

Comprehensive Annual Financial Report



Botetourt County, Virginia

Fiscal Year Ended
June 30, 2012

COUNTY OF BOTETOURT, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

Prepared By:
Department of Financial Services

COUNTY OF BOTETOURT, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2012

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INTRODUCTORY SECTION



Botetourt County, Virginia *Board of Supervisors*

1 West Main Street No 1
Fincastle, Virginia 24090
Phone (540) 473-8223
Fax (540) 473-8225

Board of Supervisors
Stephen P. Clinton
Chairman
Terry L. Austin
Vice Chairman
L. W. Leffel, Jr.
Billy W. Martin, Sr.
Donald M. Scothorn

November 30, 2012

To the Honorable Board of Supervisors and Citizens of the County of Botetourt, Virginia:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2012.

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Botetourt County for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the seventh consecutive year that Botetourt County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must establish an easily readable and efficiently organized comprehensive annual report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Robinson, Farmer, Cox Associates, LLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the County of Botetourt's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of Botetourt County

The County of Botetourt was founded in 1770 and named for Lord Botetourt, Governor of Virginia. After the Revolutionary War, the County's jurisdiction extended to the Mississippi River, encompassing what is now West Virginia, Kentucky, Ohio, Indiana, and part of Illinois. Today, Botetourt County is located along Interstate 81, within easy access to Interstate 64, in the west central portion of Virginia in the Roanoke Valley, between the Blue Ridge and Allegheny Mountains. It is 233 miles southwest of the nation's capital, Washington D.C., 176 miles west of the state capital,

Richmond, and is close to the City of Roanoke. Botetourt County consists of 548 square miles and is part of the Roanoke Metropolitan Statistical Area (MSA). The County of Botetourt is a political subdivision of the Commonwealth of Virginia that is administered by a five member Board of Supervisors and has a County Administrator to oversee its general administration.

The County provides a full range of services, including police protection, education, parks and recreation, planning and inspections, public works and utilities, libraries, social services, and general government administration. Local volunteer fire and rescue companies provide fire and rescue protection for the citizens, complemented by paid County supplemental fire and rescue employees. The County provides support to the volunteers through cash contributions for operations and capital expenditures. The Commonwealth of Virginia provides for the construction and maintenance of highways, streets, and related infrastructure located within the County.

Local Economics and Demographics

Based upon the U. S. Census Bureau's 2010 census, Botetourt County's 2010 population was 33,148, representing a 9% increase since the 2000 Census. Botetourt County enjoys a diverse economy, with the services sector accounting for 38% of the jobs in the County, manufacturing 22%, trade 17%, government 15%, construction 7%, and all others 1%. The civilian labor force totals approximately 17,964. With regard to the County domiciled workforce, roughly 24% work for the County's top twenty employers. Unemployment remains below the State average.

With respect to demographics relating to economic factors, Botetourt County seemingly appeals to higher income residents, as evidenced by a median household income figure of \$59,441, which is above the state average and ranks first in a comparison of six surrounding localities. This ranking also holds true for the home ownership rate, which at 87% is well above the state's average of 69%. Yet again, the median housing value in the County (\$189,900) places first as compared locally, and is below the state average of \$247,100. These figures are as of the 2010 U.S. Census.

Botetourt County compares favorably to most Virginia localities economically in the area of fiscal stress, as reported by the Virginia Commission on Local Government. This agency has developed a composite fiscal stress index, which takes into consideration each locality's revenue capacity per capita, the revenue effort, and the magnitude of median adjusted gross income for individuals and married couples. The County's composite index falls into the classification "Below Average Stress" and within a short reach of "Low Stress" for the most recent period reported (2008/2009). The County's ranking was 101 out of 134 localities, placing Botetourt in the lower 25% range. This is an indication that on a comparable basis, Botetourt County and its residents continue to experience a relatively low level of fiscal strain, which adds to quality of life in the County for its citizens, and indicates responsible management of the County's financial activities.

For the fiscal year ending June 30, 2012 building permit activity for residential and commercial construction was behind FY11 in terms of the number of permits (-11%) and dollar value (-37%) of same. While Botetourt County continues to experience a lower level of building activity compared to prior years, there still exists small layers of economic growth in its residential, commercial, and manufacturing segments. In particular, several existing business expansions are ongoing. The County's most recent Comprehensive Plan update began in early 2009 and was completed in

March 2011. This Plan provides the framework for managing growth, along with proper zoning and subdivision ordinances. Residential construction starts include expansions in existing subdivisions as well as development plans for new subdivisions. The total dollar value of residential starts in the County for FY12 was approximately \$10 million vs. \$11 million in FY11. Also, the average value of commercial/industrial permits was \$57,000 in FY12 vs. \$150,000 in FY11. While the total number of permits decreased 11% in FY12, the average dollar value of permits represented a 29% decrease compared to the previous year. These results were not unexpected, due to current economic conditions. However, there continues to be building activity in Botetourt County, as the County is viewed as an attractive location for residential and commercial development. With that, FY13 building permit values through October 2012 represents 53% of FY12 annual values for residential building activity, and FY13 construction values for the Commercial/Industrial segment have already far surpassed FY12 values (\$9.6 million FY13 to date vs. \$3.6 million FY12).

Daleville Town Center, a premier planned residential and commercial development, completed construction in FY11 of its second major commercial building: medical offices for Lewis-Gale Hospital, a division of Hospital Corporation of America. In October 2012, Botetourt County granted building permits to Town Center developers totaling \$9.1 million of construction value. These permits are for six (6) structures, including four (4) apartment buildings totaling 120 units, a parking garage, and a clubhouse. These apartments will join the Earthcraft certified single family residences already constructed, with more residences planned.

Orchard Marketplace, a commercial development adjoining Daleville Town Center, continued its business activity with the FY12 construction completion of Carilion Physicians Clinic and Coots, Ward, Cross Family Dentistry. Both businesses are now established in the development.

As highlighted last year, on the economic development forefront, there were several business expansions announced in 2011, as well as new business announcements for two foreign companies that selected Botetourt County as their choice to open their first U.S. operations. The new businesses included Canatal Steel (steel beam fabricators) with a \$1million investment and the creation of 160 jobs. FC Tech (optical fiber manufacturer), announced an investment of \$6 million and the creation of 125 new jobs, however the planned expansion has not materialized. With regard to existing business expansions, Arkay Packaging continued to expand (\$6 million investment, 25 jobs), and this expansion is nearly complete. Virginia Forge's expansion (\$1 million investment, 33 jobs) is in progress. Tread Corporation (manufacturer, explosives handling equipment) has a \$5 million, 100 job expansion in progress. Dynax America Corporation (auto industry parts supplier, with an investment of \$15.6 million, 95 jobs) has had previous expansions, and has met their investment and employment plan goals. There was a business closing (Lite Steel) due to the parent company's sale of its plant and assets. A new company, Independence Tube Company (pipe manufacturer), has purchased the building.

With respect to business activity at the Botetourt Center at Greenfield, the County's newest and largest business park, the County completed construction of a pad-ready site with power access. This project was recommended by consultants (Moran, Stahl, & Boyer) as an economic development initiative in order to attract businesses seeking to streamline startup operations. This site is being actively marketed, with an appreciable level of interest. An existing Greenfield site that previously housed JTEKT Automotive closed in 2010/2011 (260 employees). The building was

marketed and sold in FY12 to a private business. The County has seen an overall increase in the level of interest at Greenfield.

Public School System

The Botetourt County School System is composed of seven elementary schools serving students in grades kindergarten through fifth grade; two middle schools serving grades six through eight; two high schools serving grades nine through twelve; and a vocational technical school. All schools are accredited by the Virginia State Board of Education and the Southern Association of Colleges and Schools. Admission over the last three years has averaged 4,968 with a relatively small increase of 3% in admissions for the most recent 5 years as compared to the previous 5 years. With respect to the "Adequate Yearly Progress" measurement, Virginia received a waiver from this benchmark in 2012. With respect to academic achievement, Virginia's public school teaching and learning accountability utilizes the Standards of Learning (SOL) which serves to measure and assess student achievement. Recently, the Virginia Department of Education released its listing of public schools that were fully accredited for the 2010 – 2011 period. All of Botetourt County's public schools comprising its school division were noted as fully accredited. This is a notable achievement, as mathematics standards were changed, and the percentage of school divisions in the state having all of their schools fully accredited dropped from 97 percent to 85 percent. The results exemplify the joint efforts of the division's students, teachers, staff, and principals working together to achieve desired results. The County's School Board places a high value on continuing education and use of management practices to increase the skill level and teaching proficiency of its professional teaching base. The County school system continues to be a valuable element in efforts to attract and retain quality business concerns and providing those businesses with an educated and skilled employment base.

Higher Education

Two community colleges offer a wide spectrum of education for numerous degrees as well as adult education programs. In addition, the community colleges operate an in-County education and training center, which supports workforce training for businesses and residents. As a result of economic pressures, the community colleges present viable alternatives to four-year institutions and have experienced continued increases in attendance. There are also numerous four-year colleges in the near vicinity of Botetourt County including Virginia Tech.

Long-Term Financial Planning and Policies

With respect to long-term financial planning, Botetourt County utilized a five-year capital improvement plan for the Primary Government and its related components. This tool assists in identifying potential funding requirements on the horizon for capital spending and associated operating costs. Consideration for future levels of revenues and expenditures is an element in the annual budget process and assists in the projection of fund balance levels for the current budget year and for out-going years as well.

The County's financial policies play a significant role in the development of the annual budget and consideration of ongoing operations. A Fund Balance Policy is utilized to assist in determining the ability to adequately cover proposed budgeted expenditures as well as identifying proper levels of unassigned fund balance. Strategic use of this policy is part of the annual budget process and is used to assist in right-sizing budgeted expenditures given certain levels of projected revenues.

Major Initiatives and Goals

The mission statement of the County of Botetourt Board of Supervisors is as follows:

“To generate and allocate revenues and establish policies and regulations in order to pursue public safety and educational goals, protect our environment and quality of life, enhance the local economy, comply with state and federal program mandates, and provide other lawful services desired and supported by county residents.”

While Botetourt County has been in an extended period of economic growth, due consideration is given to maintain and carry forward the historic elements and ideals valued by the County and its citizens. A related section of the Board of Supervisors' values statement offers the following:

“Respect for the past and future, by acknowledging that much of what makes Botetourt unique today is rooted in past decisions that preserved a special natural environment and quality of life, and that future generations deserve as much from us.”

The aforementioned statements provide an insight into the guidance by which the County performs its business; with a posture that lends credence to beliefs regarding the County's strategic goals and the related ramifications of actions taken in achieving those goals.

Current and Future Initiatives

As previously mentioned, the County has recently experienced an increased level of economic development interest and activity. At the outset of FY13, the County redistributed certain internal administrative responsibilities, and as a result has earmarked hours to invest in economic development efforts. The County's economic development consultants (Moran, Stahl & Boyer) have identified potential opportunities for development, including U. S. Route 11 and associated road interchanges, along with the future redevelopment of Interstate 81, Exit 150. As such, opportunities have been targeted for future economic growth. With that, the County is reorganizing staff to allow additional human resources dedicated toward economic development. Future efforts on this front and related strategies will be implemented with the goal to attract new business and increase the County's tax base.

In addition to the above, the County continues to work with regional alliances and economic development agencies to seek attractive quality organizations that will become partners with the County in providing job opportunities to citizens in the County and surrounding localities.

At this point in time, the County has only one large dollar General Fund project in FY13, as the total capital projects budget is \$669,400. Replacement of a mountaintop PS Microwave system (\$339,000) constitutes one-half of the total capital budget. From an operational standpoint, in FY12 the County consolidated its Planning and Zoning, Building Inspection, and Engineering departments into Development Services. The end result is increased efficiency in providing these related services to the County's citizens and businesses.

The County continues to make strides in the Tourism area by branding Botetourt County as a destination for recreation and cultural events. Waterways, hiking and biking trails, wineries, and several downtown locations are being promoted through various media outlets. Efforts in tourism have yielded several awards. County staff continued to partner with various entities to increase the visibility and attraction of Botetourt County. Utilization of County-owned trails, walking tracks and picnic shelters continues to grow steadily and remain an opportunity for expansion to meet public demand. The Tourism program continued its success in 2012 with the addition of two new public access points along the Upper James River Water Trail, and the second-year operation of both the Open Studios of Botetourt Tour and Wine Trail Summer Concert Series.

Citizen participation in general County recreation programs has remained stable during 2012, despite other offerings by church, travel club, and for-profit providers. The number of free recreational and community event programs has been condensed due to tight operational budgets, which will likely result in a slight drop in overall participation numbers for the coming year. The demand for athletic facilities continues to steadily increase due to travel club participation and the lack of their own athletic venues.

The Botetourt Sports Complex established a new high for events, hotel room nights booked, and direct revenues generated for the 2012 season. Thirty-six (36) events were held, drawing 27,000 visitors from 26 states. The Complex has just completed its sixth year of operation, and has established itself as a premier travel sports venue with the booking of prestigious national tournaments for outlying years. The Botetourt Sports Complex was chosen as the Amateur Softball Association's 2012 Complex of the Year. The Complex is also used for school and local sports activities.

With respect to Enterprise activity, the County has started to implement components of the most recent utilities master plan, as two projects began construction activity in FY12. First there is a \$527,000 Cloverdale Water Extension project, which will increase water infrastructure. This project is near completion at the time of this communication. Second, a \$2.7 million Tinker Creek Interceptor project is currently under construction and will expand the County's sewer capacity and serve to accommodate future residential and business growth. The current Interceptor construction activity represents the first phase of the project which should be completed in spring 2013. In FY11, consultants completed an update of the County's utilities master plan which includes the identification of water and sewer projects over a twenty to thirty year term.

