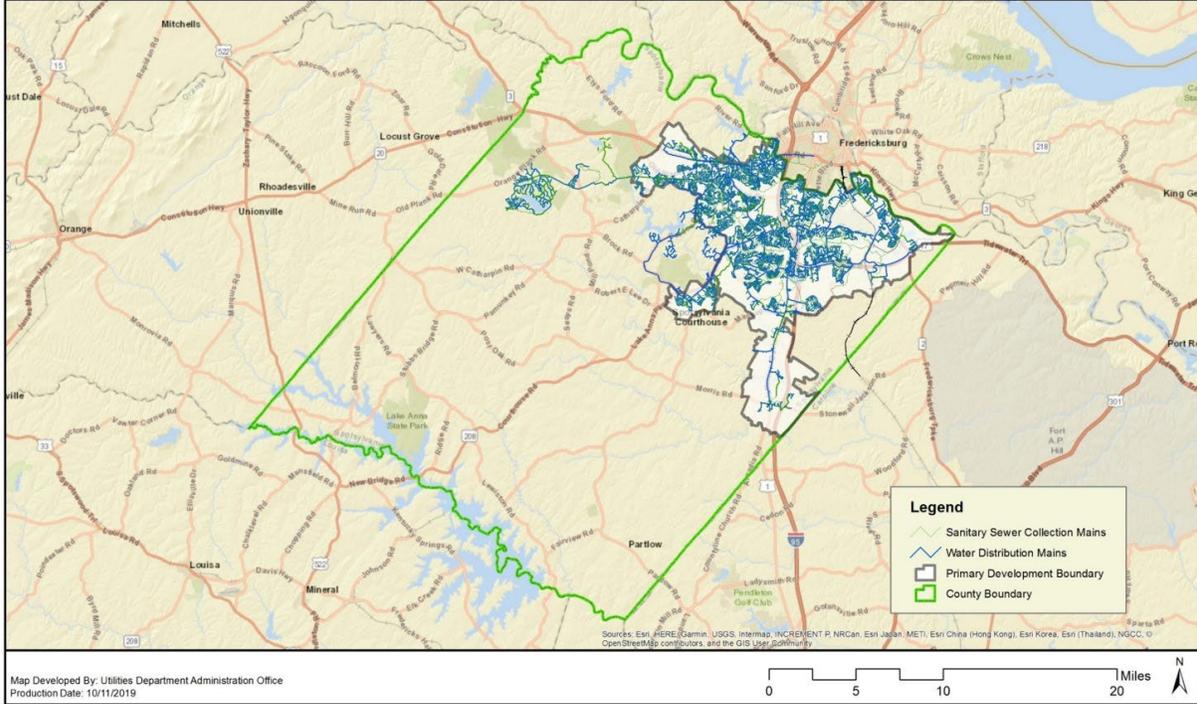
TABLE OF CONTENTS

	<u>Page</u>
SECTION ONE: INTRODUCTION	1
THE ISSUER	1
THE SERIES 2026 BONDS	1
USE OF PROCEEDS.....	2
OPTIONAL REDEMPTION	2
DELIVERY	3
RATINGS	3
FINANCIAL ADVISOR.....	3
CONTINUING DISCLOSURE	3
ADDITIONAL INFORMATION	3
SECTION TWO: THE SERIES 2026 BONDS.....	4
AUTHORIZATION OF THE SERIES 2026 BONDS.....	4
PLAN OF FINANCING	4
ESTIMATED SOURCES AND USES	4
DESCRIPTION OF THE SERIES 2026 BONDS.....	4
SECURITY FOR THE SERIES 2026 BONDS	8
BONDHOLDERS' REMEDIES IN THE EVENT OF DEFAULT.....	9
ADDITIONAL SERIES OF BONDS	10
SECTION THREE: THE SYSTEM.....	12
RECENT DEVELOPMENTS.....	12
GENERAL	12
WATER SYSTEM.....	13
SEWER SYSTEM.....	13
AGREEMENT WITH CITY OF FREDERICKSBURG	14
OPERATIONS AND MAINTENANCE PROCEDURES.....	14
SYSTEM OPERATING DATA.....	15

ANNUAL DEBT SERVICE	27
WATER AND SEWER SYSTEM CAPITAL IMPROVEMENT PLAN.....	28
SECTION FOUR: THE COUNTY OF SPOTSYLVANIA, VIRGINIA.....	29
CERTAIN COUNTY ADMINISTRATIVE AND FINANCIAL STAFF MEMBERS.....	29
ECONOMIC AND RELATED DATA.....	31
BUSINESS AND LABOR.....	33
SECTION FIVE: MISCELLANEOUS	40
LEGAL MATTERS	40
TAX MATTERS	40
LITIGATION.....	41
SALE AT COMPETITIVE BIDDING	42
FINANCIAL ADVISOR.....	42
RELATIONSHIP OF PARTIES	42
RATINGS	42
CONTINUING DISCLOSURE	42
ADDITIONAL INFORMATION	43
SUMMARIES AND DESCRIPTIONS	43
APPROVAL OF OFFICIAL STATEMENT	43
APPENDIX A - DEFINITIONS OF CERTAIN TERMS.....	A-1
APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT OF TRUST	B-1
APPENDIX C - FORM OF BOND COUNSEL OPINION	C-1
APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT	D-1
APPENDIX E - AUDITED BASIC FINANCIAL STATEMENTS	E-1
APPENDIX F - NOTICE OF SALE	F-1

MAP OF SERVICE AREA

Spotsylvania County Utilities Department - Operating System Service Area



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OFFICIAL STATEMENT

\$54,000,000*

COUNTY OF SPOTSYLVANIA, VIRGINIA WATER AND SEWER SYSTEM REVENUE BONDS SERIES 2026

SECTION ONE: INTRODUCTION

The purpose of this Official Statement, including the cover page and the appendices hereto, is to furnish information in connection with the sale by the County of Spotsylvania, Virginia (the “County”), of its \$54,000,000* Water and Sewer System Revenue Bonds, Series 2026 (the “Series 2026 Bonds”). Financial and other information contained in this Official Statement has been prepared by the County from its records (except where other sources are noted). This information speaks as of its date and is not intended to indicate future or continuing trends in the financial or economic position of the County.

Certain capitalized terms used in this Official Statement are defined in Appendix A -- “Definitions of Certain Terms.”

THE ISSUER

The issuer of the Series 2026 Bonds is the County of Spotsylvania, Virginia, located in the northeastern part of Virginia, 55 miles north of Richmond and 55 miles south of Washington, D.C. According to the U.S. Census Bureau, the County's estimated population in 2024 was 152,021.

THE SERIES 2026 BONDS

The Series 2026 Bonds will consist of \$54,000,000* Water and Sewer System Revenue Bonds, Series 2026, dated the date of their delivery and maturing on December 1 in the years and in the amounts set forth on the inside cover of this Official Statement. The Series 2026 Bonds will be issued in authorized denominations of \$5,000 and multiples thereof and will be held by The Depository Trust Company, New York, New York (“DTC”), or by its nominee as securities depository with respect to the Series 2026 Bonds.

Interest on each series of the Series 2026 Bonds will be payable on June 1 and December 1, commencing June 1, 2026, until the earlier of their maturity or redemption. As long as the Series 2026 Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date. If such interest payment date is not a Business Day, such payment shall 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.

The Series 2026 Bonds will be limited obligations of the County payable solely from Net Revenues derived from the System and other funds pledged for their payment under the terms of an Agreement of Trust dated as of July 1, 1997, between the County and U.S. Bank Trust Company, National Association, Richmond, Virginia, as successor trustee (the “Trustee”), as previously supplemented and amended (the “Master Agreement of Trust”), and as further supplemented by a Fourteenth Supplemental Agreement of Trust dated as of March 1, 2026 (the “Fourteenth Supplemental Agreement”) and with the Master Agreement of Trust, the “Agreement of Trust”).

* Preliminary, subject to change.

The pledge of Net Revenues securing the Series 2026 Bonds will be on a parity with the pledge of Net Revenues securing (i) Water and Sewer System Revenue Refunding Bonds, Series 2015 (the “Series 2015 Bonds”), in the outstanding principal amount of \$25,320,000 (as of June 30, 2025), (ii) Water and Sewer System Revenue and Refunding Bonds, Series 2019 (the “Series 2019 Bonds”) in the outstanding principal amount of \$22,490,000 (as of June 30, 2025), (iii) Water and Sewer System Revenue and Refunding Bonds, Series 2020 (the “Series 2020 Bonds”) in the outstanding principal amount of \$38,140,000 (as of June 30, 2025), (iv) Water and Sewer System Revenue Bonds, Series 2022 (the “Series 2022 Bonds”) in the outstanding principal amount of \$65,005,000 (as of June 30, 2025), (v) Water and Sewer System Revenue Bonds, Series 2023 (the “Series 2023 Bonds”) in the outstanding principal amount of \$34,810,000 (as of June 30, 2025), and (vi) Water and Sewer System Revenue Bonds, Series 2024 (the “Series 2024 Bonds”) in the outstanding principal amount of \$31,815,000 (as of June 30, 2025).

The Series 2015 Bonds, the Series 2019 Bonds, the Series 2020 Bonds, the Series 2022 Bonds, the Series 2023 Bonds, the Series 2024 Bonds and the Series 2026 Bonds, and any additional bonds that may be issued from time to time under the Agreement of Trust (“Additional Bonds”) are herein referred to as the “Bonds.”

Neither the faith and credit of the Commonwealth of Virginia nor the faith and credit of any county, city, town or other subdivision of the Commonwealth of Virginia, including the County, are pledged to the payment of principal of or premium, if any, or interest on the Bonds.

In the Agreement of Trust, the County has covenanted to fix, charge, collect and revise its rates, fees and other charges for the use of and for the services furnished by the System in each Fiscal Year (abbreviated herein from time to time as “FY”) so as to produce revenues sufficient to pay the cost of operation and maintenance of the System, the cost of necessary replacements and improvements to the System and debt service on the Bonds and on any other indebtedness of the County secured by such revenues, and to provide certain reserves for such indebtedness. A more complete description of the security for the Bonds, including the Series 2026 Bonds, is provided in Section Two.

USE OF PROCEEDS

Proceeds of the Series 2026 Bonds will be used to (a) finance a program of capital improvements to the County’s water and sewer system, and (b) pay the costs of issuing the Series 2026 Bonds.

See the section herein entitled “Plan of Financing” for a more complete description of the project and the refunding to be undertaken with proceeds of the Series 2026 Bonds.

OPTIONAL REDEMPTION

Series 2026 Bonds maturing on or before December 1, 2035* are not subject to redemption prior to maturity. Series 2026 Bonds maturing on or after December 1, 2036* are subject to redemption prior to maturity at the option of the County on or after December 1, 2035,* in whole or in part (in any multiple of \$5,000) at any time, upon payment of 100% of the principal amount of the Series 2026 Bonds to be redeemed plus interest accrued to the date fixed for redemption.

* Preliminary, subject to change.

DELIVERY

The Series 2026 Bonds are offered for delivery, when, as and if issued, subject to the approval of validity by Haneberg Hurlbert PLC, Bond Counsel, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the County by the County Attorney, Karl R. Holsten, Esquire.

RATINGS

The Series 2026 Bonds have been rated as shown on the cover page hereto by Moody's Investors Service, 99 Church Street, New York, New York 10007 ("Moody's"), Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041 ("Standard & Poor's"), and Fitch Ratings, One State Street Plaza, New York, New York 10004 ("Fitch"). A more complete description of the ratings is provided in the subsection "Ratings" in Section Five.

FINANCIAL ADVISOR

PFM Financial Advisors LLC, Arlington, Virginia (the "Financial Advisor"), 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 2026 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 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 2026 Bonds is contingent upon the issuance and delivery of the Series 2026 Bonds.

CONTINUING DISCLOSURE

The County has agreed to execute a Continuing Disclosure Agreement at closing to assist the Underwriters in complying with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC") by providing annual financial information and material event notices required by the Rule. See the subsection "Continuing Disclosure" in Section Five and Appendix D.

ADDITIONAL INFORMATION

Any questions concerning the content of this Official Statement should be directed to Ed 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 the County's Financial Advisor, PFM Financial Advisors LLC (571-527-5141).

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SECTION TWO: THE SERIES 2026 BONDS

AUTHORIZATION OF THE SERIES 2026 BONDS

The issuance of the Series 2026 Bonds was authorized by a resolution adopted by the Board of Supervisors of the County (the “Board”) on February 10, 2026. The Series 2026 Bonds are being issued pursuant to Article VII of the Constitution of the Commonwealth of Virginia, the provisions of the Public Finance Act of 1991 (Chapter 26 of Title 15.2 of the Code of Virginia, 1950, as amended) and the Agreement of Trust.

PLAN OF FINANCING

A portion of the proceeds of the Series 2026 Bonds will be used to (a) finance a program of capital improvements to the County’s water and sewer system, and (b) pay the costs of issuing the Series 2026 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The County's estimates of the sources and applications of funds of the Series 2026 Bonds are as follows:

Sources of Funds	<u>Series 2026 Bonds</u>
Par Amount of Series 2026 Bonds	\$ 54,000,000*
[Net] Original Issue [Premium / Discount]	_____
 Total Sources	 \$ _____
 Uses of Funds	
Deposit to Project Fund	\$ _____
Deposit to Cost of Issuance Account	_____
Underwriter’s Discount	\$ _____
 Total Uses	 \$ _____

* Preliminary, subject to change.

DESCRIPTION OF THE SERIES 2026 BONDS

The Series 2026 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 2026 Bonds. See the subsection herein “Book-Entry System.” Purchases of beneficial ownership interests in the Series 2026 Bonds will be made only in book-entry form and individual purchasers will not receive physical delivery of bond certificates. The Series 2026 Bonds will be dated the date of 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 on June 1, 2026, and semi-annually on December 1 and June 1 of each year thereafter (each an “Interest Payment Date”), and will mature on December 1 in the years and in the principal amounts set forth on the inside cover page hereof.

As long as the Series 2026 Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each Interest Payment Date. If the book-entry system is discontinued, bond

certificates will be delivered as described in the Agreement of Trust, and Beneficial Owners (as defined below in the subsection “Book-Entry System”) will become registered owners of the Series 2026 Bonds (“Bondholders”). Interest on the Series 2026 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 registration books kept by the Trustee on the 15th day of the month preceding an Interest Payment Date. If such Interest Payment Date is not a Business Day, such payment shall 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.

Optional Redemption

Series 2026 Bonds maturing on or before December 1, 2035,* are not subject to redemption prior to maturity. Series 2026 Bonds maturing on or after December 1, 2036,* are subject to redemption prior to maturity at the option of the County on or after December 1, 2035,* in whole or in part (in any multiple of \$5,000) at any time, upon payment of 100% of the principal amount of the Series 2026 Bonds to be redeemed plus interest accrued to the date fixed for redemption.

Manner of Redemption

If less than all of the Series 2026 Bonds are called for redemption, the Series 2026 Bonds to be redeemed shall be selected by the County's chief financial officer in such a manner as is determined to be in the best interest of the County.

If less than all of the Series 2026 Bonds of a particular maturity are called for redemption, the Series 2026 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 the principal amount of \$5,000 or some multiple thereof and (b) in selecting Series 2026 Bonds for redemption, each Bond shall be considered as representing that number of Series 2026 Bonds which is obtained by dividing the principal amount of such bond by \$5,000.

If less than all of the Series 2026 Bonds of a particular maturity are called for redemption, the particular Series 2026 Bonds to be redeemed will be selected on a pro-rata basis. With respect to such Series 2026 Bonds called for redemption, “pro rata” is determined, in connection with any mandatory sinking fund redemption or any optional redemption in part, by multiplying the principal amount of such maturity to be redeemed on the applicable redemption date by a fraction, the numerator of which is equal to the principal amount of the Series 2026 Bond of such maturity owned by the registered owner, and the denominator of which is equal to the total amount of the Series 2026 Bonds of such maturity then outstanding immediately prior to such redemption date, and then rounding the product down to the next lower integral multiple of \$5,000; provided that the portion of any Series 2026 Bonds to be redeemed are required to be in authorized denominations and all Series 2026 Bonds of a maturity to remain outstanding following any redemption are required to be in authorized denominations. Notwithstanding the foregoing, if the Series 2026 Bonds are in book-entry form at the time of such redemption, the County will instruct DTC to instruct the DTC participants to select the specific Series 2026 Bonds for redemption by lot within maturities among Bondholders, and the County shall not have any responsibility to ensure that DTC or the DTC participants properly select such Series 2026 Bonds for redemption. The provisions of this paragraph differ from the redemption provisions described below in the “Book-Entry System.”

* Preliminary, subject to change.

Notice of Redemption

The Trustee will give written notice of the call for redemption, identifying the Series 2026 Bonds or portions thereof to be redeemed, to be sent by facsimile or electronic transmission, registered or certified mail or overnight 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 2026 Bonds. If no qualified securities depository is the registered owner of the Series 2026 Bonds, notice of redemption shall be mailed to the registered owners of the Series 2026 Bonds.

At the direction of the County, the Trustee may give a 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 Series 2026 Bonds will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. On presentation and surrender of the Series 2026 Bonds called for redemption at the place or places of payment, such Series 2026 Bonds shall be paid and redeemed.

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Series 2026 Bonds, payments of principal of and interest on the Series 2026 Bonds to DTC, its nominee, Direct Participants (as hereinafter defined) or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Series 2026 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 2026 Bonds. The Series 2026 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 2026 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 company 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 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026 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 2026 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 2026 Bonds, except in the event that use of the book-entry system for the Series 2026 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2026 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 2026 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 2026 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2026 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 2026 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 2026 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2026 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 Paying Agent 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 Paying Agent, 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 or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2026 Bonds at any time by giving reasonable notice to the County or the Paying Agent. 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.

During the period that DTC or the DTC nominee is the registered holder of the Series 2026 Bonds, the County will not be responsible for mailing notices of redemption to the beneficial owners of the Series 2026 Bonds. See the subsection "Book-Entry System" below.

Book-Entry System

The information in this subsection concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

Neither the County nor the Paying Agent 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 2026 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 Bond Resolution 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 2026 Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Series 2026 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of Series 2026 Bonds for all purposes under the Bond Resolution.

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 2026 Bonds without the consent of Beneficial Owners or Bondholders.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Series 2026 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 2026 Bonds. The County's Financial Advisor will be responsible for obtaining the CUSIP numbers for the Series 2026 Bonds; but the successful bidder for the Series 2026 Bonds will be obligated to pay the fee of the CUSIP Service Bureau for assigning the CUSIP numbers to the Series 2026 Bonds.

SECURITY FOR THE SERIES 2026 BONDS

General

The Bonds (consisting of the Series 2026 Bonds, the Series 2024 Bonds, the Series 2023 Bonds, the Series 2022 Bonds, the Series 2020 Bonds, the Series 2019 Bonds, the Series 2015 Bonds, and any Additional Bonds) will be equally and ratably secured by the Agreement of Trust. The Series 2026 Bonds will be limited obligations of the County payable (except to the extent payable from the proceeds of the Series 2026 Bonds or the income, if any derived from the investment thereof) solely from Net Revenues derived from the ownership or operation of the System, certain reserves, income from investments and proceeds of insurance.

Under the Agreement of Trust, the County pledges to the Trustee for the payment of the principal of and interest on the Bonds the Net Revenues derived from the operation of the System and all amounts held under the Agreement of Trust in the Revenue Fund (except the Operating Account), the Bond Fund, the Debt Service Reserve Fund (provided that each Series Debt Service Reserve Account secures only its related Series of Bonds) and the Surplus Fund, subject only to the County's right to make application of such Net Revenues to other purposes, including application to the payment of any Parity Debt, as set forth in the Agreement of Trust.

The Agreement of Trust does not convey or mortgage the System. The County has covenanted not to lease, sell, encumber or otherwise dispose of any part of the System except in the limited circumstances provided in the Agreement of Trust. See "Particular Covenants" in Appendix B.

THE PRINCIPAL OF AND THE PREMIUM, IF ANY, AND THE INTEREST ON THE BONDS WILL NOT BE DEEMED TO CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF VIRGINIA OR ANY OTHER POLITICAL SUBDIVISION, INCLUDING THE COUNTY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY COUNTY, CITY, TOWN OR OTHER SUBDIVISION OF THE COMMONWEALTH, INCLUDING THE COUNTY, ARE PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

Rate Covenant

The Agreement of Trust requires that the County fix, charge, collect and revise the rates, fees and other charges for the use of and for the services furnished by the System, so that in each Fiscal Year the County will be able to meet each of the following two independent requirements (the “Rate Covenant”):

(a) Revenues will be sufficient to pay the aggregate sum of: Operating Expenses, the amount required to be deposited in the Bond Fund in such Fiscal Year, the amount required to be deposited in the Parity Debt Fund in such Fiscal Year, the amount required to be deposited in the Subordinate Debt Fund in such Fiscal Year, and any amount necessary to be deposited in any Series Debt Service Reserve Account to restore the amount on deposit therein to the amount of the related Series Debt Service Reserve Requirement.

(b) Net Revenues will be sufficient to equal the sum of (1) 115% of the Annual Debt Service with respect to Senior Debt for such Fiscal Year and (2) 100% of Annual Debt Service with respect to Subordinate Debt for such Fiscal Year.

The Series 2026 Bonds, the Series 2024 Bonds, the Series 2023 Bonds, the Series 2022 Bonds, the Series 2020 Bonds, the Series 2019 Bonds, the Series 2015 Bonds, and any Additional Bonds will all constitute “Senior Debt.” Currently, there is no “Subordinate Debt” outstanding. See Appendix B for definitions of “Annual Debt Service,” “Senior Debt” and “Subordinate Debt.”

Debt Service Reserve Fund

The Agreement of Trust requires the County to maintain a Debt Service Reserve Fund for each Series Debt Service Reserve Account created for any series of the Bonds, each of which shall be established in the Debt Service Reserve Fund and funded, if required, in an amount (the “Series Debt Service Reserve Requirement”) equal to the maximum principal and interest due on such series of the Bonds in the current or any future Fiscal Year. There is no Series Debt Service Reserve Requirement for the Series 2015 Bonds, the Series 2019 Bonds, the Series 2020 Bonds, the Series 2022 Bonds, the Series 2023 Bonds, or the Series 2024 Bonds, and there will be no Series Debt Service Reserve Requirement for the Series 2026 Bonds.

BONDHOLDERS' REMEDIES IN THE EVENT OF DEFAULT

In the case of an Event of Default under the Agreement of Trust (see “Events of Default and Remedies on Default” in Appendix B), the Trustee may, and if requested by the registered owners of not less than 25% in aggregate principal amount of Bonds, including the Series 2026 Bonds and any additional Series of Bonds then outstanding, upon indemnification by the Bondholders as provided in the Agreement of Trust shall, 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, including an action for specific performance of any agreement contained in the Agreement of Trust. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”) permits a municipality such as the County, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts provided that such municipality is “specifically authorized, in its capacity as a municipality or by name, to be a debtor....” Bankruptcy Code, § 109(c)(2). Current Virginia statutes do not expressly authorize the County or municipalities generally to file for bankruptcy under Chapter 9, although it is unclear if the lack of express authorization under state law would be a successful defense to a claim that federal bankruptcy law preempts any Commonwealth of Virginia limitation on the exercise by the County of rights under the Bankruptcy Code. Chapter 9 does not authorize the filing of involuntary petitions against municipalities such as the County.

Bankruptcy proceedings by the County could have adverse effects on registered owners of the Bonds, including, (a) delay in the enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the County after the initiation of bankruptcy proceedings and to the administrative

expenses of bankruptcy proceedings, and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the registered owners of the Bonds, such creditors will have the benefit of their original claims or the “indubitable equivalent” thereof, although such plan may not provide for payment of the Bonds in full. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.

ADDITIONAL SERIES OF BONDS

As set forth in the Agreement of Trust, the County may issue, subject to certain restrictions, one or more Series of Additional Bonds or Parity Debt, equally and ratably secured with the outstanding principal amounts of the Series 2015 Bonds, the Series 2019 Bonds, the Series 2020 Bonds, the Series 2022 Bonds, the Series 2023 Bonds, the Series 2024 Bonds and the Series 2026 Bonds, (a) to pay the cost of acquiring, constructing, improving, extending, expanding or equipping the System, (b) to pay the cost of planning or investigating the feasibility of acquiring, constructing, improving, extending, expanding or equipping the System, (c) to refund any Series of Bonds or other County obligations secured by or payable from Net Revenues or (d) any combination thereof. In addition, the County may at any time issue one or more series of bonds having a lien on Net Revenues of the System that are subordinate to the lien securing the Bonds, so long as the County remains in compliance with the Rate Covenant under the Agreement of Trust. See “Issuance of Additional Bonds” in Appendix B.

In the case of a Series of Bonds or Parity Debt issued to pay the cost of acquiring, constructing, improving, extending, expanding or equipping the System, the Series of Bonds or Parity Debt may be issued only upon receipt by the Trustee of various certificates and opinions, including the following:

(a) if (1) the original principal amount of such Series of Bonds or Parity Debt exceeds \$10,000,000 and (2) the Project does not consist solely of a purchase of water and/or wastewater capacity or construction bids have not already been obtained in connection with a Project, a written statement of a Consulting Engineer setting forth such Consulting Engineer's (i) estimate of the Cost of such Project (including all financing and related costs) and the date on which such Project will be completed and (ii) opinion that the proceeds of such Series of Bonds or Parity Debt, together with any other moneys available for such purpose, will be sufficient to pay the Cost of such Project; provided, however, that if the Consulting Engineer is not an Independent Consulting Engineer such statement shall be reviewed and approved by an Independent Consulting Engineer; and

(b) either (1) a certificate of a Qualified Independent Consultant stating that based on the County's financial records for any 12 consecutive months of the last 24 months (the “Test Period”) prior to the issuance of such Series of Bonds or Parity Debt the County would have been able to meet the Rate Covenant, taking into account (i) the maximum Annual Debt Service on the proposed Series of Bonds or Parity Debt in the current or any future Fiscal Year and (ii) the rates, fees and other charges which are in effect and any future changes therein as have been approved by the Board at the time of the delivery of the proposed additional Series of Bonds or Parity Debt or (2) a written statement of a Qualified Independent Consultant which projects Operating Expenses, Revenues and Net Revenues for two full Fiscal Years following the anticipated completion of the Project and which demonstrates that, on the basis of such projection, the County can comply with the Rate Covenant, taking into account those rates, fees and other charges which are in effect at the time of the delivery of the proposed Series of Bonds or Parity Debt and any future changes therein as has been approved by the Board at the time of the delivery of the proposed additional Series of Bonds or Parity Debt; provided, however, that a Qualified Independent Consultant may not take into account for the purposes of such projection Connection Fees which exceed in any year the actual average number of customers paying Connection Fees during the three prior Fiscal Years times the amount of each Connection Fee expected to be assessed.

In the case of a Series of Bonds or Parity Debt issued to refund outstanding Bonds, the Series of Bonds or Parity Debt may be issued only upon receipt by the Trustee of various certificates and opinions, including the following:

(1) A written determination by a Qualified Independent Consultant or other evidence satisfactory to the Trustee that the proceeds (excluding accrued interest) of such Bonds, together with any other moneys deposited with the Trustee for such purpose and the investment income to be earned on moneys held for the payment or

redemption of the Indebtedness to be refunded, will be sufficient (without reinvestment) to pay either (A) the principal of and the premium, if any, on the Indebtedness to be refunded and the interest which will accrue on such Indebtedness to the respective redemption or maturity dates or (B) the principal and interest on the refunding Bonds to a date certain, at which time such proceeds, moneys and earnings will be sufficient to pay the principal of and the premium, if any, on the Indebtedness to be refunded and the interest which will accrue on such Indebtedness to the respective redemption or maturity dates; and

(2) Either (A) a written determination by a Qualified Independent Consultant or other evidence satisfactory to the Trustee that after the issuance of such Bonds and the provision for payment or redemption of all Indebtedness to be refunded, the Annual Debt Service requirements for each Fiscal Year in which there will be Outstanding Bonds of any Series not to be refunded will be not more than what the Annual Debt Service requirements for such Fiscal Year would have been on all Bonds Outstanding immediately prior to the issuance of such Bonds, including the Indebtedness to be refunded, and that the final maturity of any Series of Bonds being refunded has not been extended or (B) a certificate as described in paragraph (b) above.

See “Issuance of Additional Bonds” in Appendix B.

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SECTION THREE: THE SYSTEM

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 were obligated by December 31, 2024 and must then be spent by December 31, 2026. SLRF funds remaining as of June 30, 2025 in the amount of \$7.2 million are expected to be expended prior to the 2026 deadline.

GENERAL

Prior to 1971, water and sewer services for the County were provided through a service authority, a sanitary district and the City of Fredericksburg. In 1975, the County established a Department of Utilities as an enterprise fund and took over the assets of the service authority and the sanitary district. The Department became financially self-supporting in 1981. The Department is managed by the Assistant County Administrator of Community Operations, who reports to the County Administrator, with ultimate authority resting with the Board. The Department has a staff of approximately 140 employees, who are responsible for operating and maintaining the System. The System currently provides service to over 35,250 residential and non-residential connections located primarily in the northern sections of the County. The County’s waterworks also provides the City of Fredericksburg, Virginia with water and up to 1.5 million gallons per day (“MGD”) of wastewater treatment.

The System currently serves three general service areas:

Primary Service Area. This service area incorporates the Massaponax Creek, Hazel Run, and Deep Run watersheds, where the majority of water and sewer facilities are located.

Secondary Service Area. This service area incorporates the Lower Ni and Lower Po River watersheds, with moderate water service provided to this area, primarily to the Courthouse and Thornburg communities. Moderate sewer facilities are located here consisting of small collection/treatment facilities located only in the Courthouse and Thornburg areas.

Resource Protection Area. The remainder of the service area, which drains to existing and future water supply sources. Water service in this area is limited to those in the Golin Run and Motts Run watersheds, as well as the Fawn Lake area. Sewer facilities located in this area are limited to pump station/force main systems in the Golin Run, Motts Run and Fawn Lake areas.

The water system consists of raw water supplies (including the Motts Run Reservoir, the Ni River Reservoir, the Hunting Run Reservoir, and the Rappahannock River), two water treatment plants (each a "WTP") (consisting of the Ni River WTP and the Motts Run WTP), approximately 608 miles of transmission and distribution mains and seven finished water storage tanks. The sewer system consists of three wastewater treatment plants (each a "WWTP") and approximately 587 miles of sewer mains, transmission, collection and pumping facilities.

WATER SYSTEM

As of June 30, 2025, the County provided water service to approximately 33,335 residential customers, representing approximately 61% of the County's population, and to 1,919 non-residential customers. Since March 2000, the County also has supplied water to the City of Fredericksburg. See "Agreement with City of Fredericksburg," below. Potable water demands of its customers are met through production from the County's Ni River Reservoir, the jointly-owned (by the City of Fredericksburg and the County) Motts Run Reservoir and the Rappahannock River.

There are currently two County-owned WTPs. The Motts Run WTP is located at the Motts Run Reservoir and has a current capacity of 15.0 MGD and averages 8.67 MGD. The Ni River WTP is located at the Ni River Reservoir and has a current capacity of 6.0 MGD and averages 3.53 MGD. The Ni plant is limited by permit to the 5.05 MGD yield from the reservoir.

The water transmission and distribution system currently serves most of the Primary Service Area, the Courthouse and Thornburg communities in the Secondary Service Area and a few areas in the Resource Protection Area. This system is comprised of approximately 608 miles of polyvinyl chloride and ductile iron pipe, ranging in size from 6 to 36 inches. Water is supplied to the County's distribution system in five separate pressure zones from elevated and ground storage tanks ranging in size from 100,000 to 2,000,000 gallons.

Annual water use for the last five Fiscal Years is summarized in the table below, which shows average daily demand and maximum daily demand, measured in MGD increments.

WATER USE (MGD)

<u>Fiscal Year</u>	<u>Average Daily Demand</u>	<u>Maximum Daily Demand</u>
2021	10.90	16.85
2022	11.30	15.49
2023	11.50	16.12
2024	12.09	16.53
2025	11.71	14.71

SEWER SYSTEM

Sewer services in the County range from comprehensive systems in the Primary Service Area to local collection and treatment facilities in the Massaponax and Thornburg areas. As of June 30, 2025, service was provided to 31,748 residential and 2,028 non-residential customers. There are a total of three WWTPs within the System, with two serving the majority of the Primary Service Area and one serving the Thornburg area.

The largest treatment plant is the Massaponax WWTP, with a capacity of 9.4 MGD with a daily average treated flow of approximately 5.2 MGD. Another major wastewater treatment plant, known as the FMC WWTP, is located in the Deep Run watershed. This plant was purchased by the County in the early 1980s, modified to accept domestic sewage and has a current plant capacity of 4.0 MGD, with the City of Fredericksburg having a reserved capacity of 1.5 MGD, and a daily average treated flow of approximately 2.2 MGD. The Thornburg WWTP serves a small area near the I-95/Route 606 interchange. This plant has a capacity of 0.345 MGD, and cannot be expanded. In fiscal year 2025, the Thornburg WWTP treated an average of 0.08 MGD.

The sewer transmission, collection and pump station system is comprised of approximately 587 miles of gravity sewer lines. The System includes 47 wastewater pumping stations.

AGREEMENT WITH CITY OF FREDERICKSBURG

The County and the City of Fredericksburg have entered into two utility agreements. In the 1995 Agreement, the City granted to the County a one-half ownership interest in approximately 23 acres of Motts Run Reservoir, on which the County has constructed the Motts Run WTP to serve both the County and the City. In return, the County has agreed to reserve certain permanent capacity rights in the Motts Run WTP for the City.

Pursuant to the 1997 Agreement, the City agreed to abandon the Arthur L. Cossey Water Treatment Plant when the County's new Motts Run WTP was completed, to purchase all of its water from the County and granted the County a one-half ownership interest in the 224-acre Motts Run Reservoir for use as a raw water supply. In return, the County agreed to reserve additional permanent capacity rights in its water system for the City. The Arthur L. Cossey Water Treatment Plant is now closed, and the City purchases all of its water needs from the County.

There are no other wholesale customers of water from the System.

OPERATIONS AND MAINTENANCE PROCEDURES

Water Treatment. The Ni River WTP produces drinking water with quality conforming to the requirements of its Virginia Department of Health ("VDH") permit and the federal Safe Drinking Water Act for surface water supplies. Processes utilized include conventional coagulation, clarification, sand/carbon filtration, fluoridation and disinfection with chloramines. The reliability of the source, the 750 million gallon capacity Ni Reservoir, is controlled by a reservoir management program, County ownership of a buffer easement surrounding the shoreline and a reservoir sampling and monitoring program meeting or exceeding VDH standards.

The Motts Run WTP also produces drinking water with quality conforming to Virginia and federal drinking water standards. Processes utilized include coagulation, ballasted flocculation, clarification, sand/carbon filtration, fluoridation and disinfection with chloramines. Reliability of the three sources, Hunting Run, Motts Run Reservoir and the Rappahannock River, is controlled by reservoir and river protection management programs by the County and the City of Fredericksburg.

After meeting all process requirements, but before it is distributed, the water from each WTP is tested according to state and federal standards. The County carries out an annual flushing and sampling program each spring to ensure that distribution piping dead-ends are cleaned periodically and that piping is not conducive to post-disinfection bacterial growth.

The WTPs are managed by a Manager of Water Treatment and staffed with 21 full-time employees. This includes two Chief Operators, eight Lead Shift Operators and 11 Plant Operators (Class I, II and III). The County ensures that all operators obtain the highest license possible through experience, training programs, and career advancement ladders. These efforts are in place to ensure proper management succession for seamless and efficient ongoing plant operations.

Wastewater Treatment. All three of the County's wastewater treatment facilities provide a combination of secondary and tertiary treatment in order to comply with the strict discharge requirements associated with the Chesapeake Bay. Analytical testing of the discharge, to assure that water is discharged in conformance with Virginia Pollutant Discharge Elimination System (VPDES) permit requirements, is conducted in the County's central laboratory. The laboratory is staffed by three full-time technicians who conduct daily analyses for conventional pollutants.

When fully staffed, the wastewater treatment division consists of 30 full-time employees. The division is managed by a Manager of Wastewater Treatment who holds a Class I license. Staff includes two Chief Operators, one Senior Operator, four Lead Shift Operators, fourteen Plant Operators (Class I, II and III), and three Utility Workers. The composting operation is also directed by the wastewater division. This includes a manager and four operators. Requirements for acquiring wastewater operators' licenses are similar to those required for water plant operators.

SYSTEM OPERATING DATA

Water and Sewer Rates

In May 2025, the County adopted its July 1, 2025 (fiscal year 2026) and July 1, 2026 (fiscal year 2027) water and sewer rates. While maintaining an inclining block rate, the County simplified its tier levels by meter size for the users of its water and sewer system. The County also replaced Debt Service Charge with a Fixed Charge. Water and sewer rates, as well as the rates and fees adopted for fiscal years 2024, 2025, 2026, and 2027 are as set forth below.

VARIABLE WATER RATES PRIOR TO JULY 1, 2025

Water Rates Effective for Fiscal Years 2024 and 2025 (7/1 - 6/30)							
EU = Equivalent Units			Charge Per 1000 Gallons				
	EU	2024	2025		EU	2024	2025
ALL RESIDENTIAL	1			COMMERCIAL 4 INCH	25		
1-2,000 GAL		\$ 1.24	\$ 1.25	1-2,000 GAL		\$ 1.24	\$ 1.25
2,001-7,500 GAL		7.27	7.56	2,001-33,500 GAL		7.27	7.56
7,501-12,000 GAL		9.55	9.93	33,501-75,000 GAL		9.55	9.93
12,001 GAL +		11.83	12.31	75,001 GAL +		11.83	12.31
COMMERCIAL – 5/8 INCH	1			COMMERCIAL – 6 AND 8 INCH	50/80		
1-2,000 GAL		\$ 1.24	\$ 1.25	1-2,000 GAL		\$ 1.24	\$ 1.25
2,001-7,500 GAL		7.27	7.56	2,001-57,000 GAL		7.27	7.56
7,501-10,000 GAL		9.55	9.93	57,001-150,000 GAL		9.55	9.93
10,001 GAL +		11.83	12.31	150,001 GAL +		11.83	12.31
COMMERCIAL – 3/4 INCH	1.5			RESIDENTIAL IRRIGATION	1		
1-2,000 GAL		\$ 1.24	\$ 1.25	1-2,000 GAL		\$ 4.17	\$ 4.21
2,001-8,500 GAL		7.27	7.56	2,001-7,500 GAL		23.49	24.43
8,501-12,000 GAL		9.55	9.93	7,501-8,500 GAL		30.35	31.56
12,001 GAL +		11.83	12.31	8,501 GAL +		37.66	39.17
COMMERCIAL – 1 INCH	2.5			NONRESIDENTIAL IRRIGATION 5/8 OR 5/8 X 3/4 INCH	1		
1-2,000 GAL		\$ 1.24	\$ 1.25	1-2,000 GAL		\$ 2.27	\$ 2.30
2,001-13,000 GAL		7.27	7.56	2,001-7,500 GAL		10.55	10.97
13,001-17,000 GAL		9.55	9.93	7,501-8,500 GAL		12.02	12.50
17,001 GAL +		11.83	12.31	8,501 GAL +		14.73	15.32
COMMERCIAL – 1 1/2 INCH	5.0			NONRESIDENTIAL IRRIGATION 3/4 INCH	1.5		
1-2,000 GAL		\$ 1.24	\$ 1.25	1-8,500 GAL		\$10.55	\$10.97
2,001-15,000 GAL		7.27	7.56	8,501-12,000 GAL		12.02	12.50
15,001-18,500 GAL		9.55	9.93	12,001 + GAL		14.73	15.32
18,501 GAL +		11.83	12.31				
COMMERCIAL – 2 INCH	8.1			NONRESIDENTIAL IRRIGATION 1 INCH	2.5		
1-2,000 GAL		\$ 1.24	\$ 1.25	1-13,500 GAL		\$10.55	\$10.97
2,001-20,000 GAL		7.27	7.56	13,501-17,000 GAL		12.02	12.50
20,001-23,500 GAL		9.55	9.93	17,001 + GAL		14.73	15.32
23,501 GAL +		11.83	12.31				

	EU	2024	2025		EU	2024	2025
COMMERCIAL – 3 INCH	15.9			NONRESIDENTIAL IRRIGATION 1 1/2 INCH	5.0		
1-2,000 GAL		\$ 1.24	\$ 1.25	1-15,000 GAL		\$10.55	\$10.97
2,001-27,000 GAL		7.27	7.56	15,501-18,500 GAL		12.02	12.50
27,001-50,000 GAL		9.55	9.93	18,501 + GAL		14.73	15.32
50,001 GAL +		11.83	12.31				
				NONRESIDENTIAL IRRIGATION 2 INCH	8.1		
				1-20,000 GAL		\$10.55	\$10.97
				20,001-23,500 GAL		12.02	12.50
				23,501 + GAL		14.73	15.32

VARIABLE WATER RATES EFFECTIVE JULY 1, 2025

Water use Tiers in gallons	Monthly Rates per 1,000 gallons effective July 1, 2025	Monthly Rates per 1,000 gallons effective July 1, 2026
Effective for all residential and commercial meter sizes		
Tier 1 0-2,000 gallons	\$1.63	\$2.08
Tier 2 2,001 – 10,000 gallons	\$6.80	\$6.94
Tier 3 10,001+ gallons	\$10.91	\$10.97
Effective for all non-residential and conservation irrigation meter sizes		
Tier 1 0-2,000 gallons	\$2.04	\$2.60
Tier 2 2,001 – 10,000 gallons	\$8.50	\$8.68
Tier 3 10,001+ gallons	\$13.64	\$13.71

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FIXED WATER SERVICE CHARGES

Fixed Service Charge Rate	Effective July 1,			
	2024	2025	2026	2027
Water Debt Service Charge per Equivalent Unit	\$8.26	\$10.18		
Water Fixed Charge per Equivalent Unit			\$17.65	\$19.08

Meter Size Unit Equivalency
3/8 meter = 1 residential meter equivalent
3/4-inch meter = 1.5 residential meter equivalent
1-inch meter = 2.5 residential meter equivalent
1½-inch meter = 5.0 residential meter equivalent
2-inch meter = 8 residential meter equivalent
3-inch meter = 20 residential meter equivalent
4-inch meter = 40 residential meter equivalent
6-inch meter = 80 residential meter equivalent
8-inch meter = 135 residential meter equivalent

VARIABLE SEWER RATES PRIOR TO JULY 1, 2025

Sewer Rates Effective for Fiscal Years 2024 and 2025 (7/1 - 6/30)							
EU = Equivalent Units			Charge Per 1000 Gallons				
	EU	2024	2025		EU	2024	2025
ALL RESIDENTIAL	1			COMMERCIAL – 1 1/2 INCH	5		
1-2,000 GAL		\$2.37	\$2.40	1-2,000 GAL		\$2.37	\$2.40
2,001-7,500 GAL		6.18	6.42	2,001-15,000 GAL		6.18	6.42
7,501 GAL +		6.64	6.91	15,001 GAL +		6.64	6.91
COMMERCIAL – 5/8 INCH	1			COMMERCIAL – 2 INCH	8.1		
1-2,000 GAL		\$2.37	\$2.40	1-2,000 GAL		\$2.37	\$2.40
2,001-7,500 GAL		6.18	6.42	2,001-20,000 GAL		6.18	6.42
7,501 GAL +		6.64	6.91	20,001 GAL +		6.64	6.91
COMMERCIAL – 3/4 INCH	2			COMMERCIAL – 3 INCH	15.9		
1-2,000 GAL		\$2.37	\$2.40	1-2,000 GAL		\$2.37	\$2.40
2,001-8,500 GAL		6.18	6.42	2,001-27,000 GAL		6.18	6.42
8,501 GAL +		6.64	6.91	27,001 GAL +		6.64	6.91
COMMERCIAL – 1 INCH	2.5			COMMERCIAL 4 INCH	25		
1-2,000 GAL		\$2.37	\$2.40	1-2,000 GAL		\$2.37	\$2.40
2,001-13,000 GAL		6.18	6.42	2,001-33,500 GAL		6.18	6.42
13,001 GAL +		6.64	6.91	33,501 GAL +		6.64	6.91
				COMMERCIAL – 6 AND 8 INCH	50/80		
				1-2,000 GAL		\$2.37	\$2.40
				2,001-57,000 GAL		6.18	6.42
				57,001 GAL +		6.64	6.91

VARIABLE SEWER RATES EFFECTIVE JULY 1, 2025

Sewer use Tiers in gallons	Monthly Rates per 1,000 gallons effective July 1, 2025	Monthly Rates per 1,000 gallons effective July 1, 2026
Effective for all residential and commercial meter sizes		
Tier 1 0-2,000 gallons	\$3.86	\$4.24
Tier 2 2,001 – 10,000 gallons	\$9.74	\$10.06
Tier 3 10,001+ gallons	\$11.34	\$12.55

FIXED SEWER SERVICE CHARGES

Fixed Service Charge Rate	Effective July 1,			
	2024	2025	2026	2027
Sewer Debt Service Charge per Equivalent Unit	\$8.26	\$10.18		
Sewer Fixed Charge per Equivalent Unit			\$17.65	\$19.08

Meter Size Unit Equivalency
$\frac{5}{8}$ meter = 1 residential meter equivalent
$\frac{3}{4}$ -inch meter = 1.5 residential meter equivalent
1-inch meter = 2.5 residential meter equivalent
$1\frac{1}{2}$ -inch meter = 5.0 residential meter equivalent
2-inch meter = 8 residential meter equivalent
3-inch meter = 20 residential meter equivalent
4-inch meter = 40 residential meter equivalent
6-inch meter = 80 residential meter equivalent
8-inch meter = 135 residential meter equivalent

Water and Sewer Service Availability, Connection and Meter Fees

Availability fees become due upon the introduction of a new meter or new or altered service for any residential or non-residential property or irrigation system. Connection fees become due upon connection to an existing service line or extending a service line. Meter fees become due upon installation of a water meter.

Water Availability Fees

Nominal Meter Size (inches)	Effective July 1, 2024	Effective July 1, 2025	Effective July 1, 2026
Water availability fees for new residential services			
$\frac{5}{8}$ or $\frac{5}{8} \times \frac{3}{4}$	\$5,504	\$5,700	\$5,870
$\frac{3}{4}$	\$7,510	\$7,700	\$7,930
1	\$16,895	\$17,400	\$17,920
$1\frac{1}{2}$	\$33,643	\$34,600	\$35,640

2	\$51,554	\$53,100	\$54,700
Water availability fees for nonresidential domestic and process water service			
$\frac{5}{8}$ or $\frac{5}{8} \times \frac{3}{4}$	\$5,504	\$5,700	\$5,870
$\frac{3}{4}$	\$7,510	\$7,700	\$7,930
1	\$16,895	\$17,400	\$17,920
1½	\$33,643	\$34,600	\$35,640
2	\$51,554	\$53,100	\$54,700
3	\$102,069	\$105,100	\$108,250
4	\$163,796	\$168,700	\$173,760
6	\$327,593	\$337,400	\$347,500
Greater than 6 inches	Determined by County Administrator		
Nominal Meter Size (inches)	Effective July 1, 2024	Effective July 1, 2025	Effective July 1, 2026
Water availability fees for irrigation service			
$\frac{5}{8}$ or $\frac{5}{8} \times \frac{3}{4}$	\$5,504	\$5,700	\$5,870
$\frac{3}{4}$	\$12,745	\$13,100	\$13,490
1	\$38,443	\$39,600	\$40,800
1½	\$115,266	\$118,700	\$122,260
2	\$206,842	\$214,100	\$220,820

Water Connection Fees

Nominal Meter Size (inches)	Effective July 1, 2024	Effective July 1, 2025	Effective July 1, 2026
$\frac{5}{8}$ or $\frac{5}{8} \times \frac{3}{4}$	\$2,790	\$2,950	\$3,100
$\frac{3}{4}$	\$3,040	\$3,200	\$3,360
1	\$3,400	\$3,570	\$3,750
1½	\$3,610		
2	\$3,970		
Greater than 2 inches	125 percent of actual costs		

Water Meter Fees

Nominal Meter Size (inches)	Effective July 1, 2024	Effective July 1, 2025	Effective July 1, 2026
$\frac{5}{8}$ or $\frac{5}{8} \times \frac{3}{4}$	\$480	\$580	\$610
$\frac{3}{4}$	\$575	\$675	\$710
1	\$670	\$770	\$805
1½	\$840	\$940	\$990
2	\$925	\$1,025	\$1,075
Greater than 2 inches and compound meters	125 percent of actual costs		

Sewer Availability Fees

Nominal Meter Size (inches)	Effective July 1, 2024	Effective July 1, 2025	Effective July 1, 2026
Sewer availability fees for new residential services			
$\frac{5}{8}$ or $\frac{5}{8} \times \frac{3}{4}$	\$5,504	\$5,700	\$5,870
$\frac{3}{4}$	\$7,418	\$7,600	\$7,800
1	\$14,983	\$15,400	\$16,100
1½	\$30,459	\$31,300	\$32,240
2	\$41,893	\$43,200	\$44,500
Sewer availability fees for nonresidential domestic and process water service			
$\frac{5}{8}$ or $\frac{5}{8} \times \frac{3}{4}$	\$5,504	\$5,700	\$5,870
$\frac{3}{4}$	\$7,418	\$7,600	\$7,800
1	\$14,983	\$15,400	\$16,100
1½	\$30,459	\$31,300	\$32,240
2	\$41,893	\$43,200	\$44,500
3	\$79,437	\$81,800	\$84,250
4	\$125,508	\$129,300	\$133,180
6	\$242,386	\$249,600	\$257,100
8	\$343,867	\$354,200	\$364,800

Sewer Connection Fees

Nominal Meter Size (inches)	Effective July 1, 2024	Effective July 1, 2025	Effective July 1, 2026
4	\$3,195	\$3,300	\$3,460
6	\$3,300	\$3,400	\$3,570
Greater than 6 inches	125 percent of actual costs		

SERVICE CHARGES

Each bill for sewer only, water only, irrigation or water and sewer service will include an administrative fee as set forth on the following table. The administrative fee is no longer effective as of July 1, 2025.