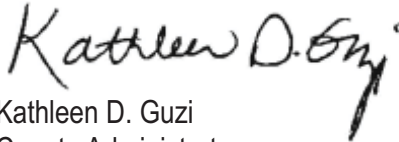
Finally, despite recent and current economic challenges experienced on national, state, and local levels, Botetourt County had positive credit rating reviews during FY11. To that end, the County has obtained AA ratings with all three rating agencies (Fitch Ratings, Moody's, and Standard & Poor's). Currently, there is no Virginia locality which has a population base comparative to Botetourt County in this position. It is believed that these ratings reflect proper continued executive

management, support staff, and financial practices which will assist the County in moving forward to meet future fiscal challenges.

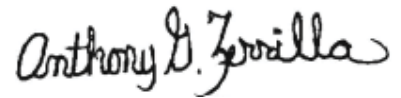
Acknowledgements

The preparation of this annual financial report could not have been accomplished without the dedicated effort of both the County and School administration and their respective staffs. In addition, sincere thanks to the Board of Supervisors for their leadership and support.

Respectfully submitted,



Kathleen D. Guzi
County Administrator



Anthony G. Zerilla
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Botetourt
Virginia

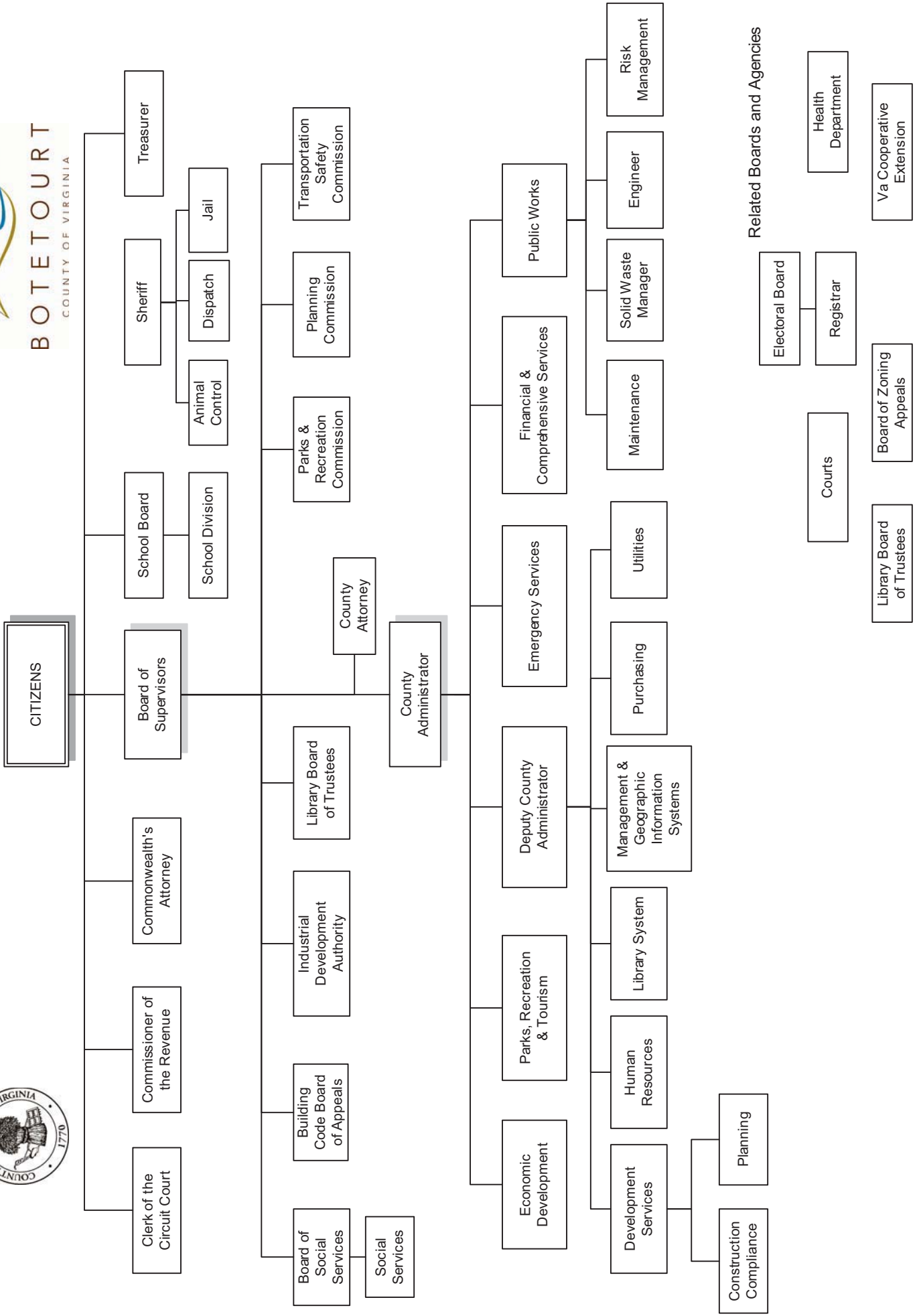
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Christopher P. Morille
President

Jeffrey R. Emer
Executive Director



COUNTY OF BOTETOURT, VIRGINIA

BOARD OF SUPERVISORS

Stephen P. Clinton, Chair
Terry L. Austin, Vice Chair
Billy W. Martin, Sr. L.W. (Jack) Leffel
Dr. Donald M. (Mac) Scothorn

COUNTY SCHOOL BOARD

Ruth E. Wallace, Chair
Kathy Graham Sullivan, Vice Chair
Scott Swortzel, Jr. Michael Beahm
John Alderson

SOCIAL SERVICES BOARD

Eugene Trammel, Chair
Sandra Johnson-Harris, Vice Chair
Billy W. Martin, Sr. Jan E. Smith
Donna Henderson

OTHER OFFICIALS

Judge of the Circuit Court Malfourd Trumbo
Clerk of the Circuit Court Tommy L. Moore
Judge of the General District Court Louis K. Campbell, Jr.
Judge of the Juvenile & Domestic Relations Court Paul A. Tucker
Commonwealth's Attorney Joel R. Branscom
Commissioner of the Revenue Rodney Spickard
Treasurer William P. Arney
Sheriff Ronald N. Sprinkle
Superintendent of Schools Anthony S. Brads
Director of Social Services William D. Burluson
County Administrator Kathleen D. Guzi
County Attorney Elizabeth Dillion

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

**The Honorable Members of the Board of Supervisors
County of Botetourt, Virginia
Fincastle, Virginia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund, and the aggregate remaining fund information of the County of Botetourt, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Botetourt, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Botetourt, Virginia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012, on our consideration of the County of Botetourt, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Botetourt, Virginia's financial statements as a whole. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information, the budgetary comparison schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 29, 2012

Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the County of Botetourt, Virginia for the fiscal year ended June 30, 2012. This narrative is included to provide insights as to financial results of operation for the above-mentioned fiscal year, and, in certain cases, provide comparative comments as they relate to the prior fiscal year. In addition, comments are included which address the economic factors considered in developing Botetourt County's budget for the fiscal year ending June 30, 2013.

Financial Highlights

Government-wide Financial Statements

The assets of the County of Botetourt, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$46,176,431 (net assets). Of this amount, \$10,754,235 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net assets were \$23,579,840; a significant amount (89%) of these net assets are invested in capital assets. (See Exhibit 1).

The Government's net assets for governmental activities increased by \$39,734, which was due to general revenues exceeding expenses (net of program revenues). This was primarily due to a \$209,000 (3%) increase in other local taxes. Major contributors to the positive results for other local taxes were increased revenues for local sales, business license, and meals taxes. The overall positive change in net assets was achieved despite a \$1.8 million (4%) decrease in general revenues as compared to FY11. The School Board's net assets decreased by \$192,110, primarily due to a decrease in program revenues (See Exhibit 2).

Fund Financial Statements

As of the close of the current fiscal year, the County's governmental fund reported an ending fund balance of \$15,853,806, which is a decrease of \$363,045 from the prior fiscal year. A \$289,000 decrease in fund balance was budgeted, due primarily to an increase in Emergency Services staffing and operational support for volunteer fire and rescue agencies. Both the actual and budgeted decrease in fund balance represented an overall decrease in fund balance of 2% when compared to the prior year ending fund balance. Of the total fund balance amount, \$15,545,586 is unassigned and available for spending at the government's discretion (See Exhibit 3). This represents a \$355,000 (2%) decrease in unassigned fund balance vs. FY11.

Overview of the Financial Statements

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

Local government accounting and financial reporting originally focused on funds, which are designed to enhance and demonstrate fiscal accountability. Now accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide financial statement users with justification from the government that A) public monies have been used to comply with public decisions and B) whether operating objectives have been met efficiently and effectively and can continue to be met in the future.

Management's Discussion and Analysis

Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets and liabilities using the accrual basis of accounting. All current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the preparation of these financial statements in a manner similar to a private-sector business. Two financial statements are used to present this information: 1) the statement of net assets and 2) the statement of activities.

The statement of net assets presents all of the County's permanent accounts, or assets, liabilities and net assets. The difference between assets and liabilities is reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the County.

The statement of activities presents information showing how the government's net assets changed during the fiscal year. The statement is focused on the gross and net cost of various government functions, which are supported by general tax and other revenues. The statement of activities presents expenses before revenues, emphasizing that in government, revenues are generated for the express purpose of providing services rather than as an end to themselves.

Both government-wide financial statements separate governmental activities and business-type activities of the County. Governmental activities are principally supported by taxes and intergovernmental revenues. They include general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation and cultural; and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. The County currently shows the Water and Sewer Enterprise Fund as a business-type activity.

The government-wide financial statements include, in addition to the primary government or County, two component units: 1) the Botetourt County School Board and 2) the Botetourt County Industrial Development Authority. Although the component units are legally separate entities, the County is accountable or financially accountable for them. A primary government is accountable for an organization if the primary government appoints a majority of the organization's governing body. Further, a primary government is financially accountable if, in addition, either the government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. For example, the primary government may approve debt issuances, rate structures and/or provide significant funding for operations of the component unit. The latter is the case in Botetourt County for the School Board.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Management's Discussion and Analysis

Governmental funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, a reconciliation between the two methods is provided on the exhibits following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

Proprietary funds

There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use accrual basis accounting, similar to private sector business.

The Water and Sewer fund is an enterprise fund of the County of Botetourt. This fund's activity involves the operation of a sewage treatment collection system and a water treatment and distribution system. These financial statements are shown as an enterprise fund in the County's fund financial statements.

The County's uses an internal service fund to account for its retained risk related to employee health care. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Fiduciary funds

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statement because the funds are not available to support the County's own activities. A separate Statement of Fiduciary Net Assets (Exhibit 10) is provided in the report.

Notes to the financial statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

Management's Discussion and Analysis

Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. For the County of Botetourt, assets exceeded liabilities by \$46,176,431 at the end of the fiscal year. The County's net assets are divided into three categories: (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted.

County of Botetourt's Net Assets

	Governmental activities		Business-type activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 17,412,975	\$ 17,834,706	\$ 3,261,993	\$ 3,366,521	\$ 20,674,968	\$ 21,201,227
Capital assets	74,571,292	77,180,932	17,819,902	17,097,705	92,391,194	94,278,637
Total assets	\$ 91,984,267	\$ 95,015,638	\$ 21,081,895	\$ 20,464,226	\$ 113,066,162	\$ 115,479,864
Long-term liabilities	\$ 44,580,733	\$ 47,509,930	\$ 7,779,216	\$ 7,691,562	\$ 52,359,949	\$ 55,201,492
Other liabilities	1,227,103	1,369,011	402,803	241,213	1,629,906	1,610,224
Total liabilities	\$ 45,807,836	\$ 48,878,941	\$ 8,182,019	\$ 7,932,775	\$ 53,989,855	\$ 56,811,716
Net assets:						
Invested in capital assets, net of related debt	\$ 35,235,486	\$ 34,962,435	\$ 10,284,457	\$ 10,019,461	\$ 45,519,943	\$ 44,981,896
Restricted	186,710	198,529	-	-	186,710	198,529
Unrestricted	10,754,235	10,975,733	2,615,419	2,511,990	13,369,654	13,487,723
Total net assets	\$ 46,176,431	\$ 46,136,697	\$ 12,899,876	\$ 12,531,451	\$ 59,076,307	\$ 58,668,148

For the County's governmental activities, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 76 percent of total net assets. The County uses these capital assets to provide services to citizens; therefore, the assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. For governmental activities, these assets represent less than 1% of total net assets. The remaining balance of unrestricted net assets, which is \$10,754,235 or 23% of total net assets, may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year, the government's net assets increased by \$39,734. From a net asset viewpoint, the primary reason for the increase was due to a \$2.9 million reduction in long-term liabilities. There was no new financing debt issued in FY12, as approximately \$ 2.2 million in general obligation debt was retired, as well as a \$652,000 reduction of literary fund loans. The County's estimated landfill closure / post-closure liability

Management's Discussion and Analysis

decreased by approximately \$116,000. Capital assets net of related debt increased approximately \$273,000, and these assets have nearly doubled since FY07.

Changes in Net Assets:

The following tables present the revenues and expenses of the Governmental and Business-type Activities. Following the table is a brief discussion on key elements of the changes in net assets.

County of Botetourt's Changes in Net Assets						
	Governmental activities		Business-type activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 944,717	\$ 918,953	\$ 3,019,701	\$ 2,826,574	\$ 3,964,418	\$ 3,745,527
Operating grants & contributions	6,848,849	6,943,118	-	-	6,848,849	6,943,118
General revenues:					-	-
General property taxes	29,822,572	30,227,710	-	-	29,822,572	30,227,710
Other local taxes	6,282,770	6,074,083	-	-	6,282,770	6,074,083
Use of money and property	647,477	602,854	26,128	19,062	673,605	621,916
Other	235,015	1,948,711	-	-	235,015	1,948,711
Grants and contributions not restricted to specific programs	4,619,808	4,509,921	-	-	4,619,808	4,509,921
Total revenues	\$ 49,401,208	\$ 51,225,350	\$ 3,045,829	\$ 2,845,636	\$ 52,447,037	\$ 54,070,986
Expenses:						
General government	\$ 3,009,226	\$ 3,017,197	\$ -	\$ -	\$ 3,009,226	\$ 3,017,197
Judicial administration	1,284,630	1,251,798	-	-	1,284,630	1,251,798
Public safety	12,689,537	11,119,800	-	-	12,689,537	11,119,800
Public works	1,709,623	1,902,510	-	-	1,709,623	1,902,510
Health and welfare	3,427,728	3,572,226	-	-	3,427,728	3,572,226
Education	21,703,533	22,116,884	-	-	21,703,533	22,116,884
Parks, recreation and cultural	3,193,686	3,266,210	-	-	3,193,686	3,266,210
Community development	533,841	581,692	-	-	533,841	581,692
Interest on long-term debt	1,817,327	1,763,356	-	-	1,817,327	1,763,356
Water and sewer	-	-	2,669,747	2,616,243	2,669,747	2,616,243
Total expense	\$ 49,369,131	\$ 48,591,673	\$ 2,669,747	\$ 2,616,243	\$ 52,038,878	\$ 51,207,916
Excess (deficiency) of revenues over (under) expenses	\$ 32,077	\$ 2,633,677	\$ 376,082	\$ 229,393	\$ 408,159	\$ 2,863,070
Transfers in (out)	\$ 7,657	\$ 6,282	\$ (7,657)	\$ (6,282)	-	-
Increase (decrease) in net assets	\$ 39,734	\$ 2,639,959	\$ 368,425	\$ 223,111	\$ 408,159	\$ 2,863,070
Net assets, July 1, 2011	46,136,697	43,496,738	12,531,451	12,308,340	58,668,148	55,805,078
Net assets, June 30, 2012	\$ 46,176,431	\$ 46,136,697	\$ 12,899,876	\$ 12,531,451	\$ 59,076,307	\$ 58,668,148

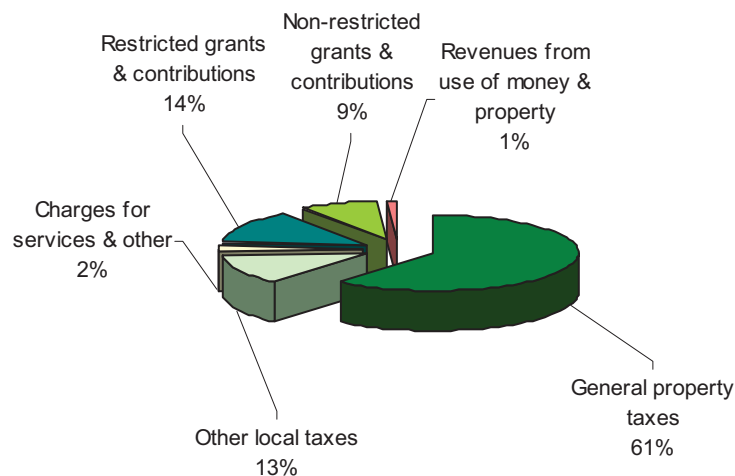
Management's Discussion and Analysis

Governmental Activities

Governmental activities increased the County's net assets by \$39,734. Key elements relating to FY12 activities as compared to the prior year (FY11) will be discussed below.

The following chart provides a breakdown of the various revenue components. The largest source is general property taxes (\$29.8 million), which accounts for 61% of total governmental revenues (\$49.4 million).

**Governmental Activities – Revenues by Source
For the Fiscal Year Ended June 30, 2012**



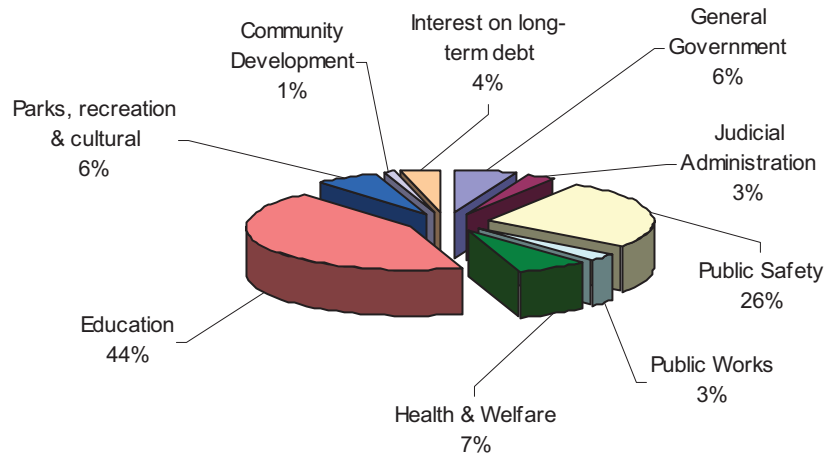
- Revenues: General property taxes decreased \$405,000 (1%) primarily due to a \$348,000 (10%) decrease in Machinery & Tool Taxes. Revenues from real property taxes and personal property taxes combined (\$25.1 million) reflected a small (\$78,000) increase. Other local taxes increased \$209,000 (3%), which includes a \$136,000 (7%) increase in local sales and use taxes.
- Revenues: Unrestricted revenues from the use of money and property increased \$45,000 (7%) due primarily to rental income from cell tower sites. The Use of Money and Property category had experienced recent year-to-year reductions due to low rates of return on funds invested.
- Revenues: Charges for Services and Grants and Contributions totaling \$12,413,000 were a combined \$41,000 more than received in FY11.
- Revenues: Other Revenues decreased \$1.7 million (88%) due to non-recurring revenue of \$1.8 million received in FY11 as part of a revenue sharing settlement agreement received from Roanoke County.

Overall, revenues for governmental activities decreased \$1.8 million (4%) for reasons previously identified.

Management's Discussion and Analysis

The following chart reflects the distribution of FY12 governmental expenditures. As shown, education expenditures account for 44% of total expenditures, and when combined with public safety, expenditures for these two categories combined are 70% of total expenditures of \$49.4million.

**Governmental Activities – Expenditures by Function
For the Fiscal Year Ended June 30, 2012**



- Expenses: General Government Administration expenses totaling \$3,009,000 decreased slightly (\$8,000) vs. FY11. On a departmental basis, the Electoral Board / Registrar area incurred a \$44,000 (19%) increase due to election activity and an office expansion.
- Expenses: Judicial Administration expenditures increase \$33,000 (3%) due primarily to the impact of a 2% wage increase provided to all County supported departments.
- Expenses: Public Safety expenditures increased \$1.6 million (14%) vs. FY11. This increase is primarily reflected in the following areas:

Fire and Rescue agencies increased \$513,000 (38%) due to increases in operational funding and capital outlay purchases.

Correction and Detention expenditures increased \$208,000 (7%) due to increases in wages and benefits, capital outlay purchases, and food supplies and services.

Inspection costs reflected a \$353,000 (135%) increase, as Planning and Zoning costs and a portion of Engineering costs previously reflected respectively in Community Development and Public Works were combined into Inspection and formed a new department (Development Services).

Management's Discussion and Analysis

Emergency Services realized a \$735,000 (44%) increase in costs primarily due to a full year (as opposed to two months in FY11) of personnel and associated expenses for eight (8) employees hired with partial funding from a federal (SAFER) grant.

- Expenses: Public Works expenditures decreased \$193,000 (10%) compared to last year. This is primarily due to the accrual for landfill closure costs, which was reduced \$116,000 in FY12 and increased \$103,000 in FY11.
- Expenses: Community Development costs decreased \$48,000 (8%) due to a) the transfer of Planning and Zoning costs to Public Safety (Inspection) and b) a \$100,000 decrease in costs relating to Governor's Opportunity Funds activities, and c) a \$249,000 loss on disposal of assets and land.
- Expenses: Interest on Long-Term Debt increased \$54,000 (3%) due to a larger decrease in net accrued interest in FY11.
- Expenses: Four (4) other expenditure categories each experienced reduced costs for FY12. Health and Welfare, Education, and Parks, Recreation and Cultural categories totaled \$28.3 million in FY12 vs. \$29.0 million in FY 11, representing a 2% decrease. Education contained the largest decrease (\$413,000) (2%) due in large part to reduced capital spending.
- Overall, expenditures for governmental activities increased \$778,000 (2%) vs. a 4% decrease in revenues.

Business-type Activities

Business-type activities increased the County's net assets by \$368,425. This activity is comprised of Water and Sewer revenues and expenses. Key elements of FY12 water and sewer activity are as follows:

- Total revenues increased \$200,000 (7%) due in large part to a mid-year increase in water and sewer rates and an increase in billed water and sewer usage.
- While total revenues increased 7%, total operating expenses increased 2% (\$54,000). This was primarily due to costs associated with a water and wastewater study (\$40,000).
- Business-type net assets for FY12 increased by \$368,425 as compared to an increase in FY11 net assets of \$223,111.

Financial Analysis of the Government's Funds

As earlier mentioned, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the County's financing requirements.

Management's Discussion and Analysis

In comparing unassigned fund balances as a percentage of governmental fund expenditures, it can be noted that FY12's figure of 30% reflects a small decrease vs. FY11's figure of 31%. This decrease is the product of a \$355,000 decrease in unassigned fund balance, primarily driven by a \$1.5 million decrease in revenues. Cost reduction efforts in several areas of governmental operations assisted in maintaining the relatively small decrease in unassigned fund balance.

At the end of the fiscal year, the County's governmental funds reported an ending fund balance of \$15,853,806, a decrease of \$363,045 versus the prior year. FY12 revenues decreased \$1.5 million (3%), while FY12 expenditures were \$1.1 million (2%) more than FY11 expenditures (Exhibit 5). When compared to FY11, the FY12 unassigned portion (\$15,545,586) of the ending fund balance represents a \$363,045 decrease, but still provides significant flexibility with respect to future discretionary spending.

As previously stated, the County's governmental fund balance decreased by \$363,045. Fiscal Year 2012 Operational highlights include the following:

- Revenues: (A) General Property Taxes decreased \$341,000 (1%) due to a reduction in Machinery & Tool Taxes. (B) Other Local Taxes increased \$209,000 (3%) due to an increase in Local Sales and Use Taxes. (C) Revenue From Use of Property increased \$45,000 (7%) despite a \$64,000 (22%) reduction in revenue from investments. Rental revenue results were \$108,000 (34%) greater than in FY11. (D) Charges for Services increased \$29,000 (5%) primarily due to results for charges for parks and recreation. (E) Miscellaneous revenue decreased \$1.7 million (88%); FY11 included \$1.8 million received from Roanoke County in settlement of a revenue sharing agreement. When this extraordinary item is excluded from FY11 results, local revenues increased \$286,000 (1%) for FY12 VS. FY11.
- FY12 revenues from the State decreased \$190,000 (2%) due primarily to less utilization of Governor's Opportunity Funds and less reimbursements received in Welfare and Comprehensive Services Act due to less activity.
- Federal revenues totaled \$1.5 million, which represented a \$206,000 (16%) increase, directly relating to SAFER grant activity.

These subject revenues are shown in Schedule 1.

- Expenditures: Both County and School employees received a 2% wage increase in FY12. Total Primary Government expenditures increased \$1.1 million (2%) vs. FY11.

With the exception of Health and Welfare and Community Development, all major categorical areas incurred incremental expenditure growth compared to FY11. General Government Administration realized a \$218,000 (7%) increase vs. FY11, with the majority of this increase reflected in results for Management Systems and Electoral Board / Registrar areas. Education expenditures increased less than 1%, while Parks, Recreation and Cultural expenditures increased \$58,000 (2%). Public Works costs increased \$57,000 (3%), primarily due to recycling costs, and Judicial expenditures increased \$ 54,000 (4%). As previously mentioned, the 2% wage increase and related increased benefits contributed to these costs increases. The largest cost increase was in the area of Public Safety, which increased \$1.9 million (16%).

Management's Discussion and Analysis

Approximately \$400,000 was due to departmental cost transfers from Public Works and Community Development. The balance of \$1.5 million is included in several Public Safety areas, including Sheriff and Correction & Detention departments, and Fire and Rescue services and Emergency Services, with the latter department responsible for the majority of the increase. This was due to the hiring of eight (8) employees as part of the SAFER federal grant program. These employee additions and related expenditures are strategic in nature as the County continues to work toward 24 hour seven day emergency medical service coverage for the entire County.

- Capital Improvement Projects – Spending (\$262,000) for capital projects represented a very small percentage (one-half of 1 percent) of Total Primary Government spending. Capital project costs decreased \$754,000 (74%) vs. FY11. The majority of the FY12 spending related to economic activity.

Expenditure categorization and activity is reflected in Schedule 2.

Proprietary funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the County's Water and Sewer Enterprise Fund at the end of the year were \$2,615,419, which is a 4% increase versus FY11's figure of \$2,511,990. Other factors concerning the finances of this fund were discussed in the County's business-type activities section of this letter.

General Fund Budgetary Highlights

Differences between the original budgeted expenditures and the final budgeted expenditures for the General Fund totaled \$2,006,889. This difference was primarily due to supplemental appropriations. Major components of this difference are as follows:

- Appropriations of budgeted carryover funds from the fiscal year ended June 20, 2011 for programs and capital projects in the amount of \$430,536.
- Appropriations totaling \$367,873 for the health insurance program costs...
- Appropriation in the amount of \$222,574 for an energy audit grant provided by the Department of Mining, Minerals and Energy.
- Appropriation of \$137,350 relating to Contributions to County School Board.
- Appropriations totaling \$135,108 for Emergency Services and Emergency Communications grants and cost reimbursements.
- Appropriations totaling \$126,054 representing Tourism and Parks and Recreation grants and reimbursed costs.