	<u>Effective July 1, 2023</u>	<u>Effective July 1, 2024</u>
BILLING FEE		
MONTHLY FIXED FEE	\$6.53	\$6.53

Consumers shall pay a non-refundable account transaction fee when establishing or re-establishing a water, irrigation or water and sewer account as set forth in the following table:

Effective July 1, 2024	Effective July 1, 2025	Effective July 1, 2026
\$26.55	\$27.90	\$29.30

Source: Director of Utilities and Public Works, Spotsylvania County.

Billing and Collection Procedures

Billing for water and sewer customers is done on a monthly basis. Meters are read using electronic meter reading devices. Bills are due upon receipt with a grace period of 25 days after the bill date. If payment is not received within the 25-day period, a penalty of 10% is applied to the account. If payment is not received within 65 days of the second bill date, service is disconnected. A \$25 reconnection fee is assessed, which must be paid in addition to the delinquent bill before service is restored. During Fiscal Year 2025, total collections were 99% of total billings.

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Largest Accounts

The following table lists the ten largest accounts (other than the City of Fredericksburg) of the System during the Fiscal Year ended June 30, 2025:

<u>Customer</u>	<u>Type of Business</u>	<u>Fiscal Year 2025 Billing</u>	<u>% of Total System Operating Revenue</u>
Horning Brothers	Apartment Building	358,801	0.68%
Spotsylvania Regional Hospital	Hospital	262,632	0.50
Kilburn Crossing 220 LLC	Apartment Building	250,726	0.48
Go Car Wash Management Corp.	Car Wash	230,778	0.44
Breezewood Apartment Associates	Apartment Building	218,977	0.42
Collection at Cosner's	Apartment Building	206,674	0.39
Mid America Apartments LP	Apartment Building	199,550	0.38
Allure LLC	Apartment Building	181,238	0.35
HH Hunt / Abberly Southpoint	Apartment Building	174,399	0.33
Salem Run Apartments LP	Apartment Building	160,066	0.30

Source: Finance Department, Spotsylvania County, Virginia

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**SUMMARY OF
REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
WATER AND SEWER ENTERPRISE FUND**

The following schedule sets forth the revenues and expenses of the System for the five Fiscal Years ended June 30, 2025. The financial data for the Fiscal Years ended June 30, 2021 through June 30, 2025 have been derived from the audited financial statements of the County. The financial data set forth below should be read in conjunction with the financial statements for the Fiscal Year ended June 30, 2025, and notes thereto in the report of CliftonLarsonAllen, LLP, independent auditors, which are included as Appendix E.

Fiscal Year Ended June 30⁽¹⁾

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Net position at beginning of year	\$296,139,191	\$308,339,874	\$322,736,697	\$351,693,193	\$391,337,274
Operating revenues:					
Charges for Services					
Water and Sewer	35,557,554	37,019,778	40,829,626	45,685,513	50,149,961
Miscellaneous	951,549	1,772,399	1,813,964	2,198,279	2,344,603
Total operating revenues	<u>\$ 36,509,103</u>	<u>\$ 38,792,177</u>	<u>\$ 42,643,590</u>	<u>\$ 47,883,792</u>	<u>\$ 52,494,564</u>
Operating expenditures:					
Personnel & Benefits	\$ 10,892,935	\$ 11,193,193	\$ 12,488,987	\$ 14,548,388	\$ 14,865,106
Depreciation	12,759,990	12,972,592	13,243,512	13,459,551	13,555,593
Other	10,935,887	10,711,388	15,990,893	14,413,450	15,466,884
Total operating expenditures	<u>\$ 34,588,812</u>	<u>\$ 34,877,173</u>	<u>\$ 41,723,392</u>	<u>\$ 42,421,389</u>	<u>\$ 43,887,583</u>
Operating income (loss)	\$ 1,920,291	\$ 3,915,004	\$ 920,198	\$ 5,462,403	\$ 8,606,981
Interest and fiscal charges	(3,966,768)	(3,378,653)	(5,394,225)	(8,080,698)	(8,360,403)
Interest income	261,493	(1,853,071)	4,390,701	9,030,152	7,945,289
Intergovernmental revenue	479,859	1,334,194	310,665	-	-
Other non-operating	(806,202)	188,720	(228,788)	(83,252)	(177,227)
Total non-operating revenues (expenditures)	<u>\$ (4,031,618)</u>	<u>\$ (3,708,810)</u>	<u>\$ (921,647)</u>	<u>\$ 866,202</u>	<u>\$ (592,341)</u>
Net income before contributions and transfers	\$ (2,111,327)	\$ 206,194	\$ (1,449)	\$ 6,328,605	\$ 8,014,640
Other capital contributions	7,896,691	7,514,713	19,988,274	22,953,490	42,565,582
Connection / Availability fees	6,427,780	6,741,930	9,024,354	10,371,540	11,983,135
Net transfers in (out)	(12,461)	(66,014)	(54,683)	(9,554)	(11,081)
Change in net position	<u>\$ 12,200,683</u>	<u>\$ 14,396,823</u>	<u>\$ 28,956,496</u>	<u>\$ 39,644,081</u>	<u>\$ 62,552,276</u>
Net effect of change in accounting principle ⁽²⁾					(347,929)
Net position at end of year	<u>\$308,339,874</u>	<u>\$322,736,697</u>	<u>\$351,693,193</u>	<u>\$391,337,274</u>	<u>\$453,541,621</u>

Source: Audited financial statements of the County for Fiscal Years 2021-2025.

(1) The attached financial statements, and the statements from which these numbers are taken, are the County's general purpose financial statements, which show all County funds, many of which are not legally available for payment of the Bonds. Only revenues in the Utilities Enterprise Fund are available for payment of the Bonds.

(2) Fiscal Year 2025 implementation of GASB 101, Compensated Absences.

The following schedule sets forth the budgeted revenues and expenses of the System for the Fiscal Years ending June 30, 2025 and 2026.

Fiscal Year Ended June 30

	<u>2025 (Adopted Budget)</u>	<u>2026 (Adopted Budget)</u>
Net position at beginning of year	\$ 379,647,374	\$ 400,613,845
Operating revenues:		
Charges for Services		
(Water and Sewer)	\$ 48,325,344	\$ 53,470,992
Miscellaneous	<u>1,855,500</u>	<u>1,945,500</u>
Total operating revenues	<u>\$ 50,180,844</u>	<u>\$ 55,416,492</u>
Operating expenditures:		
Personnel & Benefits	\$ 16,629,157	\$ 17,633,892
Depreciation ⁽¹⁾	-	-
Other	<u>16,472,257</u>	<u>17,559,490</u>
Total operating expenditures	<u>\$ 33,101,414</u>	<u>\$ 35,193,382</u>
Operating income (loss)	\$ 17,079,430	\$ 20,223,110
Interest and fiscal charges	\$ (9,322,102)	\$(11,473,586)
Interest income	500,000	1,500,000
Other non-operating	<u>-</u>	<u>-</u>
Total non-operating revenues (expenditures)	<u>\$ (8,822,102)</u>	<u>\$(9,973,586)</u>
Net income before contributions and transfers	\$ 8,257,328	\$ 10,249,524
Availability Fees	\$ 6,982,143	\$ 7,121,785
Other capital contributions	5,992,000	7,296,259
Operating transfers in (out)	<u>(265,500)</u>	<u>(165,500)</u>
Total contributions and net transfers	<u>\$ 12,709,143</u>	<u>\$ 14,252,544</u>
Change in net position	<u>\$ 20,966,471</u>	<u>\$ 24,502,068</u>
Net position at end of year	<u>\$400,613,845</u>	<u>\$425,115,913</u>

Source: Finance Department, Spotsylvania County, Virginia

⁽¹⁾ Depreciation is not budgeted.

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HISTORICAL AND PROJECTED OPERATING RESULTS

The projected financial ability of the System to meet annual expenditure requirements and maintain adequate fund balances for the next five years is summarized in the tables below. The table entitled “PROJECTED OPERATING RESULTS” includes the Series 2026 Bonds and assumes that water and sewer rate increases adopted by the Board in May, 2025, will remain effective in FY 2026, and FY 2027. Such table indicates that the County expects to satisfy the Rate Covenant of the Agreement of Trust.

HISTORICAL OPERATING RESULTS Fiscal Year Ended June 30

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Operating Revenues ⁽¹⁾	\$37,853,419	\$37,519,549	\$47,238,164	\$55,344,503	\$60,126,318
Operating Expenditures ⁽²⁾	<u>20,165,189</u>	<u>21,157,965</u>	<u>25,635,746</u>	<u>28,727,957</u>	<u>30,607,777</u>
Net Revenues	\$17,688,230	\$16,361,584	\$21,602,418	\$26,616,546	\$29,518,451
Availability Fees	\$ 6,427,780	\$ 6,741,930	\$ 9,024,354	\$10,371,540	\$11,983,135
Debt Service	\$ 9,151,030	\$11,092,919	\$12,828,767	\$15,093,683	\$16,955,704
Debt Service Coverage⁽³⁾	2.64	2.08	2.39	2.45	2.45
Debt Service Coverage (net of availability fees)	1.93	1.47	1.68	1.76	1.74

⁽¹⁾ Operating revenues include water and sewer operating revenues, operating grants, antenna tower revenues, transfers in for operations, and interest income from operating and capital funds. Interest income on capital funds is net of accrued arbitrage expense. Capital project revenues are excluded.

⁽²⁾ Operating expenditures exclude depreciation, amortization, debt service, and capital project expenses.

⁽³⁾ Legal limit: minimum of 1.15.

PROJECTED OPERATING RESULTS⁽¹⁾ Fiscal Year Ended June 30

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Operating Revenues	\$60,494,985	\$64,912,618	\$70,020,070	\$74,285,741	\$79,416,985
Operating Expenditures	<u>32,884,127</u>	<u>35,228,317</u>	<u>36,845,517</u>	<u>38,539,250</u>	<u>40,313,214</u>
Net Revenues	27,610,858	29,684,301	33,174,553	35,746,491	39,103,771
Availability Fees	\$ 7,121,785	\$ 8,193,307	\$ 8,068,982	\$ 8,875,881	\$9,763,469
Debt Service	\$18,814,595	\$20,628,989	\$23,666,159	\$27,878,424	\$32,017,508
Debt Service Coverage	1.85	1.84	1.74	1.60	1.53
Debt Service Coverage (net of availability fees)	1.47	1.44	1.40	1.28	1.22

Source: Finance Department, Spotsylvania County, Virginia

⁽¹⁾ The forecast represents projected costs over the ensuing five years, and factors in the net new debt service associated with \$221.7 million in probable debt-funded capital projects planned in the FY 2026 - 2030 adopted CIP. Forecasted revenues assume the rates adopted in May 2025 for FY 2026, and FY 2027, and anticipated increases in user rates in FY 2028 - FY 2030 to pay for anticipated increases in operating and debt service costs.

Management Discussion

The County has maintained a strong financial position for the System with rate adjustments occurring generally on an annual basis. Under normal circumstances, rate structures are evaluated every two years to ensure adequate system funding is collected to maintain, improve, and expand water and sewer infrastructure, as appropriate. Additionally, utilities financials are evaluated throughout the year to ensure overall compliance with the County's fiscal policies applicable to utilities funds.

Selected comments on the financial results include:

- Apart from the pandemic, increases in Charges for Services have resulted annually due to regular annual rate increases. A new two-year set of rates was adopted by the Board of Supervisors in May 2025 to be in effect in FY 2026 and FY 2027.
- Cash available in the utilities operating and capital funds has allowed the completion of capital projects for each year between 2010 and 2019, and in 2021 without the issuance of new money water/sewer debt. Management has projected \$81.1 million in contributed cash, and \$7.5 million in bond interest for 2026 through 2030 to reduce leverage. Days' cash on hand as of June 30, 2025 was 1,138 days, which is well above the County's fiscal policy minimum requirement of 772 days.
- An increase in projected debt service through FY 2030 is predominantly attributable to two significant expansion projects: (1) the Massaponax Wastewater Treatment Plant, currently under construction, to increase capacity by 42.5%, from 9.4 MGD to 13.4 MGD; and (2) the Motts Run Water Treatment Plant, to increase capacity by 100%, from 12 MGD to 24 MGD.
- Depreciation is not budgeted as part of the annual budget, which should be taken into consideration when reviewing the budget figures for Fiscal Years 2025 and 2026 on the preceding page.
- The County's typical water and sewer user uses approximately 4,300 gallons of water per month, and pays approximately \$73.00 (effective July 1, 2025) for combined water and sewer service each month.
- 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 Resort is expected to open in late 2026 and is estimated to use an average of 229,000 gallons of water per day, with peak usage reaching 413,000 gallons. Projected operating results, starting in Fiscal Year 2027, include estimated initial connection and capital recovery charges and ongoing user charges for services.

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ANNUAL DEBT SERVICE

Upon issuance of the Series 2026 Bonds, the County will have no outstanding bonded indebtedness and any other obligations secured by the Net Revenues of the System other than the Series 2015 Bonds, the Series 2019 Bonds, the Series 2020 Bonds, the Series 2022 Bonds, the Series 2023 Bonds, the Series 2024 Bonds and the Series 2026 Bonds. The County has no outstanding general obligation bonds incurred for costs related to the System.

The following table sets forth the amount required for the payment of principal of (either at maturity or by mandatory redemption) and interest on the obligations payable from Net Revenues of the System.

**DEBT SERVICE REQUIREMENTS ON
OUTSTANDING SYSTEM-RELATED LONG-TERM DEBT
AND SERIES 2026 BONDS**

Fiscal Year	Outstanding Debt		Series 2026 Bonds		Total Debt Service		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 8,895,000	\$9,310,084					
2027	6,760,000	8,858,959					
2028	7,060,000	8,547,709					
2029	9,340,000	8,173,084					
2030	10,760,000	7,706,934					
2031	11,150,000	7,194,403					
2032	11,435,000	6,695,553					
2033	10,640,000	6,245,053					
2034	11,070,000	5,808,970					
2035	11,525,000	5,353,875					
2036	10,585,000	4,897,475					
2037	10,935,000	4,457,150					
2038	9,030,000	4,015,475					
2039	9,395,000	3,652,775					
2040	9,760,000	3,275,075					
2041	7,585,000	2,923,063					
2042	6,855,000	2,613,125					
2043	7,170,000	2,305,100					
2044	7,495,000	1,978,013					
2045	7,840,000	1,630,988					
2046	8,205,000	1,267,788					
2047	8,585,000	887,638					
2048	8,990,000	489,625					
2049	4,485,000	183,600					
2050	2,030,000	40,600					
2051	-	-					
Total	\$217,580,000	\$108,512,109					

Note: Some of the columns and rows may not add exactly because of the effect of rounding.

WATER AND SEWER SYSTEM CAPITAL IMPROVEMENT PLAN⁽²⁾

The Board annually adopts a five-year Capital Improvement Plan for the System (the “CIP”), approving the first year of the CIP for implementation and the remaining four years for planning purposes. This year, after the CIP was adopted by the Board, the County’s finance department continued its analysis and ultimately revised the CIP (with the awareness of the Board) to reduce debt, based on cash flow projections. The FY 2026 - FY 2030 CIP, as adjusted by the County’s finance department as described above, is as follows:

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>Total</u>
<i>Uses</i>	\$111,135,000	\$69,330,000	\$37,325,000	\$54,425,000	\$53,150,000	\$325,365,000
<i>Sources:</i>						
Cash	\$40,267,127	\$17,130,000	\$7,625,000	\$7,975,000	\$8,150,000	\$81,147,127
Other Sources ⁽¹⁾	14,767,873	7,778,429	-	-	-	22,546,302
Revenue Bonds	<u>56,100,000</u>	<u>44,421,571</u>	<u>29,700,000</u>	<u>\$46,450,000</u>	<u>\$45,000,000</u>	<u>221,671,571</u>
Total	<u>\$111,135,000</u>	<u>\$69,330,000</u>	<u>\$37,325,000</u>	<u>\$54,425,000</u>	<u>\$53,150,000</u>	<u>\$325,365,000</u>

Source: Finance Department, Spotsylvania County, Virginia

⁽¹⁾ Other sources include intergovernmental revenues and interest earnings.

⁽²⁾ FY 2026 Adopted Five-Year Capital Improvement Plan revised December, 2025

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SECTION FOUR: THE COUNTY OF SPOTSYLVANIA, VIRGINIA

Located in the northeastern section of Virginia, Spotsylvania 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.

Government

The Board of Supervisors (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, 2029. 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/Mental Retardation 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 County Administrator also 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, the Deputy County Administrator or one of several Assistant County Administrators, 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.

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.

Benjamin L. Loveday, P.E., Assistant County Administrator/Director of Utilities and Public Works, was appointed Assistant County Administrator in January, 2020, and has been the Director of Utilities and Public Works since August, 2018, after serving as Deputy Director of Utilities for approximately two years. He earned a Bachelor of Science in Civil Engineering from Virginia Polytechnic Institute and State University and a Graduate Certificate in Public Administration from the University of Virginia. Mr. Loveday is a registered Professional Engineer in Virginia with over 15 years of experience in both the private and public sectors. His experience includes land development engineering, solid waste program management, construction administration, utility engineering, and public services program management. Mr. Loveday is an active member of the American Water Works Association and Solid Waste Association of North America (SWANA). He currently serves as President of SWANA's Virginia Section.

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 AASA-Howard University Urban Superintendents Academy Certificate.

ECONOMIC AND RELATED DATA

Population Figures

The following table presents County population figures for selected years:

<u>Year</u>	<u>Population</u>
1990	57,403
2000	91,504
2010	122,397
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	152,021
2025	153,000

Source: 2016-2024: U.S. Census Bureau. 2025: Spotsylvania County Planning Department.

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Income Profile

Median Household Income

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Spotsylvania County	\$94,299	\$100,162	\$105,068	\$109,834	\$112,738
Commonwealth of Virginia	79,154	80,926	87,249	\$90,974	93,170

Sources : U.S. Census Bureau, American Community Survey, 2023 five-year estimates. Latest information available.

Per Capita Income

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Spotsylvania County + City of Fredericksburg	\$55,077	\$60,595	\$62,617	\$65,590	\$67,935
Commonwealth of Virginia	61,469	66,838	69,021	\$73,841	73,204

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

Fiscal Year	Number				Value ⁽⁴⁾			
	Commercial ⁽¹⁾	Residential ⁽²⁾	Accessory Permits ⁽³⁾	Total	Commercial	Residential	Accessory Permits	Total
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
2024 ⁽⁷⁾	320	737	3,763	4,820	1,545,140,493	243,738,285	222,323,167	2,011,201,945
2025	304	796	3,429	4,529	264,828,448	250,194,299	315,921,240	830,943,987

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.

⁽⁷⁾ Includes submission of commercial applications for multiple data center sites.

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⁾		2010 ⁽²⁾		2020 ⁽²⁾		2025 ⁽²⁾	
	Number	%	Number	%	Number	%	Number	%
Single Family:								
Detached ⁽³⁾	28,804	86.5%	37,476	86.5%	41,776	80.1%	43,441	76.4%
Attached ⁽⁴⁾	2,522	7.6	2,730	6.3	4,756	9.1	5,403	9.5
Multi Family:								
Apartments ⁽⁵⁾	<u>1,983</u>	<u>5.9</u>	<u>3,136</u>	<u>7.2</u>	<u>5,629</u>	<u>10.8</u>	<u>8,022</u>	<u>14.1</u>
Total	33,309	100.0%	43,342	100.0%	52,161	100.0%	56,866	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 2025.

(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 opened in March 2025. The nearly \$400 million development occupying a 470,000 square foot facility on a 48-acre site in Spotsylvania is privately owned and is 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.

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 1,000 jobs and 1,500 jobs during peak season. 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, 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 2023 report, Spotsylvania County ranked 23rd out of 133 counties and incorporated cities within the Commonwealth for tourism expenditures generating approximately \$239 million in direct visitor spending, up 8.0% from 2022. Spotsylvania Tourism continues to update its marketing plan, focusing on growth, and quickly adapting to changes in travel trends. The following are examples of the many tourism opportunities that are available in Spotsylvania:

Virginia Renaissance Faire – The Faire is held at the Lake Anna Winery for five weekends each year, averaging 25,000 visitors each season. The event features a variety of live entertainment, including music, magic, jousting, and theatre, along with artisan crafts, food, and themed weekends like Celtic Heritage, Romance, and a Pirate Invasion. The faire aims for an immersive, 16th-century festival experience, welcoming visitors as fellow citizens in the recreated village of Staffordshire.

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. For 2024, the Publix Virginia Soccer Training Center (PVSTC) hosted several major soccer tournaments and training events that drew visitors from across the region. The most significant events for tourism included the Virginia State Cup, the Virginia Presidents Cup, the Virginia Super Cup, and Keeper Wars Ink.

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.

The Shannon Air Museum attracts tourists by offering a rare and high-quality collection of vintage aircraft, including the only Vultee V1A in the world, from the Golden Age of Aviation. It provides an intimate viewing experience with well-preserved airplanes and authentic memorabilia, enhanced by knowledgeable docents and a unique airport setting. The museum's amenities, such as the connected Robin's Nest Cafe and its location near historic Fredericksburg, further contribute to the tourism benefits, making it a notable destination for aviation enthusiasts and history buffs.

Dominion Raceway and Entertainment, a premier motorsports and entertainment venue, continues to offer 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

<u>Name</u>	<u>Nature of Business</u>	<u>Employee Range</u>
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	250-499
CVS Pharmacy	Pharmacy Distribution Center	250-499
Lidl US Operations	Grocery Distribution Center	250-499
Germanna Community College	Education	250-499
United Parcel Services	Package Delivery Service	250-499
Kaeser Compressors	Air Compressor Manufacturer	250-499
Weis Markets	Grocery	250-499
Costco Wholesale	Retail	250-499
WaWa	Convenience Store	250-499
Fredericksburg Christian School	Educational Services	100-249
Target Corp	Retail	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
Carolina Builders Corporation	Merchant Wholesalers	100-249
Rappahannock Electric Cooperative	Utilities	100-249

Source: Virginia Employment Commission, as of 3rd quarter 2024.

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

<u>Name</u>	<u>Nature of Business</u>	<u>Employee Range</u>
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
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
Brothers RC Contractors LLC	Specialty Trade Contractors	500-999
McDonald's	Food Services and Drinking Place	250-499
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 3rd quarter 2024.

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Unemployment Rate

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Spotsylvania County	4.0%	3.7%	3.0%	2.8%	6.0%	3.9%	2.9%	2.9%	3.1%	3.8%
Commonwealth of Virginia	4.0	3.7	3.0	2.8	6.2	3.9	2.9	3.0	3.1	3.9
United States	4.9	4.4	3.9	3.7	8.1	5.9	3.7	3.7	4.3	4.4

Source: Bureau of Labor Statistics, not seasonally adjusted, as of June 30th

Pension Plan and Postemployment Benefits Other Than Pensions

The County’s Other Postemployment Benefit Plan is in 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. Additional information on the plans, including plan descriptions, actuarial methods and assumptions are set forth in Note 12 in the County’s Annual Comprehensive Financial Report for Fiscal Year 2025 attached as Appendix E to this Official Statement. Additional information on each plan’s funded status and funding progress can be found in Appendix E to this Official Statement.

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.

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.

Key provisions of the fiscal policies for Utilities are summarized below:

1. The County will maintain a Utilities Fund Balance of at least 100% of the average for the last three years of total revenues.
2. Target net revenues after operational expenditures to be at least 1.3 times debt service requirements.
3. The County will maintain total operating revenues (which do not include availability fees) at a level which supports no less than 100% of operating and debt service costs of the Utilities Operating Fund.

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 the County assets and systems from internal and external threats. The County has a dedicated Security Officer who oversees these efforts. The County maintains a robust cybersecurity insurance policy.

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SECTION FIVE: MISCELLANEOUS

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Series 2026 Bonds will be subject to the approving opinion (the “Bond Opinion”) of Haneberg Hurlbert PLC, Bond Counsel, which will be furnished at the expense of the County upon delivery of the Series 2026 Bonds, substantially in the form attached hereto as Appendix C. The Bond Opinion will be limited to matters relating to authorization and validity of the Series 2026 Bonds and to the tax status of interest thereon as described in the section “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 2026 Bonds, and the 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 the decision to purchase Series 2026 Bonds.

Certain matters will be passed on for the County by Karl R. Holsten, Esq., County Attorney.

TAX MATTERS

Opinion of Bond Counsel

Opinion of Bond Counsel. In the opinion of Bond Counsel, under current law, interest, [including accrued original issue discount (“OID”)], on the Series 2026 Bonds (a) is not included in gross income for Federal income tax purposes, and (b) is not an item of tax preference for purposes of the Federal alternative minimum income tax on individuals. However, interest on the Series 2026 Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Internal Revenue Code of 1986, as amended (the “Code”), to the extent that such interest is included in the “adjusted financial statement income” (as defined in Section 56A of the Code) of such corporations. Bond Counsel is also of the opinion that interest on the Series 2026 Bonds is exempt from income taxation by the Commonwealth of Virginia. [Except as discussed below regarding OID,] no other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership or the receipt or accrual of interest on the Series 2026 Bonds.

Bond Counsel’s opinion is given in reliance upon certifications by representatives of the County as to certain facts relevant to both the opinion and requirements of the Code, and is subject to the condition that there is compliance subsequent to the issuance of the Series 2026 Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for Federal income tax purposes. The County has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Series 2026 Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Series 2026 Bonds. Failure by the County to comply with such covenants, among other things, could cause interest, [including accrued OID,] on the Series 2026 Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issue.

[*Original Issue Discount.* The initial offering prices of each maturity of the Series 2026 Bonds maturing in the years 20__ and 20__ (the “OID Bonds”), will be less than their stated principal amount. In the opinion of Bond Counsel, under current law, the difference between the stated principal amount and the initial offering price of each maturity of OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of such Series 2026 Bonds is sold will constitute OID. The offering prices set forth on the inside cover of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of such Series 2026 Bonds are sold.

Under the Code, for purposes of determining the holder’s adjusted basis in an OID Bond, OID treated as having accrued while the holder holds the Series 2026 Bond will be added to the holder’s basis. OID will accrue on a constant yield-to-maturity method. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond.

Prospective purchasers of the OID Bonds should consult their own tax advisors with respect to the calculation of accrued OID and the state and local tax consequences of owning or disposing of such Series 2026 Bonds.]

Original Issue Premium. Series 2026 Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for Federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Series 2026 Bonds while so held. Purchasers of such Series 2026 Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Series 2026 Bonds.

Other Tax Matters. In addition to the matters addressed above, prospective purchasers of the Series 2026 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 2026 Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Series 2026 Bonds also should consult their own tax advisors as to the status of interest on the Series 2026 Bonds under the tax laws of any state other than Virginia.

The Internal Revenue Service (the "Service") has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for Federal income tax purposes. If the Service does audit the Series 2026 Bonds, under current Service procedures, the Service will treat the County as the taxpayer and the owners of the Series 2026 Bonds will have only limited rights, if any, to participate.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Service or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

There are many events which could affect the value and liquidity or marketability of the Series 2026 Bonds after their issuance, including but not limited to public knowledge of an audit of the Series 2026 Bonds by the Service, a general change in interest rates for comparable securities, a change in Federal or state income tax rates, Federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Series 2026 Bonds who purchase Series 2026 Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations, and purchasers of the Series 2026 Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Series 2026 Bonds.

LITIGATION

The County Attorney is of the opinion that there is no litigation pending or, to the best of his information, knowledge and belief, threatened against the County in either Virginia or Federal courts that would in any way affect the validity of the Series 2026 Bonds or the ability of the County to make payments on the Series 2026 Bonds or to own and operate the System and collect the revenues of the System and apply such revenues in accordance with the Agreement of Trust.

The County and its employees have been named from time to time as defendants in claims that which are being defended by the County Attorney and associated counsel. The County's potential liability is protected partially by sovereign immunity, indemnification agreements and insurance policies. In addition, the County Attorney is aware of potential claims that are unasserted at this time. The County Attorney is of the opinion that

none of the litigation currently pending or threatened can reasonably be expected to have a material adverse effect on the financial condition of the County or the System.

SALE AT COMPETITIVE BIDDING

The Series 2026 Bonds will be offered for sale at competitive bidding at 10:30 a.m. Eastern Time, October February 24, 2026. After the Series 2026 Bonds have been awarded, the County will issue an Official Statement in final form. A copy of the Official Notice of Sale and the Official Bid Form is attached as Appendix E. The County will deem the Official Statement final as of its date, and the Official Statement in final form will be a “Final Official Statement” within the meaning of Rule 15c2-12. The Official Statement in final form will include, among other matters, the identity of the winning bidder, the expected selling compensation to such winning bidder and other information on the interest rates and offering prices for yields of the Series 2026 Bonds, all as supplied by the winning bidder.

FINANCIAL ADVISOR

PFM Financial Advisors LLC, Arlington, Virginia (the “Financial Advisor”), 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 2026 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 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 2026 Bonds is contingent upon the issuance and delivery of the Series 2026 Bonds.

RELATIONSHIP OF PARTIES

Haneberg Hurlbert PLC, Bond Counsel, also serves from time to time as counsel to the Trustee in transactions unrelated to the issuance of the Series 2026 Bonds.

RATINGS

As set forth on the cover page of this Official Statement, Moody's, Standard & Poor's and Fitch have assigned ratings of “Aa1”, “AA+” (stable outlook), and “AA+” (stable outlook) respectively, to the Series 2026 Bonds.

Such ratings reflect only the view of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, 99 Church Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2026 Bonds.

CONTINUING DISCLOSURE

To assist the Underwriters in complying with the provisions of the Rule, the County has agreed to execute a Continuing Disclosure Agreement (the “CDA”) at closing, substantially in the form of Appendix D attached hereto, in order to provide certain annual financial information and material event notices required by the Rule. 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 Appendix D, 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 2026 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. In addition to any notices previously filed on EMMA or otherwise disclosed in Official Statements for the County's bonds, the County filed (1) a Continuing Disclosure Notice on EMMA on or about December 30, 2024 disclosing that the filing of its Annual Comprehensive Financial Report ("ACFR") for fiscal year 2024 would be late, and (2) a Continuing Disclosure Notice on EMMA on or about April 7, 2025 disclosing the filing date for the ACFR for fiscal year 2024, and that the filing of the ACFR for fiscal year 2024 was late.

On May 23, 2025, the County was informed that a portion of its debt service payment for certain of its General Obligation Qualified Energy Conservation Bonds, Series 2012B was misapplied due to a processing error by the County's Paying Agent. Notice of the misapplication, the circumstances surrounding the misapplication, and the actions taken by the County to remediate the same, was published in a Continuing Disclosure Notice (the "Misapplication Notice") filed by the County on EMMA on July 16, 2025. As described in the Misapplication Notice, the filing of the Misapplication Notice was late under the Rule 15c2-12, as it took the County several weeks, after learning of the misapplication, to ascertain and confirm the facts surrounding the misapplication.

Except as described in the foregoing paragraphs, and 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 2026 Bonds or the Agreement of Trust. 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.

ADDITIONAL INFORMATION

Any question concerning the content of this Official Statement should be directed to Ed 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 (571-527-5141).

SUMMARIES AND DESCRIPTIONS

The summaries or descriptions in this Official Statement, including Appendix B, of provisions of the Series 2026 Bonds, the Agreement of Trust and other documents and agreements are brief outlines of certain provisions thereof and do not purport to be complete statements of such provisions. Reference is made to the Series 2026 Bonds, the Agreement of Trust and such other documents and agreements for complete information. Copies of the Agreement of Trust are on file with the Trustee and at the office of the County Administrator.

This Official Statement and any advertisement of the Series 2026 Bonds are not to be construed as a contract with the purchasers of the Series 2026 Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of these estimates will be realized.

APPROVAL OF OFFICIAL STATEMENT

So far as any statements made in this Official Statement and the appendices attached involve matters of opinion or of estimates, whether or not so expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The distribution of this Preliminary Official Statement has been duly authorized by the Board. This Preliminary Official Statement is in a form deemed final as of its date within the meaning of the Rule, except for the omission of certain pricing and other information permitted to be omitted pursuant to the Rule.

COUNTY OF SPOTSYLVANIA, VIRGINIA

By: _____
Edward Petrovitch
County Administrator

DEFINITIONS OF CERTAIN TERMS

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APPENDIX A

“**Account**” shall mean any of the various Accounts created within a Fund under the Agreement of Trust.

“**Agreement of Trust**” shall mean the Agreement of Trust as supplemented or amended by one or more Supplemental Agreements.

“**Annual Budget**” shall mean the budget by that name referred to in the Agreement of Trust.

“**Annual Debt Service**” shall mean the amount of payments required to be made for principal of and interest on any specified Indebtedness, including mandatory sinking fund redemptions and payments pursuant to agreements with providers of credit enhancement or liquidity support with respect to such Indebtedness, to reimburse such providers for debt service payments made, and to pay credit enhancement or liquidity support fees, with respect to such Indebtedness, scheduled to come due within a specified Fiscal Year, net of actual subsidy payments received as a credit with respect to each interest payment pursuant to Section 6431 of the Code, or any successor provision. For purposes of calculating Annual Debt Service, the following assumptions are to be used to calculate the principal and interest due in such specified Fiscal Year:

(a) In determining the principal amount due in the Fiscal Year, payment shall be assumed to be made in accordance with any amortization schedule established for such Indebtedness (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization), including any scheduled redemption of such specified Indebtedness on the basis of accreted value and, for such purpose, the redemption payment shall be deemed a principal payment;

(b) If any of the specified Indebtedness constitutes Tender Indebtedness, then Annual Debt Service on the options or obligations of the holders of such Indebtedness to tender the same for purchase or payment prior to their stated maturity or maturities shall be treated as a principal maturity occurring on the first date on which owners of such Indebtedness may or are required to tender such Indebtedness, except that any such option or obligation to tender Indebtedness shall be ignored and not treated as a principal maturity if (1) such Indebtedness is rated in one of the two highest long-term rating categories (without regard to any rating refinement or gradation by numerical modifier or otherwise) by a Rating Agency or such Indebtedness is rated in the highest short-term note or commercial paper rating categories by a Rating Agency and (2) any obligation the County may have, other than its obligation on such Indebtedness, to reimburse any extender of a credit, or liquidity facility or a bond insurance policy, or similar arrangement, shall either be subordinated to the obligation of the County on such Indebtedness or shall have been incurred under and shall have met the tests and conditions for the issuance of such specified Indebtedness set forth in the Agreement of Trust;

(c) If any of the specified Indebtedness constitutes Variable Rate Indebtedness, the interest rate on such Indebtedness shall be assumed to be 110% of the greater of (1) the daily average interest rate on such Indebtedness during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Indebtedness shall have been Outstanding or (2) the rate of interest on such Indebtedness on the date of calculation;

(d) If any of the specified Indebtedness constitutes Balloon Indebtedness, then, for purposes of determining the annual amount payable on account of principal of and interest on such Indebtedness, such Indebtedness that is or would be Balloon Indebtedness shall be treated as if the principal amount of such Indebtedness were to be amortized in substantially equal annual installments of principal and interest over a term of 30 years; and the interest rate used for such computation shall be the rate quoted in the 30-year revenue bond index published by The Bond Buyer no more than two weeks prior to the date of calculation, or if that index is no longer published, another similar index selected by the County, or if the County fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Indebtedness on the date of issuance, or if there are no such Treasury bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States of America ranked by assets;

(e) Indebtedness that is no longer Outstanding pursuant to the Agreement of Trust or otherwise shall be disregarded and not included in the calculation of Annual Debt Service;

(f) For any Indebtedness for which a binding commitment, letter of credit or other credit arrangement providing for the extension of such Indebtedness beyond its original maturity date exists, the computation of the annual amount payable on account of principal and interest on such Indebtedness shall, at the option of the County, be made on the assumption that such Indebtedness will be amortized in accordance with such credit arrangement; and

(g) Except for Hedge Agreements, Interest Liability Swaps are to be disregarded in calculating the Series Debt Service Reserve Requirement. Upon incurrence of a Hedge Agreement, all calculations, including for the annual amount on account of principal and interest on Indebtedness subject to the Hedge Agreement, shall be made using the Hedge Fixed Rate for the applicable period and such Indebtedness shall not be considered as Variable Rate Indebtedness for such period.

“Authorized Representative of the County” shall mean 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.

“Authorized Utilities Representative” shall mean such person or persons as may be designated to act on behalf of the Department of Utilities of the County by a certificate executed by the Director of Utilities and on file with the Trustee.

“Balloon Indebtedness” shall mean indebtedness 25% or more of the principal of which matures on the same date and such indebtedness is not required to be amortized by payment or redemption prior to such date. If any indebtedness consists partially of Variable Rate Indebtedness and partially of indebtedness bearing interest at a fixed rate, the portion constituting Variable Rate Indebtedness and the portion bearing interest at a fixed rate shall be treated as separate issues for purposes of determining whether any such indebtedness constitutes Balloon Indebtedness.

“Board” shall mean the Board of Supervisors of the County, the governing body of the County.

“Bond Anticipation Notes” shall mean any notes issued in anticipation of the issuance of Bonds.

“Bond Counsel” shall mean an attorney or firm of attorneys nationally recognized on the subject of municipal bonds.

“Bond Fund” shall mean the Bond Fund established in the Agreement of Trust.

“Bondholders” or **“holders”** of Bonds shall mean the registered owners of Bonds.

“Bonds” shall mean any bonds, notes or other obligations issued from time to time pursuant to the Agreement of Trust, including Bond Anticipation Notes, but not including Parity Debt and Subordinate Debt.

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

“Connection Fees” shall mean all nonrecurring fees that the County collects from developers, builders or others to compensate the County for providing System capacity and to connect to the System facilities related to any installation of and expansion to the System.

“Code” shall mean the Internal Revenue Code of 1986, as amended, including applicable regulations, rulings and revenue procedures promulgated or applicable thereunder.

“Commonwealth” shall mean the Commonwealth of Virginia.

“Construction Fund” shall mean the Construction Fund established in the Agreement of Trust.

“Consulting Engineer” shall mean (a) an Independent Consulting Engineer or (b) the designated person(s) within the Department of Utilities of the County or of any successor department who is (1) an engineer experienced in the field of water or sanitary sewer engineering (as appropriate) and (2) licensed and registered as a professional engineer in the Commonwealth.

“Contracted Services” shall mean (a) services rendered or facilities provided to the County in respect to the System or (b) the performance of functions for or on behalf of the County that are similar to those performed by the System, from a specific project or system, pursuant to a contract, lease, service agreement or another similar arrangement.

“Cost” or “Cost of a Project” shall mean the Cost of a Project as set forth in the Agreement of Trust.

“Cost of Contracted Services” shall mean the payments to be made by the County for Contracted Services under service agreements as set forth in the Agreement of Trust, which may consist of any of the following three components: a Debt Service Component, an Operating Component, and a Remaining Component, as designated by the County Administrator or his designee for each service agreement.

“Debt Service Component” shall have the meaning set forth in the definition of “Cost of Contracted Services.”

“Debt Service Reserve Fund” shall mean the Debt Service Reserve Fund established in the Agreement of Trust.

“Event of Default” shall mean any of the events enumerated in the Agreement of Trust.

“Fiscal Year” shall mean the twelve-month period beginning on July 1 of one year and ending on June 30 of the following year, or such other fiscal year of twelve months as may be selected by the County.

“Fund” shall mean the Revenue Fund, Bond Fund, Parity Debt Fund, Debt Service Reserve Fund, Subordinate Debt Fund, Renewal, Replacement and Expansion Fund or any other fund created under the Agreement of Trust.

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

“Government Obligations” shall mean (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 of any agency of the United States of America unconditionally guaranteed as to the timely payment of principal and interest by the United States of America.

“Hedge Agreement” shall mean an interest rate swap, cap, collar, floor, forward or other hedging agreement, arrangement or security however denominated, expressly identified pursuant to its terms as being entered into in connection with and in order to hedge interest rate fluctuations on all or a portion of any Bonds where (a) interest on such Bonds or such portion of such Bonds is payable at a variable rate of interest for any future period of time or is calculated at a varying rate per annum and (b) a fixed rate is specified by the County in such agreement, or such Bonds, taken together with such agreement, results in a net fixed rate payable by the County for such period of time (the “Hedge Fixed Rate”), assuming the County and the party(ies) with whom the County has entered into the agreement make all payments required to be made by the terms of the agreement, provided that no such agreement may be entered into by the County unless any termination or similar payment which may be payable by the County thereunder is expressly subordinated to the obligation of the County on the Bonds.

“Indebtedness” shall mean Senior Debt and Subordinate Debt.

“Independent Consulting Engineer” shall mean an independent engineer, who is not employed by the County, experienced in the field of water or sanitary sewer engineering (as appropriate) and licensed and registered as a professional engineer in the Commonwealth.

“Interest Account” shall mean the Interest Account in the Bond Fund established in the Agreement of Trust.

“Interest Liability Swap” shall mean a contract pursuant to which a party (the “Counterparty”) has agreed to make payments to the County during a particular period equal to the interest payable on specified Bonds or on a specified nominal amount at the actual rate or rates or, if on a nominal amount at a stated rate or rates, payable thereon and, in consideration therefor, the party obligated on the Bonds or otherwise executing the agreement agrees to make payments to the Counterparty equal to the interest required to be paid on the specified Bonds or stated to be due on the nominal amount during the period calculated as if the specified Bonds or nominal amount bore an assumed rate of interest specified in the contract.

“Letter of Representations” shall mean the Blanket Letter of Representations dated January 15, 1997, from the County to the Securities Depository and any amendments thereto or successor agreements between the County and any successor Securities Depository, relating to a book-entry system to be maintained by the Securities Depository with respect to the Series 2026 Bonds. Notwithstanding any provision of the Agreement of Trust, the Trustee may enter into any such amendment or successor agreement without the consent of Bondholders.

“Moody's” shall mean Moody's Investors Service, New York, New York, or its successors.

“Net Proceeds” shall mean the gross proceeds from any insurance recovery or recovery in any condemnation proceeding remaining after payment of attorneys' fees, fees and all other expenses incurred in collection of such gross proceeds.

“Net Revenues” shall mean Revenues less Operating Expenses.

“Operating Account” shall mean the Operating Account in the Revenue Fund established in the Agreement of Trust.

“Operating Component” shall have the meaning set forth in the definition of “Cost of Contracted Services.”

“Operating Expenses” shall mean all current expenses directly or indirectly attributable to the ownership or operation of the System, including reasonable and necessary usual expenses of administration, operation, maintenance and repair, costs for billing and collecting the rates, fees and other charges for the use of or the services furnished by the System, amounts to reimburse the County for administrative expenses incurred in connection with the System, insurance and surety bond premiums, legal, engineering, auditing and financial advisory expenses, expenses and compensation of the Trustee, Operating Components, and deposits into a self-insurance program as described in the Agreement of Trust. Operating Expenses shall not include any allowance for depreciation, Debt Service Components, Remaining Components, deposits or transfers to the Bond Fund, the Parity Debt Fund, the Debt Service Reserve Fund, the Subordinate Debt Fund, the Renewal, Replacement and Expansion Fund or the Surplus Fund or expenditures for capital improvements to and extensions of the System.

“Opinion of Counsel” shall mean an opinion of any attorney or firm of attorneys acceptable to the Trustee, who may be counsel for the County but shall not be an employee of either the County or the Trustee.

“Outstanding” shall mean, when used as descriptive of obligations, that such obligations have been authorized, issued, authenticated and delivered under the Agreement of Trust and have not been canceled or surrendered to the Trustee for cancellation, deemed to have been paid as provided in the Agreement of Trust, have

had other obligations issued in exchange therefor or had their principal become due and moneys sufficient for their payment deposited with the Trustee as provided in the Agreement of Trust.

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 Agreement of Trust, 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.

“Parity Debt” shall mean (a) the outstanding principal amount of the County's \$2,180,000 Water and Sewer System Revenue Refunding Bonds, Series of 1993, (b) any Debt Service Component that the County is required, or has elected, to treat as payable on a parity with the Bonds with respect to the pledge of Net Revenues and (c) any other indebtedness incurred by the County pursuant to the Agreement of Trust that the County is required, or has elected, to treat as payable on a parity with the Bonds with respect to the pledge of Net Revenues.

“Parity Debt Fund” shall mean the Parity Debt Fund established in the Agreement of Trust.

“Principal Account” shall mean the Principal Account in the Bond Fund established in the Agreement of Trust.

“Project” shall mean (a) the acquisition, construction or equipping of any water or wastewater facilities, structures or buildings which are to become part of the System, including any improvement, extensions, additions, replacements, equipment and appurtenances to or for the benefit of the System, and (b) any water or wastewater treatment capacity or service (which service is required to be capitalized or which the County could properly elect to capitalize if it were a Federal taxpayer) which is to be acquired by the County and which capacity or service is to become part of the System.

“Public Finance Act” shall mean the Public Finance Act of 1991, Chapter 5.1, Title 15.1 of the Virginia Code or any successor provision of law.

“Qualified Independent Consultant” shall mean an independent professional consultant having the skill and experience necessary to provide the particular certificate, report or approval required by the provision of the Agreement of Trust or any Supplemental Agreement in which such requirement appears, including an Independent Consulting Engineer and an independent certified public accountant.

“Rate Covenant” shall mean the obligation of the County to fix, charge and collect rates, fees and other charges for the use of and the services furnished by the System sufficient to meet the two requirements of Section 601 of the Agreement of Trust.

“Rating Agency” or **“Rating Agencies”** shall mean Fitch Investors Service, Inc., Moody's or Standard & Poor's, or any of them, and their successors. The County may appoint any nationally recognized securities rating agency in addition to or as a replacement for Fitch Investors Service, Inc., Moody's or Standard & Poor's.

“Rebate Amount Certificate” shall have the meaning set forth in the Agreement of Trust.

“Remaining Component” shall have the meaning set forth in the definition of “Cost of Contracted Services.”

“Renewal, Replacement and Expansion Fund” shall mean the Renewal, Replacement and Expansion Fund established in the Agreement of Trust.

“Reserve Determination Date” shall mean (a) each interest payment date for the Bonds or (b) any other date established in writing by an Authorized Representative of the County for the valuation of obligations on deposit in any Series Debt Service Reserve Account.

“Revenue Fund” shall mean the Revenue Fund established in the Agreement of Trust.