Management's Discussion and Analysis

- Appropriation of \$100,000 as a pass-through of Governor's Opportunity Funds relating to a local business (Tread Corporation).
- Appropriations totaling \$96,485 for pass-through activity for the use of County cell towers.
- Appropriations totaling \$84,763 for the receipt of State fire and rescue program funds.
- Appropriations in the amount of \$70,641 for Sheriff's Department grants and reimbursed costs.
- Appropriations totaling \$60,421 for refund related activity.
- Appropriation of \$60,000 for additional Comprehensive Services Act expenditure activity.
- Appropriations totaling \$40,000 for unemployment insurance expenditures.

The above-mentioned appropriations for amended budget expenditures total \$1,931,805 or 96% of the difference between the original budget appropriation and the amended budget.

With respect to the FY12 amended budget vs. actual results, general fund revenues for the primary government were approximately 1% over budget for the year. Results for revenues from local sources accounted for \$333,000 of the \$341,000 positive variance, due primarily to results vs. budget for general property taxes, miscellaneous revenue, and recovered costs, which served to provide coverage for budget shortfalls in other local revenue areas. State and Federal revenues combined were approximately \$8,000 over budget, due primarily to revenues received from the federal SAFER grant.

Amended budget vs. actual results for general fund government expenditures for FY12 reflected a 3% (\$1.8 million) positive variance due to significant savings in several categories. Most notably, there were significant positive variances in the areas of General Government Administration, Public Safety, Health and Welfare, and Capital Projects. Public Safety budget savings represented approximately 38% of the total expenditure savings vs. budget. Most departments and agencies contributed to cost reduction efforts as a means of contending with anticipated revenue shortfalls in several areas.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2012 is \$74,571,292 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, machinery and equipment, and construction in progress. The total represents a 3% increase, as the net value of buildings decreased by \$2.3 million principally due to depreciation expense and the sale of land. Machinery and equipment values remained virtually the same as FY11.

Management's Discussion and Analysis

Major capital asset events other than the above-mentioned transfer included the following for FY12:

- A \$497,000 decrease in land due to land sale transactions in FY12.
- Investment in industrial site development (Gross cost of \$164,729).
- An increase of \$136,991 in construction in progress activity.

County of Botetourt, Virginia Capital Assets for Governmental Activities (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 11,707,664	\$ 12,204,545	\$ 43,010	\$ 43,010	\$ 11,750,674	\$ 12,247,555
Buildings	59,552,575	61,803,509	-	-	59,552,575	61,803,509
Machinery and equipment	2,363,295	2,362,111	128,240	169,135	2,491,535	2,531,246
Infrastructure	-	-	16,284,591	16,652,452	16,284,591	16,652,452
Construction in progress	947,758	810,767	1,364,061	233,108	2,311,819	1,043,875
Total	\$ 74,571,292	\$ 77,180,932	\$ 17,819,902	\$ 17,097,705	\$ 92,391,194	\$ 94,278,637

The results for Business-type activities (Enterprise Fund) include continued investment in the County's water and sewer infrastructure in order to sufficiently meet the current and future demands of customers. Construction in progress primarily represents activity for two financed projects totaling \$3.2 million. Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-term debt

At the end of the fiscal year the County had the following outstanding debt:

County of Botetourt's Outstanding Debt

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 33,914,576	\$ 36,145,337	\$ -	\$ -	\$ 33,914,576	\$ 36,145,337
Literary Loans	5,421,230	6,073,160	-	-	5,421,230	6,073,160
Revenue Bonds	-	-	7,703,292	7,611,780	7,703,292	7,611,780
Landfill closure / post-closure	4,543,057	4,659,139	-	-	4,543,057	4,659,139
Compensated absences	701,870	632,294	75,924	79,782	777,794	712,076
Total	\$ 44,580,733	\$ 47,509,930	\$ 7,779,216	\$ 7,691,562	\$ 52,359,949	\$ 55,201,492

Botetourt County's FY12 outstanding debt for governmental activities decreased \$2,979,197 due to debt service retirements exceeding issuances for general obligation and literary fund debt. With respect to landfill obligations, cost estimates provided by an independent consulting firm resulted in a 2% decrease in the liability. For business-type activities, outstanding debt increased by \$187,654 (1%) due to the inclusion of a new issuance relating to the Tinker Creek Interceptor.

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The County's debt policy establishes debt affordability limits. Results vs. these limits were as follows:

- Net bonded debt-per-capita, limit \$2,000, actual \$1,155.
- Net bonded debt to assessed value, limit 4%, actual (0.99%).
- Ratio of debt service to total general governmental expenditures, limit 10%, actual 5.70%.

Additional information on the County's capital asset activity (Note 12) and long-term debt (Notes 8 and 9) can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The FY13 budget process contained challenging issues. At the outset, there was a consensus that County local revenues were not expected to increase, and County, state, and federal revenues combined were expected to decrease approximately \$100,000. The School component portion of the budget had to contend with the discontinuation of stimulus funding. Both County and School operations had to prepare for state retirement system cost mandates in the form of increased contribution rates and incremental expense due to the introduction of state retirement system reform. After several rounds of reviewing operations for the need to reduce costs, including reduced support for community organizations and continuation of a relatively low level of capital improvement projects, the FY13 Budget was adopted. Factors and financial points of note regarding the FY13 Budget are as follows:

- The unemployment rate for the County is currently 5.3 percent, which is a decrease from the rate of 5.8 percent a year ago. This compares favorably to the state's current unemployment rate of 5.6 percent and the current national rate of 7.5 percent. In terms of a positive trend, Botetourt County's FY12 average monthly unemployment rate was 5.4 percent vs. an FY11 monthly average of 5.8%.
- Funding from the Commonwealth of Virginia for the School Board is budgeted to increase by approximately \$1.5 million (6%). With respect to support from the County, the FY12 budget reflects an increase \$461,000 (2%) in operational funding. Total revenues for the School Board are budgeted to increase \$1.5 million (5%), with a \$ 2 million increase in expenditures.
- General fund County revenues for FY13 vs. FY12 Budget are expected to increase by approximately \$2.3 million (5%). This increase is the result of a \$.07 (11%) real estate and an \$.08 (3%) personal property tax rate increases. These rates were increased due to anticipated needs in FY14 and beyond. With these budgeted rate increases, local revenues are expected to increase \$2.4 million (6%) vs. FY12 budgeted revenues. Revenue increases are anticipated for Local Sales and Hotel / Motel taxes, fines and fees, and expenditure reimbursements. Projected revenue decreases vs. the FY12 budget are projected for Recordation and Machinery & Tools taxes, building permits, and earnings on deposits.
- County revenues from the State are budgeted to increase \$36,000 (0.3%), while Federal revenues budgeted for FY13 reflect a \$138,000 decrease due to a) a reduction for SAFER grant funding provided for Emergency Services, and b) a budgeted reduction in Welfare reimbursements.

Management's Discussion and Analysis

- FY13 General Fund budgeted expenditures include a \$244,000 giveback to the State as a reduction in aid. \$290,000 was refunded to the State in FY12, and this giveback of previously reimbursed expenditures and aid has become a State practice since FY09. General Fund operational expenditures (excluding education funding mentioned above) are budgeted to decrease by approximately \$200,000 (1%). Capital spending is budgeted to increase by \$177,000, or 36% over FY12 capital spending base of \$493,000. The total capital project budget of \$669,400 identifies priority needs in Public Safety and Community Development areas. Including debt service, total County expenditures are budgeted to decrease by approximately \$203,000 (1%).
- During the budget process, measures were taken to seek opportunities for cost reduction and minimization at the departmental level. As a result, nearly one-third of the County's departments reflected decreased budgets, while another 35% were budgeted for a 0% to 1% increase in expenditures. These cost reductions and maintenance of existing levels of departmental budgets provided the opportunity to fund those areas (primarily Sheriff's Department and Public Works) requiring funding increases. There is a no wage increase included in the FY13 Budget.
- The general fund balance for Botetourt County relating to the FY13 budget anticipates an increase of approximately \$1.9 million, which is in contrast to a \$289,000 decrease budgeted for FY12. The general fund balance increase of \$1.9 million includes \$1.6 million assigned for future year operations. Also, a budgeted contingency of \$100,000 has been established in the event that currently unknown or extraordinary expenditures arise in FY13.
- For business-type activities, FY13 water and sewer revenues are anticipated to increase 5% versus the FY12 Budget, as the FY13 Budget includes the impact of a 4% increase in water and sewer rates for the full year as opposed to one-half of the year in FY12. Capital projects totaling \$698,000 are budgeted as compared to \$611,000 for FY12. The FY13 capital projects budget includes \$200,000 targeted to augment related utility fund reserves. Debt service will increase \$5,000 (4%) as relatively new debt service for the Cloverdale Water Extension Project continues. Expenditures are expected to be 4% less than revenues, which will provide for a \$130,000 positive variance, as this Enterprise Fund enhances its self-sustaining element.

General Fund capital projects for FY13 are budgeted at \$669,000 and are spread through Community Development, Public Works, and Public Safety. The largest allocation is \$388,000 for Public Safety, most of which is for replacement of a communication tower microwave system.

On the future year horizon is the completion of the Tinker Creek Interceptor Improvement project. This phase of the project will cost approximately \$2.7 million and will be completed in FY13. Financing is at a 2.35% rate.

All of these factors were considered in preparing the County's budget for the 2013 fiscal year.

Management's Discussion and Analysis

Contacting the County's Financial Management

This financial report is designed to provide readers with a general overview of the County of Botetourt's finances. The Component-unit Industrial Development Authority (IDA) issues separate financial statements, while the Component-unit School Board does not. The IDA's financial statements may be obtained from the Botetourt County Financial Services Department (address below). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Services Department, 6 East Main Street, #6, Fincastle, Virginia 24090. Also, please visit the County's website at www.botetourt.org.

Basic Financial Statements

County of Botetourt, Virginia
Statement of Net Assets
June 30, 2012

	Primary Government			Component Units	
	Governmental	Business-type	Total	School Board	IDA
	Activities	Activities		School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 14,173,894	\$ 2,571,212	\$ 16,745,106	\$ 6,866,425	\$ -
Cash in custody of others	-	167,847	167,847	-	1,390
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,229,950	-	1,229,950	-	-
Accounts receivable	181,249	453,745	634,994	61,571	-
Due from component unit	139,332	-	139,332	-	-
Due from other governmental units	1,243,762	-	1,243,762	1,447,379	-
Prepaid expenses	121,510	-	121,510	390,923	-
Deferred charges	136,568	69,189	205,757	-	-
Restricted assets:					
Temporarily restricted:					
Investments (in custody of others)	-	-	-	-	433,899
Cash and cash equivalents	186,710	-	186,710	163,355	-
Capital assets (net of accumulated depreciation):					
Land	11,707,664	43,010	11,750,674	1,949,631	-
Buildings and improvements	59,552,575	-	59,552,575	17,315,014	3,928,019
Machinery and equipment	2,363,295	128,240	2,491,535	1,669,557	-
Infrastructure	-	16,284,591	16,284,591	-	-
Construction in progress	947,758	1,364,061	2,311,819	-	-
Total assets	<u>\$ 91,984,267</u>	<u>\$ 21,081,895</u>	<u>\$ 113,066,162</u>	<u>\$ 29,863,855</u>	<u>\$ 4,363,308</u>
LIABILITIES					
Accounts payable	\$ 463,772	\$ 288,405	\$ 752,177	\$ 643,517	\$ -
Accrued liabilities (salaries payable)	-	-	-	4,056,289	-
Customers' deposits	-	47,015	47,015	-	-
Accrued interest payable	642,049	67,383	709,432	-	5,073
Due to primary government	-	-	-	139,332	-
Unearned revenue	121,282	-	121,282	-	28,750
Long-term liabilities:					
Due within one year	3,313,593	584,983	3,898,576	482,908	236,420
Due in more than one year	41,267,140	7,194,233	48,461,373	961,969	2,452,040
Total liabilities	<u>\$ 45,807,836</u>	<u>\$ 8,182,019</u>	<u>\$ 53,989,855</u>	<u>\$ 6,284,015</u>	<u>\$ 2,722,283</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 35,235,486	\$ 10,284,457	\$ 45,519,943	\$ 20,934,202	\$ 1,239,559
Restricted for:					
Law library	59,635	-	59,635	-	-
Emergency 911	20,283	-	20,283	-	-
Cafeteria operations	-	-	-	163,355	-
Property seizure	87,345	-	87,345	-	-
Debt service	-	-	-	-	408,517
Van program	19,447	-	19,447	-	-
Unrestricted	10,754,235	2,615,419	13,369,654	2,482,283	(7,051)
Total net assets	<u>\$ 46,176,431</u>	<u>\$ 12,899,876</u>	<u>\$ 59,076,307</u>	<u>\$ 23,579,840</u>	<u>\$ 1,641,025</u>

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

County of Botetourt, Virginia
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				Component Units			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	School Board	IDA		
PRIMARY GOVERNMENT:											
Governmental activities:											
General government administration	\$ 3,009,226	\$ 308	\$ 256,063	\$ -	\$ (2,752,855)	\$ -	\$ (2,752,855)	\$ -	\$ -	\$ -	\$ -
Judicial administration	1,284,630	223,594	685,634	-	(375,402)	-	(375,402)	-	-	-	-
Public safety	12,689,537	395,365	3,683,785	-	(8,610,387)	-	(8,610,387)	-	-	-	-
Public works	1,709,623	141,865	-	-	(1,567,758)	-	(1,567,758)	-	-	-	-
Health and welfare	3,427,728	-	1,978,350	-	(1,449,378)	-	(1,449,378)	-	-	-	-
Education	21,703,533	-	-	-	(21,703,533)	-	(21,703,533)	-	-	-	-
Parks, recreation, and cultural	3,193,686	183,585	145,017	-	(2,865,084)	-	(2,865,084)	-	-	-	-
Community development	533,841	-	100,000	-	(433,841)	-	(433,841)	-	-	-	-
Interest on long-term debt	1,817,327	-	-	-	(1,817,327)	-	(1,817,327)	-	-	-	-
Total governmental activities	\$ 49,369,131	\$ 944,717	\$ 6,848,849	\$ -	\$ (41,575,565)	\$ -	\$ (41,575,565)	\$ -	\$ -	\$ -	\$ -
Business-type activities:											
Water and sewer	\$ 2,669,747	\$ 3,019,701	\$ -	\$ -	\$ -	\$ 349,954	\$ 349,954	\$ -	\$ -	\$ -	\$ -
Total primary government	\$ 52,038,878	\$ 3,964,418	\$ 6,848,849	\$ -	\$ (41,575,565)	\$ 349,954	\$ (41,225,611)	\$ -	\$ -	\$ -	\$ -
COMPONENT UNITS:											
School Board	\$ 51,586,495	\$ 1,603,066	\$ 27,690,633	\$ -	\$ -	\$ -	\$ (22,292,796)	\$ -	\$ -	\$ -	\$ -
Industrial Development Authority	271,280	345,000	13,020	-	-	-	-	-	-	86,740	86,740
Total component units	\$ 51,857,775	\$ 1,948,066	\$ 27,703,653	\$ -	\$ -	\$ -	\$ (22,292,796)	\$ -	\$ -	\$ 86,740	\$ 86,740
General revenues:											
General property taxes					\$ 29,822,572	\$ -	\$ 29,822,572	\$ -	\$ -	\$ -	\$ -
Other local taxes:											
Local sales and use taxes					2,164,312	-	2,164,312	-	-	-	-
Consumers' utility taxes					695,430	-	695,430	-	-	-	-
Business license taxes					829,929	-	829,929	-	-	-	-
Motor vehicle taxes					647,083	-	647,083	-	-	-	-
Restaurant food taxes					1,142,513	-	1,142,513	-	-	-	-
Other local taxes					803,503	-	803,503	-	-	-	-
Unrestricted revenues from the use of money and property					647,477	26,128	673,605	129,987	279,424	2	2
Miscellaneous					235,015	-	235,015	-	-	-	-
Grants and contributions not restricted to specific programs					4,619,808	-	4,619,808	21,691,275	-	-	-
Transfers					7,657	(7,657)	-	-	-	-	-
Total general revenues					\$ 41,615,299	\$ 18,471	\$ 41,633,770	\$ 22,100,686	\$ -	\$ -	\$ 2
Change in net assets					\$ 39,734	\$ 368,425	\$ 408,159	\$ (192,110)	\$ -	\$ 86,742	\$ 86,742
Net assets - beginning, as restated					\$ 46,136,697	\$ 12,531,451	\$ 58,668,148	\$ 23,771,950	\$ -	\$ 1,554,283	\$ 1,554,283
Net assets - ending					\$ 46,176,431	\$ 12,899,876	\$ 59,076,307	\$ 23,579,840	\$ -	\$ 1,641,025	\$ 1,641,025

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

County of Botetourt, Virginia
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 14,304,828
Receivables (net of allowance for uncollectibles):	
Taxes receivable	1,229,950
Accounts receivable	181,249
Due from component unit	139,332
Due from other governmental units	1,243,762
Prepaid items	121,510
Total assets	\$ 17,220,631
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 389,189
Deferred revenue	977,636
Total liabilities	\$ 1,366,825
 Fund balance:	
Nonspendable	
Prepaid items	121,510
Restricted	
Law library	59,635
Emergency 911	20,283
Property seizure	87,345
Van program	19,447
Unassigned	15,545,586
Total fund balances	\$ 15,853,806
Total liabilities and fund balances	\$ 17,220,631

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

County of Botetourt, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2012

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 15,853,806
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	74,571,292
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. The assets consist of deferred property taxes.	856,354
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(18,807)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(45,086,214)
Net assets of governmental activities	<u>\$ 46,176,431</u>

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

County of Botetourt, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>
REVENUES	
General property taxes	\$ 29,814,950
Other local taxes	6,282,770
Permits, privilege fees, and regulatory licenses	174,240
Fines and forfeitures	154,048
Revenue from the use of money and property	647,477
Charges for services	616,429
Miscellaneous	235,015
Recovered costs	1,657,121
Intergovernmental revenues:	
Commonwealth	9,961,769
Federal	1,506,888
Total revenues	<u>\$ 51,050,707</u>
EXPENDITURES	
Current:	
General government administration	\$ 3,163,761
Judicial administration	1,277,824
Public safety	13,447,745
Public works	1,727,239
Health and welfare	3,471,988
Education	20,577,954
Parks, recreation, and cultural	2,908,001
Community development	289,055
Capital projects	261,819
Debt service:	
Principal retirement	2,838,515
Interest and other fiscal charges	1,799,409
Total expenditures	<u>\$ 51,763,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (712,603)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 7,657
Sale of capital assets	341,901
Total other financing sources (uses)	<u>\$ 349,558</u>
Net change in fund balances	\$ (363,045)
Fund balances - beginning	16,216,851
Fund balances - ending	<u>\$ 15,853,806</u>

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

County of Botetourt, 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, 2012

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

Net change in fund balances - total governmental funds	\$	(363,045)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		(2,609,640)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		7,622
The issuance of long-term debt (e.g. bonds, leases) provides current financial 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		2,954,597
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.		(87,494)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		137,694
Change in net assets of governmental activities	<u>\$</u>	<u>39,734</u>

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

County of Botetourt, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Fund <u>Water and Sewer</u>	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,571,212	\$ 55,776
Cash and cash equivalents (restricted)	167,847	-
Accounts receivable, net of allowance for uncollectibles	453,745	-
Total current assets	<u>\$ 3,192,804</u>	<u>\$ 55,776</u>
Noncurrent assets:		
Other assets:		
Unamortized bond issue costs	\$ 69,189	\$ -
Capital assets:		
Land	43,010	-
Utility plant in service	26,790,257	-
Machinery and equipment	204,197	-
Construction in progress	1,364,061	-
Less accumulated depreciation	(10,581,623)	-
Total capital assets	<u>\$ 17,819,902</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 17,889,091</u>	<u>\$ -</u>
Total assets	<u>\$ 21,081,895</u>	<u>\$ 55,776</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 288,405	\$ -
Customers' deposits	47,015	-
Accrued interest payable	67,383	-
Health claims payable	-	74,583
Compensated absences - current portion	56,943	-
Bonds payable - current portion	528,040	-
Total current liabilities	<u>\$ 987,786</u>	<u>\$ 74,583</u>
Noncurrent liabilities:		
Compensated absences - net of current portion	\$ 18,981	\$ -
Bonds payable - net of current portion	7,175,252	-
Total noncurrent liabilities	<u>\$ 7,194,233</u>	<u>\$ -</u>
Total liabilities	<u>\$ 8,182,019</u>	<u>\$ 74,583</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 10,284,457	\$ -
Unrestricted (Deficit)	2,615,419	(18,807)
Total net assets	<u>\$ 12,899,876</u>	<u>\$ (18,807)</u>

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

County of Botetourt, Virginia
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Fund Water and Sewer	Internal Service Funds
OPERATING REVENUES		
Charges for services:		
Water revenues pledged as security for revenue bonds	\$ 1,207,654	\$ -
Sewer revenues pledged as security for revenue bonds	1,731,232	-
Tap fees	79,327	-
Insurance premiums	-	1,395,062
Other revenues	1,488	-
Total operating revenues	\$ 3,019,701	\$ 1,395,062
OPERATING EXPENSES		
Personnel services	\$ 462,947	\$ -
Contractual services	199,013	-
Utilities and office expense	677,045	-
Repair and maintenance	256,349	-
Insurance claims and expenses	-	1,257,368
Depreciation	801,883	-
Total operating expenses	\$ 2,397,237	\$ 1,257,368
Operating income (loss)	\$ 622,464	\$ 137,694
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	\$ 26,128	\$ -
Interest expense	(272,510)	-
Total nonoperating revenues (expenses)	\$ (246,382)	\$ -
Income before contributions and transfers	\$ 376,082	\$ 137,694
Transfers out	(7,657)	-
Change in net assets	\$ 368,425	137,694
Total net assets - beginning	12,531,451	(156,501)
Total net assets - ending	\$ 12,899,876	\$ (18,807)

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

County of Botetourt, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Fund Water and Sewer	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 3,059,792	\$ -
Receipts for insurance premiums	-	1,395,062
Payments to suppliers	(972,633)	-
Payments to employees	(466,805)	-
Payments for health claims	-	(1,371,025)
Net cash provided (used) by operating activities	<u>\$ 1,620,354</u>	<u>\$ 24,037</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	\$ (7,657)	\$ -
Net cash provided (used) by noncapital financing activities	<u>\$ (7,657)</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	\$ (1,502,331)	\$ -
Principal payments on bonds	(498,158)	-
Proceeds from indebtedness	583,458	-
Interest payments	(284,171)	-
Net cash provided (used) by capital and related financing activities	<u>\$ (1,701,202)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	\$ 26,128	\$ -
Net cash provided (used) by investing activities	<u>\$ 26,128</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ (62,377)	\$ 24,037
Cash and cash equivalents - beginning (including restricted of \$533,536)	2,801,436	31,739
Cash and cash equivalents - ending (including restricted of \$167,847)	<u>\$ 2,739,059</u>	<u>\$ 55,776</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 622,464	\$ 137,694
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	\$ 801,883	\$ -
(Increase) decrease in accounts receivable	35,619	-
(Increase) decrease in prepaid expenses	1,514	-
Increase (decrease) in customer deposits	4,472	-
Increase (decrease) in operating payables	158,260	-
Increase (decrease) in health claims payable	-	(113,657)
Increase (decrease) in accrued leave	(3,858)	-
Total adjustments	<u>\$ 997,890</u>	<u>\$ (113,657)</u>
Net cash provided (used) by operating activities	<u>\$ 1,620,354</u>	<u>\$ 24,037</u>

Interest payments above include capitalized interest totaling \$21,750 for the fiscal year.

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

County of Botetourt, Virginia
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 788,315
Total assets	<u>\$ 788,315</u>
 LIABILITIES	
Amounts held for social services clients	\$ 21,670
Amounts held for employees	47,894
Amounts held for the Roanoke Valley Regional Board	627,540
Amounts held for performance bond	41,000
Amounts held for inmates	50,211
Total liabilities	<u>\$ 788,315</u>

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

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The County of Botetourt, Virginia (government) is a municipal corporation governed by an elected five-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units.

The Botetourt County School Board operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue separate financial statements.

The Botetourt County Industrial Development Authority (IDA) encourages and provides financing for industrial development in the County. The Industrial Development Authority board members are appointed by the Board of Supervisors. The Industrial Development Authority is fiscally dependent upon the County because the County provides significant funding and approves all debt issuances. In addition, the IDA does not have separate taxing powers. The Industrial Development Authority is presented as an enterprise fund type. Complete financial statements for the Industrial Development Authority may be obtained at the County's administrative offices: 1 West Main Street, Fincastle, VA 24090.

Related Organizations - The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment.

Jointly Governed Organizations - The County, in conjunction with other localities, participates in supporting the Blue Ridge Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$38,743 to the Blue Ridge Community Services Board. The County does not have any ongoing financial responsibilities for this organization.

Note 1-Summary of Significant Accounting Policies: (Continued)

B. Government-wide and fund financial statements

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

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

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

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, with the exception of agency funds (discussed below). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds use the accrual basis of accounting, but have no measurement focus as they do not report equity.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, 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. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts and reports for all financial resources of the general government, except those required to be accounted for and reported in other funds.

The government reports the following major proprietary funds:

The County operates a sewage collection and treatment system and a water distribution system. The activities of the system are accounted for in the Water and Sewer Fund.

The *Internal Service Fund* accounts for and reports the financing of goods and services provided by one department or agency to other departments or agencies of the County government. The self-insured health insurance plan is accounted for and reported in this fund.

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Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Additionally, the government reports the following fund types:

Fiduciary funds account for and report assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Roanoke Valley Regional Board, Special Welfare, Cafeteria Plan, Flexible Benefits Plan, Jail Inmate Trust and Canteen, and Escrow Funds.

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

2. Investments

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

3. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$314,663 at June 30, 2012. The allowance consists of delinquent taxes in the amount of \$76,334 and delinquent water and sewer bills of \$238,329.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest of \$21,750 was capitalized during the fiscal year.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

8. Long-term obligations

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

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

9. Fund equity

The County follows provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The County of Botetourt, Virginia evaluated its funds at June 30, 2012 and classified fund balance into the following five categories:

Nonspendable -items that cannot be spent because they are not in spendable form, such as prepaid items and inventory, or are required to maintained intact (corpus of a permanent fund).

Restricted -items that are restricted by external parties such as creditors or imposed by grants, law or legislation

Committed -The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The County Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

9. Fund equity (Continued)

Assigned -Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The County Board of Supervisors (Board) has by resolution authorized the Finance Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned -this category is for any balances that have no restrictions placed upon them; positive amounts are only reported in the General Fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

10. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

11. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used in governmental funds to report prepaid items.

12. Restricted Assets

Restricted assets consist of cash and cash equivalents that are legally restricted for use by enabling state legislation.

13. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

14. Self-Insurance

The County was self-insured for health insurance beginning with the fiscal year ending June 30, 2012. Estimates for the accrued liability at the end of the year have been recorded.