“Revenues” shall mean all moneys received as rates, fees and other charges for, or payments in respect of, the use of and for the services furnished by the System, including Connection Fees and investment earnings that are deposited in the Revenue Fund. Revenues shall not include customer deposits. Revenues shall not include customer deposits, and shall not be deemed to include any credit to which the County is entitled pursuant to Section 6431 of the Code or any successor provision.

“Securities Depository” shall mean The Depository Trust Company, a corporation organized and existing under the laws of the State of New York, and any other securities depository for the Bonds appointed pursuant to the Agreement of Trust, and their successors.

“Senior Debt” shall mean Bonds and Parity Debt.

“Series” or **“Series of Bonds”** shall mean a separate series of Bonds issued under the Agreement of Trust and a Supplemental Agreement.

“Series 2026 Cost of Issuance Account” shall mean the Series 2026 Cost of Issuance Account established in the Agreement of Trust.

“Standard and Poor's” shall mean Standard & Poor's Ratings Group, a Division of McGraw-Hill, Inc., New York, New York, or its successors.

“Subordinate Debt” shall mean any bonds, notes or other obligations issued in connection with the System (a) which are expected to be paid from Net Revenues and designated by the County as Subordinate Debt or (b) which have pledged to their payment Net Revenues as a subordinate lien pledge after the pledge of Net Revenues to Senior Debt, including any Debt Service Component and Remaining Component that the County is required, or has elected, to treat as Subordinate Debt.

“Subordinate Debt Fund” shall mean the Subordinate Debt Fund established in the Agreement of Trust.

“Supplemental Agreement” shall mean any Supplemental Agreement supplementing or modifying the provisions of the Agreement of Trust entered into by the County and the Trustee pursuant to the Agreement of Trust.

“Surplus Fund” shall mean the Surplus Fund established in the Agreement of Trust.

“System” shall mean all plants, systems, facilities, equipment or property owned, operated or maintained by the County from time to time, together with all future extensions, improvements, enlargements and additions thereto, and all replacements thereof, used in connection with the collection, treatment or disposal of sanitary sewage and the supply, treatment, storage or distribution of water.

“Tender Indebtedness” shall mean any indebtedness a feature of which is an option or obligation on the part of the holders of such indebtedness to tender all or a portion of such indebtedness to a fiduciary for mandatory purchase or redemption prior to the stated maturity date of such indebtedness, which may include Variable Rate Indebtedness with such a feature.

“Term Bonds” shall mean 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.

“Trustee” shall mean U.S. Bank National Association, Richmond, Virginia, or its successors serving as such hereunder.

“Trustee's Fees and Expenses” shall mean an initial acceptance fee and annual administrative fees plus expenses in accordance with the fee schedule set forth in a letter from the Trustee to the County dated June 15, 1997.

“Utility Transfers” shall mean annual transfers from the Surplus Fund to the County's general fund, as may be approved by the Board, (a) as payments in lieu of taxes and (b) as payments in an aggregate amount up to 10% of the increase of retained earnings of the System for the immediately preceding Fiscal Year over the next previous Fiscal Year, as shown on the County's audited financial statements. Utility Transfers are to compensate the County's general fund for loss of revenues because the System is owned by the County and is not a private entity.

“Variable Rate Indebtedness” shall mean any indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate, provided that (a) the maximum interest rate on such indebtedness and the maximum rate payable to any liquidity provider with respect to such indebtedness shall be specified at the time of issuance of such indebtedness, (b) any such liquidity provider shall be rated by a Rating Agency in one of the two highest short-term rating categories of such Rating Agency, (c) any accelerated principal payments or any interest in excess of the bond interest rate due to such liquidity provider shall be subordinate to the payment of debt service on Bonds and (d) any two or more series of Bonds which are issued on the same date, the interest on which when such series are considered in the aggregate shall be a fixed or constant rate shall not be considered Variable Rate Indebtedness.

“Virginia Code” shall mean the Code of Virginia of 1950, as amended.

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**SUMMARY OF CERTAIN PROVISIONS
OF THE AGREEMENT OF TRUST**

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**SUMMARY OF CERTAIN PROVISIONS
OF THE AGREEMENT OF TRUST**

The following is a brief summary of certain provisions contained in the Agreement of Trust and does not purport to be a complete statement of all of the provisions of the Agreement of Trust. Reference is made to the Agreement of Trust in its entirety for complete information on its terms and the terms of the Bonds, the security provisions and the application of Revenues. See also the sections entitled “Description of the Bonds” and “Security for the Bonds” contained in the Official Statement.

General; Application of Proceeds of Bonds

The Agreement of Trust authorizes the issuance of the Bonds by the County, establishes the form and details of the Bonds and makes provision for their execution, authentication, delivery, registration and exchange. All capitalized terms used in this summary have the meaning set forth in the Official Statement and in Appendix B, unless otherwise indicated.

The Bonds and the payment of principal, premium, if any, and interest required to be made on them are not obligations of the Trustee, and the Trustee has no responsibility or liability to make such payments, except that the Trustee is required under the Agreement of Trust and the Bonds to make payments from Net Revenues and certain funds established under the Agreement of Trust.

The Agreement of Trust provides that the proceeds from the purchase of the Bonds be deposited with the Trustee and used to pay the Costs of a Project, to make a deposit to the Interest Account in the Bond Fund in the amount equal to accrued interest on a Series of Bonds, if any, to make a deposit to the Debt Service Reserve Fund for such Series of Bonds, and to pay certain costs of issuance of such Series of Bonds. The Trustee will disburse moneys from the Construction Fund from time to time to or for the account of the County upon the Trustee's receipt of a written requisition in the form prescribed under the Agreement of Trust.

Payment of Bonds and Other Obligations

The Trustee shall promptly pay when due the principal of and interest on the Bonds at the places, on the dates and in the manner provided in the Agreement of Trust and in the Bonds and all other amounts required under the Agreement of Trust, but only to the extent that moneys are on deposit in the Bond Fund or the Construction Fund or other moneys are available under the Agreement of Trust.

Issuance of Additional Bonds

The Agreement of Trust permits the County to issue additional Bonds (a) to pay the Cost of a Project, (b) to pay the costs of planning or investigating the feasibility of acquiring, constructing, improving, extending or expanding the System, (c) to refund any Indebtedness secured by or payable from Net Revenues, including any Bonds, or (d) a combination of such purposes. Each Series of Bonds and Parity Debt will be secured by Net Revenues. Before the issuance and authorization of any additional Bonds or Parity Debt by the County certain conditions specified in the Agreement of Trust must be met, including certain assurances of the sufficiency of System Revenues to pay operation and maintenance expenses of the System and debt service on all Indebtedness.

Among the required conditions set forth in the Agreement of Trust permitting the issuance of additional Bonds are:

(a) in the case of additional Bonds issued to pay the Cost of a Project, the following:

(1) If (A) the original principal amount of such Series of Bonds exceeds \$10,000,000 and (B) the Project does not consist solely of a purchase of water and/or wastewater capacity or construction bids have not been obtained in connection with a Project, a written statement of a Consulting Engineer setting forth such Consulting Engineer's (i) estimate of the Cost of such Project (including all financing and related

costs) and the date on which such Project will be completed and (ii) opinion that the proceeds of such Bonds, together with any other moneys available for such purpose, will be sufficient to pay the Cost of such Project; provided, however, that if the Consulting Engineer is not an Independent Consulting Engineer such statement shall be reviewed and approved by an Independent Consulting Engineer.

(2) Evidence that upon issuance of such Bonds each Series Debt Service Reserve Account within the Debt Service Reserve Fund will contain the applicable Series Debt Service Reserve Requirement; and

(3) Either (A) a certificate of a Qualified Independent Consultant stating that based on the County's financial records for any 12 consecutive months of the last 24 months (the "Test Period") prior to the issuance of such Bonds the County would have been able to meet the Rate Covenant, taking into account the (i) maximum Annual Debt Service on the proposed additional Series of Bonds in the current or any future Fiscal Year and (ii) the rates, fees and other charges which are in effect and any future changes therein as have been approved by the Board at the time of the delivery of the proposed additional Series of Bonds or (B) a written statement of a Qualified Independent Consultant which projects Operating Expenses, Revenues and Net Revenues for two full Fiscal Years following the anticipated completion of the Project and which demonstrates that, on the basis of such projection, the County can comply with the Rate Covenant, taking into account those rates, fees and other charges which are in effect at the time of the delivery of the proposed additional Series of Bonds and any future changes therein as have been approved by the Board at the time of the delivery of the proposed additional Series of Bonds; provided, however, that a Qualified Independent Consultant may not take into account for the purposes of such projection Connection Fees which exceed in any year the actual average number of customers paying Connection Fees during the three prior Fiscal Year times the amount of each Connection Fee expected to be assessed.

(b) in the case of additional Bonds issued to refund any Indebtedness, the following:

(1) Evidence that the County has made provision as required by the Agreement of Trust for the payment or redemption of all Indebtedness to be refunded;

(2) A written determination by a Qualified Independent Consultant or other evidence satisfactory to the Trustee that the proceeds (excluding accrued interest) of such Bonds, together with any other moneys deposited with the Trustee for such purpose and the investment income to be earned on moneys held for the payment or redemption of the Indebtedness to be refunded, will be sufficient (without reinvestment) to pay either (A) the principal of and the premium, if any, on the Indebtedness to be refunded and the interest which will accrue on such Indebtedness to the respective redemption or maturity dates or (B) the principal and interest on the refunding Bonds to a date certain, at which time such proceeds, moneys and earnings will be sufficient to pay the principal of and the premium, if any, on the Indebtedness to be refunded and the interest which will accrue on such Indebtedness to the respective redemption or maturity dates; and

(3) Either (A) a written determination by a Qualified Independent Consultant or other evidence satisfactory to the Trustee that after the issuance of such Bonds and the provision for payment or redemption of all Indebtedness to be refunded, the Annual Debt Service requirements for each Fiscal Year in which there will be Outstanding Bonds of any Series not to be refunded will be not more than what the Annual Debt Service requirements for such Fiscal Year would have been on all Bonds Outstanding immediately prior to the issuance of such Bonds, including the Indebtedness to be refunded, and that the final maturity of any Series of Bonds being refunded has not been extended or (B) a certificate as described in subsection (a)(3) above.

Parity Debt

The County may incur or refinance Parity Debt provided that the documents providing for the Parity Debt specify the amounts and due dates of Annual Debt Service with respect to the Parity Debt and the requirements of clauses (1) and (3) of paragraph (a) or the requirements of paragraph (b) above, as appropriate, have been met as if the Parity Debt was an additional Series of Bonds. Parity Debt will be secured by the pledge of Net Revenues under

the Agreement of Trust on a parity with Bonds issued under the Agreement of Trust, except Parity Debt will not be secured by money in the Bond Fund or the Debt Service Reserve Fund.

Subordinate Debt

The County may at any time issue Subordinate Debt and pledge Net Revenues thereto so long as rates, fees and charges are in effect or scheduled to go into effect to meet the Rate Covenant immediately after the issuance of such Subordinate Debt.

Rate Covenant

The Agreement of Trust contains a rate covenant as described in the section entitled "Security for the Bonds -- Rate Covenant" in the Official Statement.

Establishment of Funds and Accounts

The Agreement of Trust establishes the following Funds and Accounts to be held as indicated:

- (a) County of Spotsylvania Water and Sewer System Construction Fund to be held by the Trustee;
- (b) County of Spotsylvania Water and Sewer System Revenue Fund, in which there shall be established an Operating Account, to be held by the County; provided, however, that upon an Event of Default, the County shall transfer the Revenue Fund to the Trustee;
- (c) County of Spotsylvania Water and Sewer System Bond Fund, in which there shall be established an Interest Account and a Principal Account, and a separate subaccount in each such Account with respect to each Series of Bonds issued hereunder, to be held by the Trustee;
- (d) County of Spotsylvania Water and Sewer System Parity Debt Fund, in which there shall be established separate Accounts and subaccounts as designated by the County for Parity Debt, to be held by the County; provided, however, that upon an Event of Default, the County shall transfer the Parity Debt Fund to the Trustee;
- (e) County of Spotsylvania Water and Sewer System Debt Service Reserve Fund, in which there shall be established Series Debt Service Reserve Accounts for each Series of Bonds which has a Series Debt Service Reserve Requirement, to be held by the Trustee;
- (f) County of Spotsylvania Water and Sewer System Subordinate Debt Fund, to be held by the County;
- (g) County of Spotsylvania Water and Sewer System Renewal, Replacement and Expansion Fund, to be held by the County;
- (h) County of Spotsylvania Water and Sewer System Surplus Fund, to be held by the County; and
- (i) County of Spotsylvania Water and Sewer System Series 2026 Arbitrage Rebate Fund to be held by the County.

Construction Fund. The Trustee will use all moneys in the Series 2026 Cost of Issuance Account and the Series 2026 Cost of Issuance Account in the Construction Fund to pay the costs of issuing the Series 2026 Bonds. The Trustee shall make payments from the Series 2026 Cost of Issuance Account and the Series 2026 Cost of Issuance Account upon receipt of requisitions signed by an Authorized Representative of the County, providing certain required information with respect to the use of the amounts being requisitioned.

Revenue Fund. The County shall collect and deposit all Revenues in the Revenue Fund at least weekly. All subsidy payments received by the County as credits on any Bonds pursuant to Section 6431 of the Code or any

successor provision shall be promptly deposited in the appropriate subaccount of the Interest Account within the Bond Fund pursuant to (a)(1) below. Moneys in the Revenue Fund shall be used only in the manner and priority set forth below.

The County shall pay Operating Expenses, including any Operating Component, as they become due from moneys on deposit in the Revenue Fund and, as necessary, from moneys on deposit in the Operating Account. The County shall transfer from the Revenue Fund to the Operating Account an amount, if any, such that the balance in the Operating Account will be equal to not less than one-sixth of the Operating Expenses to be paid during the Fiscal Year in accordance with the Annual Budget. After retaining such amount in the Operating Account, the County shall transfer from the Revenue Fund, not later than the 25th day of each month, moneys in the following order of priority:

(a) to the Trustee for deposit in the Bond Fund, an amount sufficient to make the following deposits:

(1) first, to the subaccount established for each Series of Bonds in the Interest Account, such amount, if any, as may be required to make the total amount on deposit therein equal to one-sixth of the amount of interest which will become due on the respective Series of Bonds within the next succeeding six months multiplied by the sum of one plus the number of complete months since the last interest payment date for such Series of Bonds; and

(2) then, to the subaccount established for each Series of Bonds in the Principal Account, such amount, if any, as may be required to make the total amount on deposit therein equal to one-twelfth of the amount of principal of the respective Series of Bonds maturing or subject to mandatory sinking fund redemption within the next succeeding 12 months multiplied by the sum of one plus the number of complete months since the last principal payment date for such Series of Bonds;

provided, however, that for any Series of Bonds, the deposits described in (1) and (2) above may be changed in any Supplemental Agreement of Trust and, if the period between the dated date and the first interest payment date is other than six months or the period between the dated date and the first principal payment date is less than 12 months, respectively, then such monthly transfers to the Interest Account or the Principal Account, as appropriate, shall be increased or decreased so as to provide the required amount when due;

(b) to the Parity Debt Fund, an amount with respect to any Parity Debt such that if the same amount is transferred to the Fund each succeeding month preceding the next payment debt on the Parity Debt, there will be on deposit in the Fund an amount equal to the payment due on the Parity Debt on such payment date. If any Parity Debt is payable other than on a monthly basis, the County may provide for monthly deposits to the Parity Debt Fund to amortize such amounts;

(c) to the Trustee for deposit in the Debt Service Reserve Fund, such amount, if any, necessary to increase the amount on deposit in each Series Debt Service Reserve Account to the amount required to reflect the applicable Series Debt Service Reserve Requirement, including amounts necessary to reimburse the provider of any credit facility for draws on such facility;

(d) to the Subordinate Debt Fund such amount, if any, of principal of and interest on Subordinate Debt coming due in the next succeeding month and any deposit to the debt service reserve funds, if any, established in connection with such Subordinate Debt; provided, however, that if any Subordinate Debt is payable other than on a monthly basis, the County may provide for monthly deposits to the Subordinate Debt Fund to amortize such amounts;

(e) to the Renewal, Replacement and Expansion Fund, equal monthly payments over a period of 60 months until the balance in such Fund equals \$500,000 and thereafter, such amounts as shall be necessary to maintain such Fund at an amount equal to \$500,000; and

(f) to the Surplus Fund, any amount remaining in the Revenue Fund.

If the County fails to transfer to the Trustee the amounts required by Subsections (a) and (c) above, the Trustee shall give notice of such failure to the County Administrator and the Director of the Department of Utilities, if any, within 10 days of such failure.

Notwithstanding anything in the Agreement of Trust to the contrary, at any time the County is required to make transfers pursuant to subsections (a) and (b) above, and there are insufficient moneys in the Revenue Fund to make all required transfers pursuant to such subsections, the County shall make the transfers ratably from moneys available in the Revenue Fund.

Bond Fund. The Trustee shall pay when due the principal of and interest on the Bonds from the Principal Account and the Interest Account, respectively.

The Trustee shall provide for redemption of any Term Bonds in accordance with the schedules set forth in the Supplemental Agreement for such Bonds; provided, however, that on or before the 70th day next preceding any such sinking fund payment date, the County may:

(a) deliver to the Trustee for cancellation Term Bonds required to be redeemed on such sinking fund payment date in any aggregate principal amount desired; or

(b) instruct the Trustee to apply a credit against the County's next sinking fund redemption obligation for any such Term Bonds that previously have been redeemed (other than through the operation of the sinking fund) and canceled but not theretofore applied as a credit against any sinking fund redemption obligation.

Upon the occurrence of any of the events described in subsections (a) or (b) above, the Trustee shall credit against the County's sinking fund redemption obligation on the next sinking fund payment date the amount of such Term Bonds so delivered or previously redeemed. Any principal amount of such Term Bonds in excess of the principal amount required to be redeemed on such sinking fund payment date shall be similarly credited in such order as may be determined by the County Administrator against future payments from the Revenue Fund to the Principal Account within the Bond Fund and shall similarly reduce the principal amount of the Term Bonds of the applicable Series to be redeemed on the next sinking fund payment date. Within seven days of receipt of such Term Bonds or instructions to apply as a credit, any amounts remaining in the Principal Account in excess of the amount required to fulfill the remaining required sinking fund redemption obligation on the next sinking fund payment date shall either (1) be used to redeem Bonds or (2) be transferred to the County for deposit to the Revenue Fund.

In the event the balance in the Principal Account or the Interest Account is insufficient for the purposes thereof, the County shall transfer to the Trustee for deposit in such Accounts such amounts as may be necessary therefor from available moneys in the Surplus Fund and then from the applicable Series Debt Service Reserve Account.

Parity Debt Fund. The County shall pay when due payments on any Parity Debt to such person designated for such purpose by an Authorized Representative of the County. The County may pay Debt Service Components from the Parity Debt Fund. In the event the balance on deposit in the Parity Debt Fund is insufficient for the purposes thereof, the County may transfer for deposit in such Fund such amounts as may be necessary therefor from available moneys in the Surplus Fund.

Debt Service Reserve Fund. The Trustee shall use moneys in the Series Debt Service Reserve Accounts to make transfers to the Bond Fund to the extent necessary to pay when due the principal of (whether at maturity or by mandatory sinking fund redemption) and interest on the applicable Series of Bonds if the amounts on deposit therein are insufficient therefor.

On or within five days after each Reserve Determination Date, the Trustee shall determine if the balance on deposit in each Series Debt Service Reserve Account was, as of the Reserve Determination Date, at least equal to the applicable Series Debt Service Reserve Requirement.

In the event the amount on deposit in a Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement, the Trustee shall transfer moneys to such Series Debt Service Reserve

Account to restore such Series Debt Service Reserve Requirement from available moneys in the Revenue Fund. In the event the amount on deposit in a Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement after such transfer from the Revenue Fund, the County shall transfer to the Trustee from available moneys in the Surplus Fund such amount as may be necessary to restore the Series Debt Service Reserve Account to the amount of such Series Debt Service Reserve Requirement. To the extent such moneys are still insufficient to restore the amount on deposit in such Series Debt Service Reserve Account to the amount of the applicable Series Debt Service Reserve Requirement, then the County shall transfer to the Trustee from any legally available moneys the amount of such deficiency as soon as practicable and in any event within one year by depositing one-twelfth of the required amount each month.

In the event the amount on deposit in a Series Debt Service Reserve Account exceeds the applicable Series Debt Service Reserve Requirement, the Trustee (a) shall, prior to the completion of a Project, transfer and deposit such excess in the Construction Fund, and (b) thereafter transfer such excess to the Bond Fund to be deposited, as directed by an Authorized Representative of the County, in the Interest Account or the Principal Account to the extent amounts in such accounts are less than the amounts required to be paid on the next interest payment date and principal payment date, respectively, and otherwise transfer any remaining excess to the Revenue Fund.

In lieu of or in addition to cash or investments, at any time the County may cause to be deposited to the credit of any Series Debt Service Reserve Account any form of credit facility, in the amount of all or a portion of the Series Debt Service Reserve Requirement, irrevocably payable to the Trustee as beneficiary for the holders of the respective Series of Bonds, provided that the Trustee has received evidence satisfactory to it that (a) the provider of the credit facility has a credit rating in one of the two highest credit rating categories by two Rating Agencies, (b) the obligation of the County to pay the fees of and to reimburse the provider of the credit facility is subordinate to its obligation to pay debt service on the respective Series of Bonds, (c) the term of the credit facility is at least 24 months, (iv) the only condition to a drawing under the credit facility is insufficient amounts in the applicable Funds and Accounts held by the Trustee with respect to such Series of Bonds when needed to pay debt service on such Series or the expiration of the credit facility and (e) the provider of the credit facility shall notify the County and the Trustee at least 24 months prior to expiration of the credit facility. If (1) the County receives such expiration notice and the provider of such credit facility does not extend its expiration date, (2) the County receives notice of the termination of the credit facility or (3) the provider of such credit facility no longer has a credit rating in one of the two highest credit rating categories by two Rating Agencies, the County shall (A) provide a substitute credit facility that meets the requirements set forth in the foregoing sentences, (B) deposit the Series Debt Service Reserve Requirement to the respective Series Debt Service Reserve Account (i) in equal monthly installments over the next succeeding 12 months, in the case of receipt of an expiration notice, (ii) prior to the termination date in the case of receipt of a termination notice, or (iii) immediately in the case of such reduction in credit rating or (C) instruct the Trustee to draw on such credit facility in the amount of the Series Debt Service Reserve Requirement (i) 12 months prior to expiration of the credit facility in the case of receipt of an expiration notice, (ii) prior to the termination date in the case of receipt of a termination notice, or (iii) immediately in the case of such reduction in credit rating and deposit such drawing to the Series Debt Service Reserve Account.

If a disbursement is made pursuant to any credit facility, the County shall either (a) reinstate the maximum limits of such credit facility or (b) deposit to the credit of the applicable Series Debt Service Reserve Account moneys in the amount of the disbursement made under such credit facility from available moneys in the Revenue Fund and then from available moneys in the Surplus Fund. To the extent such moneys are still insufficient, then the County shall transfer to the Trustee from any legally available moneys the amount of such deficiency as soon as practicable and in any event within one year by depositing one-twelfth of the required amount each month.

Amounts, if any, released from the Series Debt Service Reserve Account upon deposit to the credit of such Account of a credit facility pursuant to the preceding paragraph shall, upon designation by an Authorized Representative of the County, accompanied by an Opinion of Bond Counsel that such use will not adversely affect the exclusion from gross income of interest on the respective Series of Bonds, be transferred (a) to the Principal Account with respect to such Series of Bonds and used to pay principal of or to redeem such Bonds or (b) to the Construction Fund, and used for payment of the Cost of a Project with respect to such Series.

Subordinate Debt Fund. The County shall pay when due any obligations, including deposits to any debt service reserve funds, related to Subordinate Debt from the Subordinate Debt Fund. The County may pay Remaining Components from the Subordinate Debt Fund. In the event the balance in the Subordinate Fund is

insufficient for the purposes thereof, the County may transfer for deposit in such Fund such amounts as may be necessary therefor from available moneys in the Surplus Fund.

Renewal, Replacement and Expansion Fund. The County may use moneys in the Renewal, Replacement and Expansion Fund solely to pay the cost of repairs and replacements to the System and the cost of acquisition or construction of improvements, extensions, additions or replacements required to be charged to a capital account by generally accepted accounting principles and which constitute or will constitute a part of the System.

Surplus Fund. The County shall use moneys in the Surplus Fund as needed in the following priority:

- (a) To pay Operating Expenses for which the balance in the Revenue Fund, as certified by an Authorized Utilities Representative, may be insufficient;
- (b) To make transfers for deposit in the Bond Fund, the Parity Debt Fund and the Subordinate Debt Fund to the extent and in the manner provided above;
- (c) To make transfers to the Trustee for deposit in the Series Debt Service Reserve Account to make up a deficiency in any Series Debt Service Reserve Requirement to the extent and in the manner provided above;
- (d) To pay the Cost of completing any Project;
- (e) To pay Utility Transfers;
- (f) To purchase, for cancellation, Bonds at or below their redemption price on the next date at which Bonds may be redeemed;
- (g) To redeem Bonds at the earliest practicable date; and
- (h) To make deposits, as necessary, to the Arbitrage Rebate Fund pursuant to the provisions of any Supplemental Agreement.

When the balances in the Bond Fund, the Debt Service Reserve Fund and the Surplus Fund are sufficient to redeem all Bonds then Outstanding, the balances in the Bond Fund and the Debt Service Reserve Fund may, at the direction of the County, be retained in such Funds and held for redemption of all Bonds then Outstanding at the earliest practicable date and for no other purpose.

Pledge of Certain Funds and Accounts

Net Revenues in the Revenue Fund are pledged equally and ratably to the payment of principal of and interest on all Senior Debt, subject only to the right of the County to make application thereof to other purposes as provided in the Agreement of Trust. Moneys in the Construction Fund, the Revenue Fund (except the Operating Account), the Bond Fund and the Debt Service Reserve Fund are pledged (except as provided in the next sentence hereof) equally and ratably to the payment of the principal of and interest on all Bonds, subject only to the right of the County to make application thereof, or to direct the Trustee to make application thereof, to other purposes as provided in the Agreement of Trust. The lien and trust created in the Agreement of Trust are for the benefit of the Bondholders and for their additional security until all the Bonds have been paid; provided, however, that the moneys in the Construction Fund and each Series Debt Service Reserve Account shall only secure the applicable Series of Bonds which provided such moneys, and moneys in any account of the Bond Fund relating to a particular Series of Bonds shall only secure such Bonds. Moneys in the Parity Debt Fund, the Subordinate Debt Fund, the Renewal, Replacement and Expansion Fund and the Surplus Fund are not pledged to the Bonds.

Investment of Moneys

Any moneys held in the Funds and Accounts shall be invested and reinvested by or at the written direction of the County Treasurer or his designee, in Investment Obligations, subject to the limitations stated herein.

“Investment Obligations” shall mean any of the following which are at the time legal investments for public funds under the Investment of Public Funds Act (Chapter 18, Title 2.1 of the Virginia Code) or any subsequent provisions of law applicable to such investments:

- (a) Government Obligations;
- (b) Government Certificates;
- (c) bonds, notes and other evidences of indebtedness of the Federal National Mortgage Association, the Federal Home Loan Bank, the Farm Credit System, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association and the Resolution Funding Corp.;
- (d) bonds and notes of the Commonwealth and securities unconditionally guaranteed as to the timely payment of principal and interest by the Commonwealth, so long as such obligations are rated by Moody's and Standard and Poor's in one of the two highest rating categories of such Rating Agencies;
- (e) commercial paper with a maturity of 270 days or less, which complies with the requirements of Section 2.1-328.1 of the Virginia Code, or any successor provision of law, so long as such commercial paper is rated at the time of purchase, “Prime-1” or better by Moody's and “A-1” or better by Standard and Poor's;
- (f) bankers’ acceptances, if permitted by Section 2.1-328.4 of the Virginia Code, or any successor provision of law, with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody's and “A” or better by Standard and Poor's;
- (g) savings accounts, time deposits, certificates of deposit and other interest bearing accounts of any (1) national bank located within the Commonwealth or (2) state-chartered bank, provided that such funds are secured in the manner required by the Virginia Security for Public Deposits Act or any successor provision of law, but only to the extent such funds are fully insured by the Federal Deposit Insurance Corporation or any other Federal insurance agency, and provided that no deposits made under this subsection shall be made for a period in excess of five years;
- (h) savings accounts and certificates of deposit of (1) savings institutions which are under supervision of the Commonwealth and (2) Federal institutions located within the Commonwealth organized under the laws of the United States of America and under Federal supervision, but only to the extent that such accounts and certificates are fully insured by the Federal Deposit Insurance Corporation or any other Federal insurance agency, unless such deposits in excess of the amount insured shall be fully collateralized (A) by eligible collateral as defined in Section 2.1-360(e) of the Virginia Code or any successor provision of law, (B) by Government National Mortgage Association Pass-through Certificates, (C) by Federal National Mortgage Association Guaranteed Pass-through Certificates, (D) by Federal Home Loan Mortgage Corporation Participation Certificates or (E) as provided by the Virginia Security for Public Deposits Act or any successor provision of law, provided that no deposits made under this subsection shall be made for a period in excess of five years; and
- (i) units representing beneficial interests in investment pools created pursuant to the Government Non-Arbitrage Investment Act (Article 7.1, Chapter 14, Title 2.1 of the Virginia Code) or any successor provision of law.

Any moneys held in the Bond Fund and the Debt Service Reserve Fund shall be separately invested and reinvested by the Trustee at the direction of the County Administrator or his designee in investments described in Subsections (a), (b), (c), (g), (h) and (i) of this Section, so long as they are authorized for investment of public sinking funds by Section 2.1-327 of the Virginia Code or any successor provisions of law applicable to such investments.

Any moneys held in the Revenue Fund, Parity Debt Fund, Subordinate Debt Fund, Renewal, Replacement and Expansion Fund and Surplus Fund, or any Account in any such Funds may be jointly invested with moneys held in any of the same such Funds or Accounts and with other moneys of the County so long as the County

Administrator or his designee keeps accurate and complete records of such Funds and Accounts and of the earnings with respect to each such Fund and Account.

Any investments described in subsections (a) and (b) of this Section may be purchased pursuant to an overnight, term or open repurchase agreement in accordance with the provisions of the Agreement of Trust.

Investments in a money market or other fund, investments of which fund are exclusively in obligations or securities described in subsections (a), (b) and (c) of this Section, shall be considered investments in obligations described in subsections (a), (b) and (c) of this Section; provided that such funds are registered under the Securities Act of the Commonwealth.

Moneys held in the following Funds and Accounts shall be invested in obligations described in this Section of the following maturities:

(1) Construction Fund - not later than the dates on which such moneys will be needed to pay the Cost of a Project;

(2) Revenue Fund - not later than the last dates on which such moneys will be needed to be transferred to any other Fund or Account (or if investment obligations are transferred, not later than maturities for investment obligations for the applicable Fund or Account);

(3) Bond Fund, Parity Debt Fund and Subordinate Debt Fund - not later than the dates on which such moneys will be needed to pay principal of or interest on Bonds, Parity Debt and Subordinate Debt, respectively;

(4) Series Debt Service Reserve Accounts within the Debt Service Reserve Fund - not later than the earlier of five years from the date of acquisition of the investment or the final maturity of the applicable Series of Bonds; and

(5) Renewal, Replacement and Expansion Fund and Surplus Fund - not later than the earlier of five years from the date of acquisition of the investment or the final maturity of the Bonds.

Unless otherwise provided in a Supplemental Agreement, earnings on Investment Obligations shall accrue to the Fund or Account in which such Investment Obligations are on deposit, or, at the written direction of an Authorized Representative of the County, shall be transferred to and deposited in the Revenue Fund. Notwithstanding the foregoing, earnings from the investments of the Parity Debt Fund, the Subordinate Debt Fund and the Surplus Fund shall be transferred to and deposited in the Revenue Fund.

In computing the amount in any Fund or Account, except for the Debt Service Reserve Fund, obligations purchased as an investment of money therein shall be valued at cost or fair market value, whichever is lower, plus accrued interest. Investments in the Debt Service Reserve Fund shall be valued at least semiannually at the fair market value thereof, plus accrued interest.

Particular Covenants

Covenants with Credit Banks, Insurers, etc. The County may make such covenants and agreements in a Supplemental Agreement as it may determine to be appropriate with any insurer, credit bank or other financial institution that shall agree to insure or to provide credit or liquidity support that shall enhance the security or the value of any Bonds. Such covenants and agreements may be set forth in the applicable Supplemental Agreement and shall be binding on the County and all the Bondholders the same as if such covenants were set forth in full in the Agreement of Trust.

Operation and Maintenance. The County shall establish and enforce reasonable rules and regulations governing the use of and the services furnished by the System, maintain and operate the System in an efficient and economical manner, maintain the same in good repair and sound operating condition and make all necessary repairs, replacements and renewals.

Free Service. The County shall not permit connections to or use of the System or provide any services of the System without making a charge therefor in accordance with the County's schedule of rates, fees and charges for the System other than those connections, uses or services already in existence; provided, however, the County may accept proffers and other forms of payment in lieu of cash payments that the County deems are in its best interests to accept.

Sale or Encumbrance of System. (a) Neither the System nor any integral part thereof shall be leased, sold or otherwise disposed of without an Independent Consulting Engineer's certification that such disposition will not have a negative impact on the overall viability of the System unless the proceeds of such disposition, together with any other legally available moneys are sufficient to pay the principal of and premium, if any, and interest on all Bonds then Outstanding and the proceeds are used for such purpose. The County shall not create or suffer to be created any lien or charge upon the System or any part thereof or any lien or charge upon Net Revenues and other moneys pledged herein ranking equally with or prior to the lien and charge of the Bonds, except as provided in the Agreement of Trust. Notwithstanding anything in the Agreement of Trust to the contrary, the County may acquire items of personal property constituting part of the System under lease purchase agreements or similar financing arrangements entered into in the ordinary course of business which may be subject to purchase money security interests or other liens in an aggregate amount not to exceed \$1,000,000.

(b) Notwithstanding the provisions of subsection (a) above, the County may sell, transfer or otherwise dispose of all or substantially all of the System for purposes of consolidating the System with or merging the System into one or more regional water and/or sewer systems of which the County is a participating member jurisdiction if: (1) the successor entity assumes in writing all of the Indebtedness then Outstanding, (2) the successor entity covenants in writing to comply with the Rate Covenant, (3) the County obtains an opinion of Bond Counsel, subject to the customary exceptions and qualifications, substantially to the effect that the assumption by the successor entity of all of the Indebtedness then Outstanding shall not have an adverse effect on the tax-exempt status of the interest on any such Indebtedness the interest on which was excludable from gross income for purposes of Federal income taxation when issued and (4) the ratings on the Indebtedness then Outstanding will not adversely be effected by such assumption.

Insurance. The County shall continuously maintain insurance with recognized responsible commercial insurance companies against such risks as are customary for public bodies owning and operating similar systems, including (a) insurance against loss or damage to the System, (2) public liability insurance against liability for bodily injury, including death resulting therefrom, and from damage to property, including loss of use thereof, arising out of the ownership or operation of the System and (3) workers' compensation insurance with respect to the System.

In lieu of insurance written by commercial insurance companies, the County may maintain a program of self-insurance or participate in group risk financing programs, including sponsored insurance programs, risk pools, risk retention groups, purchasing groups and captive insurance companies, and in state or Federal insurance programs; provided, however, that the County shall obtain and maintain on file a favorable written opinion of a Qualified Independent Consultant that such alternative is reasonably acceptable under all the circumstances.

Damage, Destruction, Condemnation and Loss of Title. If all or any part of the System is destroyed or damaged by fire or other casualty, condemned or lost by failure of title, the County shall restore promptly the property damaged or destroyed to substantially the same condition as before such damage, destruction, condemnation or loss of title with such alterations and additions as the County may determine and which will not impair the capacity or character of the System for the purpose for which it is then being used; or is intended to be used provided, however, that the County may, in the alternative, prepay in whole or in part all Bonds then Outstanding with the Net Proceeds and any other funds that may be available for such purpose and provided, further, that such prepayment is in accordance with the terms of the Agreement of Trust and pursuant to the appropriate optional redemption provisions for each Series of Bonds then Outstanding. The County may apply so much as may be necessary of the Net Proceeds received on account of any such damage, destruction, condemnation or loss of title to payment of the cost of such restoration, either on completion or as the work progresses. If such Net Proceeds are not sufficient to pay in full the cost of such restoration, the County shall pay so much of the cost as may be in excess of such Net Proceeds. Any balance of such Net Proceeds remaining after payment of the cost of such restoration shall be deposited in the Revenue Fund.

Records and Accounts; Inspections and Reports. (a) The County shall keep proper books of records and accounts, separate from any of its other records and accounts, showing complete and correct entries of all transactions relating to the System, and the Trustee shall have the right at all reasonable times to inspect the System and all records, accounts and data relating thereto. The County shall also cause a certified audit to be made at the end of each Fiscal Year.

(b) The County shall cause an Independent Consulting Engineer at least once every five years to inspect the System and make a written report thereof.

Service Agreements. The County may enter into service agreements for the benefit of the System, provided that such agreements shall specify the items payable as the Debt Service Component, Operating Component or Remaining Component of the Cost of Contracted Services and provided, further, that the County shall not enter into any service agreements that would create Debt Service Components unless the County satisfies the certain tests of the Agreement of Trust.

Events of Default and Remedies on Default

Each of the following events shall be an “Event of Default” upon the conditions and subject to the limitations provided in the Agreement of Trust: (a) default by the County in the due and punctual payment of the principal of or premium, if any, on any Bond (whether at maturity, by acceleration, call for redemption or otherwise), (b) default by the County in the due and punctual payment of the interest on any Bond, (c) subject to certain provisions, failure of the County to observe or perform any other covenants, conditions or agreements under the Agreement of Trust or in the Bonds, (d) failure promptly to repair, replace or reconstruct any substantial part of the System the destruction or damage of which has impaired the efficient operation of or substantially adversely effected the generation of Revenues by the System, and (e) failure of the County generally to pay its debts as they become due and certain events of bankruptcy, assignment, dissolution, liquidation or reorganization by or against the County.

Certain of the County's obligations other than the obligation to make all payments on the Bonds may be suspended if by reason of force majeure, as defined in the Agreement of Trust, the County is unable to carry out such obligations.

Upon the occurrence and continuation of an Event of Default, the Trustee may (and if requested by the holders of not less than 25% in aggregate principal amount of Bonds then Outstanding shall) by written notice to the County, declare the entire unpaid principal of the Bonds due and payable and, thereupon, the entire unpaid principal of and premium, if any, and accrued interest on the Bonds shall forthwith become due and payable, but only from Net Revenues and other moneys specifically pledged for payments of Bonds.

Upon the occurrence and continuation of an Event of Default, the Trustee may (and if requested by the holders of not less than 25% in aggregate principal amount of Outstanding Bonds and if indemnified in accordance with prevailing industry standards shall) proceed to protect and enforce their rights by mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance of any covenant or agreement contained in the Agreement of Trust.

Supplemental Agreements

The County and the Trustee may, without the consent of, or notice to, any of the Bondholders, enter into Supplemental Agreements as shall not be inconsistent with the intent of the terms and provisions hereof for any one or more of the following purposes:

- (a) To cure any ambiguity, formal defect or omission in the Agreement of Trust;
- (b) To 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;

(c) To add to the covenants and agreements of the County in the Agreement of Trust other covenants and agreements to be observed by the County;

(d) To modify, amend or supplement the Agreement of Trust in such manner as required to permit the County to comply with the provisions of the Code relating to the rebate to the United States of America of earnings derived from the investment of the proceeds of Bonds, provided that such modification, amendment or supplement does not materially adversely affect the holders of all Outstanding Bonds;

(e) To modify, amend or supplement the Agreement of Trust in such manner as may be required by a Rating Agency to maintain its rating on the Bonds, provided that such modification, amendment or supplement does not materially adversely affect the holders of all Outstanding Bonds;

(f) To modify, amend or supplement the Agreement of Trust to implement any covenants or agreements in connection with an insurer, credit bank or other financial institution that shall agree to insure or to provide credit or other liquidity support to enhance the security or the value of any Bonds, as provided in the Agreement of Trust;

(g) To authorize the issuance of and to secure one or more Series of Bonds as provided in the Agreement of Trust; and

(h) To modify, amend or supplement the Agreement of Trust in any manner that the Trustee concludes is not materially adverse to the holders of all Outstanding Bonds.

In addition, subject to the terms and provisions contained in the Agreement of Trust, the holders of not less than a majority in aggregate principal amount of Outstanding Bonds shall have the right from time to time, notwithstanding anything in the Agreement of Trust to the contrary, to consent to the execution by the County and the Trustee of such other agreements or agreements supplemental thereto as shall be deemed necessary or desirable by the County for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Agreement of Trust and any Supplemental Agreements; provided, however, that nothing in the Agreement of Trust shall permit, or be construed as permitting, (a) an extension of the maturity of the principal of or the interest on any Bond, (b) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (c) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Agreements, (d) a reduction in the principal amount of or premium, if any, on any Bond or the rate of interest thereon or (e) an extension of time or a reduction in amount of any payment required by any sinking fund that may be applicable to any Bond, without the consent of the holders of all of the Outstanding Bonds.

If at any time the County shall request the Trustee to enter into any such Supplemental Agreement, the Trustee shall cause notice of the proposed execution of such Supplemental Agreement to be sent by registered or certified mail to the registered owner of each Bond at his address as it appears on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Agreement and shall state that a copy thereof is on file at the corporate trust office of the Trustee for inspection by all Bondholders. If, within 90 days or such longer period as shall be prescribed by the County following the giving of such notice, the holders of not less than a majority in aggregate principal amount of Outstanding Bonds, or in the case of (a) through (e) in the preceding paragraph, the holders of all Outstanding Bonds, shall have consented to and approved the execution thereof as herein provided, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety thereof, or to enjoin or restrain the Trustee or the County from executing such Supplemental Agreement or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Agreement as in this Section permitted and provided, the Agreement of Trust shall be and be deemed to be modified and amended in accordance therewith.

The County and the Trustee may enter into a Supplemental Agreement pursuant to (g) above and in accordance with Article III of the Agreement of Trust without compliance with this Section.

Notwithstanding anything in the Agreement of Trust to the contrary, the County and the Trustee may enter into any Supplemental Agreement upon receipt of the consent of the holders of all Outstanding Bonds.

Discharge of Agreement of Trust

If (a) all Bonds shall have become due and payable in accordance with their terms or otherwise as provided in the Agreement of Trust or have been duly called for redemption or irrevocable instructions to call the Bonds or to pay them at maturity have been given by the County to the Trustee, and (b) the Trustee holds cash or obligations that are either noncallable direct obligations of the United States of America or noncallable obligations, timely payment of which is guaranteed by the United States of America, the principal of and the interest on which at maturity will be sufficient (1) to redeem in accordance with the relevant Section of the Agreement of Trust all Bonds that have been called for redemption, or for which irrevocable instructions for call for redemption have been given, on the date set for such redemption, (2) to pay at maturity all Bonds not irrevocably called for redemption, (3) to pay interest accruing on all Bonds prior to their redemption or payment at maturity, (4) to make all payments required by the terms of any Supplemental Agreement and (5) to pay the Trustee's fees and expenses and any other fees and expenses for which the County is responsible under the Agreement of Trust, then the Trustee shall, at the expense of the County, cancel and discharge the Agreement of Trust and execute and deliver to the County such instruments in writing as shall be necessary to cancel the lien thereof, and assign and deliver to the County any property at the time subject to the Agreement of Trust that may then be in its possession, except moneys or securities in which such moneys are invested which are held by the Trustee for the payment of principal of or premium, if any, or interest on the Bonds.

Bonds for the payment or redemption of which cash or noncallable direct obligations of the United States of America the principal of and premium, if any, and interest on which will be sufficient therefor shall have been deposited with the Trustee (whether upon or prior to the date of their maturity or their redemption date) shall be deemed to be paid and no longer Outstanding; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or arrangements satisfactory to the Trustee shall have been made for the giving thereof.

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FORM OF BOND COUNSEL OPINION

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PROPOSED FORM OF SERIES 2026 BOND COUNSEL OPINION

Set forth below is the proposed form of opinion of bond counsel. It is preliminary and subject to change prior to delivery of the Series 2026 Bonds.

Board of Supervisors
County of Spotsylvania, Virginia

County of Spotsylvania, Virginia
\$54,000,000* Water and Sewer System Revenue Bonds
Series 2026

Ladies and Gentlemen:

We have examined the applicable law and certified copies of proceedings and documents relating to the issuance and sale by the County of Spotsylvania, Virginia (the "County"), of its \$54,000,000* Water and Sewer System Revenue Bonds, Series 2026 (the "Series 2026 Bonds"). The Series 2026 Bonds are being issued to (a) finance a program of capital improvements to the County's water and sewer system, and (b) pay the costs of issuing the Series 2026 Bonds. Reference is made to the form of the Series 2026 Bonds for information concerning their details, including payment and redemption provisions, and the proceedings pursuant to which they are issued.

The Series 2026 Bonds are issued under and are equally and ratably secured by an Agreement of Trust dated as of July 1, 1997, between the County and U.S. Bank Trust Company, National Association, Richmond, Virginia, as successor trustee (the "Trustee"), as previously supplemented and amended (the "Agreement of Trust"), as supplemented by a Fourteenth Supplemental Agreement of Trust dated as of March 1, 2026 (the "Fourteenth Supplemental Agreement"). All capitalized terms used but not defined herein have the same meaning as defined in the Agreement of Trust.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of 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 Series 2026 Bonds have been authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia, including the Public Finance Act of 1991, and constitute valid and binding limited obligations of the County payable as to principal and interest solely from certain net revenues of the System and other moneys pledged by the Agreement of Trust to secure payment of the Series 2026 Bonds. The Series 2026 Bonds and the interest thereon do not constitute a pledge of the faith and credit of the Commonwealth of Virginia or of any political subdivision thereof, including the County.

2. The County is required to fix, revise, charge and collect rates, fees and other charges for the use of and the services furnished by the System, so that such rates, fees, charges and other revenues of the System will be sufficient at all times to pay the cost of operating, maintaining and repairing the System, the cost of replacements and improvements to the System and the principal of and interest on the Bonds, including the Series 2026 Bonds and all other indebtedness that may be payable from revenues of the System, as the same become due, and to provide certain reserves therefor, all as provided in the Agreement of Trust.

3. The Agreement of Trust has been duly authorized, executed and delivered by the County, constitutes a valid and binding agreement of the County, pledges to the Trustee as security for payment of the principal of and interest on the Series 2026 Bonds certain net revenues derived from the ownership or operation of the System, moneys in certain funds created by the Agreement of Trust, income from investments and proceeds of insurance, and is enforceable against the County in accordance with its terms.

* Preliminary, subject to change.

4. The Fourteenth Supplemental Agreement is authorized and permitted by the Agreement of Trust and complies with its terms, has been duly authorized, executed and delivered by the County, constitutes a valid and binding agreement of the County, and is enforceable against the County in accordance with its terms.

5. The rights of the holders of the Series 2026 Bonds and the enforceability of such rights, including the enforcement by the Trustee of the obligations of the County under the Agreement of Trust and the Fourteenth Supplemental Agreement, may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity. The enforceability of any indemnity provision in the Agreement of Trust or the Fourteenth Supplemental Agreement may be limited by principles of public policy or applicable securities laws.

6. Under current law, interest on the Series 2026 Bonds (a) is not included in gross income for Federal income tax purposes, and (b) is not an item of tax preference for purposes of the Federal alternative minimum income tax on individuals. However, interest on the Series 2026 Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Internal Revenue Code of 1986, as amended (the "Code"), to the extent that such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of such corporations. The opinions set forth in the preceding sentences are subject to the condition that there is compliance subsequent to the issuance of the Series 2026 Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for Federal income tax purposes. Failure by the County to comply with the Covenants, among other things, could cause interest on the Series 2026 Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issue. We express no opinion regarding other Federal tax consequences of the ownership of or receipt or accrual of interest on the Series 2026 Bonds.