Note 2-Reconciliation of Government-Wide and Fund Financial Statements:

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$45,086,214) and (\$1,444,877) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Bonds and notes payable	\$ (33,159,310)	\$ -
Premium on bond issuance	(755,266)	-
Less: Bond issuance costs (unamortized)	136,568	-
Literary loans payable	(5,421,230)	-
Accrued interest payable	(642,049)	-
Landfill accrued closure and post-closure monitoring costs	(4,543,057)	-
OPEB liability	-	(801,000)
Compensated absences	(701,870)	(643,877)
	<u>(701,870)</u>	<u>(643,877)</u>
 Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	 <u>\$ (45,086,214)</u>	 <u>\$ (1,444,877)</u>

Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of these (\$2,609,640) and (\$258,664) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 1,052,410	\$ 1,439,496
Loss on sale of capital asset	(12,683)	-
Disposal of land	(578,022)	-
Depreciation expense	(3,071,345)	(1,698,160)
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (2,609,640)</u>	<u>\$ (258,664)</u>

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Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

Another element of that reconciliation states “the issuance of long-term debt (e.g., bonds, leases) provides current financial 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$2,954,597 difference in the primary government are as follows:

Decrease in estimated liability		
Accrued landfill closure/postclosure		\$ 116,082
Principal repayments:		
General obligation debt		2,186,585
Literary loans		651,930
		<u>2,954,597</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>		<u>\$ 2,954,597</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of these (\$87,494) and (\$130,136) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
(Increase) decrease in compensated absences	\$ (69,576)	\$ (45,136)
(Increase) decrease in OPEB obligation	-	(85,000)
(Increase) decrease in accrued interest	(50,531)	-
Amortization of bond issuance costs	(11,563)	-
Amortization of premium	44,176	-
	<u>(87,494)</u>	<u>(130,136)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (87,494)</u>	<u>\$ (130,136)</u>

Note 3-Stewardship, Compliance, and Accountability:

A. Budgetary information

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund and the School Operating Fund
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or fund level (School Board). Only the Board of Supervisors can revise the appropriation for each department or fund. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all County units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

There were no expenditures exceeding appropriations for the year ended June 30, 2012.

C. Deficit fund equity

At June 30, 2012, the internal service fund had negative equity.

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Note 4-Deposits and Investments:

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

Investments: Statutes authorize local governments and other public bodies 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 (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2012 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s rating scale.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
LGIP	\$ 80,544

State law limits investments in commercial paper to holdings rated by at least two of the following: Moody’s Investors Service, Inc., within its NCO/Moody’s rating of prime 1, by Standard & Poor’s, Inc., within its rating of A-1, by Fitch Investor’s Services, Inc., within its rating of F-1, by Duff and Phelps, Inc., within its rating of D-1. State law further limits investments in corporate notes and bonds to those with a rating of at least Aa by Moody’s Investors Service, Inc., and a rating of at least AA by Standard and Poors, Inc. In addition, State law permits investments in Stocks, bonds, notes, and other evidences of indebtedness of the Commonwealth and those unconditionally guaranteed as to the payment of principal and interest by the Commonwealth. It is the government’s policy to limit its investments to those allowed under State law.

External Investment Pools

The Local Government Investment Pool (LGIP) is not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7. The fair value of the positions in the external investment pools (LGIP) is the same as the value of the pool shares.

Note 4-Deposits and Investments: (Continued)

Interest Rate Risk

At year end, the County did not hold any investments that were subject to interest rate risk.

Custodial Credit Risk

At year end, the County was not exposed to any custodial credit risk for deposits or investments. The County limits deposits to those banks fully collateralized under the Commonwealth’s Security for Public Deposits Act. The County policy in regards to investments requires that all investments be held in the County’s name.

Note 5-Due from Other Governmental Units:

The following amounts represent amounts due from other governments at year-end:

	<u>Primary Government</u>	<u>Component Unit- School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 395,774	\$ -
Categorical aid-State sales tax	-	858,217
Categorical aid-Other	575,788	-
Non-categorical aid	35,041	-
Categorical aid-Virginia Public Assistance	37,498	-
Categorical aid-Comprehensive Services Act	75,482	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	56,514	-
Categorical aid-Other	67,665	589,162
Totals	<u>\$ 1,243,762</u>	<u>\$ 1,447,379</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 6-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ -	\$ 139,332
Component Unit - School Board:		
School Fund	\$ 139,332	\$ -
Totals	<u>\$ 139,332</u>	<u>\$ 139,332</u>

At year end, the Component-Unit School Board carries a liability to the County’s general fund for monies advanced near year end to cover accrued payroll at the School Board.

Note 7-Interfund Transfers/Component Unit Contributions:

Primary government contributions to component units for the year ended June 30, 2012, consisted of the following:

Component Unit:	
School Board	\$ 20,566,144

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 and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization. During the fiscal year, the County transferred funds totaling \$7,657 from the Water and Sewer Fund to the General Fund.

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 8-Long-Term Liabilities:

Primary Government - Governmental Activity Liabilities:

The following is a summary of long-term liability transactions of the County for the year ended June 30, 2012.

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
General Obligation				
Bonds	\$ 35,345,895	\$ -	\$ (2,186,585)	\$ 33,159,310
Unamortized Premium	799,442	-	(44,176)	755,266
Literary Loans	6,073,160	-	(651,930)	5,421,230
Landfill closure/ postclosure liability	4,659,139	-	(116,082)	4,543,057
Compensated absences	632,294	543,797	(474,221)	701,870
Total	\$ 47,509,930	\$ 543,797	\$ (3,472,994)	\$ 44,580,733

For governmental activities, compensated absences and the landfill closure/postclosure liability are generally liquidated in the General Fund.

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

Year Ending June 30,	General Obligation Bonds		Literary Fund Loans	
	Principal	Interest	Principal	Interest
2013	\$ 2,135,260	\$ 1,524,678	\$ 651,930	\$ 162,637
2014	2,171,342	1,435,864	651,930	143,079
2015	2,217,827	1,345,303	651,930	123,521
2016	1,799,881	1,256,556	651,930	103,963
2017	1,365,000	1,180,475	651,930	84,405
2018-2022	7,640,000	4,811,103	2,134,650	151,158
2023-2027	9,525,000	2,764,999	26,930	808
2028-2032	5,115,000	958,508	-	-
2033	1,190,000	29,670	-	-
Totals	\$ 33,159,310	\$ 15,307,156	\$ 5,421,230	\$ 769,571

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 8-Long-Term Liabilities: (Continued)

Primary Government - Governmental Activity Liabilities: (Continued)

Details of long-term liabilities:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:						
General projects refunding bond	1.39%	10/12/2010	2015	\$ 2,074,298	\$ 1,517,732	\$ 528,867
General projects	5.1% - 6.1%	12/21/1995	2016	8,385,372	1,921,578	466,393
School construction	4.1% - 5.225%	4/30/1998	2019	1,545,000	525,000	75,000
School construction	4.1% - 5.1%	5/11/2006	2026	15,890,000	13,260,000	610,000
Jail Construction	3.6325% - 4.9866%	6/8/2006	2032	17,570,000	15,935,000	455,000
Total GO Bonds					\$ 33,159,310	\$ 2,135,260
Add:						
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	\$ 755,266	\$ -
Net GO Bonds					\$ 33,914,576	\$ 2,135,260
Other Long-term Debt: (Literary Fund Loans)						
School construction	3.00%	12/1/2000	2021	7,500,000	\$ 3,375,000	\$ 375,000
School construction	3.00%	2/1/1999	2019	5,000,000	1,750,000	250,000
School construction	3.00%	1/15/2003	2023	538,600	296,230	26,930
Total Literary Fund Loans					\$ 5,421,230	\$ 651,930
Other Obligations:						
Comp. Absences	n/a	n/a	n/a	n/a	\$ 701,870	\$ 526,403
Landfill closure/post-closure monitoring	n/a	n/a	n/a	n/a	4,543,057	-
Total Other Obligations					\$ 5,244,927	\$ 526,403
Total Long-term liabilities					\$ 44,580,733	\$ 3,313,593

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 8-Long-Term Liabilities: (Continued)

Primary Government - Enterprise Activity Liabilities:

The following is a summary of long-term liabilities transactions of the Enterprise Fund for the year ended June 30, 2012.

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
Revenue Bonds	\$ 7,653,375	\$ 583,458	\$ (498,158)	\$ 7,738,675
Unamortized Premium	86,280	-	(4,444)	81,836
Deferred amount on refunding	(127,875)	-	10,656	(117,219)
Compensated absences	79,782	55,979	(59,837)	75,924
Total	\$ 7,691,562	\$ 639,437	\$ (551,783)	\$ 7,779,216

For business-type activities, compensated absences are generally liquidated in the Proprietary Fund. Annual requirements to amortize long-term obligations and the related interest are as follows:

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2013	\$ 528,040	\$ 268,513
2014	560,135	279,794
2015	588,009	242,008
2016	614,527	218,184
2017	641,443	193,159
2018-2022	2,942,925	594,418
2023-2027	1,480,041	166,900
2028-2032	346,735	35,222
2033	36,820	650
Totals	\$ 7,738,675	\$ 1,998,848

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 8-Long-Term Liabilities: (Continued)

Primary Government - Enterprise Activity Liabilities: (Continued)

Details of long-term liabilities:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Revenue Bonds:						
VRA Bond	2.40%	1/1/2012	2033	\$ 2,700,000	\$ 583,458	\$ -
VRA Refunding Bond	3.1% - 4.9269%	5/17/2005	2023	4,250,000	3,000,000	220,000
VRA Bond	3.75%	7/31/1997	2019	3,000,000	1,258,565	160,389
VRA Bond	3.10%	8/1/2004	2027	4,032,975	2,386,652	132,651
VRA Bond	2.125% - 5.125%	5/2/2011	2032	510,000	510,000	15,000
Total Revenue Bonds					<u>\$ 7,738,675</u>	<u>\$ 528,040</u>
Add:						
Unamortized premium					\$ 81,836	\$ -
Deferred amount on refunding					(117,219)	-
Net Revenue Bonds					<u>\$ 7,703,292</u>	<u>\$ 528,040</u>
Other Obligations:						
Comp. Absences	n/a	n/a	n/a	n/a	<u>\$ 75,924</u>	<u>\$ 56,943</u>
Total Long-term liabilities					<u><u>\$ 7,779,216</u></u>	<u><u>\$ 584,983</u></u>

Note 9-Long-Term Liabilities-Component Units:

Discretely Presented Component Unit - School Board Liabilities:

The following is a summary of long-term liabilities transactions of the Component Unit-School Board for the year ended June 30, 2012.

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
OPEB obligation	\$ 716,000	\$ 446,000	\$ (361,000)	\$ 801,000
Compensated absences	598,741	494,192	(449,056)	643,877
Total	<u>\$ 1,314,741</u>	<u>\$ 940,192</u>	<u>\$ (810,056)</u>	<u>\$ 1,444,877</u>

Note 9-Long-Term Liabilities-Component Units: (Continued)

Discretely Presented Component Unit - School Board Liabilities: (Continued)

Details of long-term liabilities:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:						
OPEB Obligation	n/a	n/a	n/a	n/a	\$ 801,000	\$ -
Compensated Absences	n/a	n/a	n/a	n/a	643,877	482,908
Total long-term liabilities					<u>\$ 1,444,877</u>	<u>\$ 482,908</u>

Compensated absences and OPEB obligation of the Component Unit - School Board are liquidated by the School Operating Fund.

Discretely Presented Component Unit - Industrial Development Authority Liabilities:

The following is a summary of long-term liabilities transactions of the Component Unit-Industrial Development Authority for the year ended June 30, 2012.

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
Lease Revenue Bond	<u>\$ 2,914,383</u>	<u>\$ -</u>	<u>\$ (225,923)</u>	<u>\$ 2,688,460</u>

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

Year Ending June 30,	Lease Revenue Bond	
	Principal	Interest
2013	\$ 236,420	\$ 125,514
2014	248,813	113,121
2015	260,726	101,208
2016	272,716	89,218
2017	286,045	75,889
2018-2020	1,383,740	142,797
Totals	<u>\$ 2,688,460</u>	<u>\$ 647,747</u>

Note 9-Long-Term Liabilities-Component Units: (Continued)

Discretely Presented Component Unit - Industrial Development Authority Liabilities: (Continued)

Details of long-term liabilities:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Lease Revenue Bonds:						
Lease Revenue Bond	4.68%	5/1/1999	2020	\$ 4,812,833	\$ 2,688,460	\$ 236,420

Note 10-Employee Retirement System and Pension Plans:

A. Plan Description

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

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

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

Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or at age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or at age 50 with at least ten years of service credit.

Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

Note 10-Employee Retirement System and Pension Plans: (Continued)

A. Plan Description (Continued)

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. In addition, the County of Botetourt, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Botetourt, Virginia's contribution rate for the fiscal year ended 2012 was 10.02% of annual covered payroll.

Discretely Presented Component Unit - School Board (Non-Professional Employees):

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the County of Botetourt, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Botetourt, Virginia's contribution rate for the fiscal year ended 2012 was 9.82% of annual covered payroll.

Note 10-Employee Retirement System and Pension Plans: (Continued)

C. Annual Pension Cost

For fiscal year 2012, the County of Botetourt, Virginia’s annual pension cost of \$1,045,692 and \$254,805 was equal to the County of Botetourt, Virginia’s required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2012	\$ 1,045,692	100.00%	\$ -
	6/30/2011	989,585	100.00%	-
	6/30/2010	1,048,201	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2012	\$ 254,805	100.00%	\$ -
	6/30/2011	255,585	100.00%	-
	6/30/2010	304,376	100.00%	-

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost of living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County of Botetourt, Virginia’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County of Botetourt, Virginia’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2011, the most recent actuarial valuation date, the plan was 77.38% funded. The actuarial accrued liability for benefits was \$37,000,672, and the actuarial value of assets was \$28,630,314, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,370,358. The covered payroll (annual payroll of active employees covered by the plan) was \$10,140,765, and ratio of the UAAL to the covered payroll was 82.54%.

Note 10-Employee Retirement System and Pension Plans: (Continued)

D. Funded Status and Funding Progress (Continued)

Discretely Presented Component Unit - School Board (Non-Professional Employees):

As of June 30, 2011, the most recent actuarial valuation date, the plan was 75.26% funded. The actuarial accrued liability for benefits was \$11,993,214, and the actuarial value of assets was \$9,026,132, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,967,082. The covered payroll (annual payroll of active employees covered by the plan) was \$2,557,727, and ratio of the UAAL to the covered payroll was 116.00%.

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

E. Discretely Presented Component Unit - School Board (Professional Employees)

Plan Description

The Botetourt County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. The employer may assume this 5.00% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees, not including the 5% member contribution, was \$1,616,386, \$973,244, and \$1,586,501, for the fiscal years ended 2012, 2011, and 2010, respectively. Required employer contributions represented 6.33% for 2012, 3.93% for 2011, and 8.81% for July 2009 through March 2010 and 0.00% for April through June 2010, respectively of covered payroll.

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Note 11-Deferred (Unearned) Revenue:

Deferred (unearned) revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
Deferred property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	\$ -	\$ 856,354
Prepaid property taxes due in June 30, 2012, but paid in advance by the taxpayers	<u>121,282</u>	<u>121,282</u>
Total deferred (unearned) revenue	<u>\$ 121,282</u>	<u>\$ 977,636</u>

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 12-Capital Assets:

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 12,204,545	\$ 81,141	\$ (578,022)	\$ 11,707,664
Construction in progress	810,768	335,131	(198,141)	947,758
Total capital assets not being depreciated	<u>\$ 13,015,313</u>	<u>\$ 416,272</u>	<u>\$ (776,163)</u>	<u>\$ 12,655,422</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 80,284,430	\$ 16,250	\$ (1,267,416)	\$ 79,033,264
Machinery and equipment	8,469,538	818,029	(159,826)	9,127,741
Total capital assets being depreciated	<u>\$ 88,753,968</u>	<u>\$ 834,279</u>	<u>\$ (1,427,242)</u>	<u>\$ 88,161,005</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (18,480,922)	\$ (2,267,183)	\$ 1,267,416	\$ (19,480,689)
Machinery and equipment	(6,107,427)	(804,162)	147,143	(6,764,446)
Total accumulated depreciation	<u>\$ (24,588,349)</u>	<u>\$ (3,071,345)</u>	<u>\$ 1,414,559</u>	<u>\$ (26,245,135)</u>
Total capital assets being depreciated, net	<u>\$ 64,165,619</u>	<u>\$ (2,237,066)</u>	<u>\$ (12,683)</u>	<u>\$ 61,915,870</u>
Governmental activities capital assets, net	<u><u>\$ 77,180,932</u></u>	<u><u>\$ (1,820,794)</u></u>	<u><u>\$ (788,846)</u></u>	<u><u>\$ 74,571,292</u></u>

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 12-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 43,010	\$ -	\$ -	\$ 43,010
Construction in progress	233,108	1,479,981	(349,028)	1,364,061
Total capital assets not being depreciated	<u>\$ 276,118</u>	<u>\$ 1,479,981</u>	<u>\$ (349,028)</u>	<u>\$ 1,407,071</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 26,397,129	\$ 393,128	\$ -	\$ 26,790,257
Machinery and equipment	204,197	-	-	204,197
Total capital assets being depreciated	<u>\$ 26,601,326</u>	<u>\$ 393,128</u>	<u>\$ -</u>	<u>\$ 26,994,454</u>
Less: accumulated depreciation for:				
Utility plant and equipment	\$ (9,744,678)	\$ (760,988)	\$ -	\$ (10,505,666)
Machinery and equipment	(35,062)	(40,895)	-	(75,957)
Total accumulated depreciation	<u>\$ (9,779,740)</u>	<u>\$ (801,883)</u>	<u>\$ -</u>	<u>\$ (10,581,623)</u>
Total capital assets being depreciated, net	<u>\$ 16,821,586</u>	<u>\$ (408,755)</u>	<u>\$ -</u>	<u>\$ 16,412,831</u>
Business-type activities capital assets, net	<u><u>\$ 17,097,704</u></u>	<u><u>\$ 1,071,226</u></u>	<u><u>\$ (349,028)</u></u>	<u><u>\$ 17,819,902</u></u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government administration	\$ 214,487
Judicial administration	13,574
Public safety	1,280,772
Public works	114,552
Education	1,125,579
Parks, recreation, and culture	322,381
Total depreciation expense-governmental activities	<u><u>\$ 3,071,345</u></u>
Business-type activities:	
Service authority	\$ 801,883

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 12-Capital Assets: (Continued)

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

Discretely Presented Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,949,631	\$ -	\$ -	\$ 1,949,631
Construction in progress	18,880	924,518	(943,398)	-
Total capital assets not being depreciated	<u>\$ 1,968,511</u>	<u>\$ 924,518</u>	<u>\$ (943,398)</u>	<u>\$ 1,949,631</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 35,160,070	\$ 1,030,010	\$ -	\$ 36,190,080
Machinery and equipment	6,848,085	428,366	(104,503)	7,171,948
Total capital assets being depreciated	<u>\$ 42,008,155</u>	<u>\$ 1,458,376</u>	<u>\$ (104,503)</u>	<u>\$ 43,362,028</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (17,794,134)	\$ (1,080,932)	\$ -	\$ (18,875,066)
Machinery and equipment	(4,989,666)	(617,228)	104,503	(5,502,391)
Total accumulated depreciation	<u>\$ (22,783,800)</u>	<u>\$ (1,698,160)</u>	<u>\$ 104,503</u>	<u>\$ (24,377,457)</u>
Total capital assets being depreciated, net	<u>\$ 19,224,355</u>	<u>\$ (239,784)</u>	<u>\$ -</u>	<u>\$ 18,984,571</u>
School Board capital assets, net	<u><u>\$ 21,192,866</u></u>	<u><u>\$ 684,734</u></u>	<u><u>\$ (943,398)</u></u>	<u><u>\$ 20,934,202</u></u>

Note 13-Risk Management:

The County and its component unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County participates with other localities in a public entity risk pool for their coverage of general liability, property, auto insurance and workers compensation with the Virginia Association of Counties Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County pays the Virginia Association of Counties Risk Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The component unit School Board participates with other localities in a public entity risk pool for their coverage of general liability, property, auto insurance and workers compensation with the Virginia Municipal League Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The School Board pays the Virginia Municipal League Risk Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, and depletion of

Note 13-Risk Management: (Continued)

all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County and its component unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 14-Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 15-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Tommy Moore, Clerk of the Circuit Court	\$ 270,000
William P. Arney, Treasurer	500,000
Rodney Spickard, Commissioner of the Revenue	3,000
Ronald N. Sprinkle, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000

<u>Selective Insurance Company of America:</u>	
Kathleen Guzi, County Administrator	\$ 250,000
David Moorman, Deputy County Administrator	150,000
Anthony Zerrilla, Finance Manager	150,000
Barbara Ennis, Bookkeeper	150,000
Veronica Ramsey, Bookkeeper Technician	150,000
All administrative employees	50,000
All Social Services employees: blanket bond	100,000

Note 15-Surety Bonds: (Continued)

United States Fidelity and Guaranty Company-Surety:

Board of Supervisors:	\$	1,000
Terry Austin		1,000
L.W. (Jack) Leffel		1,000
Dr. Donald M. Scothorn		1,000
Billy W. Martin, Sr.		1,000
Stephen P. Clinton		1,000

Component Unit - School Board:

The Continental Insurance Company:

Betty Holland, Clerk of the School Board	\$	10,000
All School Board employees: blanket bond		10,000

Note 16-Landfill Closure and Post-closure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The County's landfill has reached approximately 92% of its estimated capacity. Total closure and post-closure care cost have been estimated to be \$4,932,744 based on 100% usage of the facility. This represents what it would cost to perform all closure and post-closure care in 2012. Landfill closure and post-closure care costs are allocated based on landfill capacity to date. As such, approximately 92% of the aforementioned amount has been recognized as a liability in the financial statements (\$4,543,057). The remaining amount to be recognized, \$389,687, will be recognized over the landfill's remaining life based on usage. During the 2007 fiscal year, the County restricted use of the landfill and currently transfers significantly all County waste to other disposal facilities. As such, the landfill's expected remaining life (in years) was significantly increased due to reduced waste flow. As of June 30, 2012, the landfill's remaining life is estimated to be 56 years. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in applicable laws or regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and post-closure costs.

Note 17 - Commitments and Contingencies:

At year end, the County did not have any material commitments or contingencies outstanding.

Note 18 - Arbitrage Rebate Compliance:

As of June 30, 2012 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 19-Other Postemployment Benefits (OPEB):

Component Unit: School Board

A. Plan Description

The County of Botetourt’s Component Unit - School Board administers a single-employer healthcare plan (“the Plan”). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the School Board and the employee must be eligible to retire from the School Board under the Virginia Retirement System. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through School Board action. The Plan does not issue a publicly available financial report.

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 694 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The monthly rates were as follows at June 30, 2012:

<u>Participants</u>	<u>Total Premium</u>
Employee	\$ 456.19
Employee / Spouse	912.81
Employee / Child	661.69
Family	1,150.27

The Board is required to record an expense for the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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Note 19-Other Postemployment Benefits (OPEB): (Continued)

Component Unit: School Board (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

For 2012, the Board’s annual contribution of \$361,000 did not equal the annual OPEB cost of \$446,000. The obligation calculation is as follows:

Annual required contribution	\$ 446,000
Interest on net OPEB obligation	32,000
Adjustment to annual required contribution	(32,000)
Annual OPEB cost (expense)	<u>446,000</u>
Contributions made	<u>361,000</u>
Increase in net OPEB obligation	85,000
Net OPEB obligation - beginning of year	716,000
Net OPEB obligation - ending of year	<u><u>\$ 801,000</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 483,617	35%	\$ 623,617
6/30/2011	424,383	78%	716,000
6/30/2012	446,000	81%	801,000

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2010 (date of the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 4,681,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 4,681,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 22,961,000
UAAL as a percentage of covered payroll	20.39%

Note 19-Other Postemployment Benefits (OPEB): (Continued)

Component Unit: School Board (Continued)

D. Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010, actuarial valuation, the entry age normal cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, and investment rate of return at 4.5%, and a health care trend rate of 8% graded to 5% decreasing 1% per year. The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2010, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

Note 20- VRS Health Insurance Credit - Other Postemployment Benefits (OPEB):

Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of

Note 20- VRS Health Insurance Credit - Other Postemployment Benefits (OPEB): (Continued)

A. Plan Description (Continued)

creditable service they would have completed at age 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements are previously discussed in Note 10.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. Contribution rates were 0.60%, 0.60%, and 1.04% of annual covered payroll for the years ending June 30, 2012, 2011, and 2010, respectively. The School Board's contributions to VRS for the years ending June 30, 2012, 2011, and 2010 were \$153,212, \$148,587, and \$263,257, respectively and equaled the required contributions for each year.

Note 21-Self Health Insurance:

The County of Botetourt, Virginia established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and are available to pay claims, and administrative costs of the program. During the fiscal year 2012, a total of \$1,257,368 was paid in benefits and administrative costs. The risk assumed by the County is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type (Keycare, Bluecare, etc.). Incurred but not reported claims of \$74,583 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability for the current and prior fiscal year are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2011-12	\$ 188,240	\$ 1,143,711	\$ (1,257,368)	\$ 74,583
2010-11	-	1,143,711	(955,471)	188,240

Note 22-Restatement of Beginning Net Assets:

The County and Component-unit School Board restated beginning net assets to report two school assets financed with debt (issued by the County) as County assets. The assets are considered County assets until the debt is fully defeased. Once the debt related to these assets is defeased, the assets will be transferred to the School Board.

	Governmental <u>Activities</u>	Component-unit <u>School Board</u>
Net assets as previously reported	\$ 41,105,471	\$ 28,803,176
Transfer of asset	<u>5,031,226</u>	<u>(5,031,226)</u>
Net assets, as restated	<u>\$ 46,136,697</u>	<u>\$ 23,771,950</u>

Note 23-New Accounting Standards:

The Governmental Accounting Standards Board (GASB) has issued Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. This standard will be implemented for the fiscal year ending June 30, 2013. At the present time, the County does not believe adoption of this standard will significantly impact the financial statements.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 will require governments with defined benefit pension plans to disclose a “net pension liability” on their balance sheets. That liability equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. The statement calls for immediate recognition of more pension expense than is currently required. This includes immediate recognition of annual service cost and interest on the pension liability, plus the effect of changes in benefit terms on the net pension liability. These standards will be effective for fiscal years ending June 30, 2014 (67) and June 30, 2015 (68). The County believes the implementation of Statement No. 68 will significantly impact the County and Component Unit School Board’s net position; however no formal study or estimate of the impact of this standard has been performed.