7. Under current law, interest on the Series 2026 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 2026 Bonds and the tax status of the interest thereon for purposes of federal and Commonwealth of Virginia law. We express no opinion herein as to the financial resources of the County, its ability to provide for payment of the Series 2026 Bonds or the accuracy or completeness of any information, including the County's Preliminary Official Statement dated October 23, 2024, and its Official Statement dated [October 29,] 2024, that may have been relied upon by anyone in making the decision to purchase Series 2026 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,

CONTINUING DISCLOSURE AGREEMENT

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT dated as of March __, 2026 (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 of its \$_____ Water and Sewer System Revenue Bonds, Series 2026 (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 Bonds (the “Bondholders”) and in order to assist the original purchasers of the 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 and the System, prepared in accordance with generally accepted accounting principles; and

(ii) the financial information and operating data with respect to the County and the County's water and sewer system of the type described under the captions “Water System,” “Sewer System” and “System Operating Data” (including “Water and Sewer System Rates,” “Water and Sewer Service Availability, Connection and Meter Fees,” and “Largest Accounts”) and “Annual Debt Service” contained in the County's Official Statement dated February __, 2026, prepared in connection with the Bonds.

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 270 days after the end of the County's fiscal year, commencing with the County's fiscal year ending June 30, 2026.

(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;
- (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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AUDITED BASIC FINANCIAL STATEMENTS

Note: The attached financial statements are the County's general purpose financial statements, which show all County funds, many of which are not legally available for payment of the Bonds. Only revenues in the Utility Enterprise Fund are available for payment of the Bonds.

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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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Spotsylvania, Virginia (the County), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County'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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2025, 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, and the *Specifications for Audits of Counties, Cities, and Towns* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 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

As discussed in Note 16, the 2024 financial statements have been restated to account for a change in accounting principle. Our opinions are not modified with respect to these matters.

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'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 the County'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's ability to continue as a going concern for a reasonable period of time.

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'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.

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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2025December 22, 2025, on our consideration of the County'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'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 County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Arlington, Virginia
December 22, 2025

Management's Discussion & Analysis (MD&A)

This Management's Discussion and Analysis (MD&A) provides an objective and easily understandable overview of the County's financial activities for the fiscal year ended June 30, 2025. The MD&A is intended to assist readers in assessing the County's overall financial position and results of operations by presenting both current-year results and comparisons to the prior fiscal year. This discussion focuses on the County as a whole and highlights significant financial trends, changes in financial position, and key factors affecting financial performance. The MD&A should be read in conjunction with the basic financial statements and accompanying notes that follow this section, which provide additional detail and context for the information presented.

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 is added together and presented in their respective columns in the basic financial statements.



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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				
	Government-wide Statements	Fund 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	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • 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 under 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 units* – 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 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 following table presents a condensed summary of the County's net position as of June 30, 2025, and 2024, reflecting the County's overall financial position at year-end. This analysis encompasses the activities of the Primary Government and its component units, highlighting key changes between fiscal years.

The County's financial position strengthened during the year, with total net position rising \$87.7 million, or 21.8%, as revenues outpaced expenses across both governmental and business-type activities. Governmental revenues increased 6.5%, driven by property taxes and capital contributions, while business-type activities revenues grew 27.5%, largely from capital contributions. Expenses grew more modestly, with governmental activities rising 1.1% and business-type activities 3.9%.

As a result, the County's governmental activities net position increased \$25.5 million to \$36.6 million, and the business-type activities net position rose \$62.2 million to \$453.5 million, reflecting continued financial strength and growth in the County's operations. The County adopted GASB 101, *Compensated Absences*, requiring a restatement of beginning net position for fiscal year 2025. Beginning net position as of July 1, 2024, decreased for both governmental and business-type activities by \$3.0 million and \$0.3 million, respectively.

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2025	2024	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 536.3	\$ 488.1	\$ 166.3	\$ 200.6	\$ 702.6	\$ 688.7	\$ 129.4	\$ 120.1
Capital assets, net	183.8	163.4	571.0	435.0	754.8	598.4	383.6	\$ 358.4
Total assets	720.1	651.5	737.3	635.6	1,457.4	1,287.1	513.0	478.5
Total deferred outflows	38.3	43.2	6.1	6.6	44.4	49.8	82.6	83.9
Other liabilities	62.0	65.5	28.9	13.8	90.9	79.3	38.7	41.5
Long-term liabilities	481.3	464.0	254.3	231.5	735.6	695.5	297.9	285.5
Total liabilities	543.3	529.5	283.2	245.3	826.5	774.8	336.6	327.0
Total deferred inflows	178.5	154.1	6.7	5.6	185.2	159.7	159.7	194.0
Net position:								
Net investment in capital assets	123.6	116.1	340.5	281.3	464.1	397.4	373.5	352.1
Restricted	21.5	18.9	11.0	7.9	32.5	26.8	80.2	47.6
Unrestricted	(108.5)	(123.9)	102.0	102.1	(6.5)	(21.8)	(354.4)	(358.3)
Total net position	\$ 36.6	\$ 11.1	\$ 453.5	\$ 391.3	\$ 490.1	\$ 402.4	\$ 99.3	\$ 41.4

The Primary Government's largest component of net position is \$464.1 million invested in capital assets – such as land, buildings, equipment, and construction in progress - less related debt and deferred inflows and outflows. These assets serve County residents and are therefore not available for future spending. The County also has \$32.5 million in restricted net position, representing funds that must be used for specific purposes. This includes \$3.3 million for future debt service, \$12.2 million for capital projects, \$7.9 million for transportation, and \$9.1 million for grant programs and opioid abatement efforts. The remaining balance shows a net deficit of \$6.5 million, largely due to \$204.4 million in remaining bond obligations issued by the County to fund the School Board's capital improvement program. While the County holds the debt, the assets purchased or constructed with these funds are reported under the component unit School Board.

Component Units

The net position of the component units consists of the School Board's net investment in capital assets totaling \$373.5 million, and \$80.2 million in restricted funds, including \$48.6 million for capital projects, \$29.5 million for student programs, and \$2.1 million in net pension assets. The unrestricted net position includes \$1.5 million, primarily from land held as an investment with the EDA, and a School Board deficit of \$355.9 million, largely due to 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 June 30, 2025, and 2024:

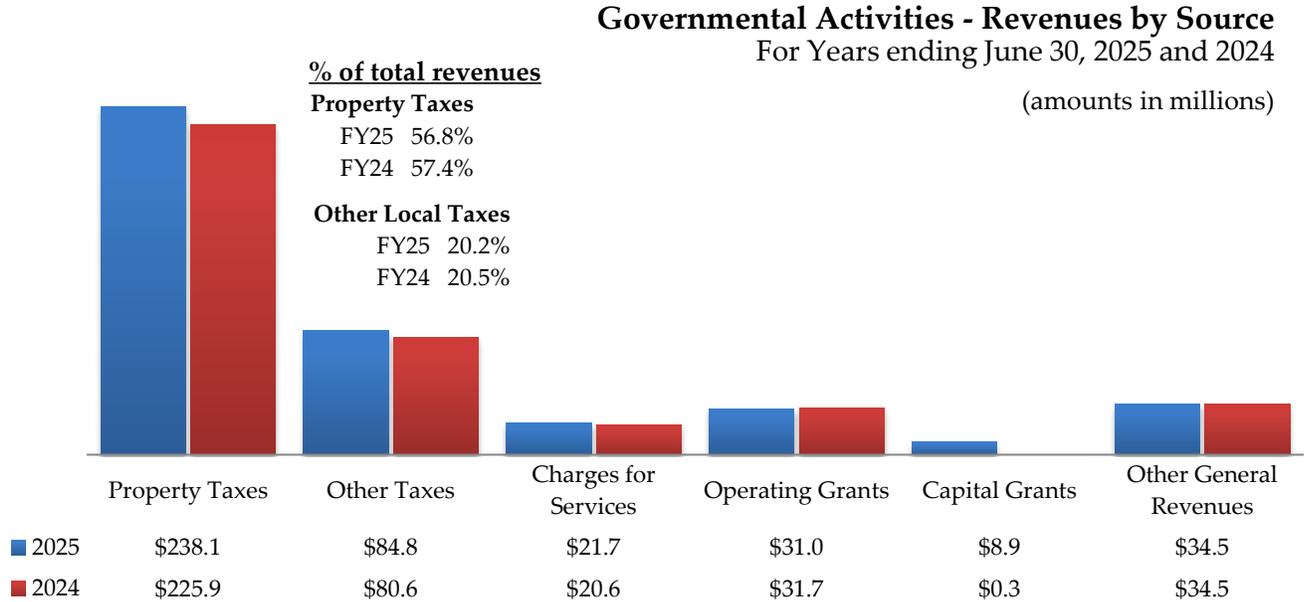
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2025	2024	2025	2024	2025	2024	2025	2024
Revenues								
Program Revenues:								
Charges for services	\$ 21.7	\$ 20.6	\$ 52.5	\$ 47.9	\$ 74.2	\$ 68.5	\$ 2.7	\$ 3.1
Operating grants and contributions	31.0	31.7	-	-	31.0	31.7	256.6	238.4
Capital grants and contributions	8.9	0.3	54.5	33.3	63.4	33.6	5.9	9.2
General Revenues:								
General property taxes	238.1	225.9	-	-	238.1	225.9	-	-
Other taxes	84.8	80.6	-	-	84.8	80.6	-	-
Payments from Primary Government	-	-	-	-	-	-	163.2	169.0
Other general revenues	34.5	34.5	8.3	9.2	42.8	43.7	5.4	5.5
Total Revenues	419.0	393.6	115.3	90.4	534.3	484.0	433.8	425.2
Expenses								
General government	26.5	27.3	-	-	26.5	27.3	-	-
Judicial administration	13.2	13.8	-	-	13.2	13.8	-	-
Public safety	100.5	94.6	-	-	100.5	94.6	-	-
Public works	16.1	15.8	-	-	16.1	15.8	-	-
Health and welfare	32.5	30.6	-	-	32.5	30.6	-	-
Education	162.1	166.0	-	-	162.1	166.0	356.8	338.2
Parks and recreation	10.3	9.9	-	-	10.3	9.9	-	-
Community development	17.3	17.6	-	-	17.3	17.6	1.3	3.2
Water and sewer ⁽¹⁾	-	-	52.8	50.8	52.8	50.8	-	-
Interest on long-term debt	12.0	10.5	-	-	12.0	10.5	-	-
Total Expenses	390.5	386.1	52.8	50.8	443.3	436.9	358.1	341.4
Excess before transfers	28.5	7.5	62.5	39.6	91.0	47.1	75.7	83.8
Transfers	-	-	-	-	-	-	-	-
Increase(decrease) in net position	28.5	7.5	62.5	39.6	91.0	47.1	75.7	83.8
Net position - beginning, unadjusted	11.1	3.6	391.3	351.7	402.4	355.3	41.4	(42.4)
Net effect of change in accounting principle	(3.0)	-	(0.3)	-	(3.3)	-	(17.8)	-
Net position - beginning	8.1	3.6	391.0	351.7	399.1	355.3	23.6	(42.4)
Net position - ending	\$ 36.6	\$ 11.1	\$ 453.5	\$ 391.3	\$ 490.1	\$ 402.4	\$ 99.3	\$ 41.4

(1) Water and sewer includes interest on long-term debt, as reflected in Statement of Activities.

GOVERNMENTAL ACTIVITIES

Revenues

Revenues from governmental activities for fiscal year 2025 totaled \$419.0 million, an increase of \$25.4 million or 6.5% from the previous year.



General revenues, consisting primarily of property taxes, other local taxes, and other general revenues, increased \$16.4 million, or 4.8%, from the prior fiscal year.

Property tax revenues, the County’s primary source of revenue, increased \$12.2 million, or 5.4%. The increase was attributable to growth in the real property tax base from new construction, which contributed a 2.4% increase in assessed value, and the full-year effect of the calendar year 2024 real estate tax rate increase of \$0.0686 per \$100 of assessed value above the calendar year 2023 equalized tax rate.

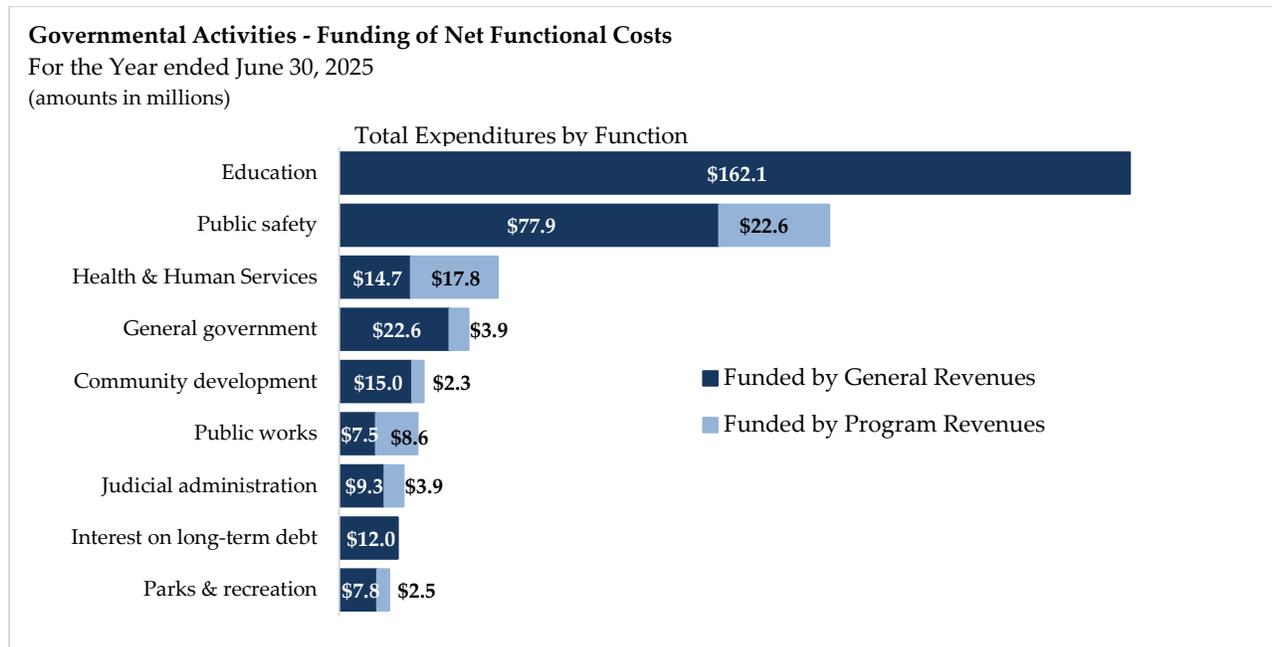
Other local tax revenues, which include sales, meals, lodging, and other activity-based taxes, increased \$4.2 million, or 5.2%, compared to the prior year. Meals tax revenues increased \$1.8 million, or 9.3%, reflecting estimated year-over-year increases in meal prices in the greater Fredericksburg area of approximately 3.8%, along with the first full fiscal year impact of the County’s 1.5% meals tax rate increase effective October 1, 2023. Sales tax revenues increased \$1.1 million, or 3.5%, while business license tax revenues increased \$0.7 million, or 9.8%, consistent with continued economic activity. Recordation tax revenues increased \$0.3 million, or 10.5%, and represented the fastest-growing tax category for the year, reflecting refinancing opportunities associated with moderating 30-year fixed mortgage interest rates.

Program revenues, which include charges for services, operating grants and contributions, and capital grants and contributions, increased \$9.0 million, or 17.1%, compared to the prior year. Charges for services increased \$1.1 million, or 5.3%, primarily due to \$2.1 million in new tenant revenues associated with the County’s acquisition of the Lee Hill Building in October 2024. Upon acquisition, the County assumed existing tenant lease agreements and allocated remaining available space to support current and anticipated County operational needs. This increase was partially offset by a \$1.6 million decrease in building permit revenues, primarily attributable to a non-recurring large-

scale development project in the prior year for the Kalahari Resort and Convention Center. Capital grants and contributions, which are inherently cyclical and non-recurring in nature, increased \$8.6 million during fiscal year 2025. The majority of this increase reflects \$7.6 million in Coronavirus State and Local Fiscal Recovery Funds (SLFRF) used to cash-fund various County capital projects.

Expenses

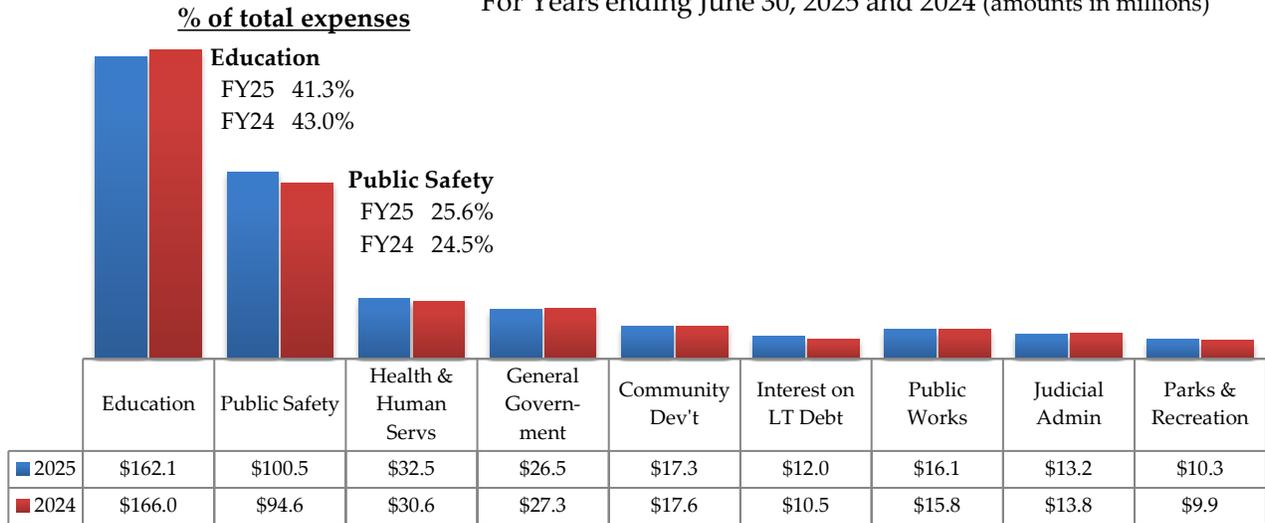
Expenses for governmental activities totaled \$390.5 million in fiscal year 2025. Program-specific revenues funded \$61.6 million of these costs, resulting in a net functional cost of \$328.9 million that was financed through general revenues, including taxes, interest earnings, and unrestricted aid from the Commonwealth. The chart below illustrates total expenses by function, distinguishing the portion covered by program-specific revenues (shown in light blue) from the portion funded by general revenues (shown in dark blue).



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Governmental Activities - Expenses by Function

For Years ending June 30, 2025 and 2024 (amounts in millions)



Total expenses for governmental activities in fiscal year 2025 increased by \$4.4 million, or 1.1%, compared to the prior fiscal year. Key factors that contributed to this change include:

- **Personnel-related costs increased by \$9.5 million**, primarily reflecting a 3% cost-of-living adjustment for all employees, step increases for public safety employees, and a 2.0% performance merit increase for full-time and part-time employees not on the public safety pay scale.
- **Pension expense decreased by \$1.3 million**, driven mainly by continued strong investment performance, which more than offset the effects of salary growth and cost-of-living adjustments.
- **Other postemployment benefit (OPEB) expense declined \$1.3 million**, due to an increase in the discount rate from 3.93% in FY2024 to 5.20% in FY2025, based on the Bond Buyer 20-Year General Obligation Bond Index at the measurement date.
- **Interest on long-term debt increased \$1.5 million**, or 14.3%, largely attributable to new debt issued in FY2025 to finance school capital projects.
- **Education expenses decreased \$3.9 million**, after required GAAP adjustments for long-term debt. Although transfers to the School Board increased \$7.5 million to \$156.8 million to support school operating costs, GAAP requires the County to adjust education expense for debt issued on behalf of the schools. This adjustment increases education expense for newly issued debt and reduces expense for current-year debt service payments. The combined effect of lower new debt issuance and higher debt service resulted in an \$11.4 million net reduction to the expected increase in education expense.

	<u>2025</u>	<u>2024</u>	<u>YOY Change</u>
Payments from the Primay Government (County) for school operating expenditures prior to the following adjustments	\$ 156,768,780	\$ 149,285,907	\$ 7,482,873
GAAP required adjustments for debt issued on behalf of the Schools:			
General obligation (GO) bonds issued in the current year	36,502,628	45,300,528	(8,797,900)
GO debt service paid in the current year	(31,176,631)	(28,624,129)	(2,552,502)
Reported school operating expense of the Primary Government:	<u>\$ 162,094,777</u>	<u>\$ 165,962,306</u>	<u>\$ (3,867,529)</u>

BUSINESS-TYPE ACTIVITIES

Net position related to the County's business-type activities increased by \$62.2 million, or 15.9%. Total revenues increased by \$24.9 million, or 27.5%, from a combination of increased user rates and capital contributions to fund large-scale infrastructure projects. Additional information on these increases is below.

- **Water and sewer user fees increased \$4.6 million, or 9.6%**, from new connections and planned rate increases.
- **Capital grants and contributions increased \$21.2 million, or 63.7%**, reflecting \$9.4 million in Coronavirus State and Local Fiscal Recovery Funds (SLFRF) funding for the expansion of the Motts Water Treatment Plant, \$3.9 million in increased contributions from the City of Fredericksburg for its share of capital costs related to improvements and expansion of the Motts Water Treatment Plant and associated infrastructure, and \$7.7 million to fully fund required infrastructure supporting new Amazon data centers under development in the County.

Total expenses in fiscal year 2025 increased by \$2.0 million, or 3.9%, compared to the prior fiscal year. Key factors that contributed to this change include:

- **Personnel-related costs increased by \$1.1 million**, primarily reflecting a 3.0% cost-of-living adjustment for all employees and a 2% performance merit increase for both full-time and part-time staff.
- **Pension expense decreased by \$0.2 million**, driven mainly by continued strong investment performance, which more than offset the effects of salary growth and cost-of-living adjustments.
- **Other postemployment benefit (OPEB) expense declined \$0.2 million**, due to an increase in the discount rate from 3.93% in FY2024 to 5.20% in FY2025, based on the Bond Buyer 20-Year General Obligation Bond Index at the measurement date.
- **Total operating costs, excluding personnel and related benefits, increased \$1.1 million, or 3.9%**, primarily from increased contractual services.
- **Interest on long-term debt increased \$0.3 million, or 3.7%**, largely attributable to new debt issued in FY2025 to fund capital projects.

COMPONENT UNITS

School Board

For fiscal year 2025, the School Board reported an increase in net position of \$57.9 million. Total revenues increased by \$10.6 million, or 2.5%, primarily due to growth in operating grants and contributions, which rose to \$18.2 million, or 7.6%. This increase was largely attributable to \$13.0 million in additional State Basic Aid to support a 3.0% cost-of-living adjustment (COLA) and \$11.5 million in new State "At-Risk" funding. These revenue increases were partially offset by a \$2.8 million decrease in federal funding related to the final spend-down of ESSER funds and a \$6.7 million reduction in State construction funding, which represented one-time funding received in fiscal year 2024.

Total expenses increased by \$18.6 million, or 5.5%, reflecting higher personnel, operational, and instructional costs. Instructional expenses increased by \$10.0 million, driven by COLA and step increases for teachers and support staff, as well as the expansion of "At-Risk" programs. Facilities and maintenance costs rose \$3.8 million due to COLA and merit increases for staff, continued inflationary pressures associated with maintaining aging school facilities, and

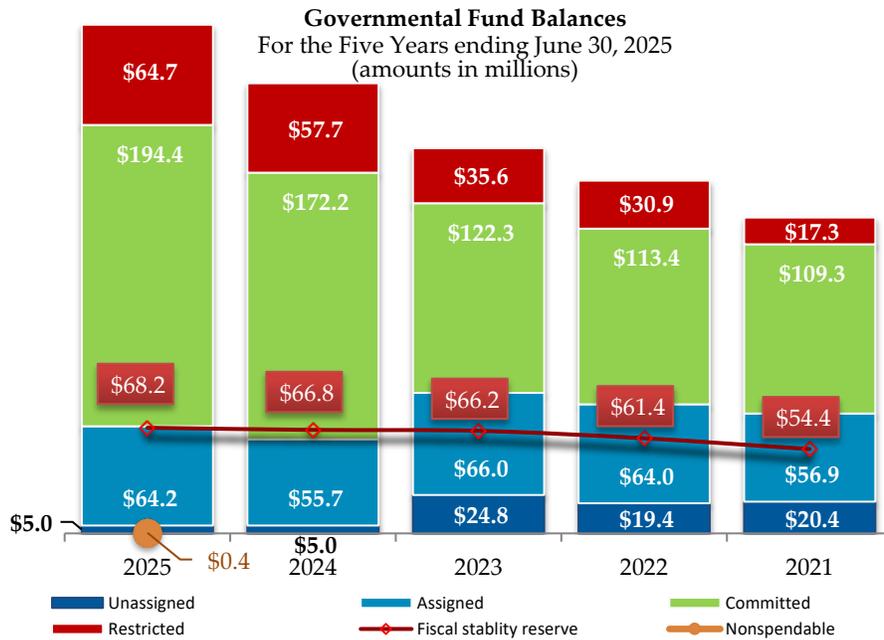
higher utility costs. Educational technology expenses increased by \$3.9 million, primarily for new curriculum software, annual increases in existing software maintenance contracts, and classroom hardware replacements. These technology investments included upgrades to intercom and communication systems, security enhancements, and visual projection and whiteboard systems.

Economic Development Authority

Payments from the Primary Government (County) to the Economic Development Authority to fund related capital expenditures decreased by \$1.9 million during the current fiscal year. This reduction reflects the completion of transportation improvements, including the construction of an entrance and turn lanes, for the new Veterans Affairs (VA) Health Care Clinic.

Financial Analysis of Governmental Funds

At year-end, combined governmental fund balances totaled \$328.7 million, an increase of \$38.0 million, or 13.1%, from the prior year. Because available fund balance is a key indicator of the County’s overall financial health, the Board has adopted fiscal policies that establish minimum required balances and govern allowable uses. Additional information on these requirements is provided in Section 1.15 of the Notes to the Financial Statements. The following chart presents combined governmental fund balances at each year-end, categorized from the highest level of constraint (Restricted) to the lowest level of constraint (Unassigned). Further detail for each classification is included in Note 8 to the Notes to the Financial Statements.



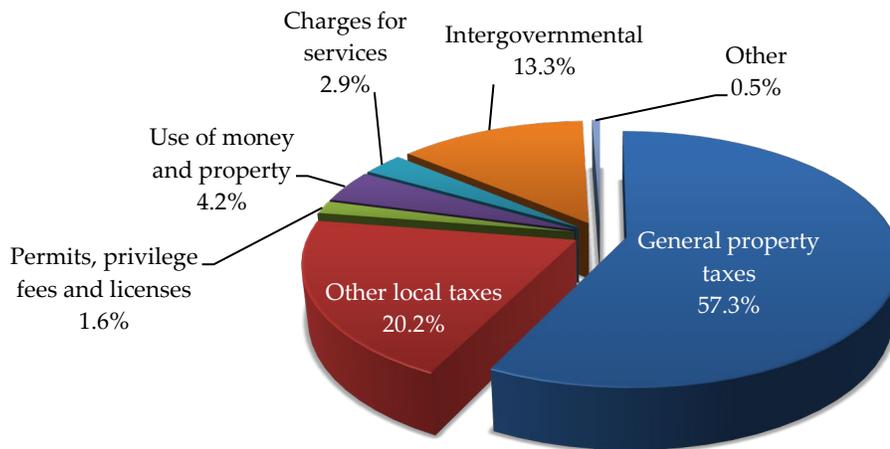
Amounts reflect the cumulative fund balances of the General Fund, Capital Projects Fund, and all non-major governmental funds.

- **Non-spendable** fund balance of \$368,923 represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

- **Restricted** fund balance increased 12.1% to \$64.7 million, primarily due to higher unexpended bond proceeds. Bond proceeds represent money legally obligated through bond covenants for specific capital projects such as school facilities or roads.
- **Committed** fund balance increased \$22.2 million, or 12.9%, to \$194.4 million. These amounts are established by resolution of the Board and may be modified only through similar Board action. Major commitments in fiscal year 2025 include \$72.2 million in fiscal stability reserves, \$45.6 million in health insurance reserves (including \$21.7 million related to OPEB), and \$53.2 million in locally funded cash reserves for future capital projects.
- **Assigned** fund balance increased 15.3% to \$64.2 million. Assigned balances represent amounts intended for specific purposes and are generally temporary in nature. Major assignments include \$25.2 million for fiscal year 2025 carryover and anticipated fiscal year 2026 use of fund balance, as well as \$27.5 million designated for future cash funding of capital projects.
- **Unassigned** fund balance includes all remaining amounts considered available for any purpose. In FY 2024, all available unassigned funds above the County’s Budget Stabilization Reserve of \$5.0 million were transferred to assigned fund balance for the future cash funding of capital projects.

Governmental Fund Revenues

Total governmental fund revenues increased by \$26.5 million in fiscal year 2025. General property and other local taxes remained the County’s primary revenue sources, accounting for 77.5% of total revenues, and increased by a combined \$18.5 million, or 6.0%. Other revenues—including permits, investment earnings, charges for services, and intergovernmental revenues—increased \$8.0 million, or 9.3%.



**Governmental Funds- Revenue Sources
For the Year ended June 30, 2025**

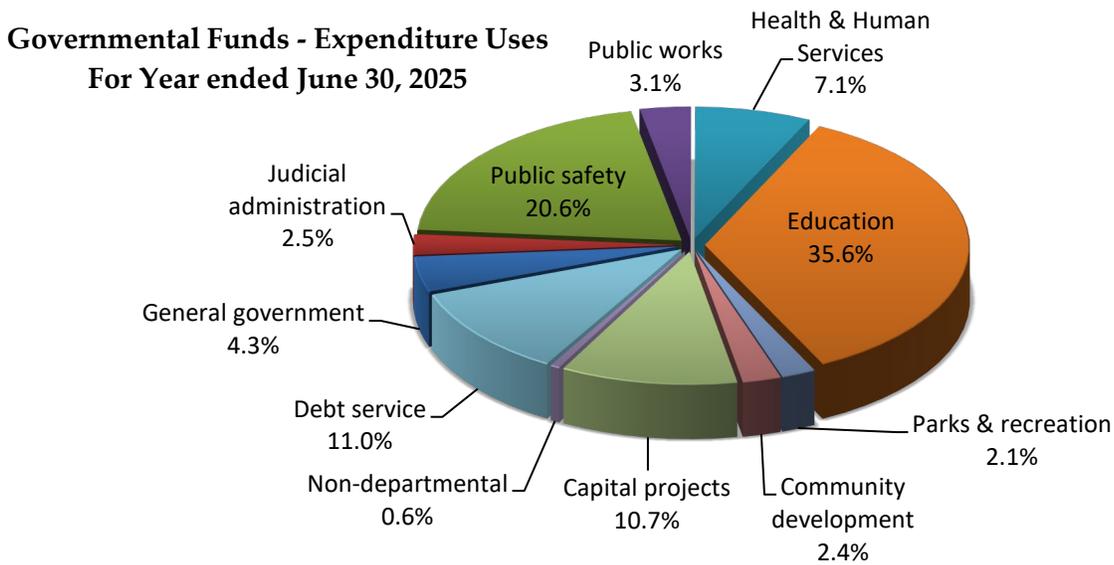
Property tax revenues increased \$14.3 million, or 6.3%, reflecting continued growth in the real property tax base and the full-year impact of the calendar year 2024 real estate tax rate increase of \$0.0686 per \$100 of assessed value above the calendar year 2023 equalized tax rate. New construction contributed a 2.4% increase in assessed value during the year.

Other local tax revenues—including sales, meals, lodging, and other activity-based taxes—increased \$4.2 million, or 5.2%, compared to the prior year. Meals tax revenues increased \$1.8 million, or 9.3%, reflecting estimated year-over-year meal price increases of approximately 3.8% in the greater Fredericksburg area, along with the first full fiscal year impact of the County’s 1.5% meals tax rate increase effective October 1, 2023. Sales tax revenues increased \$0.9 million, or 3.0%, while business license tax revenues rose \$0.8 million, or 11.0%, consistent with ongoing economic growth. Recordation tax revenues increased \$0.3 million, or 10.5%, representing the fastest-growing tax category for the year, driven in part by refinancing activity associated with moderating 30-year fixed mortgage interest rates.

Other revenues increased \$8.0 million, or 9.3%, primarily due to higher intergovernmental revenues and increased use of money and property, partially offset by lower permit-related revenues. Intergovernmental revenues increased \$6.7 million, or 13.7%, reflecting the recognition of \$7.6 million in Coronavirus State and Local Fiscal Recovery Funds (SLFRF) used to cash-fund various County capital projects. Use of money and property increased \$1.6 million, or 10.1%, largely due to \$2.1 million in new tenant revenues associated with the County’s acquisition of the Lee Hill Building in October 2024, which included the assumption of existing lease agreements and the use of available space to support County operations. This increase was partially offset by lower investment returns. Permits, privilege fees, and licenses decreased \$1.8 million compared to the prior year, primarily due to the absence of a nonrecurring large-scale development project related to the Kalahari Resort and Convention Center that occurred in fiscal year 2024.

Governmental Fund Expenditures

Total governmental fund expenditures equaled \$456.0 million, an increase of \$38.8 million, or 9.3%. The County’s governmental fund expenditures in fiscal year 2025 were concentrated in three primary areas. **Education** represented the largest use of funds at **35.6%**, reflecting the County’s continued commitment to supporting public schools and related instructional services. **Public safety** accounted for **20.6%** of total expenditures, underscoring investments in law enforcement, fire and rescue, and emergency response services. **Debt service**, at **11.0%**, was the third-largest expenditure, reflecting the County’s ongoing obligations to repay principal and interest on outstanding debt used to finance long-term capital needs.



- **Personnel-related costs increased by \$9.5 million**, primarily reflecting a 3% cost-of-living adjustment for all employees, step increases for public safety employees, and a 2.0% performance merit increase for full-time and part-time employees not on the public safety pay scale.
- **Capital project costs increased by \$26.9 million**, to fund the purchase of a new office building of \$17.7 million, \$5.8 million in additional spending for continued work on the construction of new fire & rescue stations, \$3.8 million in additional vehicle replacements, and a \$0.9 million reduction in transportation project spending.
- **Debt service on long-term debt increased \$4.4 million**, or 9.6%, primarily due to new debt issuances. Of this increase, \$2.6 million is attributed to the Schools, \$0.8 million is related to facility improvements, \$0.3 million for public safety needs, and \$0.7 million for transportation improvements.

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 a reallocation of funds between funding sources and departments, except for the following amendments:

- The “carryover” of obligated or approved fiscal year 2024 funding not yet expended by the County and Schools of \$8.9 million was approved and appropriated to education (\$4.5 million), public safety (\$3.4 million), and \$1.1 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 \$36.6 million, consisting of \$15.2 million in additional total revenues, \$19.0 million in unexpended budgeted expenditures, and \$2.4 million in unexpended other financing uses. The most notable variances are as follows:

Revenues:

- General property taxes reported a positive variance of \$2.1 million, driven by growth in public service corporation assessments on public utility companies.
- Other local taxes exceeded budget by \$3.7 million, reflecting collections above conservative estimates. Notable contributors included \$1.6 million in business license tax on gross receipts, \$0.5 million on recordation taxes from an increased volume in mortgage refinancings, and \$0.7 million in meals tax revenues.
- Revenue from the use of money and property exceeded budget by \$9.3 million, primarily due to higher realized investment earnings from a larger balance of invested funds and sustained higher market interest rates. Historically, the County has budgeted conservatively for investment returns given their volatility.

Expenditures:

Total current expenditures were \$19.0 million below the amended budget, primarily due to the following factors:

- \$4.9 million in personnel savings, largely attributable to vacant positions.
- \$4.3 million in budgeted funds obligated in FY 2025 but not yet expended, with the majority related to public safety initiatives.

- \$2.9 million in underspending across program and operating costs, including \$1.3 million in unspent Social Services and Children’s Services Act program expenditures and \$1.6 million in budgeted but unexpended professional services, travel and training, and equipment and fuel costs.
- \$3.5 million in savings in the local education transfer to the School Board, reflecting vacancy savings and strategic withholding or freezing of funds to mitigate potential reductions in federal funding.

Additional information on the County’s General Fund budget compliance can be found in Schedule 1, *Budgetary Comparison Schedule – General Fund*.

Capital Assets and Debt Administration

CAPITAL ASSETS

County capital assets include land, buildings, furniture, equipment and vehicles, and water and sewer infrastructure used in operations, as well as construction in progress and software under development. Construction in progress and software under development represent costs incurred on ongoing projects until the assets are placed into service, at which time the accumulated costs are reclassified to the appropriate capital asset category based on the nature of the asset.

The County’s investment in capital assets for its governmental and business-type activities increased to \$754.8 million (net of accumulated depreciation) as of June 30, 2025, representing a 26.1% increase from the prior year, as shown in the table below.

Capital Assets

	(net of depreciation, amounts in millions)					
	Governmental Activities	Business-type Activities	Total Primary Government		\$ Change	% Change
			2025	2024		
Land & land improvements	\$ 16.2	\$ 10.6	\$ 26.8	\$ 26.4	0.4	1.5%
Land improvements, depreciable	16.9	1.4	18.3	20.0	(1.7)	-8.5%
Buildings & improvements	86.8	75.0	161.8	150.5	11.3	7.5%
Right-to-use buildings & improvements	0.1	-	0.1	0.2	(0.1)	-50.0%
Furniture, equipment, software & vehicles	45.3	15.1	60.4	58.0	2.4	4.1%
Right-to-use furn, equip, software & vehicles	4.5	0.9	5.4	9.9	(4.5)	-45.5%
Water & sewer systems	-	218.2	218.2	209.7	8.5	4.1%
Construction in progress	13.7	249.8	263.5	123.7	139.8	113.0%
Right-to-use software in development	0.3	-	0.3	-	0.3	100.0%
Total capital assets	\$ 183.8	\$ 571.0	\$ 754.8	\$ 598.4	156.1	26.1%

Major capital asset activities for fiscal year 2025 included the following:

Governmental Activities:

- Acquisition of a new office building at a cost of \$17.7 million.
- \$1.8 million invested in new and replacement fire and rescue vehicles and large apparatus, supporting emergency response operations.
- \$7.7 million in continued construction activity on a new fire and rescue station to replace an end-of-life facility.
- Replacement of 30 vehicles, primarily patrol vehicles that had reached the end of their useful life, totaling \$1.4 million.
- Replacement of four heavy-duty vehicles to support refuse collection and disposal operations, totaling \$1.1 million.

Business-type Activities:

- Ownership of various new water and sewer transmission lines, valued at approximately \$12.2 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 2025 costs were \$3.1 million for a total capital outlay to date of \$27.3 million. The facility is expected to be operational in July 2025.
- Work on the Massaponax WWTP expansion continues, expending \$23.3 million in the current fiscal year, bringing the project to date costs to \$90.1 million in construction in progress. 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 April 2026.
- Construction of wastewater conveyance infrastructure, including two new sanitary sewer pump stations and a common sanitary sewer forcemain, which will be installed along the Route 2 corridor. The new infrastructure will transfer wastewater from the County's FMC Wastewater Treatment Plant (WWTP) to the newly expanded Massaponax WWTP. FMC WWTP is an aging facility that will be decommissioned and closed in order to treat the County's wastewater efficiently at the Massaponax WWTP. The facility is expected to be completed in April 2026. Total construction in progress to date is \$36.0 million.
- Construction work continues for the rehabilitation, resiliency, and expansion of the Motts Water Treatment Plant. The project will double the current capacity from 12 million gallons per day (MGD) to 24 MGD to meet future water demands. Fiscal year 2025 costs incurred were \$26.3 million for total project costs to date are \$38.9 million. The facility is expected to be operational in April 2027.

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

DEBT ADMINISTRATION

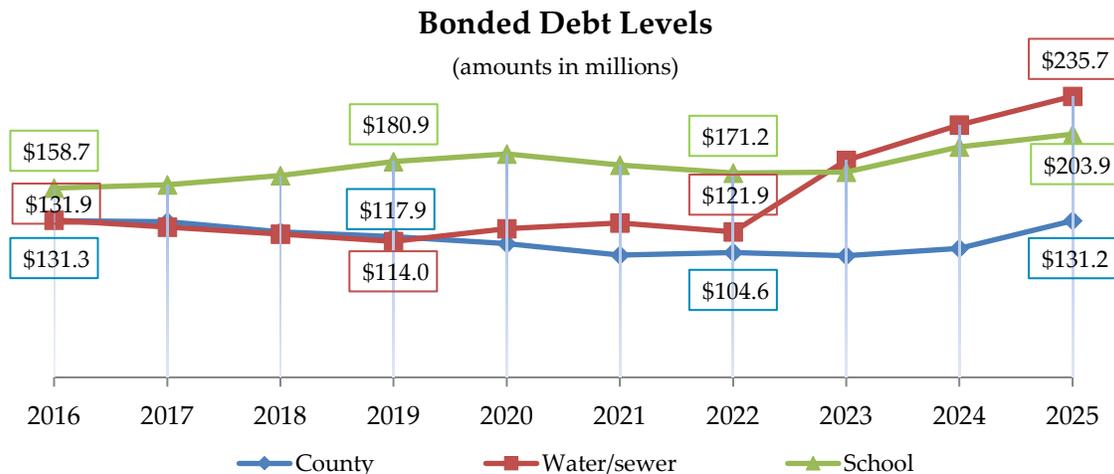
At year-end, the County had \$570.8 million in outstanding general obligation and revenue bonds, compared to \$513.0 million in the prior year, representing an increase of \$57.8 million, or 11.3%. During the fiscal year, the County issued \$25.7 million in Public Facility Revenue Bonds through the Economic Development Authority to finance the acquisition of a new government building and the rehabilitation of an existing County facility. In addition, in November 2024, the County issued \$31.8 million in Water and Sewer Revenue Bonds to support the ongoing expansion and rehabilitation of the County’s water and sewer infrastructure.

Outstanding Bonds & Related Unamortized Premiums

(amounts in millions)

	Primary Government		% Change
	2025	2024	
Governmental activities:			
General obligation bonds - County	\$ 88.0	\$ 89.4	-1.6%
General obligation bonds - School Board	158.5	144.4	9.8%
Public facility revenue bonds - County	30.3	5.4	461.1%
Public facility revenue bonds - School Board	22.8	27.1	-15.9%
Unamortized premiums on all bonds	35.5	35.1	1.1%
Total governmental activities debt:	335.1	301.4	11.2%
Water & Sewer revenue & refunding bonds	217.6	193.6	12.4%
Unamortized premiums	18.1	18.0	0.6%
Total business-type activities debt:	235.7	211.6	11.4%
Total outstanding bonds:	\$ 570.8	\$ 513.0	11.3%

Bonded debt outstanding for the current year and the preceding nine years, by category, is presented in the following chart. Over the past several years, water and sewer debt levels have increased above historical trends, primarily due to two large-scale capital projects focused on rehabilitation, redundancy, and system expansion at the County’s water and sewer treatment facilities. This elevated level of borrowing is not expected to continue, as these projects are anticipated to be substantially completed within the next two years.



The County's general obligation bonds continue to carry a AAA rating—the highest possible rating—from all three national rating agencies: Fitch, Moody's, and Standard & Poor's. This rating reflects the County's strong financial management practices and its demonstrated ability to meet debt obligations during periods of economic downturn or fiscal stress.

Additional information regarding the County's bonded debt and other long-term liabilities can be found in Note 9 to the financial statements.

Economic Factors and Next Year's Budget

While the economy has demonstrated continued resilience, the County maintains a cautious outlook. The following key economic indicators were considered in developing the FY 2026 Adopted Budget.

- **Inflation:** The Personal Consumption Expenditures (PCE) Price Index, and the Core PCE, continue to remain elevated. Calendar year 2025 projections are rising but are still projected to moderate to 2.4% in 2026 and 2.1% in 2027.
- **Labor Market:** Labor market conditions remain stable but have softened as anticipated. The County's unemployment rate continues to be lower than both the national and state averages. As a Virginia locality within close proximity to the Washington, D.C. metropolitan area, the County continues to monitor federal workforce trends and their potential regional impacts.
- **Federal Funds Rate:** The federal funds rate is projected at 3.6% for FY 2026 and 3.4% in 2027. However, ongoing economic and political uncertainties could place upward or downward pressure on future interest rate movements.
- **Vehicle Market:** Prices for new and used vehicles remain volatile. While inventory levels have improved, market conditions remain influenced by uncertainty related to potential tariff impacts.

The adopted FY 2026 General Fund budget totals \$416.6 million, representing an increase of \$27.4 million, or 7.0%, over the FY 2025 adopted budget. Of this increase, 56.0% is allocated to the School Division, 5.0% to regional agencies, and the remaining 39.0% supports County operations. Key highlights of the FY 2026 Adopted General Fund Budget include:

School Division Funding: A \$15.3 million, or 9.9%, increase in local funding for the School Division, representing the highest local transfer to Schools in the past decade, to support:

- \$3.6 million in net new school debt service;
- \$11.7 million for employee compensation adjustments;
- 15 new low-incidence special education teachers to meet state mandates; and
- 31 new paraeducators to support special education programs.

County Workforce and Public Safety Investments: Funding to strengthen employee compensation and public safety staffing, including:

- A 3.0% cost-of-living adjustment for all employees;
- A 2.0% merit increase for eligible employees;
- Step increases for employees on the public safety pay scale;

- Adjustments to the Sheriff's public safety pay scale to remain competitive with neighboring localities; and
- Staffing additions of 10 firefighters (half-year funding), 1 Assistant Commonwealth's Attorney, 1 Victim Witness Advocate, and 5 Social Services eligibility workers.

Regional Agency Support: Increased County contributions, including:

- \$466,525 for the Regional Library; and
- \$775,098 for the Regional Jail and Juvenile Detention Center.

Transportation Funding: An additional \$738,043 transfer to the Transportation Fund to support commitments related to the VA Health Care Center.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances. 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.



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BASIC FINANCIAL STATEMENTS

COUNTY OF SPOTSYLVANIA, VIRGINIA

Statement of Net Position

June 30, 2025

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)	\$ 306,205,945	\$ 95,264,746	\$ 401,470,691	\$ 29,999,696	\$ 713,145
Receivables, net (Note 3.01)	159,319,955	25,537,872	184,857,827	14,381,953	-
Lease Receivable (Note 3.02)	16,663,010	1,265,586	17,928,596	-	-
Prepaid items	1,289,690	107,827	1,397,517	1,846,148	-
Inventory	-	1,126,969	1,126,969	629,648	-
Due from primary government (Note 6)	-	-	-	17,868,736	-
Restricted cash and investments (Note 2)	52,817,237	43,020,346	95,837,583	60,590,891	-
Land held as investment	-	-	-	-	1,292,099
Capital assets, net (Note 4):					
Non-depreciable assets	30,156,790	260,419,769	290,576,559	64,814,914	-
Depreciable assets	153,629,643	310,616,399	464,246,042	318,765,010	-
Net pension assets (Note 7.05)	-	-	-	2,079,139	-
Total assets	\$ 720,082,270	\$ 737,359,514	\$ 1,457,441,784	\$ 510,976,135	\$ 2,005,244
DEFERRED OUTFLOWS OF RESOURCES					
Debt refunding	\$ -	\$ 1,060,316	\$ 1,060,316	\$ -	\$ -
Pension contributions (Note 7.05)	10,539,063	1,393,598	11,932,661	25,670,490	-
Pension actuarial differences (Note 7.05)	7,926,984	987,334	8,914,318	29,828,289	-
OPEB contributions (Note 7.06)	367,902	56,913	424,815	9,810,062	-
OPEB actuarial differences (Note 7.06)	19,468,458	2,592,371	22,060,829	17,285,499	-
Total deferred outflows of resources	\$ 38,302,407	\$ 6,090,532	\$ 44,392,939	\$ 82,594,340	\$ -
LIABILITIES					
Accounts payable	\$ 4,517,653	\$ 18,359,442	\$ 22,877,095	\$ 10,231,107	\$ 191,236
Retainage payable	400,227	7,931,145	8,331,372	2,625,962	-
Accrued salaries and benefits	2,129,145	252,021	2,381,166	21,327,946	-
Accrued interest	5,165,098	799,066	5,964,164	-	-
Other accrued liabilities	4,806,748	1,376,526	6,183,274	203,502	306,278
Unearned revenue	7,306,690	-	7,306,690	3,823,001	-
Due to component unit (Note 6)	17,868,736	-	17,868,736	-	-
Deposits	19,779,450	144,253	19,923,703	-	-
Noncurrent liabilities (Note 7):					
Due within one year	51,595,289	10,877,015	62,472,304	18,625,817	-
Due in more than one year	429,729,333	243,439,094	673,168,427	279,256,241	-
Total liabilities	\$ 543,298,369	\$ 283,178,562	\$ 826,476,931	\$ 336,093,576	\$ 497,514
DEFERRED INFLOWS OF RESOURCES					
Property taxes	\$ 113,106,570	\$ -	\$ 113,106,570	\$ -	\$ -
Special assessments	110,182	-	110,182	-	-
Leases	16,294,087	1,174,422	17,468,509	-	-
Debt refunding	618,240	-	618,240	-	-
Pension actuarial differences (Note 7.05)	9,107,620	959,800	10,067,420	25,635,237	-
OPEB actuarial differences (Note 7.06)	39,289,997	4,595,641	43,885,638	134,038,039	-
Total deferred inflows of resources	\$ 178,526,696	\$ 6,729,863	\$ 185,256,559	\$ 159,673,276	\$ -
NET POSITION					
Net investment in capital assets	\$ 123,558,884	\$ 340,484,752	\$ 464,043,636	\$ 373,477,170	\$ -
Restricted for:					
Grant programs	5,835,122	-	5,835,122	-	-
Debt service	-	3,261,860	3,261,860	-	-
Transportation	7,873,075	-	7,873,075	-	-
Opioid abatement	3,382,923	-	3,382,923	-	-
Capital projects	4,430,492	7,771,666	12,202,158	48,654,899	-
Net pension assets	-	-	-	2,079,139	-
School programs	-	-	-	29,467,096	-
Unrestricted	(108,520,884)	102,023,343	(6,497,541)	(355,874,681)	1,507,730
Total net position (deficit)	\$ 36,559,612	\$ 453,541,621	\$ 490,101,233	\$ 97,803,623	\$ 1,507,730

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, 2025

Exhibit II - Page 1

Functions/Programs	Expenses	Program Revenues			Primary Government
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Primary Government:					
General government	\$ 26,523,491	\$ 325,563	\$ 895,583	\$ 2,693,228	\$ (22,609,117)
Judicial administration	13,180,419	613,856	3,016,356	205,878	(9,344,329)
Public safety	100,548,435	11,792,653	8,707,083	2,185,266	(77,863,433)
Public works	16,067,537	6,718,076	81	1,847,821	(7,501,559)
Health and human services	32,538,345	16,820	17,855,387	-	(14,666,138)
Education	162,094,777	-	3,325	-	(162,091,452)
Parks, recreation and cultural	10,312,996	838,436	288,238	1,370,689	(7,815,633)
Community development	17,339,500	1,416,361	240,751	635,589	(15,046,799)
Interest on long-term debt	11,964,308	-	-	-	(11,964,308)
Total governmental activities	\$ 390,569,808	\$ 21,721,765	\$ 31,006,804	\$ 8,938,471	\$ (328,902,768)
Business-type activities:					
Water and sewer	52,832,807	52,494,564	-	54,548,717	
Total Primary Government	\$ 443,402,615	\$ 74,216,329	\$ 31,006,804	\$ 63,487,188	
Component unit:					
School Board	\$ 356,769,655	\$ 2,705,948	\$ 256,553,539	\$ 5,854,748	
Economic Development Authority	\$ 1,276,661	\$ 5,000	\$ -	\$ -	
General revenues:					
Taxes					
Property taxes					\$ 238,143,444
Sales taxes					30,956,330
Utility taxes					3,592,525
Business licenses					7,555,343
Rental taxes					4,171,722
Motor vehicle licenses					3,351,746
Bank stock taxes					1,145,589
Recordation taxes					2,714,849
Meal taxes					21,675,453
Fuel taxes					7,871,583
Cigarette taxes					1,719,337
Grants and contributions not restricted to specific programs					19,438,550
Payments from Primary Government					-
Interest and investment earnings					14,443,734
Miscellaneous					592,728
Transfers					11,081
Total general revenues and transfers					\$ 357,384,014
Change in net position					\$ 28,481,246
Net position (deficit), beginning, as previously presented					11,163,084
Net effect of change in accounting principle					(3,084,718)
Net position (deficit), beginning, as restated (Note 16)					8,078,366
Net position (deficit), ending					\$ 36,559,612

COUNTY OF SPOTSYLVANIA, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2025

Exhibit II - Page 2

Functions/Programs	Net (Expense) Revenue & Changes in Net Position			
	Primary Government		Component Unit	
	Business-type Activities	Total	School Board	Economic Development Authority
Primary Government:				
General government		\$ (22,609,117)		
Judicial administration		(9,344,329)		
Public safety		(77,863,433)		
Public works		(7,501,559)		
Health and human services		(14,666,138)		
Education		(162,091,452)		
Parks, recreation and cultural		(7,815,633)		
Community development		(15,046,799)		
Interest on long-term debt		(11,964,308)		
Total governmental activities		\$ (328,902,768)		
Business-type activities:				
Water and sewer	54,210,474	54,210,474		
Total Primary Government	\$ 54,210,474	\$ (274,692,294)		
Component units:				
School Board			\$ (91,655,420)	
Economic Development Authority				\$ (1,271,661)
General revenues:				
Taxes				
Property taxes	\$ -	\$ 238,143,444	\$ -	\$ -
Sales taxes	-	30,956,330	-	-
Utility taxes	-	3,592,525	-	-
Business licenses	-	7,555,343	-	-
Rental taxes	-	4,171,722	-	-
Motor vehicle licenses	-	3,351,746	-	-
Bank stock taxes	-	1,145,589	-	-
Recordation taxes	-	2,714,849	-	-
Meal taxes	-	21,675,453	-	-
Fuel taxes	-	7,871,583	-	-
Cigarette taxes	-	1,719,337	-	-
Grants and contributions not restricted to specific programs	-	19,438,550	-	-
Payments from Primary Government	-	-	162,005,606	1,238,661
Interest and investment earnings	7,945,289	22,389,023	3,242,771	6,834
Miscellaneous	407,594	1,000,322	2,144,043	-
Transfers	(11,081)	-	-	-
Total general revenues and transfers	\$ 8,341,802	\$ 365,725,816	\$ 167,392,420	\$ 1,245,495
Change in net position	\$ 62,552,276	\$ 91,033,522	\$ 75,737,000	\$ (26,166)
Net position (deficit), beginning, as previously presented	391,337,274	402,500,358	39,945,718	1,533,896
Net effect of change in accounting principle	(347,929)	(3,432,647)	(17,879,095)	-
Net position (deficit), beginning, as restated (Note 16)	390,989,345	399,067,711	22,066,623	1,533,896
Net position (deficit), ending	\$ 453,541,621	\$ 490,101,233	\$ 97,803,623	\$ 1,507,730

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

COUNTY OF SPOTSYLVANIA, VIRGINIA

Balance Sheet - Governmental Funds

June 30, 2025

Exhibit III - Page 1

	Governmental Funds			
	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments - pooled equity	\$ 220,513,008	\$ 57,316,452	\$ 28,376,485	\$ 306,205,945
Receivables, net	149,543,712	482,426	9,293,817	159,319,955
Lease receivable	1,740,959	-	14,922,051	16,663,010
Restricted cash and investments	2,073,381	48,927,009	1,816,847	52,817,237
Total assets	<u>\$ 373,871,060</u>	<u>\$ 106,725,887</u>	<u>\$ 54,409,200</u>	<u>\$ 535,006,147</u>
LIABILITIES				
Accounts payable	\$ 2,895,550	\$ 1,391,338	\$ 230,765	\$ 4,517,653
Retainage payable	-	400,227	-	400,227
Accrued salaries and benefits	2,488,951	1,583	90,703	2,581,237
Other accrued liabilities	3,697,568	946,448	44,854	4,688,870
Unearned revenue	7,206,690	100,000	-	7,306,690
Due to component unit	17,868,736	-	-	17,868,736
Deposits	12,332,406	2,035,151	5,411,893	19,779,450
Total liabilities	<u>\$ 46,489,901</u>	<u>\$ 4,874,747</u>	<u>\$ 5,778,215</u>	<u>\$ 57,142,863</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes	\$ 120,206,989	\$ -	\$ 611,899	\$ 120,818,888
Special assessments	-	110,182	-	110,182
Other revenues	11,464,804	372,243	91,926	11,928,973
Leases	1,643,205	-	14,650,882	16,294,087
Total deferred inflows of resources	<u>\$ 133,314,998</u>	<u>\$ 482,425</u>	<u>\$ 15,354,707</u>	<u>\$ 149,152,130</u>
FUND BALANCES				
Non spendable	\$ 97,754	\$ -	\$ 271,169	\$ 368,923
Restricted	6,931,286	48,098,249	9,668,207	64,697,742
Committed	118,607,571	53,269,384	22,568,332	194,445,287
Assigned	63,429,550	1,082	768,570	64,199,202
Unassigned	5,000,000	-	-	5,000,000
Total fund balances	<u>\$ 194,066,161</u>	<u>\$ 101,368,715</u>	<u>\$ 33,276,278</u>	<u>\$ 328,711,154</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 373,871,060</u>	<u>\$ 106,725,887</u>	<u>\$ 54,409,200</u>	<u>\$ 535,006,147</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

June 30, 2025

Exhibit III - Page 2

Total fund balances - governmental funds (Exhibit III)	\$	328,711,154	
<i>Amounts reported for governmental activities in the Statement of Net Position (Exhibit I) are different because:</i>			
Prepaid items used current resources and, therefore, are not reported in the governmental funds.			1,289,690
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	\$	30,156,790	
Depreciable and amortizable assets, net of depreciation and amortization		<u>153,629,643</u>	
			183,786,433
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	\$	10,539,063	
Deferred pension actuarial differences		7,926,984	
Deferred OPEB contributions		367,902	
Deferred OPEB actuarial differences		<u>19,468,458</u>	
			38,302,407
Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due.			(5,165,098)
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	\$	(335,115,924)	
Net pension liability		(17,827,059)	
LOSAP pension liability		(3,105,962)	
Other postemployment benefits liabilities		(88,055,855)	
Lease liability		(165,732)	
Subscription liability		(3,096,743)	
Compensated absences		(12,665,323)	
Landfill closure obligation		(13,498,638)	
Arbitrage liability		(5,858,811)	
Insurance claims (excludes \$452,092 accrued in the General Fund)		<u>(1,482,483)</u>	
			(480,872,530)
Revenue not considered available in governmental funds is susceptible to full accrual on the entity-wide statements.			
Property taxes	\$	7,712,318	
Intergovernmental revenues		6,211,685	
Sales tax		2,748,168	
Other local revenues		<u>2,969,120</u>	
			19,641,291
Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period			
Deferred pension actuarial differences	\$	(9,107,620)	
Deferred debt refunding		(618,240)	
Deferred OPEB actuarial differences		<u>(39,289,997)</u>	
			(49,015,857)
Expenses not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Other liabilities	\$	<u>(117,878)</u>	
			<u>(117,878)</u>
Total net position - governmental activities (Exhibit I)	\$		<u>36,559,612</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

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

For the Year Ended June 30, 2025

Exhibit IV - Page 1

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 238,974,286	\$ 28,508	\$ 1,121,593	\$ 240,124,387
Other local taxes	76,804,633	-	7,871,583	84,676,216
Permits, fees and regulatory licenses	688,138	-	6,109,786	6,797,924
Fines and forfeitures	435,864	-	-	435,864
From use of money and property	10,531,691	4,121,257	2,737,041	17,389,989
Charges for services	7,326,501	-	4,710,594	12,037,095
Contributions	388,384	963,687	-	1,352,071
Miscellaneous	489,279	97	-	489,376
Intergovernmental	48,081,264	7,640,982	-	55,722,246
Total revenues	<u>\$ 383,720,040</u>	<u>\$ 12,754,531</u>	<u>\$ 22,550,597</u>	<u>\$ 419,025,168</u>
EXPENDITURES				
Current:				
General government	\$ 19,675,454	\$ 101,706	\$ -	\$ 19,777,160
Judicial administration	11,504,344	-	-	11,504,344
Public safety	90,435,330	-	3,535,901	93,971,231
Public works	13,498,251	-	682,506	14,180,757
Health and human services	32,393,249	-	-	32,393,249
Education	162,094,777	-	-	162,094,777
Parks, recreation and cultural	9,472,491	-	-	9,472,491
Community development	5,462,792	-	5,193,685	10,656,477
Non-departmental	2,626,868	-	-	2,626,868
Capital projects	-	48,888,589	-	48,888,589
Debt service:				
Bonded debt:				
Principal retirement	30,561,317	-	3,978,683	34,540,000
Interest and other fiscal charges	10,312,934	-	2,872,055	13,184,989
Bond issuance costs	190,137	526,963	-	717,100
Right to use assets:				
Principal retirement	1,647,316	-	-	1,647,316
Interest and other fiscal charges	68,364	-	-	68,364
Total expenditures	<u>\$ 389,943,624</u>	<u>\$ 49,517,258</u>	<u>\$ 16,262,830</u>	<u>\$ 455,723,712</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,223,584)</u>	<u>\$ (36,762,727)</u>	<u>\$ 6,287,767</u>	<u>\$ (36,698,544)</u>
Other financing sources (uses):				
Transfers in	\$ 5,264,737	\$ 18,235,570	\$ 3,364,934	\$ 26,865,241
Transfers out	(21,468,525)	(14,791)	(5,370,844)	(26,854,160)
Issuance of bonds	32,595,000	35,260,000	-	67,855,000
Premium on bonds issued	3,907,628	1,136,074	-	5,043,702
Subscription liabilities issued	1,779,854	-	-	1,779,854
Total other financing sources (uses), net	<u>\$ 22,078,694</u>	<u>\$ 54,616,853</u>	<u>\$ (2,005,910)</u>	<u>\$ 74,689,637</u>
Net change in fund balances	<u>\$ 15,855,110</u>	<u>\$ 17,854,126</u>	<u>\$ 4,281,857</u>	<u>\$ 37,991,093</u>
Fund balance, beginning	178,211,051	83,514,589	28,994,421	290,720,061
Fund balance, ending	<u>\$ 194,066,161</u>	<u>\$ 101,368,715</u>	<u>\$ 33,276,278</u>	<u>\$ 328,711,154</u>

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, 2025

Exhibit IV - Page 2

Net changes in governmental fund balances (Exhibit IV):	\$	37,991,093	
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>			
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.			(346,408)
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	\$	42,386,033	
Depreciation and amortization expense		<u>(17,422,658)</u>	
			24,963,375
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.			(4,600,700)
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	\$	(42,110,000)	
Premium on general obligation bonds		(5,043,702)	
Issuance of public improvement bonds		(25,745,000)	
Right to use subscriptions incurred		<u>(1,779,855)</u>	
			(74,678,557)
Debt reductions:			
Principal payments on bonds	\$	34,540,000	
Principal payments on right to use leases		171,246	
Principal payments on right to use subscriptions		1,480,651	
Principal reduction from termination of right to use subscriptions and leases		<u>4,248,848</u>	
			40,440,745
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements.			
Property taxes	\$	(1,980,943)	
Intergovernmental and other revenues		<u>1,978,616</u>	
			(2,327)
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	\$	504,877	
Pension benefits (includes LOSAP - Length of Service Award Plan)		2,109,761	
Amortization of bond related costs		4,690,133	
Accrued interest		(439,699)	
Arbitrage liability		(2,244,288)	
Landfill closure obligation		970,747	
Compensated absences		(1,123,903)	
Insurance claims (excludes \$452,092 in claims expense reported in the General Fund)		<u>246,397</u>	
			<u>4,714,025</u>
Change in net position - governmental activities (Exhibit II)	\$		<u>28,481,246</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA
Statement of Fund Net Position - Proprietary Fund

June 30, 2025

Exhibit V

	<u>Water & Sewer Fund</u>
ASSETS	
Current assets:	
Cash and investments - pooled equity	\$ 95,264,746
Receivables, net	25,537,872
Lease receivable	1,265,586
Inventory	1,126,969
Prepaid items	107,827
Restricted cash and investments	43,020,346
Total current assets	<u>\$ 166,323,346</u>
Noncurrent assets:	
Capital assets, net:	
Non-depreciable assets	\$ 260,419,769
Depreciable assets	310,616,399
Total noncurrent assets	<u>\$ 571,036,168</u>
Total assets	<u>\$ 737,359,514</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on debt refunding	\$ 1,060,316
Pension contributions	1,393,598
Pension actuarial differences	987,334
OPEB contributions	56,913
OPEB actuarial differences	2,592,371
Total deferred outflows of resources	<u>\$ 6,090,532</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 18,359,442
Retainage payable	7,931,145
Accrued salaries and benefits	252,021
Accrued bond interest	799,066
Other accrued liabilities	1,376,526
Deposits	144,253
Current portion of long-term debt	10,877,015
Total current liabilities	<u>\$ 39,739,468</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>\$ 243,439,094</u>
Total noncurrent liabilities	<u>\$ 243,439,094</u>
Total liabilities	<u>\$ 283,178,562</u>
DEFERRED INFLOWS OF RESOURCES	
Leases	\$ 1,174,422
Pension actuarial differences	959,800
OPEB actuarial differences	4,595,641
Total deferred inflows of resources	<u>\$ 6,729,863</u>
NET POSITION	
Net investment in capital assets	\$ 340,484,752
Restricted for debt service	3,261,860
Restricted for capital projects	7,771,666
Unrestricted	102,023,343
Total net position	<u>\$ 453,541,621</u>

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, 2025

Exhibit VI

	<u>Water & Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 50,149,961
Other operating revenues	2,344,603
Total operating revenues	<u>\$ 52,494,564</u>
OPERATING EXPENSES	
Personnel and related benefits	\$ 14,865,106
Contractual services	4,435,939
Materials and supplies	4,234,069
Depreciation	13,555,593
Other services and charges	6,796,876
Total operating expenses	<u>\$ 43,887,583</u>
Operating income	<u>\$ 8,606,981</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and fiscal charges	\$ (8,360,403)
Bond issuance costs	(584,821)
Investment earnings, net	7,945,289
Miscellaneous income	407,594
Total non-operating expenses, net	<u>\$ (592,341)</u>
Income before contributions and transfers	<u>\$ 8,014,640</u>
Capital contributions:	
Availability fees	\$ 11,983,135
Other capital contributions	42,565,582
Total capital contributions	<u>\$ 54,548,717</u>
Transfers to other funds, net	(11,081)
Total capital contributions and transfers	<u>\$ 54,537,636</u>
Change in net position	<u>\$ 62,552,276</u>
Net position, beginning, as previously presented	<u>391,337,274</u>
Net effect of change in accounting principle	(347,929)
Net position, beginning, as restated (Note 16)	<u>390,989,345</u>
Net position, ending	<u><u>\$ 453,541,621</u></u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

Statement of Cash Flows - Proprietary Fund

For the Year Ended June 30, 2025

Exhibit VII - Page 1

	<u>Water & Sewer Fund</u>
Cash flows from operating activities:	
Receipts from water and sewer customers	\$ 51,613,365
Receipts from other operating revenues	2,320,308
Receipt of customer deposits	45,230
Payments to suppliers and service providers	(16,383,847)
Payments to employees for salaries and benefits	(15,193,817)
Return of customer deposits	(51,728)
Net cash provided by operating activities	<u>\$ 22,349,511</u>
Cash flows from noncapital financing activities:	
Receipt for cell tower operating leases	\$ 145,082
Transfers out	(11,081)
Net cash provided by noncapital financing activities	<u>\$ 134,001</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (121,376,161)
Proceeds from sale of capital assets	185,860
Principal payments on revenue bonds	(7,835,000)
Interest and bond issuance costs on revenue bonds	(9,705,525)
Proceeds from revenue bonds issued	33,378,124
Receipts of proffers for capital assets	50,000
Principal payments on leases	(15,237)
Interest payments on leases	(1,501)
Principal payments on subscriptions	(142,323)
Interest payments on subscriptions	(15,730)
Intergovernmental revenue - capital	15,340,576
Other capital contributions	3,625,306
Receipt of availability fees	11,698,821
Net cash used in capital and related financing activities	<u>\$ (74,812,790)</u>
Cash flows from investing activities:	
Proceeds from investment maturities	\$ 20,401,682
Proceeds from investment principal pay downs	2,587,376
Investment earnings, net	7,700,139
Net cash provided by investing activities	<u>\$ 30,689,197</u>
Net decrease in cash and cash equivalents	<u>\$ (21,640,081)</u>
Cash and cash equivalents:	
Beginning	156,268,023
Ending	<u>\$ 134,627,942</u>
Shown on the Statement of Fund Net Position as:	
Cash and investments - pooled equity	\$ 95,264,746
Restricted cash and investments	43,020,346
	<u>\$ 138,285,092</u>
Less investments	3,657,150
Cash and cash equivalents, unrestricted and restricted	<u>\$ 134,627,942</u>

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, 2025

Exhibit VII - Page 2

Water & Sewer Fund**Reconciliation of operating income to net cash provided by operating activities:**

Operating income	\$ 8,606,981
Depreciation	13,555,593
Effect of changes in assets and liabilities:	
Decrease in accounts receivable (net of capital related financing)	1,439,109
Increase in prepaid items	(37,710)
Increase in inventory	(119,803)
Increase in deferred outflows - pension contributions	(136,313)
Increase in deferred outflows - pension actuarial differences	(90,897)
Decrease in deferred outflows - OPEB contributions	2,220
Decrease in deferred outflows - OPEB actuarial differences	800,197
Decrease in accounts payable (net of capital related financing)	(759,450)
Decrease in customer deposits payable	(6,498)
Decrease in salary and benefits payable	52,062
Decrease in insurance claims payable	(33,321)
Increase in compensated absences payable	122,473
Decrease in net pension liability	(358,838)
Decrease in total OPEB liability - healthcare	(1,845,642)
Decrease in net OPEB liability - VRS GLI	(107,727)
Increase in deferred inflows - pension actuarial differences	298,159
Increase in deferred inflows - OPEB actuarial differences	968,916
Net cash provided by operating activities	<u>\$ 22,349,511</u>
Noncash noncapital financing activities:	
Decrease in cell tower operating lease receivables	\$ (10,542)
Noncash capital and financing activities:	
Increase in intergovernmental receivables	\$ 276,989
Increase in availability fee and other capital contribution receivables	11,101,445
Developer donated capital assets	12,271,640
Net book value of capital assets disposed or sold	(122,111)
Loss on disposal of subscription asset	(23,436)
Increase in accounts payable and accrued liabilities	(12,881,619)
Increase in arbitrage payable	(721,129)
Increase in retainage payable	(3,114,905)
Net decrease in unearned revenue used for capital	233,940
Difference between recognition of lease revenue and deferred inflows	13,854
Net change in deferred inflows and outflows related to bonded debt	1,581,473
Noncash investing activities:	
Increase in fair value of investments	\$ 289,258
Decrease in accrued interest receivable	(77,464)

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

COUNTY OF SPOTSYLVANIA, VIRGINIA

Statement of Fiduciary Net Position

June 30, 2025

Exhibit VIII

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,044,325
Receivables - taxes for the Commonwealth of Virginia	<u>87,508</u>
Total assets	<u>\$ 1,131,833</u>
LIABILITIES	
Accounts payable and other liabilities	\$ 71,039
Total liabilities	<u>\$ 71,039</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	\$ 1,060,794
Total net position	<u>\$ 1,060,794</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA
Statement of Changes in Fiduciary Net Position
 For the Year Ended June 30, 2025

Exhibit IX

	<u>Custodial Fund</u>
ADDITIONS	
Collections of taxes and fees for other governments	\$ 733,858
Social Security Administration deposits (special welfare)	35,142
Collections of Sheriff evidence funds	49,958
Deposits of unclaimed property	446,343
Deposits from and on behalf of service organizations	4,418
Collections for real estate sale (unclaimed property)	80,235
Total additions	<u>\$ 1,349,954</u>
DEDUCTIONS	
Payments of taxes and fees to other governments	\$ 794,402
Payments made to special welfare individuals	42,344
Evidence disbursements	30,416
Unclaimed property disbursements	165,063
Payments to service organizations	3,357
Payments to real estate holders (unclaimed property)	72,548
Total deductions	<u>\$ 1,108,130</u>
Net increase in fiduciary net position	\$ 241,824
Fiduciary net position, beginning	<u>818,970</u>
Fiduciary net position, ending	<u><u>\$ 1,060,794</u></u>

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 four-year terms by the voters of the districts in which the members reside. The Board appoints a County Administrator, who is responsible for executing 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 to its citizens, including emergency medical services and fire protection, collection and disposal of refuse, water and sewer operations, parks and recreation, and library services. These services are funded through various revenue streams, including 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 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. The County's discretely presented component units are reported in separate columns in the government-wide statements to emphasize that 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 districts in which the members reside. The School Board functions independently of the County Board and County Administration but is considered fiscally dependent because the County approves its budget. In addition, the County Board must levy taxes to finance School Board operations and issue debt on its behalf, as the School Board cannot levy taxes or incur bonded indebtedness under Virginia law. The School Board does not publish a separate financial report; therefore, its fund financial statements 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) to acquire, own, lease, and dispose of properties to promote industry and develop trade by inducing manufacturing, industrial, governmental, and commercial enterprises to locate in or remain in the Commonwealth. The County Board of Supervisors appoints the seven board directors of the EDA, one representing each of the County's seven districts. By statute, the EDA has authority to issue tax-exempt industrial revenue bonds to qualifying enterprises. 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, its fund financial statements 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 present information about the Primary Government and its component units. These statements include the financial activities of the overall government, excluding fiduciary activities. Financial activities are categorized as either governmental or business-type. Governmental activities are generally 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 specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services provided by the programs and (b) grants and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues 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 are made for charges between the County's Water and Sewer Fund and various other functions of the government. Eliminating these charges would distort the direct costs and program revenues of the affected functions.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds. Separate statements are presented for each fund category: governmental, proprietary, and fiduciary. 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 the cost of sales and services, administrative expenses, and depreciation of 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 County'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. General operating expenditures, fixed charges, and capital outlay costs 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. Major activities include tax and fee collections for the state government, unclaimed property, and collections for service organizations.

County's Non-major Special Revenue Funds:

The **Fire and EMS Service Fee Fund** was established to account for the County's emergency medical services (EMS) revenue recovery program, in accordance with County Code Section 9-39. Under this program, patients' insurance providers are billed for emergency ambulance services. Revenues collected are used to offset the costs of providing EMS, including personnel, equipment, and fuel, and are reinvested into the EMS system to support the maintenance and enhancement of services and equipment.

The **Code Compliance Fund** accounts for the revenues and expenditures associated with the enforcement of building, erosion, and stormwater management codes enacted by authority of the Commonwealth of Virginia. Permit fees are charged 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.

The **Lee Hill Tenant Building Fund** was established to account for the tenant revenues and related building expenditures associated with the County's purchase of the Lee Hill building in October 2024.

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. The measurement focus identifies which resources are reported - such as *current financial resources* or *economic resources* - while the basis of accounting determines when transactions or events are recognized 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 measurable 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 and subscription liabilities 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 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 the allowance.

1.07 PROPERTY TAXES

Real property is assessed biennially at estimated fair value on January 1. Real estate and personal property taxes are billed on a calendar year basis and 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 levied for use in the following fiscal year. Unpaid real estate taxes automatically constitute liens on real property, which must be satisfied prior to the sale or transfer of the property. 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 is 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. A right to use asset is defined by the County as an asset with an initial cost of more than \$50,000. The right to use leased asset is 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 asset is 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 the 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:

<u>Major Asset Type</u>	<u>Estimated Useful Life</u>
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 may be used for time off or are eligible for limited payment upon separation from service. Annual leave payouts are limited to a maximum of 288 hours for full-time employees. Sick leave obligations are compensated at 25% of accrued sick leave, with no maximum payout for employees enrolled in VRS Plans 1 & 2 and a maximum payout of 240 hours for VRS Hybrid employees. A liability for unused annual leave, compensatory time, and sick leave is recognized in the government-wide and proprietary fund financial statements for the portion of accumulated leave attributable to services already rendered that is more likely than not to be used or paid, with the current portion estimated based on historical leave usage. In the governmental funds, a liability is reported only to the extent amounts are due and payable at year-end, such as upon employee resignation or retirement.

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, 2025.

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, 2025, the County reported \$204.4 million in "on-behalf" net school bonded debt, with a corresponding reduction to the County's unrestricted net position. To help readers understand this relationship and to more accurately

reflect the financial positions of both the Primary Government and its component unit – School Board, the table below presents net position before and after the allocation of the “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	\$ 123,558,884	\$ -	\$ 123,558,884
Restricted	21,521,612	-	21,521,612
Unrestricted	(108,520,884)	204,416,531	95,895,647
Total net position at June 30, 2025	\$ 36,559,612	\$ 204,416,531	\$ 240,976,143
Component unit - School Board:			
Net investment in capital assets	\$ 373,477,170	\$ (162,533,337)	\$ 210,943,833
Restricted	80,201,134	(41,883,194)	38,317,940
Unrestricted	(355,874,681)	-	(355,874,681)
Total net position at June 30, 2025	\$ 97,803,623	\$ (204,416,531)	\$ (106,612,908)

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, 2025:

Investments Measured at Fair Value	
Investments by fair value level	Level 2
Debt securities	
Repurchase agreements	\$ 9,852,001
U.S. Treasury obligations	11,451,259
Federal agency obligations	4,539,337
Corporate notes	2,297,127
Total debt securities	\$ 28,139,724

External Investment Pools

The County maintains investments in the following qualified external investment pools as of June 30, 2025:

Investments Measured at Net Asset Value (NAV)	
Virginia Local Government Investment Pool	\$ 274,040,352
Virginia State Non-arbitrage Program	128,365,981
	\$ 402,406,333

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 achieve 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, 2025, the remaining 37 acres are valued at a

fair market value of \$1.3 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	\$ 274,040,352	0.0028
SNAP	NAV	128,365,981	0.0028
Other money markets & mm mutual funds	Amortized cost	71,850,937	0.0028
Repurchase agreements	Fair	9,852,001	0.0028
U.S. Treasury obligations	Fair	11,451,259	1.0978
Federal agency obligations	Fair	4,539,337	2.9664
Corporate notes	Fair	2,297,127	0.1772
	Total investments:	\$ 502,396,994	
	Portfolio weighted average maturity:		0.0310
Cash on hand		3,020	
Deposits		85,182,936	
LOSAP pension benefit Trust funds		2,073,381	
	Total pooled cash and investments:	\$ 589,656,331	
Reconciliation of pooled cash and investments:			
Exh I: Total primary government cash and investments - pooled equity		\$ 401,470,691	
Exh I: Total primary government restricted cash and investments		95,837,583	
Exh I: Component unit school board cash and investments - pooled equity		29,999,696	
Exh I: Component unit school board restricted cash and investments		60,590,891	
Exh I: Component unit EDA cash and investments - pooled equity		713,145	
Exh VIII: Custodial cash and investments - pooled equity		1,044,325	
		\$ 589,656,331	

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, 2025.

Maximum Credit Exposure for Investments			
Authorized Investment	Minimum Credit Quality Rating	Maximum Credit Exposure	
		Sector Limit	Issuer Limit
U.S. Treasury obligations	AA or equivalent	100%	100%
Federal agency obligations	AA or equivalent	100%	35%
Municipal obligations	AA or equivalent	20%	5%
Commercial paper	Short-term debt rating of A-1 or equivalent	25%	5%
Corporate notes	AA or equivalent	20%	5%
Certificate of deposit	A-1 for maturities \leq 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	\$ 274,040,352	AAAm	54.55%
SNAP	128,365,981	AAAm	25.55%
Other money market mutual funds	71,850,937	AAAm	14.30%
Repurchase agreements	9,852,001	AAA	1.96%
U.S. Treasury obligations	11,451,259	A-1	2.28%
Federal agency obligations	4,539,337	AA	0.90%
Corporate notes	2,297,127	AA(91%)/ A(9%)	0.46%
Total investments:	\$ 502,396,994		100.00%

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss associated with 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 except for mutual funds and investments issued or explicitly guaranteed by the United States government. As of June 30, 2025, 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 counterparty, the County will not be able to recover the value of its investments or collateral securities in possession of any outside party. The County's investment policy requires that all securities 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, 2025, the County and its Component-unit School Board maintain cash and investments totaling \$95.8 million and \$60.6 million, respectively, with the following restrictions:

Restricted Cash and Investments	
Governmental activities:	
General Fund - LOSAP pension benefits	\$ 2,073,381
Capital Projects Fund - Project bond proceeds (SNAP)	48,927,009
Transportation Fund - Transportation special service districts	1,816,847
Total restricted cash & investments:	\$ 52,817,237
Business-type activities:	
Water & Sewer Fund - Project bond proceeds (SNAP)	\$ 38,972,531
Water & Sewer Fund - Debt service	4,047,815
Total restricted cash & investments:	\$ 43,020,346
Total Primary Government restricted cash & investments:	\$ 95,837,583
Component Unit-School Board:	
Capital Projects Fund - Project bond proceeds (SNAP)	\$ 57,329,407
Student Activity Fund - School activity fees & contributions	3,261,484
Total restricted cash & investments:	\$ 60,590,891

Note 3

Receivables

3.01 ACCOUNTS RECEIVABLE

Accounts receivable, net of related allowances, as of June 30, 2025, consist of the following:

Receivables	Primary Government - Governmental Activities				Component Unit School Board
	General	Capital Projects	Other	Total	
			Governmental Funds	Governmental Funds	
Special assessments	\$ -	\$ 110,183	\$ -	\$ 110,183	\$ -
Property taxes					
Delinquent	11,742,567	-	58,556	11,801,123	-
Not yet due	112,570,302	-	550,091	113,120,393	-
Fuel taxes	-	-	7,851,360	7,851,360	-
EMS Transport fees	-	-	1,802,490	1,802,490	-
Accounts - other	12,954,684	-	108,741	13,063,425	1,821,742
Intergovernmental - Federal	4,671,370	245,610	-	4,916,980	5,548,675
Intergovernmental - State	11,062,065	126,633	-	11,188,698	7,011,536
Gross receivables	153,000,988	482,426	10,371,238	163,854,652	14,381,953
Allowance for uncollectibles	(3,457,276)	-	(1,077,421)	(4,534,697)	-
Net receivables at June 30, 2025	<u>\$ 149,543,712</u>	<u>\$ 482,426</u>	<u>\$ 9,293,817</u>	<u>\$ 159,319,955</u>	<u>\$ 14,381,953</u>
	Primary Government - Business-type activities			Water & Sewer	
				\$ 7,770,960	
				609,666	
				12,598,718	
				4,605,222	
				25,584,566	
				(46,694)	
				<u>\$ 25,537,872</u>	
				<u>\$ 184,857,827</u>	

Amounts not expected to be collected within one year include \$2.0 million of opioid settlement funding in the General Fund accounts – other category, \$30,158 in special assessments in the Capital Projects Fund, and \$137,243 of availability fees in the Water & Sewer Fund.

3.02 LEASES RECEIVABLE

The County purchased the Lee Hill Building in October 2024. Upon acquisition, the County assumed all existing tenant lease agreements and allocated the remaining available space to meet County employee facility needs. Lease agreements range from 2 years to 16 years with interest rates between 2.32% and 7.00%. The County also 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 2.66%. For fiscal year 2025, the County recognized the following receivables, deferred inflows, and lease-related revenue:

	Governmental Activities			Business-type Activities		
	Receivable at June 30, 2025	Deferred Inflow at June 30, 2025	Fiscal Year Revenue	Receivable at June 30, 2025	Deferred Inflow at June 30, 2025	Fiscal Year Revenue
Building tenant leases	\$ 14,922,051	\$ 14,650,882	\$ 1,647,377	\$ -	\$ -	\$ -
Tower space leases	1,740,959	1,643,205	211,434	1,265,586	1,174,422	157,042
Interest	-	-	334,229	-	-	11,843
	<u>\$ 16,663,010</u>	<u>\$ 16,294,087</u>	<u>\$ 2,193,040</u>	<u>\$ 1,265,586</u>	<u>\$ 1,174,422</u>	<u>\$ 168,885</u>



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Note 4

Capital Assets

Capital assets from governmental activities for the year ended June 30, 2025, were as follows:

Capital Assets - Governmental Activities				
	Balance			Balance
	July 1, 2024	Increases	Decreases	June 30, 2025
Capital assets, not being depreciated:				
Land & land improvements	\$ 16,086,249	\$ 100,629	\$ -	\$ 16,186,878
Construction in progress	4,627,115	10,173,753	1,102,110	13,698,758
Right-to-use software in development	-	271,154	-	271,154
Total capital assets, not being depreciated	<u>\$ 20,713,364</u>	<u>\$ 10,545,536</u>	<u>\$ 1,102,110</u>	<u>\$ 30,156,790</u>
Capital assets being depreciated/amortized:				
Land improvements	\$ 40,374,862	\$ 708,060	\$ -	\$ 41,082,922
Buildings & improvements	126,080,393	19,432,687	-	145,513,080
Right-to-use buildings & improvements	455,556	-	-	455,556
Furn, equip, software & vehicles	117,277,241	10,753,786	2,951,350	125,079,677
Right-to-use furn, equip, software & vehicles	11,605,850	2,048,074	5,115,771	8,538,153
Total capital assets, being depreciated/amortized	<u>295,793,902</u>	<u>32,942,607</u>	<u>8,067,121</u>	<u>320,669,388</u>
Less accumulated depreciation/amortization for:				
Land improvements	21,855,759	2,359,694	-	24,215,453
Buildings & improvements	55,154,592	3,552,097	-	58,706,689
Right-to-use buildings & improvements	246,886	113,166	-	360,052
Furn, equip, software & vehicles	73,154,000	9,450,895	2,823,877	79,781,018
Right-to-use furn, equip, software & vehicles	2,672,271	1,946,806	642,544	3,976,533
Total accumulated depreciation/amortization	<u>153,083,508</u>	<u>17,422,658</u>	<u>3,466,421</u>	<u>167,039,745</u>
Total capital assets being depreciated/amortized, net	<u>\$ 142,710,394</u>	<u>\$ 15,519,949</u>	<u>\$ 4,600,700</u>	<u>\$ 153,629,643</u>
Governmental activities capital assets, net	<u>\$ 163,423,758</u>	<u>\$ 26,065,485</u>	<u>\$ 5,702,810</u>	<u>\$ 183,786,433</u>
Depreciation and amortization expense was charged to the functions of the governmental activities of the Primary Government as follows:				
General government		\$ 5,901,748		
Judicial administration		1,702,476		
Public safety		6,320,859		
Public works		2,491,966		
Health and Human Services		49,390		
Parks and recreation		913,188		
Community development		43,031		
		<u>\$ 17,422,658</u>		

Construction in progress from governmental activities for the year ended June 30, 2025 was as follows:

Construction in Progress - Governmental Activities			
	Project Authorization	Spent to Date	Committed Funding
Financial system upgrade	3,029,506	1,765,722	1,263,784
New Co. 12 Massaponax fire station	6,959,259	532,602	6,426,657
Replacement of Co. 3 Partlow fire station	13,336,713	9,186,191	4,150,522
E911 phone system	1,074,884	478,274	596,610
Fire & Rescue equipment build	6,633,523	1,129,152	5,504,371
Lee Hill office buildout	5,536,115	191,580	5,344,535
Loriella Park storage building	1,584,000	13,310	1,570,690
Outdoor court replacements	965,250	20,090	945,160
Other projects	556,358	381,837	174,521
	<u>\$ 39,675,608</u>	<u>\$ 13,698,758</u>	<u>\$ 25,976,850</u>

Capital assets of the Water and Sewer Fund for the year ended June 30, 2025, were as follows:

Capital Assets - Business-type Activities				
	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets, not being depreciated:				
Land & land improvements	\$ 10,291,215	\$ 269,199	\$ -	\$ 10,560,414
Construction in progress	119,141,034	133,290,302	2,571,981	249,859,355
Total capital assets, not being depreciated	<u>\$ 129,432,249</u>	<u>\$ 133,559,501</u>	<u>\$ 2,571,981</u>	<u>\$ 260,419,769</u>
Capital assets being depreciated/amortized:				
Land improvements	\$ 3,757,260	\$ -	\$ -	\$ 3,757,260
Buildings & improvements	179,089,325	-	-	179,089,325
Furn, equip, software & vehicles	33,634,262	3,358,240	930,866	36,061,636
Right-to-use furn, equip, software & vehicles*	1,242,278	149,721	130,806	1,261,193
Water & sewer systems	327,748,781	15,293,563	23,763	343,018,581
Purchased sewer capacity	2,073,958	-	-	2,073,958
Total capital assets, being depreciated/amortized	<u>547,545,864</u>	<u>18,801,524</u>	<u>1,085,435</u>	<u>565,261,953</u>
Less accumulated depreciation/amortization for:				
Land improvements	2,227,174	117,257	-	2,344,431
Buildings & improvements	99,479,745	4,647,671	-	104,127,416
Furn, equip, software & vehicles	19,880,258	1,879,476	825,145	20,934,589
Right-to-use furn, equip, software & vehicles	274,534	158,889	28,920	404,503
Water & sewer systems	119,529,719	6,710,821	7,373	126,233,167
Purchased sewer capacity	559,969	41,479	-	601,448
Total accumulated depreciation/amortization	<u>241,951,399</u>	<u>13,555,593</u>	<u>861,438</u>	<u>254,645,554</u>
Total capital assets being depreciated/amortized, net	<u>\$ 305,594,465</u>	<u>\$ 5,245,931</u>	<u>\$ 223,997</u>	<u>\$ 310,616,399</u>
Business-type activities capital assets, net	<u>\$ 435,026,714</u>	<u>\$ 138,805,432</u>	<u>\$ 2,795,978</u>	<u>\$ 571,036,168</u>

Construction in progress from business-type activities for the year ended June 30, 2025, was as follows:

Construction in Progress - Business-type Activities			
	Project		Committed
	Authorization	Spent to Date	Funding
Motts WTP expansion & upgrade	56,015,616	38,949,924	17,065,692
Calhoun Drive sewer	1,651,254	1,233,398	417,856
Fawn Lake pump stations	2,971,805	169,954	2,801,851
Thomburg WWTP upgrades	31,406,864	27,315,910	4,090,954
Massaponax WWTP expansion	121,296,882	99,126,655	22,170,227
Old Greenwich sewer replacement	2,406,825	539,735	1,867,090
FMC WWTP to Massaponax WWTP	37,374,320	35,959,413	1,414,907
Wishner PS / Force Main	1,340,962	61,540	1,279,422
Route 1 line upgrade	12,796,922	9,726,090	3,070,832
Thomburg sanitary sewer	6,336,627	4,948,599	1,388,028
Southpoint WL replacement	1,231,249	158,387	1,072,862
Thomburg water distribution	6,395,532	2,545,409	3,850,123
Route 1 waterline Cosner to Massaponax	1,564,679	817,210	747,469
Tidewater trail waterline	3,169,509	2,328,397	841,112
Harrison Road waterline extension	15,108,683	12,198,947	2,909,736
Massaponax tank	13,873,520	1,184,937	12,688,583
Lake Bottom booster station	4,314,619	1,651,825	2,662,794
Leavells Road waterline	2,500,000	557,392	1,942,608
Brock tank/booster station waterline	2,258,887	1,841,539	417,348
Thomburg SE reg water service	1,666,492	257,371	1,409,121
Rappahannock River intake / PS	15,156,608	3,000,311	12,156,297
Thomburg tank	15,500,000	360,624	15,139,376
Massaponax Church Rd waterline	2,841,600	1,115,867	1,725,733
Reuse conveyance	14,944,705	1,471,901	13,472,804
Other water service improvements	2,130,488	671,223	1,459,265
Other sewer service improvements	2,765,146	1,221,410	1,543,736
Other general service improvements	1,367,186	445,387	921,799
	<u>\$ 380,386,980</u>	<u>\$ 249,859,355</u>	<u>\$ 130,527,625</u>

Capital assets of the Component unit – School Board for the year ended June 30, 2025, were as follows:

Capital Assets - Component unit - School Board				
	Balance			Balance
	July 1, 2024	Increases	Decreases	June 30, 2025
Capital assets, not being depreciated:				
Land	\$ 9,629,070	\$ -	\$ -	\$ 9,629,070
Construction in progress	33,806,119	31,030,989	9,651,264	55,185,844
Total capital assets, not being depreciated	\$ 43,435,189	\$ 31,030,989	\$ 9,651,264	\$ 64,814,914
Capital assets being depreciated/amortized:				
Buildings & improvements	\$ 512,117,209	\$ 12,952,634	\$ 653,435	\$ 524,416,408
Right-to-use buildings & improvements	15,527	-	15,527	-
Furn, equip, software & vehicles	158,010,473	8,824,009	3,919,475	162,915,007
Right-to-use furn, equip, software & vehicles	8,235,463	7,115,945	341,159	15,010,249
Total capital assets, being depreciated/amortized	678,378,672	28,892,588	4,929,596	702,341,664
Less accumulated depreciation/amortization for:				
Buildings & improvements	260,909,566	13,309,464	653,435	273,565,595
Right-to-use buildings & improvements	13,586	1,941	15,527	-
Furn, equip, software & vehicles	100,889,386	8,606,220	3,728,677	105,766,929
Right-to-use furn, equip, software & vehicles	1,555,653	2,875,440	186,963	4,244,130
Total accumulated depreciation/amortization	363,368,191	24,793,065	4,584,602	383,576,654
Total capital assets being depreciated/amortized, net	\$ 315,010,481	\$ 4,099,523	\$ 344,994	\$ 318,765,010
Component unit - School Board activities capital assets, net	\$ 358,445,670	\$ 35,130,512	\$ 9,996,258	\$ 383,579,924

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, 2025, was as follows:

Construction in Progress - Component unit - School Board			
	Project		Committed
	Authorization	Spent to Date	Funding
Massaponax HS DOAS Rooftop Units	\$ 2,501,680	\$ 2,286,153	\$ 215,527
Massaponax HS Mechanical Renovation	230,000	161,000	69,000
Parkside ES Chiller Replacement	741,598	312,078	429,520
SMS Renovation	55,424,306	49,556,197	5,868,109
Harrison Rd ES Chiller Replacement	741,761	312,241	429,520
JJW Chiller Replacement	519,921	90,401	429,520
Chancellor MS & HS HVAC Upgrade	1,242,013	16,248	1,225,765
IT Storage building	236,420	25,065	211,355
Riverbend HS HVAC Controls	1,805,000	1,047,951	757,049
Berkley ES Boiler and Controls	428,496	187,524	240,972
Livingston ES Boiler Replacement	540,996	159,273	381,723
Salem ES Security Vestibule Re-Design	308,938	295,122	13,816
Lee Hill ES Security Vestibule Re-Design	342,612	321,071	21,541
Riverview ES Roof Replacement	760,185	415,520	344,665
	\$ 65,823,926	\$ 55,185,844	\$ 10,638,082

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 in	Transfers out				Total
	General Fund	Capital Projects Fund	Other Governmental Funds	Water & Sewer Fund	
General Fund	\$ -	\$ -	\$ 5,264,737	\$ -	\$ 5,264,737
Capital Projects Fund	18,118,382	-	106,107	11,081	18,235,570
Other governmental funds	3,350,143	14,791	-	-	3,364,934
Water and Sewer Fund	-	-	-	-	-
Total	<u>\$ 21,468,525</u>	<u>\$ 14,791</u>	<u>\$ 5,370,844</u>	<u>\$ 11,081</u>	

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 \$17.9 million at June 30, 2025, represents School Board accrued revenues and payables expected to be reimbursed by the County in the next fiscal year.

Note 7

Long-term Liabilities

Long-term liability activity for the year ended June 30, 2025, was as follows:

Long-term Liabilities - Governmental Activities					
	Balance			Balance	
	July 1, 2024*	Increases	Decreases	June 30, 2025	Due Within One Year
Bond obligations:					
General obligation bonds	\$ 233,785,000	\$ 42,110,000	\$ 29,345,000	\$ 246,550,000	\$ 29,960,000
Revenue bonds	32,495,000	25,745,000	5,195,000	53,045,000	5,910,000
Unamortized bond premiums	35,135,903	5,043,702	4,658,681	35,520,924	-
Total bond obligations (Note 7.01)	301,415,903	72,898,702	39,198,681	335,115,924	35,870,000
Other long-term liabilities:					
Arbitrage liability (Note 7.01)	3,614,523	2,244,288	-	5,858,811	112,296
Compensated absences*	11,541,420	1,123,903	-	12,665,323	9,076,034
Leases (Note 7.02.1)	336,978	-	171,246	165,732	60,306
Subscriptions (Note 7.02.2)	7,046,387	1,779,855	5,729,499	3,096,743	1,370,973
Landfill closure obligation (Note 7.03)	14,469,386	2,296,237	3,266,985	13,498,638	265,438
Insurance claims payable (Note 11)	2,218,395	16,911,216	17,195,036	1,934,575	1,934,575
LOSAP pension liability (Note 7.04)	3,241,585	138,757	274,380	3,105,962	112,218
Net pension liability - VRS (Note 7.05)	20,607,661	32,283,386	35,063,988	17,827,059	-
Total OPEB liability - Healthcare (Note 7.06)	91,723,193	5,300,402	19,730,262	77,293,333	2,506,390
Total OPEB liability - LODA (7.08)	7,620,510	255,181	274,430	7,601,261	287,059
Net OPEB liability - VRS GLI (Note 7.09)	3,200,386	313,570	352,695	3,161,261	-
Total other long-term liabilities:	165,620,424	62,646,795	82,058,521	146,208,698	15,725,289
Total governmental activities	\$ 467,036,327	\$ 135,545,497	\$ 121,257,202	\$ 481,324,622	\$ 51,595,289

* Adjusted for the fiscal year 2025 implementation of GASB 101, Compensated Absences. See Note 16 for additional information.

Long-term Liabilities - Business-type Activities					
	Balance			Balance	Due Within One
	July 1, 2024*	Increases	Decreases	June 30, 2025	Year
Bond obligations:					
Water & sewer revenue bonds	\$ 193,600,000	\$ 31,815,000	\$ 7,835,000	\$ 217,580,000	\$ 8,895,000
Unamortized bond premiums	18,038,424	1,563,124	1,515,483	18,086,065	-
Total bond obligations (Note 7.01):	211,638,424	33,378,124	9,350,483	235,666,065	8,895,000
Other long-term liabilities:					
Arbitrage (Note 7.01)	1,756,381	721,129	-	2,477,510	240,420
Compensated absences*	1,492,752	122,472	-	1,615,224	1,031,626
Leases (Note 7.02.1)	63,451	-	15,237	48,214	15,647
Subscriptions (Note 7.02.2)	881,883	144,720	220,773	805,830	142,922
Insurance claims payable (Note 11)	217,248	2,098,122	2,131,443	183,927	183,927
Net pension liability - VRS (Note 7.05)	3,187,539	4,993,509	5,352,347	2,828,701	-
Total OPEB liability - Healthcare (Note 7.06)	12,047,248	696,174	2,541,816	10,201,606	367,473
Net OPEB liability - VRS GLI (Note 7.09)	596,759	62,752	170,479	489,032	-
Total other long-term liabilities:	20,243,261	8,838,878	10,432,095	18,650,044	1,982,015
Total business-type activities	\$ 231,881,685	\$ 42,217,002	\$ 19,782,578	\$ 254,316,109	\$ 10,877,015

* Adjusted for the fiscal year 2025 implementation of GASB 101, Compensated Absences. See Note 16 for additional information.

Long-term Liabilities - Component unit - School Board					
	Balance			Balance	Due Within
	July 1, 2024*	Increases	Decreases	June 30, 2025	One Year
Compensated absences*	\$ 25,263,858	\$ 13,271,393	\$ 12,647,843	\$ 25,887,408	\$ 10,687,648
Leases (Note 7.02.1)	748,676	-	236,387	512,289	227,238
Subscriptions (Note 7.02.2)	5,548,947	7,007,823	2,966,305	9,590,465	2,699,437
Insurance claims payable (Note 11)	4,786,958	48,483,056	48,258,520	5,011,494	5,011,494
Net pension liability - VRS (Note 7.05)	155,502,378	34,067,663	43,278,419	146,291,622	-
Net OPEB liability - Healthcare (Note 7.07)	84,048,735	8,542,971	8,195,506	84,396,200	-
Net OPEB liability - VRS GLI (Note 7.09)	8,407,547	1,113,119	1,724,611	7,796,055	-
Net OPEB liability - VRS HIC (Note 7.10)	19,068,745	2,301,523	2,973,743	18,396,525	-
Total Component unit - School Board	303,375,844	114,787,548	120,281,334	297,882,058	18,625,817

* Adjusted for the fiscal year 2025 implementation of GASB 101, Compensated Absences. See Note 16 for additional information.

Long-term liabilities of the governmental activities are generally paid by the General Fund, with two exceptions. Employee benefit-related obligations (such as insurance claims and postemployment benefits), are funded approximately 5% by other governmental funds, and general obligation bonds are typically funded 90% by the General Fund and 10% by the Transportation Fund. Changes in compensated absences for all activities are presented on a net basis. Revenue bonds of the governmental activities are generally paid 77% by the General Fund and 23% by the Lee Hill Tenant Building Fund.

Under Virginia state law, School Boards may not incur debt. Rather, the local government incurs debt *on behalf* of the local school board, creating a *tenancy in common*. Per 15.2-1800.1 of the Code, in 2002, the County Board of Supervisors adopted a resolution opting out of a tenancy in common. As a result, all school debt, 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 outlined 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.

In compliance with the Tax Reform Act of 1986 and subsequent U.S. Treasury Regulations, the County performed arbitrage rebate calculations via a third party to determine probable amounts due to the Federal government. As of June 30, 2025, the estimated amount for arbitrage rebate liabilities was \$5.9 million for governmental activities and \$2.5 million for business-type activities.

Schedule of Outstanding General Obligation Bonds

General obligation bonds payable at June 30, 2025, 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	\$ 460,000
Public Improvement & Refunding, Series 2014	08/2014	01/2034	2.00 - 5.00	\$223 - \$3,923	38,110,410	9,558,956
Public Improvement & Refunding, Series 2015	08/2015	01/2035	3.00 - 5.00	\$837 - \$910	17,769,115	8,892,122
Public Improvement, Series 2016	09/2016	06/2036	2.00 - 5.00	\$215 - \$680	8,370,000	2,935,000
Public Improvement, Series 2017A	08/2017	01/2037	2.40 - 5.00	\$30 - \$130	1,715,000	720,000
Public Improvement, Series 2018	08/2018	07/2038	2.50 - 5.00	\$275 - \$365	6,125,000	3,945,000
Public Improvement, Series 2019	08/2019	01/2039	4.00 - 5.00	\$185 - \$325	4,665,000	2,780,000
Public Improvement - Refunding, Series 2019	08/2019	01/2035	4.00 - 5.00	\$305 - \$1,517	16,818,006	9,605,012
Public Improvement, Series 2020	09/2020	01/2040	3.00 - 5.00	\$60 - \$65	1,240,000	920,000
Public Improvement - Refunding, Series 2020	09/2020	01/2030	5.00	\$680 - \$750	7,080,000	3,570,000
Public Improvement, Series 2021	08/2021	01/2041	3.00 - 5.00	\$435 - \$610	12,365,000	10,640,000
Public Improvement - Refunding, Series 2021	08/2021	01/2032	3.00 - 5.00	\$90 - \$1,690	5,652,323	2,678,845
Public Improvement, Series 2022	08/2022	01/2042	4.00 - 5.00	\$20 - \$280	8,435,000	6,930,000
Public Improvement, Series 2023	09/2023	01/2043	5.00	\$675 - \$865	17,030,000	15,490,000
Public Improvement, Series 2024	09/2024	01/2044	5.00	\$265 - \$735	9,515,000	8,920,000
Total General Obligation Bonds - Spotsylvania County:						\$ 88,044,935

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:						
Qualified School Construction Bonds	06/2010	06/2027	5.31	\$150 - \$155	\$ 2,630,000	\$ 310,000
Public Improvement & Refunding, Series 2014	08/2014	01/2034	2.00 - 5.00	\$225 - \$2,815	\$20,954,590	\$ 4,146,044
Public Improvement & Refunding, Series 2015	08/2015	01/2035	3.00 - 5.00	\$231 - \$2,924	27,765,885	5,662,878
Public Improvement, Series 2016	09/2016	06/2031	2.00 - 5.00	\$630 - \$1,925	19,615,000	4,670,000
Public Improvement, Series 2017A	08/2017	01/2037	2.40 - 5.00	\$570 - \$1,695	24,440,000	11,325,000
Public Improvement, Series 2018	08/2018	07/2038	2.50 - 5.00	\$980 - \$1,915	28,465,000	17,260,000
Public Improvement, Series 2019	08/2019	01/2039	4.00 - 5.00	\$560 - \$1,885	24,475,000	13,060,000
Public Improvement - Refunding, Series 2019	08/2019	01/2033	4.00 - 5.00	\$216 - \$484	5,206,994	1,819,988
Public Improvement, Series 2020	09/2020	01/2040	3.00 - 5.00	\$195 - \$995	11,030,000	6,095,000
Public Improvement, Series 2021	08/2021	01/2041	3.00 - 5.00	\$330 - \$1,315	15,580,000	10,355,000
Public Improvement - Refunding, Series 2021	08/2021	01/2032	3.00 - 5.00	\$107 - \$778	1,862,677	656,155
Public Improvement, Series 2022	08/2022	01/2042	4.00 - 5.00	\$305 - \$2,135	22,610,000	16,225,000
Public Improvement, Series 2023	09/2023	01/2043	5.00	\$1,335 - \$3,080	41,275,000	35,805,000
Public Improvement, Series 2024	09/2024	01/2044	5.00	\$1,060 - \$2,320	32,595,000	31,115,000
Total General Obligation Bonds - Component Unit - School Board:						\$158,505,065
Total Governmental Activities - General Obligation Bonds:						\$246,550,000

Revenue Bonds – Governmental Activities

Periodically, the EDA has issued Public Facility Revenue Bonds (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.

Revenue bonds payable at June 30, 2025, are comprised of the following individual issues:

Revenue Bonds - Governmental Activities						
	Sale Date	Final Maturity	Interest Rate to Maturity (%)	Annual Principal Requirements (in thousands)	Original Borrowing	Principal Outstanding
Revenue Bonds:						
Spotsylvania County						
Public Facility Revenue, Series 2014	08/2014	06/2034	2.00 - 5.00	\$300 - \$360	\$ 6,305,000	\$ 2,435,000
Public Facility Revenue, Series 2021	08/2021	06/2030	4.00 - 5.00	\$182 - \$536	\$ 4,028,110	\$ 2,096,941
Public Facility Revenue, Series 2024	09/2024	06/2049	3.90 - 5.05	\$630 - \$1,745	25,745,000	25,745,000
Total Spotsylvania County:						\$ 30,276,941
Component Unit - School Board						
Public Facility Revenue, Series 2014	08/2014	06/2034	2.00 - 5.00	\$840 - \$2,035	26,445,000	\$ 11,330,000
Public Facility Revenue, Series 2021	08/2021	06/2030	4.00 - 5.00	\$993 - \$2,928	21,971,890	11,438,059
Total Component Unit - School Board:						\$ 22,768,059
Total Governmental Activities - Revenue Bonds:						\$ 53,045,000

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, 2025:

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, investment income, 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	\$ 25,320,000
Water & Sewer Revenue Refunding, Series 2019	11/2019	12/2039	3.00 - 5.00	\$910 - \$2,125	28,665,000	22,490,000
Water & Sewer Revenue Refunding, Series 2020	11/2020	12/2040	3.00 - 5.00	\$1,020 - \$3,160	46,530,000	38,140,000
Water & Sewer Revenue, Series 2022	11/2022	12/2047	4.00 - 5.00	\$150 - \$4,700	65,315,000	65,005,000
Water & Sewer Revenue, Series 2023	11/2023	12/2048	5.00	\$210 - \$2,540	35,020,000	34,810,000
Water & Sewer Revenue, Series 2024	11/2024	12/2049	3.10 - 5.00	\$685 - \$2,030	31,815,000	31,815,000
Total Business-type Activities - Revenue Bonds:						\$ 217,580,000

New Debt Issuance

General Obligation Bonds

On September 5, 2024, the County issued \$42.1 million in General Obligation Public Improvement Bonds, Series 2024 with a fixed interest rate of 5.0%. The bonds are to be repaid in various installments beginning January 15, 2025 until final maturity on January 15, 2044. Net bond proceeds of \$46.9 million (adjusted for a premium of \$5.0 million and payment of \$0.3 million in issuance costs) were used to purchase State Non-Arbitrage Program funds to finance school and public safety projects in the County.

Public Facility Revenue Bonds

On September 18, 2024, the County issued \$25.7 million in Public Facility Revenue Bonds, Series 2024, through the Economic Development Authority of the County of Spotsylvania, Virginia, with fixed interest rates ranging from 3.9% to 5.1%. The bonds are to be repaid in various installments beginning June 1, 2026 until final maturity on June 1, 2049. Net bond proceeds of \$25.3 million (adjusted for payment of \$0.4 million in issuance costs) were used to finance the purchase and renovation of a new building to be used for governmental purposes and the rehabilitation of an existing County building.

Water & Sewer Revenue Bonds

On November 12, 2024, the County issued \$31.8 million in Water and Sewer Revenue Bonds, Series 2024, with fixed interest rates ranging from 3.1% to 5.0%. The bonds are to be repaid in various installments beginning December 1, 2025 until final maturity on December 1, 2049. Net bond proceeds of \$32.8 million (adjusted for premium of \$1.6 million and payment of \$0.6 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						
Fiscal Year	Governmental Activities				Business-type Activities	
	General Obligation		Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 29,960,000	\$ 11,017,571	\$ 5,910,000	\$ 2,266,978	\$ 8,895,000	\$ 9,310,084
2027	29,500,000	9,706,221	6,035,000	2,019,248	6,760,000	8,858,959
2028	22,220,000	8,260,468	6,265,000	1,765,903	7,060,000	8,547,709
2029	20,815,000	7,220,398	5,280,000	1,502,193	9,340,000	8,173,084
2030	19,425,000	6,233,234	4,140,000	1,313,095	10,760,000	7,706,934
2031 - 2035	70,835,000	20,111,843	7,235,000	5,150,190	55,820,000	31,297,853
2036 - 2040	39,745,000	7,939,119	5,170,000	3,987,418	49,705,000	20,297,950
2041 - 2045	14,050,000	1,423,300	6,520,000	2,638,633	36,945,000	11,450,288
2046 - 2050	-	-	6,490,000	838,810	32,295,000	2,869,250
Totals:	\$ 246,550,000	\$ 71,912,152	\$ 53,045,000	\$ 21,482,465	\$ 217,580,000	\$ 108,512,109

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, 2025, outstanding revenue bonds totaling \$35.1 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	\$35,086,325

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 three 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					
Equipment - Various	37-60	0.656% - 3.155%	\$225 - \$2,583	\$ 139,883	\$ 63,345
Building - FREM Training	36	2.038%	\$7,336	271,398	7,770
Tower Space - Pamunkey Rd	92	0.727%	\$1,844	184,158	94,617
			Total Governmental Activities		\$ 165,732
Business-type Activities					
Equipment - CalAmp GPS Trackers	60	2.656%	\$2,583	\$ 78,463	\$ 48,214
			Total Business-type Activities		\$ 48,214
School Board					
Equipment - Various	42 - 60	0.312% - 2.848%	\$212 - \$15,785	\$ 930,290	\$ 512,288
			Total School Board		\$ 512,288

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, were as follows:

Principal and Interest Requirements to Maturity										
Year Ending June 30	Governmental Activities			Business-type Activities			School Board			Total
	Principal Payments	Interest Payments	Total	Principal Payments	Interest Payments	Total	Principal Payments	Interest Payments	Total	
2026	\$ 60,306	\$ 1,945	\$ 62,251	\$ 15,647	\$ 1,091	\$ 16,738	\$ 227,237	\$ 11,001	\$ 238,238	
2027	45,837	1,120	46,957	16,067	670	16,737	216,765	4,938	221,703	
2028	41,488	445	41,933	16,500	238	16,738	52,299	820	53,119	
2029	18,101	49	18,150	-	-	-	15,987	174	16,161	
Total	\$ 165,732	\$ 3,559	\$ 169,291	\$ 48,214	\$ 1,999	\$ 50,213	\$ 512,288	\$ 16,933	\$ 529,221	

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% - 3.591%	\$894 - \$38,512	6,182,318	3,096,743
			Total Governmental Activities		\$ 3,096,743
Business-type Activities					
Software - Various	60 - 120	1.710% - 3.144%	\$916 - \$9,167	\$ 1,177,730	\$ 805,830
			Total Business-type Activities		\$ 805,830
School Board					
Software - Various	24 - 120	1.710% - 3.102%	\$846 - \$32,500	\$ 14,040,675	\$ 9,590,465
			Total School Board		\$ 9,590,465

The future minimum subscription obligations and the net present value of these minimum subscription payments as of June 30, 2025, were as follows:

Principal and Interest Requirements to Maturity									
Year Ending June 30	Governmental Activities			Business-type Activities			School Board		
	Principal Payments	Interest Payments	Total	Principal Payments	Interest Payments	Total	Principal Payments	Interest Payments	Total
2026	\$ 1,370,973	\$ 78,529	\$ 1,449,502	\$ 142,922	\$ 15,131	\$ 158,053	\$ 2,699,437	\$ 263,196	\$ 2,962,633
2027	892,858	45,859	938,717	145,796	12,257	158,053	2,695,544	191,224	2,886,768
2028	506,301	22,721	529,022	137,441	9,322	146,763	2,242,018	117,217	2,359,235
2029	326,611	9,020	335,631	116,040	6,687	122,727	1,405,023	53,888	1,458,911
2030	-	-	-	86,392	4,509	90,901	178,213	14,040	192,253
Thereafter	-	-	-	177,239	4,560	181,799	370,230	14,277	384,507
Total	\$ 3,096,743	\$ 156,129	\$ 3,252,872	\$ 805,830	\$ 52,466	\$ 858,296	\$ 9,590,465	\$ 653,842	\$ 10,244,307

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 \$2.1 million and \$11.4 million for closed and operating landfills, respectively, which is based on 100% and 47.6% usage, respectively. It is estimated that an additional \$3.2 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 (\$13.5 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, 2025. 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.

Change in Estimate of Landfill Closure Obligation

The County revised its approach for estimating the landfill liability during the current fiscal year to more accurately project future costs. The revisions reflect updated assumptions regarding post-closure periods, site-specific costs, and other factors used in projecting future closure and maintenance obligations. This change is considered a change in accounting estimate under GASB 100 and has been applied prospectively. The updated estimate based on the revisions is presented in Note 7.

PENSION LIABILITIES – ALL PLANS

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

	Primary Government			Component unit School Board
	Governmental Activities	Business-type Activities	Total Primary Government	
Pension liabilities				
Length of Service Award Program (Note 7.04)	\$ 3,105,962	\$ -	\$ 3,105,962	\$ -
Virginia Retirement System (Note 7.05.4)	17,827,059	2,828,701	20,655,760	146,291,622
	<u>\$ 20,933,021</u>	<u>\$ 2,828,701</u>	<u>\$ 23,761,722</u>	<u>\$ 146,291,622</u>
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date:				
Length of Service Award Program (Note 7.04)	\$ 112,218	\$ -	\$ 112,218	\$ -
Virginia Retirement System (Note 7.05.4)	10,426,845	1,393,598	11,820,443	25,670,490
Pension contributions (Exhibit I):	<u>\$ 10,539,063</u>	<u>\$ 1,393,598</u>	<u>\$ 11,932,661</u>	<u>\$ 25,670,490</u>
Pension actuarial differences:				
Length of Service Award Program (Note 7.04)	\$ 735,917	\$ -	\$ 735,917	\$ -
Virginia Retirement System (Note 7.05.4)	7,191,067	987,334	8,178,401	29,828,289
Pension actuarial differences (Exhibit I):	<u>\$ 7,926,984</u>	<u>\$ 987,334</u>	<u>\$ 8,914,318</u>	<u>\$ 29,828,289</u>
Deferred Inflows of Resources				
Pension actuarial differences:				
Length of Service Award Program (Note 7.04)	\$ 1,455,578	\$ -	\$ 1,455,578	\$ -
Virginia Retirement System (Note 7.05.4)	7,652,042	959,800	8,611,842	25,635,237
Pension actuarial differences (Exhibit I):	<u>\$ 9,107,620</u>	<u>\$ 959,800</u>	<u>\$ 10,067,420</u>	<u>\$ 25,635,237</u>
Pension expense				
Virginia Retirement System (Note 7.05.4)	\$ 8,563,910	\$ 1,105,708	\$ 9,669,618	\$ 13,845,470
Length of Service Award Program (Note 7.04)	(113,755)	-	(113,755)	-
	<u>\$ 8,450,155</u>	<u>\$ 1,105,708</u>	<u>\$ 9,555,863</u>	<u>\$ 13,845,470</u>

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, 2024, the most recent actuarial valuation date, membership in the Plan was as follows:

Number of Participants:

Inactive members currently receiving benefits	90
Inactive members with deferred vested benefits	202
Active members	33
	<u>325</u>

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 \$3.1 million was determined and measured by an actuarial valuation performed as of June 30, 2024.

Changes in total pension liability

Table represents the changes in the total pension liability through the Plan's measurement date of June 30, 2024.

Changes in the Total LOSAP Pension Liability	
	Total Pension Liability
Balance at June 30, 2023	\$ 3,241,585
Changes for the year:	
Service cost	15,821
Interest on total pension liability	122,936
Differences between expected and actual experience	(41,867)
Changes in assumptions	(106,880)
Benefit payments	(125,633)
Balance at June 30, 2024	<u>\$ 3,105,962</u>

Actuarial assumptions

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

Rate of inflation	2.90%
Salary scale	No salary, inflation used
Discount rate	3.97%

Mortality rates are based on the RP-2014 Combined Mortality Table for Males or Females, as appropriate, based on Scale AA projected to 2024.

Discount rate

The discount rate used to measure the total pension liability was 3.97%, 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 3.86% in 2023 to 3.97% in 2024.

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 2.97%	Current Rate 3.97%	1% Increase 4.97%
Total pension liability	\$ 3,630,000	\$ 3,105,962	\$ 2,691,000

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2025, the County recognized pension income of \$113,755. During the year, the Plan made benefit payments that are subsequent to the Plan’s measurement date. These payments of \$112,218 are reported as a deferred outflow of resources as of June 30, 2025, and will be recognized as a reduction of the total pension liability in the fiscal year ending June 30, 2026.

At June 30, 2025, the County reported actuarially determined deferred inflows of resources of \$1,455,578 and deferred outflows of resources of \$735,917 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	\$ 24,224	\$ (346,304)
Change in assumptions	711,693	(1,109,274)
	<u>\$ 735,917</u>	<u>\$ (1,455,578)</u>
Amortization for the year ending June 30,		
2026	(\$196,366)	
2027	(102,995)	
2028	(93,784)	
2029	(93,784)	
2030	(93,784)	
Thereafter	(138,948)	
	<u>(\$719,661)</u>	

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.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN	
		DEFINED BENEFIT	DEFINED CONTRIBUTION
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.
NORMAL RETIREMENT AGE			
Normal retirement age is 65. Political subdivision hazardous duty employees are age 60.	Normal Social Security retirement age. Political subdivision hazardous duty employees same as Plan 1.	Normal Social Security retirement age, including political subdivision hazardous duty employees.	Members are eligible to receive distributions upon leaving employment, subject to restrictions.
EARLIEST REDUCED RETIREMENT ELIGIBILITY			
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.	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.	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.	Members are eligible to receive distributions upon leaving employment, subject to restrictions.
EARLIEST UNREDUCED RETIREMENT ELIGIBILITY			
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.	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.	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.	Members are eligible to receive distributions upon leaving employment, subject to restrictions.
COST-OF-LIVING ADJUSTMENT (COLA) IN RETIREMENT			
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.	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.		Not applicable for defined contribution plans.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN	
		DEFINED BENEFIT	DEFINED CONTRIBUTION
RETIREMENT CONTRIBUTIONS			
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.		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.	
SERVICE CREDIT			
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.			Service credit is used to determine vesting for the employer contribution portion of the plan.
PURCHASE OF PRIOR SERVICE			
Members may be eligible to purchase service from previous public employment, active-duty military service, an eligible period of leave or VRS refunded service as 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.			Not applicable for defined contribution plans.
DISABILITY COVERAGE			
For Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service.	Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service.	Members participate in the Virginia Local Disability Program (VDLP) and are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	

Employees Covered by Benefit Terms

As of the June 30, 2023 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	492	337
Inactive employees entitled to but not yet receiving benefits	835	324
Active employees	1,111	399
	<u>2,438</u>	<u>1,060</u>
* 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.

Details of the County and School Board's contractually required rates for the year ended June 30, 2025, 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	13.08%	5.03%	16.62%
	18.08%	10.03%	21.62%

Contributions, both employer and employee, to the pension plan for the years ended June 30, 2025, and June 30, 2024, were as follows:

	Amounts in thousands		
	County	School Board	Teacher Plan
Year ended June 30, 2025	\$ 16,342	\$ 1,139	\$ 38,137
Year ended June 30, 2024	15,722	1,294	36,254

7.05.2 *Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS 2024 Annual Financial Report located at <http://www.varetire.org/pdf/publications/2024-annual-report.pdf>.

7.05.3 *Net Pension Asset / Liability*

Multi-Employer Agent Plan

As of June 30, 2025, the County's net pension liability was \$20.7 million and the School Board reported a net pension asset of \$2.1 million. Each multi-employer agent plan balance was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

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, 2024, 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	\$ 60,622,260
Plan fiduciary net position	51,235,326
Employers' Net Pension Liability	<u>\$ 9,386,934</u>
Plan fiduciary net position as a percentage of the total pension liability	84.52%

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.

As of June 30, 2025, the School Board reported a liability of \$146.3 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, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. As of June 30, 2024, the School Board's proportion was 1.56% as compared to 1.54% for June 30, 2023.

Actuarial assumptions

The total pension liability of the Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

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.

Mortality tables continued:			
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 standard rates.
Changes to assumptions:			
The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:	<ul style="list-style-type: none"> • Mortality rates updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. • Retirement rates adjusted to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age. • Withdrawal rates adjusted to better fit experience at each year age and service through 9 years of service. • Disability rates – no change. • Line of duty disability rate – no change. • Discount rate – no change. 	<ul style="list-style-type: none"> • 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. • Retirement rates adjusted to better fit experience and changed final retirement age from 65 to 70. • 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. • Disability rates – no change. • Line of duty disability rate – no change. • Discount rate – no change. 	<ul style="list-style-type: none"> • Mortality rates updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. • 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. • Withdrawal rates adjusted to better fit experience at each year age and service through 9 years of service. • Disability rates – no change. • 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 ranges 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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		Inflation	2.50%
		Expected arithmetic nominal return*	9.57%

** The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%. On June 15, 2023 the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, 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 assumes 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 the opportunity to use an alternate employer contribution rate. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023, actuarial valuations.

From July 1, 2024, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on these 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, 2024, for the County and School Board, respectively.

County Pension Plan: Changes in the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at June 30, 2023	\$ 282,785,281	\$ 258,990,081	\$ 23,795,200
Changes for the year:			
Service cost	10,246,135	-	10,246,135
Interest	19,408,785	-	19,408,785
Changes of assumptions	-	-	-
Difference between expected and actual experience	7,467,537	-	7,467,537
Contributions - employer	-	10,997,474	(10,997,474)
Contributions - employee	-	3,957,979	(3,957,979)
Net investment income	-	25,455,083	(25,455,083)
Benefit payments, including refunds of employee contributions	(10,987,732)	(10,987,732)	-
Administrative expense	-	(154,438)	154,438
Other changes	-	5,799	(5,799)
Net changes	26,134,725	29,274,165	(3,139,440)
Balances at June 30, 2024	\$ 308,920,006	\$ 288,264,246	\$ 20,655,760
		Governmental activities:	17,827,059
		Business-type activities:	2,828,701
			\$ 20,655,760

School Board Pension Plan: Changes in the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Balances at June 30, 2023	\$ 39,508,708	\$ 40,555,710	\$ (1,047,002)
Changes for the year:			
Service cost	1,018,382	-	1,018,382
Interest	2,668,630	-	2,668,630
Changes in assumptions	-	-	-
Difference between expected and actual experience	367,373	-	367,373
Contributions - employer	-	648,285	(648,285)
Contributions - employee	-	541,057	(541,057)
Net investment income	-	3,922,421	(3,922,421)
Benefit payments, including refunds of employee contributions	(1,983,656)	(1,983,656)	-
Administrative expense	-	(26,048)	26,048
Other changes	-	807	(807)
Net changes	2,070,729	3,102,866	(1,032,137)
Balances at June 30, 2024	\$ 41,579,437	\$ 43,658,576	\$ (2,079,139)

*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)	\$ 64,566,289	\$ 20,655,760	\$ (15,051,917)
School Board's calculated net pension liability (asset)	\$ 2,725,744	\$ (2,079,139)	\$ (6,039,852)
Teacher Retirement Plan's calculated net pension liability*	\$ 271,781,158	\$ 146,291,622	\$ 43,519,684

* 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, 2025, and the reported deferred outflows and inflows of resources by source as of the June 30, 2024, 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:	\$ 8,563,910	\$ 1,105,708	\$ 9,669,618
Deferred outflows - pension contributions:			
Employer contributions subsequent to the measurement date	\$ 10,426,845	\$ 1,393,598	\$ 11,820,443
Deferred outflows - actuarial differences:			
Difference between expected and actual experience	\$ 6,188,314	\$ 849,656	\$ 7,037,970
Change of assumptions	1,002,753	137,678	1,140,431
Total deferred outflows - actuarial differences:	\$ 7,191,067	\$ 987,334	\$ 8,178,401
Deferred inflows - actuarial differences:			
Difference between expected and actual experience	\$ (1,322,369)	\$ (165,866)	\$ (1,488,235)
Net difference between projected and actual earnings on plan investments	(6,329,673)	(793,934)	(7,123,607)
Total deferred inflows - actuarial differences	\$ (7,652,042)	\$ (959,800)	\$ (8,611,842)

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	Total
	School Board	Internal	Retirement	Component unit School Board
		Service Fund	Cost-sharing Plan	
	Fleet Services			
Total pension expense (income):	\$ (284,721)	\$ (23,052)	\$ 14,153,243	\$ 13,845,470
Deferred outflows - pension contributions:				
Employer contributions subsequent to the measurement date	\$ 560,301	\$ 44,074	\$ 25,066,115	\$ 25,670,490
Deferred outflows - actuarial differences:				
Difference between expected and actual experience	\$ 224,705	\$ 18,341	\$ 25,379,534	\$ 25,622,580
Change of assumptions	-	-	2,655,388	2,655,388
Changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	\$ -	\$ -	\$ 1,550,321	\$ 1,550,321
Total deferred outflows - actuarial differences:	\$ 224,705	\$ 18,341	\$ 29,585,243	\$ 29,828,289
Deferred inflows - actuarial differences:				
Difference between expected and actual experience	\$ -	\$ -	\$ (3,012,246)	\$ (3,012,246)
Net difference between projected and actual earnings on plan investments	(1,062,002)	(80,813)	(20,137,131)	(21,279,946)
Changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-	(1,343,045)	(1,343,045)
Total deferred inflows - actuarial differences	\$ (1,062,002)	\$ (80,813)	\$ (24,492,422)	\$ (25,635,237)

Amortization of Deferred Outflows and Inflows of Resources

Employer contributions made after the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026. 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:

Fiscal year ended June 30,	Primary Government			Component unit - School Board			
	Multi-Employer Agent Plan			Teacher	Total	Component unit School Board	
	Governmental Activities	Business-type Activities	Total Primary Government				
				Service Fund	Cost-sharing Plan		
	School Board	Fleet Services					
2026	\$ (2,992,517)	\$ 178,743	\$ (2,813,774)	\$ (756,562)	\$ (56,448)	\$ (9,490,661)	\$ (10,303,671)
2027	3,522,736	(210,413)	3,312,323	353,201	26,353	12,869,673	13,249,227
2028	353,566	(21,118)	332,448	(208,259)	(15,539)	3,258,705	3,034,907
2029	(1,344,760)	80,322	(1,264,438)	(225,677)	(16,838)	(1,544,896)	(1,787,411)
	\$ (460,975)	\$ 27,534	\$ (433,441)	\$ (837,297)	\$ (62,472)	\$ 5,092,821	\$ 4,193,052
Pension actuarial differences:							
Total deferred outflows	\$ 7,191,067	\$ 987,334	\$ 8,178,401	\$ 224,705	\$ 18,341	\$ 29,585,243	\$ 29,828,289
Total deferred inflows	(7,652,042)	(959,800)	(8,611,842)	(1,062,002)	(80,813)	(24,492,422)	(25,635,237)
	\$ (460,975)	\$ 27,534	\$ (433,441)	\$ (837,297)	\$ (62,472)	\$ 5,092,821	\$ 4,193,052

7.05.5 Payables to the Pension Plan

The County and School Board reported payables of \$1.4 million and \$0.8 million, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2025.

OPEB LIABILITIES – ALL PLANS

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

	Primary Government			Component Unit-School Board
	Governmental Activities	Business-type Activities	Total Primary Government	
OPEB Liabilities				
Primary Government Retiree Healthcare (Note 7.06)	\$ 77,293,333	\$ 10,201,606	\$ 87,494,939	\$ -
School Board Retiree Healthcare (Note 7.07)	-	-	-	84,396,200
Primary Government LODA (Note 7.08)	7,601,261	-	7,601,261	-
VRS Group Life Insurance Program (Note 7.09)	3,161,261	489,032	3,650,293	7,796,055
VRS Health Insurance Credit Program (Note 7.10)	-	-	-	18,396,525
	<u>\$ 88,055,855</u>	<u>\$ 10,690,638</u>	<u>\$ 98,746,493</u>	<u>\$ 110,588,780</u>
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date:				
School Board Retiree Healthcare (Note 7.07)	\$ -	\$ -	\$ -	\$ 6,721,932
VRS Health Insurance Credit Program (Note 7.10)	-	-	-	2,204,941
VRS Group Life Insurance Program (Note 7.09)	367,902	56,913	424,815	883,189
OPEB contributions (Exhibit I):	<u>\$ 367,902</u>	<u>\$ 56,913</u>	<u>\$ 424,815</u>	<u>\$ 9,810,062</u>
OPEB actuarial differences:				
Primary Government Retiree Healthcare (Note 7.06)	\$ 18,045,461	\$ 2,467,598	\$ 20,513,059	\$ -
Primary Government LODA Program (7.08)	616,427	-	616,427	-
School Board Retiree Healthcare (Note 7.07)	-	-	-	15,370,400
VRS Health Insurance Credit Program (Note 7.10)	-	-	-	610,078
VRS Group Life Insurance Program (Note 7.09)	806,570	124,773	931,343	1,305,021
OPEB actuarial differences (Exhibit I):	<u>\$ 19,468,458</u>	<u>\$ 2,592,371</u>	<u>\$ 22,060,829</u>	<u>\$ 17,285,499</u>
Deferred Inflows of Resources:				
OPEB actuarial differences:				
Primary Government Retiree Healthcare (Note 7.06)	\$ 34,918,339	\$ 4,517,878	\$ 39,436,217	\$ -
School Board Retiree Healthcare (Note 7.07)	-	-	-	131,312,802
Primary Government LODA (Note 7.08)	3,868,970	-	3,868,970	-
VRS Group Life Insurance Program (Note 7.09)	502,688	77,763	580,451	1,428,199
VRS Health Insurance Credit Program (Note 7.10)	-	-	-	1,297,038
OPEB actuarial differences (Exhibit I):	<u>\$ 39,289,997</u>	<u>\$ 4,595,641</u>	<u>\$ 43,885,638</u>	<u>\$ 134,038,039</u>
OPEB Expense				
Primary Government Retiree Healthcare (Note 7.06)	\$ 1,963,680	\$ 251,163	\$ 2,214,843	\$ -
School Board Retiree Healthcare (Note 7.07)	-	-	-	(24,137,028)
Primary Government LODA (Note 7.08)	505,141	-	505,141	-
VRS Group Life Insurance Program (Note 7.09)	143,943	22,267	166,210	138,304
VRS Health Insurance Credit Program (Note 7.10)	-	-	-	1,294,683
	<u>\$ 2,612,764</u>	<u>\$ 273,430</u>	<u>\$ 2,886,194</u>	<u>\$ (22,704,041)</u>

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.

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 meet certain County service requirements based on their County hire date. Employees hired before November 1, 2007, must complete ten consecutive years of regular full-time employment with the County immediately before 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 full-time 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 service, 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, 2024, the most recent actuarial valuation date, membership in the Plan consisted of the following:

Number of Participants:	
Active Employees	923
Retirees and Spouses	240
Beneficiaries	<u>1</u>
	<u>1164</u>

Contributions

Funding of OPEB liabilities is 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, 2025, the County has committed fund balances of \$19,325,528, \$105,634 and \$2,244,475 in its General Fund, Capital Projects Fund and other governmental funds, respectively; and \$7,949,466 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 \$87.5 million was determined by an actuarial valuation as of June 30, 2024, and projected forward to a measurement date of June 30, 2025.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability	
	Total OPEB Liability
Total OPEB liability as of June 30, 2024	\$ 103,770,441
Service Cost	1,899,668
Interest	4,096,908
Change of assumptions	(19,398,215)
Change of benefits/demographics	-
Benefit payments	(2,873,863)
Total OPEB liability as of June 30, 2025	<u>\$ 87,494,939</u>
Primary Government:	
Governmental	\$ 77,293,333
Business-type	10,201,606
	<u>\$ 87,494,939</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2024, 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	3.93%
Healthcare cost trend rate	6.10% 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 3.93% as of June 30, 2024, to 5.20% as of June 30, 2025.

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 years ending June 30, 2020. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 20, 2021.

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

	4.20%	5.20%	6.20%
Total OPEB liability	<u>\$ 102,278,266</u>	<u>\$ 87,494,939</u>	<u>\$ 75,674,961</u>

Healthcare rate sensitivity

	1% Decrease in Trend Rate	Current Rate Trend Rate	1% Increase in Trend Rate
Total OPEB liability	<u>\$ 74,258,088</u>	<u>\$ 87,494,939</u>	<u>\$ 104,317,868</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post-employment Benefits

The following table summarizes the recognized OPEB expense at June 30, 2025, and the reported deferred outflows and inflows of resources by source as of the June 30, 2025 measurement date for the Primary Government.:

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB - Primary Government			
	Governmental Activities	Business-type Activities	Total Primary Government
Total OPEB expense:	\$ 1,963,680	\$ 251,163	\$ 2,214,843
Deferred outflows - actuarial differences:			
Difference between expected and actual experience	\$ 15,956,713	\$ 2,181,975	\$ 18,138,688
Change of assumptions	2,088,748	285,623	2,374,371
Total deferred outflows - actuarial differences:	\$ 18,045,461	\$ 2,467,598	\$ 20,513,059
Deferred inflows - actuarial differences:			
Difference between expected and actual experience	\$ (6,736,345)	\$ (871,576)	\$ (7,607,921)
Change of assumptions	(28,181,994)	(3,646,302)	(31,828,296)
Total deferred inflows - actuarial differences	\$ (34,918,339)	\$ (4,517,878)	\$ (39,436,217)

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

	Governmental Activities	Business-type Activities	Total Primary Government
Fiscal year ended June 30,			
2026	\$ (3,378,105)	\$ (410,485)	\$ (3,788,590)
2027	(4,960,596)	(602,779)	(5,563,375)
2028	(4,960,596)	(602,779)	(5,563,375)
2029	(2,689,498)	(326,810)	(3,016,308)
2030	(201,816)	(24,523)	(226,339)
Thereafter	(682,267)	(82,904)	(765,171)
	\$ (16,872,878)	\$ (2,050,280)	\$ (18,923,158)
OPEB actuarial differences:			
Total deferred outflows	\$ 18,045,461	\$ 2,467,598	\$ 20,513,059
Total deferred inflows	(34,918,339)	(4,517,878)	(39,436,217)
	\$ (16,872,878)	\$ (2,050,280)	\$ (18,923,158)

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 March 1, 2023, the most recent actuarial valuation, membership consisted of the following:

	<u>2023</u>	<u>2021</u>
Active employees	2,253	2,333
Retirees (pre-Medicare)	329	302
Retirees (Medicare-age)	896	857
Total	<u>3,478</u>	<u>3,492</u>

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 before 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, 2025, there are no Plan contribution requirements; benefits are financed on a pay-as-you-go basis. Contributions to 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 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, 2025, 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, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 8.8%. 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 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, 2024.

Changes in the Net OPEB Liability

Changes in Net OPEB Liability			
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances, June 30, 2023	\$ 98,465,382	\$ 14,416,647	\$ 84,048,735
Service Cost	2,100,046	-	2,100,046
Interest	6,442,925	-	6,442,925
Difference between actual and expected experience	(154,677)	-	(154,677)
Changes of assumptions	-	-	-
Employer contributions	-	6,668,605	(6,668,605)
Net investment income	-	1,372,224	(1,372,224)
Benefit payments	(5,874,605)	(5,874,605)	-
Balances, June 30, 2024	\$ 100,979,071	\$ 16,582,871	\$ 84,396,200

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, 2024, 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 SOA Pub. 2010 Teacher's Employees Headcount-Weighted Mortality Table, projected on a fully generational basis using mortality improvement scale MP-2021.

Healthcare cost trend rates are based on the Society of Actuaries (SOA) Getzen Long-Term Healthcare 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 the same as those developed for 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 the 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 a 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 continuation of the discount rate of 6.75% from 2023 to 2024.
- The per capita cost assumption was updated based on the FY2023 premium rates provided by the School Board.
- 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 mortality improvement scale was updated to MP-2021.

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 5.75%	Current Rate 6.75%	1% Increase 7.75%
Net OPEB liability	<u>\$ 95,018,377</u>	<u>\$ 84,396,200</u>	<u>\$ 75,339,861</u>

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	<u>\$ 73,343,842</u>	<u>\$ 84,396,200</u>	<u>\$ 97,586,158</u>

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

For the fiscal year ended June 30, 2025, the School Board recognized an OPEB expense of (\$24,137,028). As of June 30, 2025, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ -	\$ (72,895,199)
Changes of assumptions	15,015,774	(58,417,603)
Net difference between projected and actual earnings	354,626	-
Total	<u>\$ 15,370,400</u>	<u>\$ (131,312,802)</u>

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:

	<u>OPEB Expense</u>
Year ending June 30,	
2026	\$ (28,253,226)
2027	(28,360,678)
2028	(31,991,598)
2029	(13,944,510)
2030	(6,686,529)
Thereafter	<u>(6,705,861)</u>
Total	<u>\$ (115,942,402)</u>

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 as of June 30, 2025, were as follows:

Total OPEB liability	\$ 154,457,345
Plan fiduciary net position	18,735,278
School Board's net OPEB liability	<u>\$ 135,722,067</u>
Plan fiduciary net position as a % of the total OPEB liability	12.13%

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation dated March 1, 2025, with the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025, 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 SOA Pub. 2010 Teacher's Employees Headcount-Weighted Mortality Table, projected on a fully generational basis using mortality improvement scale MP-2021.

Healthcare cost trend rates are based on the Society of Actuaries (SOA) Getzen Long-Term Healthcare Cost Trend Model with an initial rate of 7.0% for 2025, decreasing gradually to an ultimate rate of 4.04% 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 the mortality improvement scale MP-2021. The average premium was calculated by blending the FY2025 premiums for each plan based on enrollment as of the valuation date and trending to the midpoint of the projection period using the valuation trend assumptions. The average premium for the pre-Medicare plans was then age-adjusted to determine a retiree per capita cost.

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, as amended on March 28, 2025. The table on the next page provides the target asset allocation for the Trust's Portfolio I, the 2025 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	Long-Term	Long-Term
		Arithmetic Average Nominal Return ¹	Arithmetic Average Real Return ²	Arithmetic Weighted Average Real Return
Core Plus Bonds	16.00%	5.58%	2.83%	0.45%
Absolute Return	4.00%	7.00%	4.25%	0.17%
U.S. Large Cap Equity	21.00%	9.95%	7.20%	1.51%
U.S. Small Cap Equity	10.00%	11.34%	8.59%	0.86%
International Developed Equity	13.00%	10.72%	7.97%	1.04%
Emerging Market Equity	5.00%	11.99%	9.24%	0.46%
Long/Short Equity	6.00%	8.14%	5.39%	0.32%
Private Equity	10.00%	13.26%	10.51%	1.05%
Core Real Estate	10.00%	9.20%	6.45%	0.65%
Opportunistic Real Estate	5.00%	12.20%	9.45%	0.47%
Total	100.00%			6.98%
		Inflation		2.75%
		Arithmetic Average Nominal Return		9.73%

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 \$18.7 million as of June 30, 2025. 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, 2025.

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

	5.75%	6.75%	7.75%
Net OPEB liability	\$ 156,593,854	\$ 135,722,067	\$ 118,591,210

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	<u>\$ 116,401,490</u>	<u>\$ 135,722,067</u>	<u>\$ 159,689,545</u>

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 disabled in the line of duty. Benefits include a \$100,000 life insurance benefit for death occurring as a direct or proximate result of their duties, and a \$75,000 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 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 before the time of the employee's death or disability, or the result of an adoption agreement entered into before the time of the employee's death or disability.

For participants with a 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 higher 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.

For participants with a death or disability eligibility date before 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 before 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.

Medical Plans

Health insurance under LODA covers medical, dental, vision, and prescription insurance, including related Medicare coverage. LODA requires the County to 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 who were disabled before July 1, 2017, and their eligible spouses once they become Medicare eligible. The Medicare Part B premium depends on income. Monthly Medicare B premiums for most participants were \$185.00 for 2025 and \$174.70 for 2024.

LODA Premiums

VRS LODA premiums for the years ended June 30, 2025, and June 30, 2024, were as follows:

	<u>Fiscal Year 2025</u>	<u>Fiscal Year 2024</u>
Plans 1 & 2 (Non-Medicare)		
Single	\$ 1,186.00	\$ 1,119.00
Dual	\$ 1,995.00	\$ 1,882.00
Family	\$ 2,812.00	\$ 2,653.00
Plan 3 (Medicare primary)		
Single	\$ 405.00	\$ 346.00

Plan Participants

As of June 30, 2024, the most recent actuarial valuation date, membership in the Plan consisted of the following:

	Volunteer		Total
	Employees	Firefighters	
Active members	490	126	616
Retirees	N/A	N/A	13
Spouses	N/A	N/A	5

Contributions

Funding of OPEB liabilities is 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, 2025, 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 \$7.6 million was determined by an actuarial valuation as of June 30, 2024, and rolled forward to the measurement date of June 30, 2025.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability - LODA	
	Total OPEB Liability
Balance as of June 30, 2024	\$ 7,620,510
Service Cost	801,273
Interest	329,804
Changes of benefit terms	-
Experience losses	45,662
Changes of assumptions	(921,558)
Benefit payments	(274,430)
Balance as of June 30, 2025	\$ 7,601,261

Actuarial Assumptions

The total OPEB liability reported in the June 30, 2024, 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	3.97%
Medical cost trend rate	7.50% in 2024 to 4.04% in 2075
Salary increases	3.50 – 4.75%
Mortality rates	
Active Employees/Volunteers	SOA Pub-2010 Safety Employees Headcount-Weighted Mortality Table, adjusted using 95% of the standard rates for males and 105% of the standard rates for females, set forward 2 years and projected on a fully generational basis using 75% of the mortality improvement scale MP-2020.
Disabled Retirees	SOA Pub-2010 Disabled Retirees Headcount-Weighted Mortality Table, adjusted using 95% of the standard rates for males and 90% of the standard rates for females, set back 3 years, and projected on a fully generational basis using 75% of the mortality improvement scale MP-2020.
Beneficiaries/Surviving Spouses	SOA Pub-2010 Safety Contingent Survivor Headcount-Weighted Mortality Table, adjusted using 110% of the standard rates for males and females, set forward 2 years and projected on a fully generational basis using 75% of mortality improvement scale MP-2020.
Service-related deaths	Direct result 22.50% and presumptive result 22.50%
Service-related disability	65% of disabilities are assumed to be service-related

The discount rate was based on the Municipal Bond 20 Year High Grade Rate Index as of June 30, 2025. The medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The current valuation uses the 2024 version of the model.

Changes of assumptions and other inputs since the prior valuation:

- A change in the discount rate from 3.97% in 2024 to 4.81% in 2025.

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 3.81%	Current Rate 4.81%	1% Increase 5.81%
Total OPEB liability	<u>\$ 8,719,179</u>	<u>\$ 7,601,261</u>	<u>\$ 6,700,522</u>

Healthcare rate sensitivity

	1% Decrease 3.04%	Current Rate 4.04%	1% Increase 5.04%
Total OPEB liability	<u>\$ 6,332,251</u>	<u>\$ 7,601,261</u>	<u>\$ 9,231,402</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post-employment Benefits

For the year ended June 30, 2025, the County recognized OPEB expense of \$505,141. As of June 30, 2025, deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 169,511	\$ (2,361,453)
Changes of assumptions	446,916	(1,507,517)
Total	<u>\$ 616,427</u>	<u>\$ (3,868,970)</u>

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:

	<u>OPEB Expense</u>	
Year ending June 30,		
	2026	\$ (625,937)
	2027	(617,234)
	2028	(675,603)
	2029	(229,647)
	2030	(284,639)
	Thereafter	(819,483)
	Total	<u>\$ (3,252,543)</u>

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
<p>Eligible Employees</p> <p>The GLI Program was established on 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:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the GLI Program have several components.</p> <ul style="list-style-type: none"> • <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. • <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Seatbelt benefit ○ Repatriation benefit

<ul style="list-style-type: none"> ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>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 is reduced by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>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 \$9,532.</p>

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 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% 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, 2025, was 0.47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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, 2025, and June 30, 2024, were as follows:

	<u>County of Spotsylvania</u>					
	<u>Governmental</u>	<u>Business-type</u>	<u>Total Primary</u>	<u>Spotsylvania</u>	<u>Spotsylvania</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>	<u>County School</u>	<u>School Board</u>	
				<u>Board</u>	<u>Teacher Plan</u>	
Contributions for year ended June 30, 2025	\$ 367,902	\$ 56,913	\$ 424,815	\$ 53,602	\$ 829,587	
Contributions for year ended June 30, 2024	317,127	59,133	376,260	64,655	901,594	

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2025, 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, 2024, and the total GLI OPEB liabilities used to calculate the net GLI OPEB liabilities were determined by actuarial valuations performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024, relative to the total of the actuarially determined employer contributions for all participating employers.

For the year ended June 30, 2025, 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			Spotsylvania County School Board	Spotsylvania County School Board Teacher Plan	Total Component Unit-School Board
	Governmental Activities	Business-type Activities	Total Primary Government			
Net OPEB liability	\$ 3,161,261	\$ 489,032	\$ 3,650,293	\$ 522,475	\$ 7,273,580	\$ 7,796,055
OPEB expense	\$ 143,943	\$ 22,267	\$ 166,210	\$ 6,849	\$ 131,455	\$ 138,304
Proportion at June 30, 2024			0.32711%	0.04682%	0.65180%	
Proportion at June 30, 2023			0.31661%	0.04897%	0.65206%	

As of June 30, 2025, 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 Primary Government			
Deferred outflows						
Differences between expected and actual experience	\$ 498,603	\$ 77,132	\$ 575,735	\$ 82,406	\$ 1,147,211	\$ 1,229,617
Change in assumptions	18,019	2,788	20,807	2,978	41,460	44,438
Changes in proportionate share	289,948	44,853	334,801	21,737	9,229	30,966
Total deferred outflows	\$ 806,570	\$ 124,773	\$ 931,343	\$ 107,121	\$ 1,197,900	\$ 1,305,021
Deferred inflows						
Differences between expected and actual experience	\$ (77,219)	\$ (11,945)	\$ (89,164)	\$ (12,762)	\$ (177,669)	\$ (190,431)
Net difference between projected and actual earnings on OPEB plan investments	(266,461)	(41,220)	(307,681)	(44,039)	(613,087)	(657,126)
Change in assumptions	(156,665)	(24,236)	(180,901)	(25,893)	(360,464)	(386,357)
Change in proportionate share	(2,343)	(362)	(2,705)	(41,112)	(153,173)	(194,285)
Total deferred inflows	\$ (502,688)	\$ (77,763)	\$ (580,451)	\$ (123,806)	\$ (1,304,393)	\$ (1,428,199)

Contributions made after the measurement date will be recognized as a reduction of the respective net GLI OPEB liabilities in the fiscal year ending June 30, 2026. 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 Primary Government				
Year ending June 30,							
2026	\$ (25,839)	\$ (3,997)	\$ (29,836)	\$ (28,779)	\$ (364,125)	\$ (392,904)	
2027	150,873	23,340	174,213	2,397	89,483	91,880	
2028	54,384	8,413	62,797	(612)	(2,952)	(3,564)	
2029	58,897	9,111	68,008	6,085	58,594	64,679	
2030	65,567	10,143	75,710	4,224	112,507	116,731	
	<u>\$ 303,882</u>	<u>\$ 47,010</u>	<u>\$ 350,892</u>	<u>\$ (16,685)</u>	<u>\$ (106,493)</u>	<u>\$ (123,178)</u>	
OPEB actuarial differences:							
Total deferred outflows	\$ 806,570	\$ 124,773	\$ 931,343	\$ 107,121	\$ 1,197,900	\$ 1,305,021	
Total deferred inflows	(502,688)	(77,763)	(580,451)	(123,806)	(1,304,393)	(1,428,199)	
	<u>\$ 303,882</u>	<u>\$ 47,010</u>	<u>\$ 350,892</u>	<u>\$ (16,685)</u>	<u>\$ (106,493)</u>	<u>\$ (123,178)</u>	

Actuarial Assumptions

The total GLI OPEB liability was based on actuarial valuations as of June 30, 2023, 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, 2024.

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, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:	<ul style="list-style-type: none"> Mortality rates updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 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 Withdrawal rates adjusted to better fit experience at 	<ul style="list-style-type: none"> 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 Retirement rates adjusted to better fit experience and changed the final retirement age from 65 to 70 Withdrawal rates decreased and changed from rates based on age and ser- 	<ul style="list-style-type: none"> Mortality rates updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 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 Withdrawal rates adjusted to better fit experience at

	each year age and service through 9 years of service <ul style="list-style-type: none"> • Disability rates no change • Discount rate no change 	vice to rates based on service only to better fit experience and be more consistent with Locals Top 10 Hazardous Duty <ul style="list-style-type: none"> • Disability rates no change • Discount rate no change 	each year age and service through 9 years of service <ul style="list-style-type: none"> • Disability rates no change • 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 the Modified MP-2020 Improvement Scale, that is 75% of the MP-2020 rates.	Rates projected generationally with the Modified MP-2020 Improvement Scale, that is 75% of the MP-2020 rates.	Rates projected generationally with the 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, 2024, the net OPEB liability amounts for the GLI Program are as follows (amounts expressed in thousands):

	VRS GLI OPEB Program
Total GLI OPEB Liability	\$ 4,196,055
Plan Fiduciary Net Position	3,080,133
GLI Net OPEB Liability	<u>\$ 1,115,922</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	73.41%

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 assumes 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, 2024, 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 113% of the actuarially determined contribution rate. From July 1, 2024, 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	Weighted Average Long-term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		Inflation	2.50%
		Expected arithmetic nominal return*	9.57%

* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, 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	\$ 5,676,679	\$ 3,650,293	\$ 2,013,239
GLI - School Board	\$ 812,516	\$ 522,475	\$ 288,159
GLI - School Board Teacher Plan	\$ 11,311,362	\$ 7,273,580	\$ 4,011,583

Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report. A copy of the 2024 VRS annual report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2024-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 number of contributions to the VRS GLI OPEB Plans required for the year ended June 30, 2025.

GLI - County	\$ 90,003
GLI - School Board	5,348
GLI - School Board Teacher Plan	49,810
	<u>\$ 145,161</u>

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.

In 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 before July 1, 2020, but did not receive a health insurance credit before 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:

HIC PLAN PROVISIONS	
<p>Eligible Employees The HIC was established on July 1, 1993, for retired political subdivision employees of employers who elect the benefit and teacher employees covered under VRS, who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS. 	
<p>Benefit Amounts The HIC provides the following benefits for eligible employees:</p>	
<p>Teacher Employee HIC Program</p> <ul style="list-style-type: none"> • <u>At Retirement</u> – For teachers 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. • <u>Disability Retirement</u> – For teachers 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: <ul style="list-style-type: none"> ○ \$4.00 per month, multiplied by twice the amount of service credit, or ○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower. 	<p>Political Subdivision HIC Program</p> <ul style="list-style-type: none"> • <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. • <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.
<p>Health Insurance Credit Program Notes</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • 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. 	

Employees covered by benefit terms

As of the June 30, 2023 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	58
Inactive members:	
Vested inactive members	6
Non-vested inactive members	0
Inactive members active elsewhere in the System	98
Total inactive members	<u>162</u>
Active members	399
Total covered employees	<u><u>561</u></u>

- 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, 2025, was 1.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 \$2.1 million and \$2.0 million for the years ended June 30, 2025, and June 30, 2024, 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, 2024, was 0.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 \$70,987 and \$74,297 for the years ended June 30, 2025, and June 30, 2024, 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 2024 Annual Comprehensive Financial Report. A copy of the 2024 VRS annual report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2024-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, 2024.

	Net HIC OPEB Liability
HIC - School Board Cost-Sharing Teacher Plan	\$ 18,015,166
HIC - Political Subdivision Agent Plan	381,359
	<u>\$ 18,396,525</u>

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, 2024, the net OPEB liability amount for the Plan, before allocation to each employer for their proportionate share, is as follows (amounts expressed in thousands):

	VRS Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,478,105
Plan Fiduciary Net Position	322,457
Teacher Employee Net HIC OPEB Liability	<u>\$ 1,155,648</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	21.82%

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.

As of June 30, 2025, the School Board reported a liability of \$18.0 million for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. The School Board's proportion was 1.54% as of June 30, 2024, and June 30, 2023.

Political Subdivision HIC Program

As of June 30, 2025, the School Board's net Health Insurance Credit OPEB liability of \$0.3 million was measured as of June 30, 2024. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions

The total HIC OPEB liabilities were based on actuarial valuations as of June 30, 2023, 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, 2024.

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.
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.
Mortality Improvement Scale	<ul style="list-style-type: none"> • Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. 	<ul style="list-style-type: none"> • 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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:	<ul style="list-style-type: none"> • Mortality rates updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. • Retirement rates adjusted to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed 	<ul style="list-style-type: none"> • Mortality Rates update 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

	final retirement age from 75 to 80 for all <ul style="list-style-type: none"> • Withdrawal rates adjusted to better fit experience at each age and service decrement through 9 years of service. • Disability rates no change • Discount rate no change 	rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all <ul style="list-style-type: none"> • Withdrawal rates adjusted to better fit experience at each year age and service through 9 years of service • Disability rates no change • Discount rate no change
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The actuarial assumptions used in the June 30, 2023, valuations were based on the results of an actuarial experience study for the four years from July 1, 2016, through June 30, 2020.

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	Weighted Average Long-term Expected Rate of Return
Public Equity	32.00%	6.70%	2.14%
Fixed income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		Inflation	2.50%
		Expected arithmetic nominal return*	9.57%

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 assumes 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, 2024, 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, 2024, 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 assumes 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, 2024, the rate contributed by each 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, 2024, 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, 2024.

School Board - Changes in the Political Subdivision Net HIC OPEB Liability			
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at June 30, 2023	\$ 568,466	\$ 141,981	\$ 426,485
Changes for the year:			
Service cost	9,950	-	9,950
Interest	38,274	-	38,274
Change in benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between expected and actual experience	(2,378)	-	(2,378)
Contributions - employer	-	74,297	(74,297)
Contributions - employee	-	-	-
Net investment income	-	16,932	(16,932)
Benefit payments, including refunds of employee contributions	(22,775)	(22,775)	-
Administrative expense	-	(257)	257
Net changes	23,071	68,197	(45,126)
Balances at June 30, 2024	\$ 591,537	\$ 210,178	\$ 381,359

* 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 Rate (6.75%)	1.00% Higher (7.75%)
HIC - School Board Teacher Plan*	\$ 20,487,738	\$ 18,015,166	\$ 15,919,435
HIC - Political Subdivision Plan	\$ 448,492	\$ 381,359	\$ 324,593

*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 Post-employment Benefits

For the year ended June 30, 2025, the School Board recognized Political Subdivision HIC Program and Teacher Employee HIC Program OPEB expense of \$19,852 and \$1,274,831, 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.

As of June 30, 2025, 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			Teacher Employee HIC Program	Total Component unit - School Board	
	School Board	Internal Service Fund Fleet Services	Total			
Deferred outflows - OPEB contributions:						
Employer contributions subsequent to the measurement date	\$ 66,096	\$ 4,891	\$ 70,987	\$ 2,133,954	\$ 2,204,941	
Deferred outflows - actuarial differences:						
Changes of assumptions	\$ 36,033	\$ 2,662	\$ 38,695	\$ 310,349	\$ 349,044	
Net difference between expected and actual experience	6,763	504	7,267	-	7,267	
Changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-	-	253,767	253,767	
Total deferred outflows - actuarial differences:	\$ 42,796	\$ 3,166	\$ 45,962	\$ 564,116	\$ 610,078	
Deferred inflows - actuarial differences:						
Net difference between expected and actual experience	(88,210)	(6,526)	(94,736)	(853,515)	(948,251)	
Net difference between projected and actual earnings on plan investments	(3,312)	(246)	(3,558)	(64,081)	(67,639)	
Changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-	-	(281,148)	(281,148)	
Total deferred inflows - actuarial differences	\$ (91,522)	\$ (6,772)	\$ (98,294)	\$ (1,198,744)	\$ (1,297,038)	

Contributions made after the measurement date will be recognized as a reduction of the respective net OPEB liabilities in the fiscal year ending June 30, 2026. 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				Teacher Employee HIC Program	Total Component unit School Board
	Internal Service		Fund Fleet			
	School Board	Services	Total			
Fiscal year ended June 30,						
2026	\$ (16,120)	\$ (1,193)	\$ (17,313)	\$ (178,216)	\$ (195,529)	
2027	(16,382)	\$ (1,212)	(17,594)	(101,444)	(119,038)	
2028	(14,947)	(1,106)	(16,053)	(173,646)	(189,699)	
2029	(1,277)	(95)	(1,372)	(132,956)	(134,328)	
2030	-	-	-	(47,385)	(47,385)	
Thereafter	-	-	-	(981)	(981)	
	<u>\$ (48,726)</u>	<u>\$ (3,606)</u>	<u>\$ (52,332)</u>	<u>\$ (634,628)</u>	<u>\$ (686,960)</u>	
OPEB actuarial differences:						
Total deferred outflows	\$ 42,796	\$ 3,166	\$ 45,962	\$ 564,116	\$ 610,078	
Total deferred inflows	(91,522)	(6,772)	(98,294)	(1,198,744)	(1,297,038)	
	<u>\$ (48,726)</u>	<u>\$ (3,606)</u>	<u>\$ (52,332)</u>	<u>\$ (634,628)</u>	<u>\$ (686,960)</u>	

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, 2025.

HIC - School Board Cost-Sharing Teacher Plan	\$ 51,002
HIC - Political Subdivision Agent Plan	2,775
	<u>\$ 53,777</u>



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Note 8

Fund Balance

Governmental fund balance allocations for the year ended June 30, 2025, are as follows:

Fund Balance Classification				
	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Non-spendable for:				
Leases	\$ 97,754	\$ -	\$ 271,169	\$ 368,923
Total non-spendable fund balance	\$ 97,754	\$ -	\$ 271,169	\$ 368,923
Restricted for:				
Special service district transportation	\$ -	\$ -	\$ 1,816,847	\$ 1,816,847
PRTC transportation funds	-	-	7,851,360	7,851,360
Transient occupancy - tourism	1,335,733	-	-	1,335,733
Unexpended bond interest	-	5,981,098	-	5,981,098
Available bond proceeds:				
Transportation	-	18,644,561	-	18,644,561
Fire & Rescue	-	14,689,514	-	14,689,514
County facilities	-	8,661,580	-	8,661,580
Other	-	74,880	-	74,880
Grant and other contributions:				
Forfeiture & seizure - drug enforcement	1,190,791	-	-	1,190,791
Fire & rescue equipment & personnel	2,522,022	-	-	2,522,022
Opioid settlement	1,142,780	-	-	1,142,780
Other	739,960	46,616	-	786,576
Total restricted fund balance	\$ 6,931,286	\$ 48,098,249	\$ 9,668,207	\$ 64,697,742
Committed for:				
Fiscal stability reserve	\$ 68,151,060	\$ -	\$ -	\$ 68,151,060
School health insurance reserve	17,524,242	-	-	17,524,242
County OPEB reserve	19,325,528	105,634	2,244,475	21,675,637
County health insurance reserve	6,403,560	-	-	6,403,560
Future fiscal stability reserve	4,000,000	-	-	4,000,000
LOSAP Benefits	2,073,381	-	-	2,073,381
Future community center reservation	629,800	-	-	629,800
Public safety line of duty benefits	500,000	-	-	500,000
Information technology	-	9,532,962	-	9,532,962
Fire & rescue facilities, equipment & service	-	8,108,472	743,340	8,851,812
Facility maintenance & improvements	-	3,268,640	295,685	3,564,325
Transportation	-	4,076,576	9,781,018	13,857,594
Solid waste	-	8,996,601	-	8,996,601
Code compliance services	-	-	9,503,814	9,503,814
Parks & recreation	-	5,926,509	-	5,926,509
Sheriff software, equipment & vehicles	-	5,619,617	-	5,619,617
Capital projects - various other	-	3,190,882	-	3,190,882
Capital projects - future budget	-	4,443,491	-	4,443,491
Total committed fund balance:	\$ 118,607,571	\$ 53,269,384	\$ 22,568,332	\$ 194,445,287

Fund Balance Classification continued				
	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assigned to:				
FY25 Carryover & FY26 use of fund balance:				
Education	\$ 2,480,800	\$ -	\$ -	\$ 2,480,800
Public safety	128,326	-	-	128,326
General government	356,791	-	-	356,791
Transportation	4,050,464	-	86,742	4,137,206
Transfer to Capital Projects	15,071,685	-	-	15,071,685
Various other	2,382,169	1,082	511,828	2,895,079
Capital projects cash funding	-	-	170,000	170,000
Capital projects - future cash funding	27,540,460	-	-	27,540,460
FY26 budget reserve	5,353,855	-	-	5,353,855
Loss contingencies	2,865,000	-	-	2,865,000
Kalahari incentive	1,200,000	-	-	1,200,000
Economic opportunities reserve	2,000,000	-	-	2,000,000
Total assigned fund balance:	\$ 63,429,550	\$ 1,082	\$ 768,570	\$ 64,199,202
Unassigned*:	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Total fund balance:	\$ 194,066,161	\$ 101,368,715	\$ 33,276,278	\$ 328,711,154

* 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 \$10.1 million and \$181.2 million, respectively, as of June 30, 2025. The School Board has construction project commitments of \$10.6 million as of June 30, 2025.

Bonds authorized as of June 30, 2025, but not issued are as follows:

Public safety	\$ 31,926,115
Schools	126,221,960
Transportation	101,742,509
	<u>\$ 259,890,584</u>

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, 2025, the County reimbursed various business taxes totaling \$.5 million, including the following agreements that individually exceeded \$500,000 in total tax expected to be refunded over the life of the agreement:

- 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, 2025, the County reimbursed \$188,238.
- 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, 2025, the County reimbursed \$306,278.
- 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, 2025, the County reimbursed \$49,289.
- 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 twenty years. 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, 2027. 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, 2025, there were no qualifying reimbursements.

Note 11

Risk Management

The County, including its component units, is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are mitigated through the purchase of commercial insurance and participation in public entity risk pools. Within 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 their medical and dental benefits for employees up to \$500,000 per employee, per year. Claims in excess of the limitation are covered through 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 \$6.4 million and \$17.5 million, respectively, of fund balance at June 30, 2025 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
<i>Primary Government</i>				
2025	\$ 2,435,643	\$ 19,009,338	\$ 19,326,479	\$ 2,118,502
2024	2,106,300	17,275,880	16,946,537	2,435,643
<i>Component unit - School Board</i>				
2025	\$ 4,786,958	\$ 48,483,055	\$ 48,258,520	\$ 5,011,493
2024	4,813,944	44,811,340	44,838,326	4,786,958

Primary Government:	
Governmental	\$1,934,575
Business-type	183,927
	<u>\$2,118,502</u>

Property and Casualty

Spotsylvania County & School Board

The County and School Board participate in Virginia Group Self-Insurance Risk Pools, which provide coverage for commercial general liability, property, automobile, and workers' compensation. In the event of a loss that results in a deficit and the depletion of all assets and available insurance within the pool, the pool may assess participating members based on the proportion of each member's premiums to the total premiums of all members for the year in which the deficit occurs.

Line of Duty Benefits*Spotsylvania County*

The Line of Duty Act (LODA) provides benefits to public safety officers, public safety volunteers, and their beneficiaries in the event of death or disability arising from the performance of their duties. The County has contracted with VACorp to administer the Plan and pays a premium to cover claims in excess of a \$500,000 deductible. The deductible is reported as committed fund balance in the General Fund as of June 30, 2025.

Note 12**Interjurisdictional Agreements**

The County has an agreement with the City of Fredericksburg, Virginia (City) for the joint provision of water and sewer services. Under this agreement, neither party holds any influence over 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, operated by the County, has a treatment capacity of 15 MGD, of which the City has reserved 5 MGD. The City is responsible for its share of daily operational and maintenance costs for potable water production. The County bills the City based on its proportionate water usage and records the payments as operating revenues in the County's Water and Sewer Fund. Additionally, capital improvement costs related to the plant are shared according to each party's reserved capacity. The City is billed for its portion as costs are incurred, and the County recognizes these payments as capital contribution revenues in the County's Water and Sewer Fund.

Joint-Use Wastewater Facilities

Under an agreement, the County and the City share the Hazel Run Interceptor Line (the Line), which extends from the County's Hazel Run Lift Station to the City's Hazel Run Gravity Line. Maintained by the City, the Line transports sewage from both the County and City within the Hazel Run Watershed to either the City Wastewater Treatment Facility or the County's FMC Wastewater Treatment Facility. Costs for necessary capital improvements to the Line are shared on a pro-rata basis, determined by actual sewage flow. Capital improvement costs paid by the County are reported as purchased capacity, giving the County exclusive entitlement to flow capacities within the Line.

Additionally, the County provides the City with 1.5 MGD of wastewater treatment capacity at the FMC facility. The City is billed based on its proportionate share of wastewater treated, and payments are recorded as operating revenues in the County's Water and Sewer Fund. Similar to the joint water facility agreement, capital improvement costs at the FMC facility are shared according to proportionate reserved capacity. The City is billed for its portion as costs are incurred, and the County recognizes these payments as capital contribution revenues in the County's 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 an agreement with the Potomac and Rappahannock Transportation Commission (PRTC) effective February 15, 2010. The PRTC was created in fiscal year 1987 to levy a 2% Motor Fuel Tax authorized by the Commonwealth. The PRTC is a joint venture of the contiguous jurisdictions of Prince William, Stafford, Manassas, Manassas Park, Fredericksburg, and Spotsylvania and was established to improve transportation systems, composed of transit facilities, public highways, and other modes of transport. While each jurisdiction effectively controls PRTC's use of motor fuel tax proceeds from that jurisdiction, they do not have an explicit, measurable equity interest in the PRTC.

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

The County is required to fund its share of administrative expenses and subsidies, which include both the existing VRE-related debt service and any new VRE-related debt service as authorized by the County. For fiscal year 2025, the County received \$7.9 million in Motor Fuel Tax and paid \$2.4 million in subsidies. As of June 30, 2025, the PRTC holds \$7.9 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, 2025, totaled \$9.0 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 in need of 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, 2025, of \$2.6 million.

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

Note 14

Jointly Governed Organizations

14.01 CENTRAL RAPPAHANNOCK REGIONAL LIBRARY

The Central Rappahannock Regional Library (the 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, 2025, the County's appropriation to the Library was \$4.3 million.

Note 15

Subsequent Events

On September 30, 2025, the County issued \$56.8 million in General Obligation Public Improvement Bonds, Series 2025, with a fixed interest rate of 5.0%. These bonds will be repaid in installments beginning January 15, 2026, with final maturity on January 15, 2045. Net bond proceeds of \$62.9 million – after accounting for a \$6.3 million premium and \$0.2 million in issuance costs - will be used to reimburse the County for costs associated with school and public safety projects financed with these proceeds.

Note 16

Implementation of New Accounting Pronouncements

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*, to improve disclosure of concentrations and constraints that could expose a government to financial risk. The Statement requires disclosure when a concentration or constraint could lead to a substantial impact and is likely to occur within 12 months. The County evaluated its exposure and identified no circumstances requiring disclosure; therefore, this Statement had no impact on the financial statements for the fiscal year ending June 30, 2025.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, which establishes a unified recognition and measurement model to improve the consistency and comparability of compensated absence reporting. The Statement requires governments to recognize liabilities for unused leave and for leave used but not yet paid or settled when the leave is attributable to services already rendered, accumulates, and is more likely than not to be used or paid, measured using current pay rates and including directly related salary-related payments.

Upon adoption, the County evaluated all compensated absence categories under the new criteria, resulting in a revised methodology for calculating the liability. In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, the adoption is reported as a change in accounting principle and required a restatement of beginning net position for fiscal year 2025. Beginning net position as of July 1, 2024, decreased by \$3.4 million for the County and \$17.9 million for the School Board due to the recognition of previously unrecorded compensated absence liabilities.

The effects of these restatements are presented in the table below.

Reporting Units Affected by Adjustments to and Restatements of Beginning Balances				
	Government-Wide		Component Unit	Proprietary Funds
	Governmental Activities (Exhibit II)	Business-type Activities (Exhibit II)	School Board (Exhibit II)	Water & Sewer Fund (Exhibit VI)
Net position, beginning, as previously reported	\$ 11,163,084	\$ 391,337,274	\$ 39,945,718	\$ 391,337,274
Change in accounting principle (GASB 101)	(3,084,718)	(347,929)	(17,879,095)	(347,929)
Net position, beginning, as restated	\$ 8,078,366	\$ 390,989,345	\$ 22,066,623	\$ 390,989,345

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF SPOTSYLVANIA, VIRGINIA

Required Supplementary Information - Budgetary Comparison Schedule - General Fund (Budgetary Basis)

For the Year Ended June 30, 2025

Schedule 1 - Page 1

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget
REVENUES				
General property taxes	\$ 236,841,955	\$ 236,841,955	\$ 238,974,286	\$ 2,132,331
Other local taxes	73,085,825	73,085,825	76,804,633	3,718,808
Permits, fees and regulatory licenses	764,856	764,856	688,138	(76,718)
Fines and forfeitures	381,000	381,000	435,864	54,864
From use of money and property	946,824	1,117,218	10,453,267	9,336,049
Charges for services	6,431,440	6,449,440	7,326,501	877,061
Contributions	41,425	46,425	388,384	341,959
Miscellaneous	92,500	92,500	489,279	396,779
Intergovernmental	48,366,706	49,638,114	48,081,264	(1,556,850)
Total revenues	<u>\$ 366,952,531</u>	<u>\$ 368,417,333</u>	<u>\$ 383,641,616</u>	<u>\$ 15,224,283</u>
EXPENDITURES				
Current:				
General government	\$ 24,311,932	\$ 25,038,554	\$ 19,675,454	\$ 5,363,100
Judicial administration	13,136,749	13,114,523	11,504,344	1,610,179
Public safety	90,325,285	96,334,614	90,389,812	5,944,802
Public works	14,137,627	14,158,527	13,498,251	660,276
Health and human services	35,233,811	35,256,016	32,393,249	2,862,767
Education	155,607,930	160,249,580	156,768,780	3,480,800
Parks, recreation and cultural	9,584,507	9,667,034	9,472,491	194,543
Community development	6,154,708	6,306,243	5,462,792	843,451
Non-departmental	2,382,478	2,382,478	2,626,868	(244,390)
Debt service:				
Bonded debt:				
Principal retirement	7,684,390	7,739,390	7,739,390	-
Interest and other fiscal charges	2,094,338	2,121,252	2,148,367	(27,115)
Right to use assets:				
Principal retirement	-	-	1,647,316	(1,647,316)
Interest and other fiscal charges	-	-	68,364	(68,364)
Total expenditures	<u>\$ 360,653,755</u>	<u>\$ 372,368,211</u>	<u>\$ 353,395,478</u>	<u>\$ 18,972,733</u>
Excess of revenues over expenditures	<u>\$ 6,298,776</u>	<u>\$ (3,950,878)</u>	<u>\$ 30,246,138</u>	<u>\$ 34,197,016</u>
Other financing uses:				
Transfers in	\$ 4,714,805	\$ 4,803,905	\$ 5,264,737	\$ 460,832
Transfers out	(22,219,065)	(21,627,545)	(21,468,525)	159,020
Lease liabilities issued	-	-	-	-
Subscription liabilities issued	-	-	1,779,854	1,779,854
Total other financing uses	<u>\$ (17,504,260)</u>	<u>\$ (16,823,640)</u>	<u>\$ (14,423,934)</u>	<u>\$ 2,399,706</u>
Net change in fund balances	<u>\$ (11,205,484)</u>	<u>\$ (20,774,518)</u>	<u>\$ 15,822,204</u>	<u>\$ 36,596,722</u>
Fund balance, beginning	<u>11,205,484</u>	<u>20,774,518</u>	<u>176,170,576</u>	<u>155,396,058</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,992,780</u>	<u>\$ 191,992,780</u>

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, 2025

Schedule 1 - 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 (Sch 1)	School Debt Service (1)	LOSAP Trust (2)	GAAP Basis (Exh IV)
REVENUES				
From use of money and property	\$ 10,453,267	\$ -	\$ 78,424	\$ 10,531,691
EXPENDITURES				
Current:				
Public safety	90,389,812	-	45,518	90,435,330
Education	156,768,780	5,325,997	-	162,094,777
Debt service:				
Principal retirement	7,739,390	22,821,927	-	30,561,317
Interest and other charges	2,148,367	8,164,567	-	10,312,934
Bond issuance costs	-	190,137	-	190,137
Other financing sources (uses):				
Issuance of bonds	-	32,595,000	-	32,595,000
Premium on bonds issued	-	<u>3,907,628</u>	<u>-</u>	<u>3,907,628</u>
Total reconciling adjustments:		<u>\$ -</u>	<u>\$ 32,906</u>	

Net change in fund balances (Sch 1 & Exh IV):	\$ 15,822,204	\$ -	\$ 32,906	\$ 15,855,110
Fund balance, beginning (Sch 1 & Exh IV)	<u>176,170,576</u>	<u>-</u>	<u>2,040,475</u>	<u>178,211,051</u>
Fund balance, ending (Sch 1 & Exh IV)	<u>\$ 191,992,780</u>	<u>\$ -</u>	<u>\$ 2,073,381</u>	<u>\$ 194,066,161</u>

COUNTY OF SPOTSYLVANIA, VIRGINIA

Schedule of Changes in Net Pension Liability and Related Ratios - County

Last Ten Fiscal Years

Schedule 2 - Page 1

(Amounts in thousands)

Measurement date - June 30,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 10,246	\$ 9,293	\$ 8,354	\$ 7,209	\$ 6,468	\$ 5,931	\$ 5,549	\$ 5,654	\$ 5,450	\$ 5,405
Interest	19,409	18,163	17,301	14,387	13,530	12,564	11,745	11,029	10,191	9,544
Differences between actual and expected experience	7,468	411	(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	(10,988)	(9,744)	(8,461)	(7,740)	(7,430)	(6,781)	(6,142)	(5,462)	(5,605)	(4,263)
Net change in total pension liability	26,135	18,123	12,470	35,186	12,854	21,281	12,016	10,555	11,909	9,920
Total pension liability - beginning	282,785	264,662	252,192	217,006	204,152	182,871	170,855	160,300	148,391	138,471
Total pension liability - ending	<u>\$ 308,920</u>	<u>\$ 282,785</u>	<u>\$ 264,662</u>	<u>\$ 252,192</u>	<u>\$ 217,006</u>	<u>\$ 204,152</u>	<u>\$ 182,871</u>	<u>\$ 170,855</u>	<u>\$ 160,300</u>	<u>\$ 148,391</u>
Plan fiduciary net position										
Contributions - employer	\$ 10,997	\$ 9,784	\$ 7,025	\$ 6,466	\$ 5,337	\$ 4,991	\$ 4,680	\$ 4,437	\$ 4,762	\$ 4,631
Contributions - employee	3,958	3,553	3,270	3,028	2,824	2,721	2,507	2,443	2,303	2,246
Net investment income	25,455	15,850	(418)	51,290	3,506	11,453	11,629	17,039	2,399	5,869
Benefit payments, including refunds of employee contributions	(10,988)	(9,744)	(8,461)	(7,740)	(7,430)	(6,781)	(6,142)	(5,462)	(5,605)	(4,262)
Administrative expense	(154)	(150)	(146)	(122)	(115)	(108)	(97)	(95)	(82)	(76)
Other	6	6	6	5	(4)	(7)	(10)	(15)	(1)	(1)
Net change in plan fiduciary net position	29,274	19,299	1,276	52,927	4,118	12,269	12,567	18,347	3,776	8,407
Plan fiduciary net position - beginning	258,990	239,691	238,415	185,488	181,370	169,101	156,534	138,187	134,411	126,004
Plan fiduciary net position - ending	<u>\$ 288,264</u>	<u>\$ 258,990</u>	<u>\$ 239,691</u>	<u>\$ 238,415</u>	<u>\$ 185,488</u>	<u>\$ 181,370</u>	<u>\$ 169,101</u>	<u>\$ 156,534</u>	<u>\$ 138,187</u>	<u>\$ 134,411</u>
County's net pension liability-ending	<u>\$ 20,656</u>	<u>\$ 23,795</u>	<u>\$ 24,971</u>	<u>\$ 13,777</u>	<u>\$ 31,518</u>	<u>\$ 22,782</u>	<u>\$ 13,770</u>	<u>\$ 14,321</u>	<u>\$ 22,113</u>	<u>\$ 13,980</u>
Plan fiduciary net position as a % of the total pension liability	93.3%	91.6%	90.6%	94.5%	85.5%	88.8%	92.5%	91.6%	86.2%	90.6%
Covered payroll	\$ 83,989	\$ 74,496	\$ 68,128	\$ 62,479	\$ 58,248	\$ 53,936	\$ 50,613	\$ 47,488	\$ 45,430	\$ 43,942
County's net pension liability as a % of covered payroll	24.6%	31.9%	36.7%	22.1%	54.1%	42.2%	27.2%	30.2%	48.7%	31.8%

COUNTY OF SPOTSYLVANIA, VIRGINIA

Schedule of Changes in Net Pension Liability and Related Ratios - County

Last Ten Fiscal Years

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

<p>Non-Largest Ten Locality Employers - General Employees</p>	<p>Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)</p> <p>Retirement Rates</p> <p>Withdrawal Rates</p> <p>Disability Rates</p> <p>Salary Scale</p> <p>Line of Duty Disability</p> <p>Discount Rate</p>	<p>Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.</p> <p>Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.</p> <p>Adjusted rates to better fit experience at each year age and service through 9 years of service.</p> <p>No change</p> <p>No change</p> <p>No change</p> <p>No change</p>
<p>Non-Largest Ten Locality Employers - Hazardous Duty Employees</p>	<p>Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)</p> <p>Retirement Rates</p> <p>Withdrawal Rates</p> <p>Disability Rates</p> <p>Line of Duty Disability</p> <p>Salary Scale</p> <p>Discount Rate</p>	<p>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.</p> <p>Adjusted rates to better fit experience and changed final retirement age from 65 to 70.</p> <p>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.</p> <p>No change</p> <p>No change</p> <p>No change</p> <p>No change</p>

COUNTY OF SPOTSYLVANIA, VIRGINIA

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - School Board

Last Ten Fiscal Years

Schedule 3 - Page 1

(Amounts in thousands)

Measurement date - June 30,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Service cost	\$ 1,019	\$ 1,042	\$ 857	\$ 950	\$ 973	\$ 937	\$ 954	\$ 948	\$ 993	\$ 1,024
Interest	2,669	2,548	2,507	2,266	2,136	2,065	1,972	1,906	1,846	1,760
Difference between expected and actual experience	367	125	(1,145)	257	510	(112)	(59)	(148)	(454)	(156)
Change in assumptions	-	-	-	978	-	862	-	(213)	-	-
Benefit payments, including refunds of employee contributions	(1,984)	(1,836)	(1,755)	(1,725)	(1,640)	(1,575)	(1,508)	(1,595)	(1,467)	(1,321)
Net change in total pension liability	2,071	1,879	464	2,726	1,979	2,177	1,359	898	918	1,307
Total pension liability - beginning	39,508	37,629	37,165	34,439	32,460	30,283	28,924	28,026	27,108	25,801
Total pension liability - ending	\$ 41,579	\$ 39,508	\$ 37,629	\$ 37,165	\$ 34,439	\$ 32,460	\$ 30,283	\$ 28,924	\$ 28,026	\$ 27,108
Plan fiduciary net position										
Contributions - employer	\$ 648	\$ 631	\$ 580	\$ 588	\$ 597	\$ 574	\$ 587	\$ 584	\$ 729	\$ 762
Contributions - employee	541	522	447	451	483	460	446	446	443	448
Net investment income	3,923	2,499	(41)	8,627	607	2,004	2,097	3,135	447	1,128
Benefit payments, including refunds of employee contributions	(1,984)	(1,836)	(1,755)	(1,725)	(1,640)	(1,575)	(1,508)	(1,595)	(1,467)	(1,321)
Administrative expense	(26)	(25)	(25)	(22)	(21)	(20)	(18)	(18)	(16)	(16)
Other	1	1	1	1	(1)	(1)	(2)	(3)	-	-
Net change in plan fiduciary net position	3,103	1,792	(793)	7,920	25	1,442	1,602	2,549	136	1,001
Plan fiduciary net position - beginning	40,555	38,763	39,556	31,636	31,611	30,169	28,567	26,018	25,882	24,881
Plan fiduciary net position - ending	\$ 43,658	\$ 40,555	\$ 38,763	\$ 39,556	\$ 31,636	\$ 31,611	\$ 30,169	\$ 28,567	\$ 26,018	\$ 25,882
School Board's net pension liability (asset) - ending	\$ (2,079)	\$ (1,047)	\$ (1,134)	\$ (2,391)	\$ 2,803	\$ 849	\$ 114	\$ 357	\$ 2,008	\$ 1,226
Plan fiduciary net position as a % of the total pension liability	105.00%	102.65%	103.01%	106.43%	91.86%	97.38%	99.62%	98.77%	92.84%	95.48%
Covered payroll	\$ 11,983	\$ 11,462	\$ 10,131	\$ 9,833	\$ 10,300	\$ 9,705	\$ 9,307	\$ 9,163	\$ 9,075	\$ 9,042
School Board's net pension liability (asset) as a % of covered payroll	(17.35%)	(9.13%)	(11.19%)	(24.32%)	27.21%	8.75%	1.22%	3.90%	22.13%	13.56%

COUNTY OF SPOTSYLVANIA, VIRGINIA

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - School Board

Last Ten Fiscal Years

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board actions are as follows:

Non-Largest Ten Locality Employers - General Employees	Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) Retirement Rates Withdrawal Rates Disability Rates Salary Scale Line of Duty Disability Discount Rate	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age. Adjusted rates to better fit experience at each year age and service through 9 years of service. No change No change No change No change
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COUNTY OF SPOTSYLVANIA, VIRGINIA

Schedule of Employer's Share of Net Pension Liability - Teacher Retirement Plan

Last Ten Fiscal Years

Schedule 4 - Page 1

(Amounts in thousands)

Measurement date - June30,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	1.56078%	1.53896%	1.54509%	1.54457%	1.57287%	1.58065%	1.56580%	1.59753%	1.62648%	1.62945%
Proportionate share of the net pension liability	\$ 146,292	\$ 155,502	\$ 146,947	\$ 119,866	\$ 228,939	\$ 208,023	\$ 184,137	\$ 196,464	\$ 227,937	\$ 205,089
Covered payroll	\$ 167,015	\$ 153,443	\$ 143,991	\$ 136,600	\$ 137,888	\$ 132,344	\$ 126,501	\$ 125,768	\$ 123,993	\$ 121,089
Proportionate share of the net pension liability as a % of its covered payroll	87.59%	101.34%	102.05%	87.75%	166.03%	157.18%	145.56%	156.21%	183.83%	169.37%
Plan fiduciary net position as a % of the total pension liability	84.52%	82.45%	82.61%	85.46%	71.47%	73.51%	74.81%	72.92%	68.28%	70.68%

COUNTY OF SPOTSYLVANIA, VIRGINIA

Schedule of Employer's Share of Net Pension Liability - Teacher Retirement Plan

Last Ten Fiscal Years

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees	Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) Retirement Rates Withdrawal Rates Disability Rates Salary Scale Discount Rate	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. 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. Adjusted rates to better fit experience at each year age and service through 9 years of service No change No change No change
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COUNTY OF SPOTSYLVANIA, VIRGINIA
Schedule of Employer Contributions - Pensions
 Last Ten Fiscal Years

Schedule 5

(Amounts in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
County of Spotsylvania										
Contractually required contribution	\$ 11,820	\$ 11,523	\$ 10,221	\$ 7,365	\$ 6,754	\$ 5,580	\$ 5,167	\$ 4,813	\$ 4,516	\$ 4,806
Contribution in relation to the contractually required contribution	<u>(11,820)</u>	<u>(11,523)</u>	<u>(10,221)</u>	<u>(7,365)</u>	<u>(6,754)</u>	<u>(5,580)</u>	<u>(5,167)</u>	<u>(4,813)</u>	<u>(4,516)</u>	<u>(4,806)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Covered payroll	\$ 90,365	\$ 83,989	\$ 74,496	\$ 68,128	\$ 62,479	\$ 58,248	\$ 53,936	\$ 50,613	\$ 47,488	\$ 45,430
Contributions as a percentage of covered payroll	13.08%	13.72%	13.72%	10.81%	10.81%	9.58%	9.58%	9.51%	9.51%	10.58%
Spotsylvania County School Board										
Contractually required contribution	\$ 602	\$ 753	\$ 720	\$ 679	\$ 659	\$ 649	\$ 611	\$ 616	\$ 607	\$ 741
Contribution in relation to the contractually required contribution	<u>(602)</u>	<u>(753)</u>	<u>(720)</u>	<u>(679)</u>	<u>(659)</u>	<u>(649)</u>	<u>(611)</u>	<u>(616)</u>	<u>(607)</u>	<u>(741)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Covered payroll	\$ 11,966	\$ 11,983	\$ 11,462	\$ 10,131	\$ 9,834	\$ 10,300	\$ 9,705	\$ 9,307	\$ 9,163	\$ 9,075
Contributions as a percentage of covered payroll	5.03%	6.28%	6.28%	6.70%	6.70%	6.30%	6.30%	6.62%	6.62%	8.17%
Spotsylvania County School Board - Teacher Plan										
Contractually required contribution	\$ 24,987	\$ 27,758	\$ 25,502	\$ 23,931	\$ 22,703	\$ 21,621	\$ 20,751	\$ 20,645	\$ 18,438	\$ 17,433
Contribution in relation to the contractually required contribution	<u>(24,987)</u>	<u>(27,758)</u>	<u>(25,502)</u>	<u>(23,931)</u>	<u>(22,703)</u>	<u>(21,621)</u>	<u>(20,751)</u>	<u>(20,645)</u>	<u>(18,438)</u>	<u>(17,433)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Covered payroll	\$ 175,843	\$ 167,015	\$ 153,443	\$ 143,991	\$ 136,600	\$ 137,888	\$ 132,344	\$ 126,501	\$ 125,768	\$ 123,993
Contributions as a percentage of covered payroll	14.21%	16.62%	16.62%	16.62%	16.62%	15.68%	15.68%	16.32%	14.66%	14.06%

COUNTY OF SPOTSYLVANIA, VIRGINIA

Schedule of Employer's Share of Net OPEB Group Life Insurance Liability

Last Ten Fiscal Years

Schedule 6 - Page 1

(Amounts in thousands)

Measurement date - June 30,	2024	2023	2022	2021	2020	2019	2018	2017
County of Spotsylvania								
Proportion of the net OPEB GLI liability	0.32711%	0.31661%	0.31387%	0.30311%	0.28328%	0.27529%	0.26618%	0.25793%
Proportionate share of the net OPEB GLI liability	\$ 3,650	\$ 3,797	\$ 3,779	\$ 3,529	\$ 4,728	\$ 4,480	\$ 4,043	\$ 3,881
Covered payroll	\$ 83,989	\$ 74,578	\$ 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	4.35%	5.09%	5.54%	5.64%	8.11%	8.30%	7.99%	8.16%
Plan fiduciary net position as a % of the total OPEB GLI liability	73.41%	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%
Spotsylvania County School Board								
Proportion of the net OPEB GLI liability	0.04682%	0.04897%	0.04668%	0.04780%	0.05005%	0.04959%	0.04896%	0.04992%
Proportionate share of the net OPEB GLI liability	\$ 522	\$ 587	\$ 562	\$ 557	\$ 835	\$ 807	\$ 743	\$ 751
Covered payroll	\$ 12,023	\$ 11,535	\$ 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	4.34%	5.09%	5.53%	5.64%	8.11%	8.30%	7.98%	8.16%
Plan fiduciary net position as a % of the total OPEB GLI liability	73.41%	69.30%	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	0.65180%	0.65206%	0.66236%	0.66226%	0.67056%	0.67560%	0.66528%	0.68283%
Proportionate share of the net OPEB GLI liability	\$ 7,274	\$ 7,820	\$ 7,975	\$ 7,711	\$ 11,191	\$ 10,994	\$ 10,104	\$ 10,276
Covered payroll	\$ 167,358	\$ 153,594	\$ 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	4.35%	5.09%	5.54%	5.64%	8.11%	8.30%	7.99%	8.16%
Plan fiduciary net position as a % of the total OPEB GLI liability	73.41%	69.30%	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

Schedule 6 - 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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board actions 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

Schedule 7

(Amounts in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
County of Spotsylvania										
Contractually required contribution	\$ 425	\$ 454	\$ 403	\$ 369	\$ 338	\$ 303	\$ 281	\$ 263	\$ 247	\$ 241
Contribution in relation to the contractually required contribution	<u>\$ (425)</u>	<u>\$ (454)</u>	<u>\$ (403)</u>	<u>\$ (369)</u>	<u>\$ (338)</u>	<u>\$ (303)</u>	<u>\$ (281)</u>	<u>\$ (263)</u>	<u>\$ (247)</u>	<u>\$ (241)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Employer's covered payroll	\$ 90,384	\$ 83,989	\$ 74,578	\$ 68,274	\$ 62,581	\$ 58,300	\$ 53,966	\$ 50,613	\$ 47,576	\$ 45,440
Contributions as a % of covered payroll	0.47%	0.54%	0.54%	0.54%	0.54%	0.52%	0.52%	0.52%	0.52%	0.48%
Spotsylvania County School Board										
Contractually required contribution	\$ 56	\$ 65	\$ 62	\$ 55	\$ 53	\$ 54	\$ 51	\$ 48	\$ 48	\$ 48
Contribution in relation to the contractually required contribution	<u>\$ (56)</u>	<u>\$ (65)</u>	<u>\$ (62)</u>	<u>\$ (55)</u>	<u>\$ (53)</u>	<u>\$ (54)</u>	<u>\$ (51)</u>	<u>\$ (48)</u>	<u>\$ (48)</u>	<u>\$ (48)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Employer's covered payroll	\$ 11,992	\$ 12,023	\$ 11,535	\$ 10,154	\$ 9,869	\$ 10,301	\$ 9,721	\$ 9,309	\$ 9,208	\$ 9,092
Contributions as a % of covered payroll	0.47%	0.54%	0.54%	0.54%	0.54%	0.52%	0.52%	0.52%	0.52%	0.48%
Spotsylvania County School Board - Teacher Plan										
Contractually required contribution	\$ 827	\$ 904	\$ 829	\$ 778	\$ 738	\$ 718	\$ 689	\$ 658	\$ 655	\$ 658
Contribution in relation to the contractually required contribution	<u>\$ (827)</u>	<u>\$ (904)</u>	<u>\$ (829)</u>	<u>\$ (778)</u>	<u>\$ (738)</u>	<u>\$ (718)</u>	<u>\$ (689)</u>	<u>\$ (658)</u>	<u>\$ (655)</u>	<u>\$ (658)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Employer's covered payroll	\$ 175,962	\$ 167,358	\$ 153,594	\$ 144,081	\$ 136,732	\$ 138,005	\$ 132,440	\$ 126,501	\$ 125,950	\$ 124,222
Contributions as a % of covered payroll	0.47%	0.54%	0.54%	0.54%	0.54%	0.52%	0.52%	0.52%	0.52%	0.48%

COUNTY OF SPOTSYLVANIA, VIRGINIA

Schedule of Changes in Net HIC OPEB Liability and Related Ratios - School Board

Last Ten Fiscal Years

Schedule 8 - Page 1

(Amounts in thousands)

Measurement date - June 30,	2024	2023	2022	2021	2020
Total HIC OPEB liability					
Service cost	\$ 10	\$ 10	\$ 13	\$ 14	\$ -
Interest	38	47	39	34	-
Change in benefit terms	-	-	-	-	505
Differences between actual and expected experience	(2)	(164)	17	-	-
Changes of assumptions	-	-	72	22	-
Benefit payments	(23)	(21)	(19)	-	-
Net change in total HIC OPEB liability	<u>23</u>	<u>(128)</u>	<u>122</u>	<u>70</u>	<u>505</u>
Total HIC OPEB liability - beginning	<u>569</u>	<u>697</u>	<u>575</u>	<u>505</u>	<u>-</u>
Total HIC OPEB liability - ending	<u>\$ 592</u>	<u>\$ 569</u>	<u>\$ 697</u>	<u>\$ 575</u>	<u>\$ 505</u>
Plan fiduciary net position					
Contributions - employer	\$ 74	\$ 71	\$ 50	\$ 47	\$ -
Contributions - employee	-	-	-	-	-
Net investment income	17	8	(1)	7	-
Benefit payments	(23)	(21)	(19)	-	-
Administrative expense	-	-	-	-	-
Other	-	-	1	-	-
Net change in plan fiduciary net position	<u>68</u>	<u>58</u>	<u>31</u>	<u>54</u>	<u>-</u>
Plan fiduciary net position - beginning	<u>143</u>	<u>85</u>	<u>54</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending	<u>\$ 211</u>	<u>\$ 143</u>	<u>\$ 85</u>	<u>\$ 54</u>	<u>\$ -</u>
School Board's net HIC OPEB liability-ending	<u>\$ 381</u>	<u>\$ 426</u>	<u>\$ 612</u>	<u>\$ 521</u>	<u>\$ 505</u>
Plan fiduciary net position as a % of the total HIC OPEB liability	35.64 %	25.13 %	12.20 %	9.39 %	-
Covered payroll	\$ 11,983	\$ 11,462	\$ 10,131	\$ 9,833	\$ 10,301
School Board's net HIC OPEB liability as a % of covered payroll	3.18%	3.72%	6.04%	5.30%	4.90%

Schedule is intended to show information for 10 years. Since 2024 is the fifth year for this presentation, there are only five years available.

COUNTY OF SPOTSYLVANIA, VIRGINIA

Schedule of Changes in Net HIC OPEB Liability and Related Ratios - School Board

Last Ten Fiscal Years

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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

Schedule 9

(Amounts in thousands)

Measurement date - June 30,	2024	2023	2022	2021	2020	2019	2018	2017
Proportion of the net HIC OPEB liability	1.55888%	1.53888%	1.54494%	1.54456%	1.57285%	1.57784%	1.56262%	1.59468%
Proportionate share of the net HIC OPEB liability	\$ 18,015	\$ 18,642	\$ 19,297	\$ 19,826	\$ 20,518	\$ 20,655	\$ 19,841	\$ 20,231
Covered payroll	\$ 167,015	\$ 153,443	\$ 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	10.79%	12.15%	13.40%	14.51%	14.88%	15.61%	15.70%	16.08%
Plan fiduciary net position as a % of the total HIC OPEB liability	21.82%	17.90%	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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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

Schedule 10

(Amounts in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Spotsylvania County School Board Plan										
Contractually required contribution	\$ 74	\$ 74	\$ 71	\$ 49	\$ 47					
Contribution in relation to contractually required contribution	<u>(74)</u>	<u>(74)</u>	<u>(71)</u>	<u>(49)</u>	<u>(47)</u>					
Contribution deficiency (excess)	<u>\$ -</u>									
Employer's covered payroll	\$ 11,966	\$ 11,983	\$ 11,462	\$ 10,131	\$ 9,833					
Contributions as a % of covered payroll	0.62%	0.62%	0.62%	0.48%	0.48%					
Spotsylvania County School Board - Teacher Plan										
Contractually required contribution	\$ 2,128	\$ 2,021	\$ 1,857	\$ 1,742	\$ 1,653	\$ 1,655	\$ 1,588	\$ 1,554	\$ 1,548	\$ 1,463
Contribution in relation to contractually required contribution	<u>(2,128)</u>	<u>(2,021)</u>	<u>(1,857)</u>	<u>(1,742)</u>	<u>(1,653)</u>	<u>(1,655)</u>	<u>(1,588)</u>	<u>(1,554)</u>	<u>(1,548)</u>	<u>(1,463)</u>
Contribution (deficiency)/excess	<u>\$ -</u>									
Employer's covered payroll	\$ 175,843	\$ 167,015	\$ 153,443	\$ 143,991	\$ 136,600	\$ 137,888	\$ 132,344	\$ 126,375	\$ 125,852	\$ 124,013
Contributions as a % of covered payroll	1.21%	1.21%	1.21%	1.21%	1.21%	1.20%	1.20%	1.23%	1.11%	1.06%

Schedule is intended to show information for 10 years. Contributions for the Spotsylvania School Board Plan is the fifth 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

Schedule 11

(Amounts in thousands)

Measurement Date - June 30,	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 1,900	\$ 2,403	\$ 2,307	\$ 3,423	\$ 3,308	\$ 2,903	\$ 4,623	\$ 4,412
Interest	4,097	3,009	2,871	2,170	2,547	3,230	5,285	4,451
Changes of benefit items	-	22,749	-	-	-	-	(32,422)	-
Changes of assumptions	(19,398)	(3,006)	(1,446)	(21,664)	(304)	18,204	(18,446)	(9,319)
Differences between actual and expected experience	-	-	-	-	(18,796)	-	11,850	-
Benefit payments	(2,874)	(2,797)	(2,219)	(2,117)	(1,490)	(1,757)	(2,270)	(1,454)
Net change in total OPEB liability	(16,275)	22,358	1,513	(18,188)	(14,735)	22,580	(31,380)	(1,910)
Total OPEB liability - beginning	103,770	81,412	79,899	98,087	112,822	90,242	121,622	123,532
Total OPEB liability - ending	\$ 87,495	\$ 103,770	\$ 81,412	\$ 79,899	\$ 98,087	\$ 112,822	\$ 90,242	\$ 121,622
Covered-employee payroll	\$ 101,726	\$ 93,793	\$ 86,669	\$ 76,951	\$ 69,498	\$ 64,777	\$ 60,082	\$ 55,194
County's total OPEB liability as a % of covered-employee payroll	86.01%	110.64%	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 equivalent 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. In FY24, the \$22.7 million liability increase was primarily due to unfavorable healthcare cost experience.

Changes in plan experience - No change.

Changes in assumptions

The June 30, 2025 actuarial valuation resulted in a \$19.4 million decrease in liability due to the increase in the discount rate from 3.93% to 5.20%.

Change in discount rate	5.20%	3.93%	3.65%	3.54%	2.16%	2.21%	3.50%	3.87%
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COUNTY OF SPOTSYLVANIA, VIRGINIA

Schedule of Changes in Net OPEB Liability - Retiree Healthcare and Related Ratios - School Board

Last Ten Fiscal Years

Schedule 12

(Amounts in thousands)

Measurement date - June 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability									
Service cost	\$ 2,045	\$ 2,100	\$ 5,049	\$ 7,770	\$ 10,378	\$ 8,673	\$ 9,447	\$ 9,179	\$ 10,523
Interest	6,738	6,442	5,720	3,566	7,273	8,207	8,743	8,413	7,155
Changes in benefit terms	25,911	-	-	-	-	-	-	-	-
Difference between expected and actual experience	25,117	(154)	(12,826)	(1,985)	(135,177)	(2,827)	(20,301)	(2,920)	-
Changes of assumptions	(287)	-	(40,511)	(48,299)	8,991	25,218	27,701	(3,475)	(27,679)
Benefit payments	(6,046)	(5,875)	(5,144)	(3,251)	(3,733)	(4,481)	(5,049)	(4,688)	(4,496)
Net change in total OPEB liability	53,478	2,513	(47,712)	(42,199)	(112,268)	34,790	20,541	6,509	(14,497)
Total OPEB liability - beginning	100,979	98,466	146,178	188,377	300,645	265,855	245,314	238,805	253,302
Total OPEB liability - ending	\$ 154,457	\$ 100,979	\$ 98,466	\$ 146,178	\$ 188,377	\$ 300,645	\$ 265,855	\$ 245,314	\$ 238,805
Plan fiduciary net position									
Contributions - employer	\$ 6,722	\$ 6,670	\$ 5,144	\$ 6,171	\$ 10,017	\$ 4,481	\$ 5,478	\$ 4,688	\$ 4,496
Net investment income	1,489	1,373	1,022	(1,227)	1,269	124	208	299	357
Benefit payments	(6,046)	(5,875)	(5,144)	(3,251)	(3,733)	(4,481)	(5,049)	(4,688)	(4,496)
Administrative expense	(13)	(1)	(14)	(12)	(5)	(5)	(4)	(4)	(3)
Net change in plan fiduciary net position	2,152	2,167	1,008	1,681	7,548	119	633	295	354
Plan fiduciary net position - beginning	16,583	14,416	13,408	11,727	4,179	4,060	3,427	3,132	2,778
Plan fiduciary net position - ending	\$ 18,735	\$ 16,583	\$ 14,416	\$ 13,408	\$ 11,727	\$ 4,179	\$ 4,060	\$ 3,427	\$ 3,132
School Board's net OPEB liability-ending	\$ 135,722	\$ 84,396	\$ 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	12.13%	16.42%	14.64%	9.17%	6.23%	1.39%	1.53%	1.40%	1.31%
Covered-employee payroll	\$ 188,413	\$ 179,677	\$ 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	72.03%	46.97%	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 2025 measurement date.

Changes in benefit terms - The subsidy for employees hired on or after July 1, 2009 was updated to 50% of the HealthKeeper's 750 premium and pre-Medicare retirees and 50% of the Medicare Supplemental Plan premium for Medicare-eligible retirees.

Changes in experience - Changes in per capita costs resulted in an increase to the total liability in the 2025 valuation.

Changes in assumptions: The June 30, 2025 actuarial valuation resulted in no change to the liability, primarily due to the same discount rate of 6.75%.

Change in Discount Rate:	6.75%	6.75%	6.75%	3.99%	1.92%	2.45%	3.13%	3.62%	3.58%
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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

Schedule 13

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	8.83%	9.26%	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

Schedule 14

(Amounts in thousands)

Measurement date - June 30,	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 801	\$ 827	\$ 814	\$ 945	\$ 840	\$ 1,020	\$ 908	\$ 880
Interest	329	251	215	143	152	284	274	240
Changes in benefit terms	-	5	-	-	-	-	-	-
Differences between expected and actual experience	46	34	128	(1,728)	14	(3,752)	(29)	(39)
Changes of assumptions	(922)	132	(124)	(756)	481	(261)	555	(40)
Benefit payments	<u>(274)</u>	<u>(259)</u>	<u>(345)</u>	<u>(228)</u>	<u>(214)</u>	<u>(203)</u>	<u>(193)</u>	<u>(181)</u>
Net change in total OPEB liability	(20)	990	688	(1,624)	1,273	(2,912)	1,515	860
Total OPEB liability - beginning	<u>7,621</u>	<u>6,631</u>	<u>5,943</u>	<u>7,567</u>	<u>6,294</u>	<u>9,206</u>	<u>7,691</u>	<u>6,831</u>
Total OPEB liability - ending	<u>\$ 7,601</u>	<u>\$ 7,621</u>	<u>\$ 6,631</u>	<u>\$ 5,943</u>	<u>\$ 7,567</u>	<u>\$ 6,294</u>	<u>\$ 9,206</u>	<u>\$ 7,691</u>
Covered-employee payroll	N/A							
County's total OPEB liability as a % of covered-employee payroll	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

Changes in discount rate:	4.81%	3.97%	3.86%	3.69%	1.92%	2.45%	3.13%	3.62%
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COUNTY OF SPOTSYLVANIA, VIRGINIA

Schedule of Changes in Length of Service Award Program (LOSAP) Total Pension Liability and Related Ratios

Last Ten Fiscal Years

Schedule 15

(Amounts in thousands)

Measurement date - June 30,	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability									
Service cost	\$ 16	\$ 51	\$ 86	\$ 128	\$ 90	\$ 85	\$ 93	\$ 147	\$ 109
Interest	123	127	96	106	128	131	119	102	114
Differences between actual and expected experience	(42)	(288)	(93)	(276)	10	(74)	(5)	46	6
Change in assumptions	(107)	(40)	(992)	(238)	1,020	216	(43)	(469)	446
Benefit payments, including refunds of employee contributions	(126)	(98)	(91)	(106)	(79)	(118)	(79)	(77)	(70)
Net change in total pension liability	(136)	(248)	(994)	(386)	1,169	240	85	(251)	605
Total pension liability - beginning	3,242	3,490	4,484	4,870	3,701	3,461	3,376	3,627	3,022
Total pension liability - ending	\$ 3,106	\$ 3,242	\$ 3,490	\$ 4,484	\$ 4,870	\$ 3,701	\$ 3,461	\$ 3,376	\$ 3,627
Covered-employee payroll	N/A								
Total pension liability as a % of covered-employee payroll	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 through a trust or equivalent arrangement as defined by GASB.

Change in discount rate: 3.97% 3.86% 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, 2024 increased from 2.30% to 2.90%.

Mortality Table - RP 2014 Combined - Projected to 2024

NOTICE OF SALE

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OFFICIAL NOTICE OF SALE

COUNTY OF SPOTSYLVANIA, VIRGINIA

\$54,000,000*

WATER AND SEWER SYSTEM

REVENUE BONDS

SERIES 2026

Notice is hereby given that electronic all-or-none ("AON") bids will be received by the County of Spotsylvania, Virginia (the "County"), in accordance with this Official Notice of Sale, for the purchase of the County's \$54,000,000* Water and Sewer System Revenue Bonds, Series 2026 (the "Series 2026 Bonds"). All bids must be submitted on Grant Street Group's MuniAuction website ("MuniAuction"), accessible at www.GrantStreet.com, on February 24, 2026 (the "Date of Sale") between 10:15 a.m. and 10:30 a.m., prevailing Eastern Time, unless extended in accordance with the two-minute rule described herein.

Registration

To bid, bidders must first visit the MuniAuction website at www.grantstreet.com where, if they have never registered with either MuniAuction or any municipal debt auction website powered by Grant Street Group, they can register to participate in the County's auction. Only FINRA registered broker dealers and dealer banks with DTC clearing arrangements will be eligible to bid. Bidders who have previously registered with MuniAuction may call auction support at (412) 391-5555 to confirm their ID or password. Each bidder submitting an electronic bid agrees (i) that it is solely responsible for all arrangements with MuniAuction, (ii) that MuniAuction is not acting as the agent of the County, and (iii) that the County is not responsible for ensuring or verifying bidder compliance with any of the procedures of MuniAuction.

Bid Submission; Two Minute Rule

Solely as an accommodation to bidders, electronic bids via MuniAuction will be accepted in accordance with this Official Notice of Sale. The County is using MuniAuction as a communication mechanism to conduct the electronic bidding for the sale of the Series 2026 Bonds, as described herein. To the extent any instructions or directions set forth in MuniAuction conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control.

All bids must be unconditional and submitted on the MuniAuction website. No other provider of electronic bidding services, and no other means of delivery (i.e., telephone, telefax, physical delivery, etc.) will be accepted. Bidders may change and submit bids as many times as they wish during the auction; provided, however, that each bid submitted subsequent to a bidder's initial bid must result in a lower true or "Canadian" interest cost ("TIC"), when compared to the immediately preceding bid of such bidder. The last bid submitted by a bidder before the end of the auction will be compared to all other final bids submitted by others to determine the winning bidder. During the bidding, no bidder will see any other bidder's bid but each bidder will be able to see its ranking (i.e., "Leader", "Cover", "3rd", etc.). The time maintained by MuniAuction shall constitute the official time with respect to all bids submitted.

If any bid becomes a leading bid two (2) minutes prior to the end of the auction, then the auction will be automatically extended by two (2) minutes from the time such new leading bid was received by MuniAuction. The auction end time will continue to be extended, indefinitely, until a single leading bid remains the leading bid for at least two (2) minutes.

* Preliminary, subject to change.

Rules of MuniAuction

The “Rules of MuniAuction” can be viewed on the MuniAuction website at “www.grantstreet.com” and are incorporated by reference in this Official Notice of Sale. Bidders must comply with the Rules of MuniAuction in addition to the requirements of this Official Notice of Sale. In the event the Rules of MuniAuction conflict with this Official Notice of Sale, this Official Notice of Sale shall prevail.

The County assumes no responsibility for, and each bidder expressly assumes the risks of and responsibility for, any incomplete, inaccurate or untimely bid submitted by such bidder through MuniAuction. Each bidder shall be solely responsible for making necessary arrangements to access MuniAuction for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the County nor MuniAuction shall have any duty or obligation to provide or assure such access to any bidder, and neither the County nor MuniAuction shall be responsible for proper operation of, or have any liability for, any delays or interruptions of, or any damages caused by, MuniAuction. For further information about MuniAuction, potential bidders may call (412) 391-5555.

Change of Date and Time for Receipt of Bids

The County expects to take bids on the Series 2026 Bonds on February 24, 2026. However, the County reserves the right to postpone the date and time established for the receipt of bids. Any such postponement will be announced by MuniAuction (www.GrantStreet.com) or by TM3 newswire (www.tm3.com), or any other such service not later than 30 minutes prior to the time announced for receipt of bids. If the receipt of bids is postponed, any alternative date for receipt of bids will be announced via MuniAuction or TM3 newswire, or any other such service. Any bidder must submit a sealed bid for the purchase of the Series 2024 Bonds on such alternative sale date in conformity with the provisions of this Official Notice of Sale, except for any changes announced via MuniAuction or TM3 newswire, or any other such service by the County's financial advisor, PFM Financial Advisors LLC (the "Financial Advisor").

Principal Redemption

The Series 2026 Bonds will be dated the date of their issuance (the “Dated Date”), and will mature, or be subject to mandatory sinking fund redemption, on December 1 in years and amounts as follows:

Series 2026 Bonds

<u>Year (December 1)</u>	<u>Amount*</u>	<u>Year (December 1)</u>	<u>Amount*</u>
2026	\$1,175,000	2039	\$2,170,000
2027	1,235,000	2040	2,260,000
2028	1,295,000	2041	2,350,000
2029	1,360,000	2042	2,450,000
2030	1,430,000	2043	2,560,000
2031	1,505,000	2044	2,675,000
2032	1,585,000	2045	2,790,000
2033	1,665,000	2046	2,910,000
2034	1,750,000	2047	3,035,000
2035	1,840,000	2048	3,175,000
2036	1,925,000	2049	3,310,000
2037	2,005,000	2050	3,460,000
2038	2,085,000		

**Preliminary, subject to change. The County reserves the right, after bids are opened and prior to award, to increase or reduce the principal amount of the Series 2026 Bonds offered for sale. Any such increase or reduction will be made in multiples of \$5,000 in any of the maturities. Any such increase or decrease in the principal amount of particular maturities of the Series 2026 Bonds will be communicated to the winning bidder no later than 11:59 a.m., prevailing Eastern Time, on the Date of Sale. The dollar amount bid for the principal of the Series 2026 Bonds by the winning bidder will be adjusted as necessary to reflect any increase or decrease in the principal amount of the applicable maturities of the Series 2026 Bonds so adjusted, but the interest rates specified by the winning bidder for each maturity will not be altered. Such adjusted dollar*

amount bid will not change the amount of the good faith deposit described herein or the winning bidder's compensation per \$1,000 of par amount of the Series 2026 Bonds from that which would have resulted from the bid submitted. The winning bidder may not withdraw its bid as a result of any change made within the foregoing limits.

Serial Bonds, Term Bonds and Mandatory Sinking Fund Redemptions

Bidders may provide in the bid form for all of the Series 2026 Bonds to be issued as serial bonds or may designate consecutive annual principal amounts of the Series 2026 Bonds maturing on or after December 1, 2036* to be combined into one or more Term Bonds. In the event that a bidder chooses to specify a Term Bond, each such Term Bond shall be subject to mandatory sinking fund redemption commencing on December 1 of the first year which has been combined to form such Term Bond and continuing on December 1 in each year thereafter until the stated maturity of such Term Bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth in the amortization schedule above. Series 2026 Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from among the Series 2026 Bonds of the maturity being redeemed.

[Remainder of Page Intentionally Left Blank – Bid Parameters Table Follows]

* Preliminary, subject to change.

BID PARAMETERS TABLE FOR THE SERIES 2026 BONDS*

INTEREST		PROCEDURAL	
Dated Date:	Date of Delivery	Sale Date and Time:	Bids due February 24, 2026, from 10:15 A.M. to 10:30 A.M. Local Time
Anticipated Delivery/Closing Date:	March 18, 2026	Bid Submission:	Electronic bids through MuniAuction Only
Interest Payments Dates:	June 1 and December 1	All or None?	Yes
First Interest Payment Date:	June 1, 2026	Bid Award Method:	Lowest TIC
Coupon Multiples:	1/8 or 1/20 of 1%	Good Faith Deposit: \$540,000	1% of the Bid Maturity Schedule, as more fully described on page 6, under "Good Faith Deposit"
Zero Coupons:	Not Permitted		
Split Coupons:	Not Permitted		
PRINCIPAL		PRICING	
Optional Redemption:	Due on and after December 1, 2036, callable on December 1, 2035, and thereafter at par	Max. Aggregate Bid Price:	118%
Post-bid Principal Increases in Aggregate:	10%	Min. Aggregate Bid Price:	100%
Post-bid Principal Reductions in Aggregate:	10%	Max. Price per Maturity:	No Limit
Term Bonds:	Any two or more consecutive maturities on or after December 1, 2036**, may be designated as Term Bonds	Min. Price per Maturity:	97%
		High Coupon per Maturity:	5.0%
		Low Coupon per Maturity:	12/1/2026 – 12/1/2035: No Limit 12/1/2036- 12/1/2050: 4.0%

*Subject to the detailed provisions of this Notice of Sale.

**Preliminary, subject to change.

Book-Entry-Only System

The Series 2026 Bonds will be issued by means of a book-entry system with no distribution of physical Bond certificates made to the public. One Bond certificate for each maturity of the Series 2026 Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), or its nominee, and immobilized in its custody (or in the custody of a "FAST" agent of DTC). The book-entry system will evidence beneficial ownership of the Series 2026 Bonds in principal amounts of \$5,000 or multiples thereof, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Bond certificates registered in the name of Cede & Co. will be deposited with DTC. Interest on the Series 2026 Bonds will be payable from their date semiannually on each June 1 and December 1, beginning June 1, 2026, and principal of the Series 2026 Bonds will be paid annually as set forth above to DTC or its nominee as registered owner of the Series 2026 Bonds. Transfer of principal, premium and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The County will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2026 Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be prepared, executed 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 case, either a successor depository will be selected by the County or Bond certificates will be prepared, executed and delivered.

Optional Redemption

The Series 2026 Bonds will be subject to redemption beginning on December 1, 2035, in whole or in part (in any multiple of \$5,000) at any time, at the option and at the direction of the County, upon payment of 100% of the principal amount of the Series 2026 Bonds to be redeemed plus interest accrued to the date fixed for redemption.

If less than all of the Series 2026 Bonds are called for redemption, the Series 2026 Bonds to be redeemed shall be selected by the County's Financial Officer in such manner as is determined to be in the best interests of the County. If less than all of the Series 2026 Bonds of a particular maturity are called for redemption, DTC or any successor securities depository will select the Series 2026 Bonds to be redeemed pursuant to its rules and procedures or, if the book-entry system is discontinued, the Series 2026 Bonds to be redeemed will be selected by the Trustee (as hereinafter defined) by lot in such manner as the Trustee may determine. In either case, each portion of the \$5,000 principal amount is counted as one Bond for such purpose. Notice of redemption will be given by the County by facsimile or electronic transmission, registered or certified mail or overnight express delivery, to the registered owner of the Series 2026 Bonds. Such notice will be given not less than 30 nor more than 60 days prior to the date fixed for redemption. The County will not be responsible for giving notice of redemption to anyone other than DTC or its nominee unless no qualified securities depository is the registered owner of the Series 2026 Bonds. If no qualified securities depository is the registered owner of the Series 2026 Bonds, notice of redemption shall be mailed to the registered owners of the Series 2026 Bonds by the Trustee. If a portion of a Bond is called for redemption, a new Bond in principal amount equal to the unredeemed portion shall be issued to the registered owner upon the surrender thereof.

The County 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, the Series 2026 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 2026 Bonds called for redemption at the place or places of payment, such Series 2026 Bonds shall be paid and redeemed.

The Issue; Authorizing Resolution; Security

The issuance of the Series 2026 Bonds is authorized by a resolution adopted by the Board on February 10, 2026 (the "Bond Resolution").

The Series 2026 Bonds will be limited obligations of the County payable solely from Net Revenues derived from the System, and other funds pledged for their payment under the terms of an Agreement of Trust dated as of July 1, 1997, between the County and U.S. Bank Trust Company, National Association (successor to U.S. Bank National Association and SunTrust Bank), Richmond, Virginia, as trustee (the "Trustee"), as previously supplemented and amended (the "Master Agreement of Trust"), and as further supplemented by a Fourteenth Supplemental Agreement of Trust dated as of March 1, 2026 (the "Fourteenth Supplemental Agreement" and with the Master Agreement of Trust, the "Agreement of Trust"). The pledge of Net Revenues securing the Series 2026 Bonds will be on a parity with the pledge of Net Revenues securing (i) Water and Sewer System Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds"), in the outstanding principal amount of \$25,320,000 (as of June 30, 2025), (ii) Water and Sewer System Revenue and Refunding Bonds, Series 2019 (the "Series 2019 Bonds") in the outstanding principal amount of \$22,490,000 (as of June 30, 2025), (iii) Water and Sewer System Revenue and Refunding Bonds, Series 2020 (the "Series 2020 Bonds") in the outstanding principal amount of \$38,140,000 (as of June 30, 2025), (iv) Water and Sewer System Revenue Bonds, Series 2022 (the "Series 2022 Bonds") in the

outstanding principal amount of \$65,005,000 (as of June 30, 2025), (v) Water and Sewer System Revenue Bonds, Series 2023 (the “Series 2023 Bonds”) in the outstanding principal amount of \$34,810,000 (as of June 30, 2025), and (vi) Water and Sewer System Revenue Bonds, Series 2024 (the “Series 2024 Bonds”) in the outstanding principal amount of \$31,815,000 (as of June 30, 2025).

The Series 2015 Bonds, the Series 2019 Bonds, the Series 2020 Bonds, the Series 2022 Bonds, the Series 2023 Bonds, the Series 2024 Bonds and the Series 2026 Bonds, and any additional bonds that may be issued from time to time under the Agreement of Trust, are herein referred to as the “Bonds.”

Neither the faith and credit of the Commonwealth of Virginia nor the faith and credit of any county, city, town or other subdivision of the Commonwealth of Virginia, including the County, are pledged to the payment of principal of or premium, if any, or interest on the Bonds.

In the Agreement of Trust, the County has covenanted to fix, charge, collect and revise its rates, fees and other charges for the use of and for the services furnished by the System in each Fiscal Year so as to produce revenues sufficient to pay the cost of operation and maintenance of the System, the cost of necessary replacements and improvements to the System and debt service on the Bonds and on any other indebtedness of the County secured by such revenues, and to provide certain reserves for such indebtedness. The Agreement of Trust also requires the County to maintain a Debt Service Reserve Fund for each Series Debt Service Reserve Account created for any series of the Bonds, *if required*, in an amount (the “Series Debt Service Reserve Requirement”) equal to the maximum principal and interest due on such series of the Bonds in the current or any future Fiscal Year. **There is no Series Debt Service Reserve Requirement for the Series 2026 Bonds.** A more complete description of the security for the Bonds, including the Series 2026 Bonds, is provided in the County’s Preliminary Official Statement dated February 18, 2026 (the “Preliminary Official Statement”).

Use of Bond Proceeds

As described in more detail in the Preliminary Official Statement, the Series 2026 Bonds are being issued for the purposes of (a) financing a program of capital improvements to the County’s water and sewer system, and (b) paying certain costs associated with the issuance of the Series 2026 Bonds. A more complete description of use of the proceeds of the Series 2026 Bonds is provided in the Preliminary Official Statement.

Bidding Rules; Award of Bonds

BIDDERS MAY BID ONLY TO PURCHASE ALL OF THE SERIES 2026 BONDS. Bidders are invited to name the rate or rates of interest per annum that the Series 2026 Bonds are to bear in multiples of one-twentieth (1/20) or one-eighth (1/8) of one percent. All Series 2026 Bonds maturing on the same date must bear interest at the same rate. Revocable bids are not permitted. By submitting a bid for the Bonds, each underwriter certifies it has an established industry reputation for underwriting new issuances of municipal bonds. The County will not accept bids from firms without an established industry reputation for underwriting new issuances of municipal bonds.

The County reserves the right to reject any or all bids (regardless of the interest rate bid), to reject any bid not complying with this Official Notice of Sale and, so far as permitted by law, to waive any irregularity or informality with respect to any bid or the bidding process.

As promptly as reasonably possible after the bids are received, the County will notify each bidder to whom the Series 2026 Bonds will be awarded, if and when such awards are made. Such bidder or bidders, upon such notice, shall advise the County of the initial reoffering prices or yields to the public of each maturity of the Series 2026 Bonds, as applicable. Bids will remain firm until 5:00 P.M. prevailing Eastern Time, on the date of receipt of bids. An award of the Series 2026 Bonds, if made, will be made by the County Administrator or the Financial Officer by 5:00 P.M., prevailing Eastern Time, on the date of receipt of bids or, with the express consent of the winning bidder, such longer time period as deemed necessary. The County shall not be responsible for any mistake made by a bidder in submitting a bid to purchase the Series 2026 Bonds, including without limitation any mistake in the pricing information included in the bid, or any malfunction or mistake resulting from the use of the facilities of MuniAuction; the submission of such bid and the use of such facilities being the sole risk of the bidder.

Unless all bids are rejected, the Series 2026 Bonds will be awarded to the bidder complying with the terms of this Official Notice of Sale and submitting a bid which provides the lowest “true” or “Canadian” interest cost to the County. True interest cost shall be determined for each bid by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments to the Dated Date and to the price bid. If more than one bid offers the same lowest true interest cost, the successful bid will be selected by the County Administrator or the Financial Officer by lot.

Good Faith Deposit

The successful bidder or bidders, as indicated on MuniAuction, shall submit a good faith deposit in the amount of \$540,000 for the Series 2026 Bonds (individually or collectively, the “good faith deposit”) to the County as provided below. The good faith deposit will secure the County against any loss resulting from the failure of the successful bidder to comply with the terms of its bid. The successful bidder or bidders shall transfer the good faith deposit by wire transfer directly to the County upon notification of the preliminary award of the Series 2026 Bonds, as indicated on MuniAuction (the “Preliminary Award”), but in any case, not later than 2:00 p.m., prevailing Eastern Time, on the date of the Preliminary Award.

Wire instructions for the transfer of such good faith deposit will be provided by the Financial Advisor.

The successful bidder or bidders shall provide the County’s Financial Advisor, as quickly as it is available, evidence of the completion of such wire transfer by providing to the Financial Advisor the federal funds reference number. The formal award of the Series 2026 Bonds shall not be made until the Financial Advisor has confirmation of receipt of the good faith deposit, and if the successful bidder fails to so deliver the good faith deposit by the time designated above, the County will have the option to withdraw the Preliminary Award and the successful bidder shall be responsible to the County for all consequential damages arising from such withdrawal.

At the time of the delivery of the Series 2026 Bonds, the good faith deposit will be credited toward the purchase price for such Series 2026 Bonds, or will be retained by the County as liquidated damages, or at the County’s further option, as partial payment of actual damages or as security for any other remedy available to the County upon the failure of the successful bidder to accept delivery of and pay for such Series 2026 Bonds in full for any reason whatsoever. No interest will be credited on the good faith deposit to the successful bidder. Should a successful bidder fail to accept delivery of and pay for such Series 2026 Bonds at the price and on the date agreed upon, the County retains the right to seek further compensation for damages sustained as a result of such failure.

Delivery of the Bonds

The Series 2026 Bonds will be delivered at the expense of the County in New York, New York, through the facilities of DTC on or about March 18, 2026.

Concurrently with the delivery of the Series 2026 Bonds, the County will furnish to the successful bidder (1) a certificate dated the date of delivery of such Series 2026 Bonds, signed by the appropriate 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 County to restrain or enjoin the issuance or delivery of such Series 2026 Bonds or in any manner questioning the proceedings and authority under which the Series 2026 Bonds are issued, and (2) a certificate dated the date of delivery of such Series 2026 Bonds, stating that the descriptions and statements in the Official Statement (except in the sections entitled “Book-Entry System,” “Litigation” and “Tax Matters” and the information as to yields and CUSIP numbers on the inside cover page) on the date of the Official Statement and on the date of delivery of such Series 2026 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 certificate will also state however, that such County officials did not independently verify the information indicated in the Official Statement as having been obtained or derived from sources other than the County and its officers but that they have no reason to believe that such information is not accurate.

Certificate of Winning Bidder

The successful bidder must, by electronic transmission or overnight delivery received by the County within 24 hours after receipt of bids for the Series 2026 Bonds, furnish the following information to complete the Official Statement in final form, as described below:

- A. The offering prices for such Series 2026 Bonds (expressed as the price or yield per maturity).
- B. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all such Series 2026 Bonds are sold at the prices or yields described in Subpart A above).
- C. The identity of the underwriters if the successful bidder is a part of a group or syndicate.
- D. Any other material information necessary to complete the Official Statement in final form but not known to the County.

Establishment of Issue Price and Certificate of Successful Bidder; Hold-the-Offering-Price Rule to Apply if Competitive Sale Requirements are Not Satisfied

The successful bidder will be required to provide to the County within one-half (½) hour after the verbal award of the Series 2026 Bonds the initial offering price/yields of the Series 2026 Bonds to the public (as defined hereinbelow) (the “Initial Offering Prices”).

The successful bidder shall assist the County in establishing the issue price of the Series 2026 Bonds and shall execute and deliver to the County at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Series 2026 Bonds, together with the supporting pricing wires or equivalent communications, and otherwise in form and substance consistent and compliant with the final regulations related to the determination of the issue price of tax-advantaged bonds promulgated by the Department of Treasury and the Internal Revenue Service, in the reasonable judgment of the successful bidder, the County and bond counsel to the County.

The County intends that the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Series 2026 Bonds) will apply to the initial sale of the Series 2026 Bonds (the “competitive sale requirements”) because: (1) the County shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters; (2) all bidders shall have an equal opportunity to bid; (3) the County may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and (4) the County anticipates awarding the sale of the Series 2026 Bonds to the bidder who submits a firm offer to purchase the Series 2026 Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale. Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Series 2026 Bonds, as specified in the bid.

Bids will not be subject to cancellation in the event that the competitive sale requirements described above are not satisfied. In the event that the competitive sale requirements described above are not satisfied, the County shall so advise the successful bidder. In such event, the County intends to treat the Initial Public Offering Price of each maturity of the Series 2026 Bonds as the issue price of that maturity (the “hold-the-offering-price rule”). Consequently, each bidder should assume for purposes of making its bid that for each maturity of the Series 2026 Bonds, the County will treat the Initial Public Offering Prices as of the sale date of the Series 2026 Bonds as the issue price of such Series 2026 Bonds. The County will advise the apparent winning bidder within one hour of receipt of bids if the hold-the-offering-price rule will apply. Attached hereto as Exhibit A is a form of the issue price certificate to be provided by the successful bidder to the County prior to the date on which the Series 2026 Bonds are issued (the “Closing Date”) if the competitive sale requirements are not satisfied and the hold-the-offering-price rule is applied. Exhibit A is provided in form only and may be modified as may be appropriate or necessary in the reasonable judgment of the successful bidder, the County or Bond Counsel.

By submitting a bid, the successful bidder shall, on behalf of the underwriters participating in the purchase of the Series 2026 Bonds, (i) confirm that the underwriters have offered or will offer each maturity of the Series 2026 Bonds to the public on or before the sale date at the Initial Public Offering Prices set forth in the bid submitted by the winning bidder, and (ii) agree, on behalf of the underwriters participating in the purchase of the Series 2026 Bonds, that the underwriters will neither offer nor sell any maturity of the Series 2026 Bonds to any person at a price that is higher than the Initial Public Offering Price for such maturity during the period starting on the sale date and ending on the earlier of (1) the close of the fifth (5th) business day after the sale date, and (2) the date on which the underwriters have sold at least 10% of that maturity of the Series 2026 Bonds to the public at a price that is no higher than the Initial Public Offering Price for such maturity. The winning bidder shall promptly advise the County when the underwriters have sold 10% of that maturity of the Series 2026 Bonds to the public at a price that is no higher than the Initial Public Offering Price if that occurs prior to the fifth (5th) business day after the sale date.

The County acknowledges that, in making the representation set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Series 2026 Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Series 2026 Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Series 2026 Bonds.

By submitting a bid, each bidder further confirms that: (i) any agreement among underwriters, any selling group agreement and any third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Series 2026 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to any such third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Series 2026 Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until it is notified by the successful bidder that either all Series 2026 Bonds of that maturity allocated to it have been sold to the public, or the 10% test has been satisfied as to the Series 2026 Bonds of that maturity; provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the successful bidder, and (B) comply with the hold-the-offering-price rule, if and for so long as directed by the successful bidder and in the related pricing wires; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Series 2026 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Series 2026 Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Series 2026 Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until it is notified by the successful bidder that either all Series 2026 Bonds of that maturity allocated to it have been sold to the public, or the 10% test has been satisfied as to the Series 2026 Bonds of that maturity, and (B) comply with the hold-the-offering-price rule, if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires; provided that the reporting obligation after the Closing Date may be at reasonable intervals or otherwise upon request of the successful bidder or such underwriter.

Sales of any Series 2026 Bonds to any person that is a related party to an underwriter participating in the initial sale of the Series 2026 Bonds to the public shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this Official Notice of Sale: (i) "public" means any person other than an underwriter or a related party, (ii) "underwriter" means (A) the successful bidder, (B) any person that agrees pursuant to a written contract with the successful bidder to form an underwriting syndicate to participate in the initial sale of the Series 2026 Bonds to the public and (C) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (B) to participate in the initial sale of the Series 2026 Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in

the initial sale of the Series 2026 Bonds to the public), (iii) “related party” means any entity if an underwriter and such entity are subject, directly or indirectly, to (I) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (II) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another) or (III) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and (iv) “sale date” means the date that the Series 2026 Bonds are awarded by the County to the successful bidder.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Series 2026 Bonds, but neither the failure to print such numbers on any Series 2026 Bond nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder for the Series 2026 Bonds to accept delivery and pay for the Series 2026 Bonds in accordance with the terms of its proposal. No CUSIP identification number shall constitute or be deemed to constitute a part of any Series 2026 Bond or a part of the contract evidenced thereby and no liability shall attach to the County or any officer or agent thereof (including the Trustee) because of or on account of any such number or any use made thereof (including any use thereof made by the County or any such officer or agent) or by reason of any inaccuracy, error or omission with respect thereto or in such use. The County will request CUSIP numbers prior to the sale date for the Series 2026 Bonds. The County’s Financial Advisor will be responsible for obtaining the CUSIP numbers for the Series 2026 Bonds. The successful bidder will be obligated to pay the fee of the CUSIP Service Bureau for assigning the CUSIP numbers to the Series 2026 Bonds.

Official Statement

The County will furnish to each successful bidder, at the expense of the County, up to 50 copies of the final Official Statement within seven business days from the date of the award of the Series 2026 Bonds, as specified in Rule 15c2-12, as amended (the “Rule”), of the Securities and Exchange Commission (the “SEC”) and the rules of the MSRB; provided that minor delays in furnishing such final Official Statements will not be a basis for failure to pay for and accept delivery of the Series 2026 Bonds. Additional copies will be made available at the successful bidder's request and expense. The County assumes no responsibility or obligation for the distribution or delivery of the Official Statement to anyone other than the successful bidder.

The successful bidder, by executing a bid, agrees to file a copy of the Official Statement with the MSRB's Electronic Municipal Market Access System upon receipt of the Official Statement from the County and to otherwise comply with MSRB rules relative to disclosure documents for primary offerings, including, without limitation, MSRB Rule G-32. The successful bidder shall notify the County as soon as practicable of (1) the date which is the end of the underwriting period (such “underwriting period” is described in the Rule) and (2) the date of filing of the Official Statement with the MSRB or its designee.

If the Series 2026 Bonds are awarded to a syndicate, the County will designate the senior managing underwriter of the syndicate as its agent for purposes of distributing copies of the Official Statement to each participating underwriter. Any underwriter executing and delivering a bid form with respect to such Series 2026 Bonds agrees thereby that if its bid is accepted it shall accept such designation and shall enter into a contractual relationship with all participating underwriters for the purposes of assuring the receipt and distribution by each such participating underwriter of the Official Statement, unless another firm is so designated by the syndicate in writing and approved by the County.

Legal Opinion

The approving opinion of Haneberg Hurlbert PLC (“Bond Counsel”) with respect to the Series 2026 Bonds will be furnished to each successful bidder at the expense of the County. The opinion will state that the Series 2026 Bonds constitute valid and binding limited obligations of the County payable as to both principal and interest solely from certain net revenues of the System and other moneys pledged by the Agreement of Trust to secure repayment

of the Series 2026 Bonds. The Series 2026 Bonds do not create or constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any political subdivisions thereof, including the County.

The opinion will also state that (a) the County is required to fix, revise, charge and collect rates, fees and other charges for the use of and the services furnished by the System, so that such rates, fees, charges and other revenues of the System will be sufficient at all times to pay the cost of operating, maintaining and repairing the System, the cost of replacements and improvements to the System and the principal of and interest on the Bonds, including the Series 2026 Bonds, and all other indebtedness that may be payable from revenues of the System, as the same become due, and to provide certain reserves therefor, all as provided in the Agreement of Trust, (b) the Agreement of Trust has been duly authorized, executed and delivered by the County, constitutes a valid and binding agreement of the County, pledges to the Trustee as security for payment of the principal of and interest on the Series 2026 Bonds certain net revenues derived from the ownership or operation of the System, moneys in certain funds created by the Agreement of Trust, income from investments and proceeds of insurance, and is enforceable against the County in accordance with its terms, and (c) the Fourteenth Supplemental Agreement is authorized and permitted by the Agreement of Trust and complies with its terms, has been duly authorized, executed and delivered by the County, constitutes a valid and binding agreement of the County, and is enforceable against the County in accordance with its terms.

The opinion will further state that the rights of holders of the Series 2026 Bonds and the enforceability of such rights, including the enforcement by the Trustee of the obligations of the County under the Agreement of Trust, may be limited or otherwise affected by: bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally, principles of equity, whether considered at law or in equity; and public policy or applicable securities laws.

Tax Matters

The opinion of Bond Counsel with respect to the Series 2026 Bonds will state, subject to certain conditions and assumptions, that interest on the Series 2026 Bonds (1) is not included in gross income for Federal income tax purposes, and (2) is not an item of tax preference for purposes of the Federal alternative minimum income tax imposed on individuals and corporations. However, interest on the Series 2026 Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Internal Revenue Code of 1986, as amended (the “Code”), to the extent that such interest is included in the “adjusted financial statement income” (as defined in Section 56A of the Code) of such corporations.

The opinion of Bond Counsel will also state that interest on the Series 2026 Bonds is exempt from income taxation by the Commonwealth of Virginia.

Federal and State Securities Laws

No action has been taken to qualify the Series 2026 Bonds under the federal securities laws.

Continuing Disclosure

The County will agree, pursuant to a Continuing Disclosure Agreement, to provide certain annual financial information and operating data and notices of the occurrence of certain events, if material. A description of these undertakings is set forth in the Preliminary Official Statement for the Series 2026 Bonds and will also be set forth in the final Official Statement for the Series 2026 Bonds (see [Appendix D](#) in the Preliminary Official Statement).

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Additional Information

For further information relating to the Series 2026 Bonds and the County, reference is made to the County's Preliminary Official Statement. The County has deemed the Preliminary Official Statement to be final as of its date within the meaning of the Rule, except for the omission of certain pricing and other information permitted to be omitted pursuant to the Rule. The Preliminary Official Statement may be obtained from the County's Financial Advisor, PFM Financial Advisors LLC (telephone 571-527-5141).

**BOARD OF SUPERVISORS,
COUNTY OF SPOTSYLVANIA, VIRGINIA**

/s/ Edward Petrovitch
Edward Petrovitch, County Administrator

Dated: February 18, 2026

EXHIBIT A

County of Spotsylvania, Virginia
\$54,000,000*
Water and Sewer System
Revenue Bonds,
Series 2026

ISSUE PRICE CERTIFICATE
(if Hold-the-Offering-Price Rule applies)

The undersigned, on behalf of _____, as underwriter (the “Underwriter”) with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) hereby certifies as set forth below based upon the information available to it:

1. **Purchase Price of the Bonds.** The Underwriter purchased the Bonds from the Issuer at a price of \$ _____.

2. **Initial Offering Price of the Hold-the-Offering-Price Maturities.**

(a) The Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Official Notice of Sale, the Underwriter, by submitting its bid on the Bonds, has agreed that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. **Defined Terms.**

(a) “Hold-the-Offering-Price Maturities” means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) “Holding Period” means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date of [February __,] 2026, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) “Issuer” means the County of Spotsylvania, Virginia.

(e) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

*Preliminary, subject to change.

(g) “Sale Date” means [February __,] 2026.

(h) “Underwriter” means (i) _____ and (ii) any person that agrees pursuant to a written contract directly or indirectly with the underwriter described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The Underwriter understands and acknowledges that the foregoing information will be relied upon by (i) the Issuer in establishing, among other things, the “issue price” of the Bonds within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended (the “Code”), and certain other expectations with respect to the Bonds for purposes of Section 148 of the Code set forth in the Tax Certificate with respect to the Bonds and (ii) Haneberg Hurlbert PLC, Richmond Virginia, in connection with rendering its opinion to the Issuer that the interest on the Bonds is not includable in gross income of the owners thereof for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give the Issuer from time to time relating to the Bonds. The Underwriter is certifying only as to facts in existence on the date hereof. Nothing herein represents the Underwriter’s interpretation of any laws, in particular Sections 103 and 148 of the Code and the regulations under the Code or the application of any laws to these facts. Furthermore, the Underwriter is not engaged in the practice of law, and makes no representation as to the legal sufficiency of the factual matters set forth herein. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose.

[UNDERWRITER]

By: _____
Name: _____
Title: _____

Dated: March __, 2026

SCHEDULE A
Initial Offering Prices of Hold-the-Offering-Price Maturities

SCHEDULE B
Pricing Wire or Equivalent Communication