Required Supplementary Information

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 29,685,000	\$ 29,624,579	\$ 29,814,950	\$ 190,371
Other local taxes	6,359,000	6,359,000	6,282,770	(76,230)
Permits, privilege fees, and regulatory licenses	263,125	263,125	174,240	(88,885)
Fines and forfeitures	105,200	105,200	154,048	48,848
Revenue from the use of money and property	718,750	718,750	647,477	(71,273)
Charges for services	635,519	635,519	616,429	(19,090)
Miscellaneous	77,150	77,150	235,015	157,865
Recovered costs	1,487,416	1,465,741	1,657,121	191,380
Intergovernmental revenues:				
Commonwealth	10,027,551	10,127,551	9,961,769	(165,782)
Federal	1,333,500	1,333,500	1,506,888	173,388
Total revenues	\$ 50,692,211	\$ 50,710,115	\$ 51,050,707	\$ 340,592
EXPENDITURES				
General government administration:				
Board of supervisors	\$ 231,866	\$ 266,975	\$ 266,975	\$ -
County administrator	368,341	377,522	352,379	25,143
Deputy administrators	344,638	347,141	342,948	4,193
Central garage	60,565	62,100	61,728	372
Commissioner of revenue	352,785	361,973	349,845	12,128
Central purchasing	94,770	97,797	90,198	7,599
Treasurer	407,428	418,987	410,205	8,782
Management information systems	710,348	728,943	695,075	33,868
Financial services	335,948	322,493	321,662	831
Electoral board/registrar	271,394	303,108	272,746	30,362
Total general government administration	\$ 3,178,083	\$ 3,287,039	\$ 3,163,761	\$ 123,278
Judicial administration:				
Circuit court	\$ 59,051	\$ 60,585	\$ 58,308	\$ 2,277
General district court	32,408	32,409	28,738	3,671
Magistrate	625	625	465	160
Clerk of the circuit court	565,259	593,001	560,240	32,761
Commonwealth's attorney	653,920	664,673	630,073	34,600
Total judicial administration	\$ 1,311,263	\$ 1,351,293	\$ 1,277,824	\$ 73,469
Public safety:				
Sheriff	\$ 4,043,213	\$ 4,279,204	\$ 4,207,152	\$ 72,052
Fire departments and rescue squads	1,550,944	1,702,427	1,591,682	110,745
Emergency communications	208,979	309,049	255,731	53,318
Western Virginia EMS	6,722	6,722	6,722	-
County operated institutions - jail	3,433,581	3,492,233	3,284,441	207,792
Probation office	23,250	36,388	19,796	16,592
Building inspections	655,836	668,013	613,897	54,116
Animal control	438,253	417,233	396,348	20,885
Emergency services	2,396,897	2,497,749	2,392,987	104,762
Dispatch	705,073	721,969	678,989	42,980
Total public safety	\$ 13,462,748	\$ 14,130,987	\$ 13,447,745	\$ 683,242

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public works:				
Refuse collection and disposal	\$ 566,196	\$ 655,918	\$ 610,392	\$ 45,526
Public works	298,753	541,151	466,692	74,459
General properties	624,564	650,155	650,155	-
Total public works	\$ 1,489,513	\$ 1,847,224	\$ 1,727,239	\$ 119,985
Health and welfare:				
Supplement of local health department	\$ 329,252	\$ 329,252	\$ 329,252	\$ -
Mental health contribution	38,743	38,743	38,743	-
Welfare administration and programs	1,670,652	1,670,652	1,355,825	314,827
Comprehensive services act	1,274,193	1,335,727	1,285,770	49,957
Senior van program	73,431	79,905	79,898	7
Resource center	6,750	6,750	6,750	-
Tax relief for the elderly	335,000	335,000	334,054	946
Other welfare programs	41,696	41,696	41,696	-
Total health and welfare	\$ 3,769,717	\$ 3,837,725	\$ 3,471,988	\$ 365,737
Education:				
Contributions to Community Colleges	\$ 12,258	\$ 12,258	\$ 12,258	\$ -
Contribution to County School Board	20,428,794	20,566,144	20,565,696	448
Total education	\$ 20,441,052	\$ 20,578,402	\$ 20,577,954	\$ 448
Parks, recreation, and cultural:				
Supervision of parks and recreation	\$ 1,181,739	\$ 1,271,705	\$ 1,271,127	\$ 578
Sports Complex	371,236	412,103	412,013	90
Tourism	165,260	193,955	177,136	16,819
Contributions to cultural organizations	72,612	77,612	77,612	-
Greenfield Historical Resources	50,000	50,000	-	50,000
Library expenses	972,890	993,139	970,113	23,026
Total parks, recreation, and cultural	\$ 2,813,737	\$ 2,998,514	\$ 2,908,001	\$ 90,513
Community development:				
Planning commission	\$ 24,707	\$ 24,707	\$ 24,707	\$ -
Industrial development	80,475	80,475	80,475	-
Other environmental management	23,135	23,135	23,135	-
Governor's Opportunity Funds	-	100,000	100,000	-
Extension office	82,366	82,367	60,738	21,629
Total community development	\$ 210,683	\$ 310,684	\$ 289,055	\$ 21,629
Capital projects:				
Tower site batteries	\$ -	\$ 21,000	\$ 21,000	\$ -
ADA Compliance	15,000	15,000	-	15,000
Buchanan Park	80,000	137,000	32,090	104,910
Emergency services backup system	44,000	44,000	44,000	-
Industrial site development	125,000	388,817	164,729	224,088
Total capital projects	\$ 264,000	\$ 605,817	\$ 261,819	\$ 343,998

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Debt service:				
Principal retirement	\$ 2,865,449	\$ 2,865,449	\$ 2,838,515	\$ 26,934
Interest and other fiscal charges	1,799,409	1,799,409	1,799,409	-
Total debt service	\$ 4,664,858	\$ 4,664,858	\$ 4,637,924	\$ 26,934
Total expenditures	\$ 51,605,654	\$ 53,612,543	\$ 51,763,310	\$ 1,849,233
Excess (deficiency) of revenues over (under) expenditures	\$ (913,443)	\$ (2,902,428)	\$ (712,603)	\$ 2,189,825
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 7,657	\$ 7,657
Sale of capital assets	-	-	341,901	341,901
Total other financing sources and uses	-	-	349,558	349,558
Net change in fund balances	\$ (913,443)	\$ (2,902,428)	\$ (363,045)	\$ 2,539,383
Fund balances - beginning	913,443	2,902,428	16,216,851	13,314,423
Fund balances - ending	\$ -	\$ -	\$ 15,853,806	\$ 15,853,806

Note 1: GAAP serves as the budgetary basis of accounting

County of Botetourt, Virginia

Schedule of Funding Progress Defined Benefit Plans
For the Year Ended June 30, 2012

Primary Government: County Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2011	\$ 28,630,314	\$ 37,000,672	\$ 8,370,358	77.38%	\$ 10,140,765	82.54%
June 30, 2010	27,467,725	35,657,580	8,189,855	77.03%	10,115,413	80.96%
June 30, 2009	26,508,097	31,742,132	5,234,035	83.51%	10,163,736	51.50%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2011	\$ 9,026,132	\$ 11,993,214	\$ 2,967,082	75.26%	\$ 2,557,727	116.00%
June 30, 2010	9,025,981	11,852,233	2,826,252	76.15%	2,763,889	102.26%
June 30, 2009	9,283,141	11,090,858	1,807,717	83.70%	2,948,471	61.31%

School Board Healthcare Plan

Valuation as of*	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2010	\$ -	\$ 4,681,000	\$ 4,681,000	0.00%	\$ 22,961,000	20.39%
July 1, 2008	-	4,699,000	4,699,000	0.00%	24,846,000	18.91%

*Only two valuations performed to date.

Other Supplementary Information Section

FIDUCIARY FUNDS - AGENCY FUNDS

Special Welfare - The Special Welfare fund accounts for those funds belonging to individuals entrusted to the local social services agency, such as foster care children.

Cafeteria Plan - The cafeteria plan fund accounts for those funds belonging to County employees as participants in the County's cafeteria plan.

Flexible Benefits - The flexible benefits fund accounts for those funds belonging to County employees as participants in the County's flexible benefits plan.

Inmate Trust and Canteen - The Jail Inmate Trust and Canteen fund accounts for the inmate commissary and inmate trust.

Escrow - The escrow fund accounts for funds held by the County on behalf of developers, corporations, or individuals to ensure performance under requirements set forth by the County.

Roanoke Valley Regional Board - The Roanoke Valley Regional Board Fund accounts for funds held on behalf of the Roanoke Valley Regional Board.

County of Botetourt, Virginia
 Combining Statement of Fiduciary Net Assets
 Agency Funds
 June 30, 2012

	Agency Funds						
	<u>Special Welfare</u>	<u>Flexible Benefits</u>	<u>Inmate Trust and Canteen</u>	<u>Cafeteria Plan</u>	<u>Escrow</u>	<u>Roanoke Valley Regional Board</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 21,670	\$ 33,874	\$ 50,211	\$ 14,020	\$ 41,000	\$ 627,540	\$ 788,315
Total assets	<u>\$ 21,670</u>	<u>\$ 33,874</u>	<u>\$ 50,211</u>	<u>\$ 14,020</u>	<u>\$ 41,000</u>	<u>\$ 627,540</u>	<u>\$ 788,315</u>
LIABILITIES							
Amounts held for social services clients	\$ 21,670	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,670
Amounts held for employees	-	33,874	-	14,020	-	-	47,894
Amounts held for other agencies	-	-	-	-	-	627,540	627,540
Amounts held for performance bond	-	-	-	-	41,000	-	41,000
Amounts held for inmates	-	-	50,211	-	-	-	50,211
Total liabilities	<u>\$ 21,670</u>	<u>\$ 33,874</u>	<u>\$ 50,211</u>	<u>\$ 14,020</u>	<u>\$ 41,000</u>	<u>\$ 627,540</u>	<u>\$ 788,315</u>

County of Botetourt, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Special Welfare Fund:				
Assets:				
Equity in cash and cash equivalents	\$ 20,134	\$ 54,169	\$ (52,633)	\$ 21,670
Liabilities:				
Amounts held for others	\$ 20,134	\$ 54,169	\$ (52,633)	\$ 21,670
Flexible Benefits Fund:				
Assets:				
Equity in cash and cash equivalents	\$ 49,514	\$ 213,845	\$ (229,485)	\$ 33,874
Liabilities:				
Amounts held for others	\$ 49,514	\$ 213,845	\$ (229,485)	\$ 33,874
Inmate Trust and Canteen Fund				
Assets:				
Equity in cash and cash equivalents	\$ 63,478	\$ 174,484	\$ (187,751)	\$ 50,211
Liabilities:				
Amounts held for others	\$ 63,478	\$ 174,484	\$ (187,751)	\$ 50,211
Cafeteria Plan				
Assets:				
Equity in cash and cash equivalents	\$ 13,955	\$ 46,046	\$ (45,981)	\$ 14,020
Liabilities:				
Amounts held for others	\$ 13,955	\$ 46,046	\$ (45,981)	\$ 14,020
Escrow Fund				
Assets:				
Equity in cash and cash equivalents	\$ 45,454	\$ 10,000	\$ (14,454)	\$ 41,000
Liabilities:				
Amounts held for others	\$ 45,454	\$ 10,000	\$ (14,454)	\$ 41,000
Roanoke Valley Regional Board				
Assets:				
Equity in cash and cash equivalents	\$ 687,824	\$ 4,673,311	\$ (4,733,595)	\$ 627,540
Liabilities:				
Amounts held for others	\$ 687,824	\$ 4,673,311	\$ (4,733,595)	\$ 627,540
Totals				
Assets:				
Equity in cash and cash equivalents	\$ 880,359	\$ 5,171,855	\$ (5,263,899)	\$ 788,315
Liabilities:				
Amounts held for others	\$ 880,359	\$ 5,171,855	\$ (5,263,899)	\$ 788,315

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD**

MAJOR GOVERNMENTAL FUNDS

School Operating Fund - The School Operating Fund is a special revenue fund that accounts for the operations of the County's school system. Financing is provided by the State and Federal governments as well as contributions from the General Fund.

County of Botetourt, Virginia
 Balance Sheet
 Discretely Presented Component Unit - School Board
 June 30, 2012

	<u>School Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 7,029,780
Receivables (net of allowance for uncollectibles):	
Accounts receivable	61,571
Due from other governmental units	1,447,379
Prepaid items	390,923
Total assets	<u>\$ 8,929,653</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 643,517
Salaries payable	4,056,289
Due to primary government	139,332
Total liabilities	<u>\$ 4,839,138</u>
Fund balances:	
Nonspendable	
Prepaid items	\$ 390,923
Restricted	
School cafeterias	163,355
Unassigned	3,536,237
Total fund balances	<u>\$ 4,090,515</u>
Total liabilities and fund balances	<u>\$ 8,929,653</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 4,090,515
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,934,202
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,444,877)
Net assets of governmental activities	<u>\$ 23,579,840</u>

County of Botetourt, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	<u>Total Governmental Funds</u>
REVENUES	
Revenue from the use of money and property	\$ 129,987
Charges for services	1,603,066
Miscellaneous	279,424
Recovered costs	155,433
Intergovernmental revenues:	
Local government	20,565,696
Commonwealth	23,736,932
Federal	3,953,701
Total revenues	<u>\$ 50,424,239</u>
EXPENDITURES	
Current:	
Education	\$ 50,227,549
Total expenditures	<u>\$ 50,227,549</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 196,690</u>
Net change in fund balances	\$ 196,690
Fund balances - beginning	3,893,825
Fund balances - ending	<u>\$ 4,090,515</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ 196,690
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	(258,664)
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.	(130,136)
Change in net assets of governmental activities	<u>\$ (192,110)</u>

County of Botetourt, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2012

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 121,000	\$ 121,000	\$ 129,987	\$ 8,987
Charges for services	1,896,827	1,896,827	1,603,066	(293,761)
Miscellaneous	159,000	159,000	279,424	120,424
Recovered costs	55,000	55,000	155,433	100,433
Intergovernmental revenues:				
Local government	20,428,794	20,566,144	20,565,696	(448)
Commonwealth	23,149,575	23,149,575	23,736,932	587,357
Federal	4,002,470	4,002,470	3,953,701	(48,769)
Total revenues	<u>\$ 49,812,666</u>	<u>\$ 49,950,016</u>	<u>\$ 50,424,239</u>	<u>\$ 474,223</u>
EXPENDITURES				
Current:				
Education	\$ 50,708,046	\$ 50,708,046	\$ 50,227,549	\$ 480,497
Total expenditures	<u>\$ 50,708,046</u>	<u>\$ 50,708,046</u>	<u>\$ 50,227,549</u>	<u>\$ 480,497</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (895,380)</u>	<u>\$ (758,030)</u>	<u>\$ 196,690</u>	<u>\$ 954,720</u>
Net change in fund balances	\$ (895,380)	\$ (758,030)	\$ 196,690	\$ 954,720
Fund balances - beginning	895,380	895,380	3,893,825	2,998,445
Fund balances - ending	<u>\$ -</u>	<u>\$ 137,350</u>	<u>\$ 4,090,515</u>	<u>\$ 3,953,165</u>

Supporting Schedules

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 20,187,500	\$ 20,127,079	\$ 20,929,760	\$ 802,681
Real and personal public service corporation taxes	1,297,500	1,297,500	1,264,781	(32,719)
Personal property taxes	4,310,000	4,310,000	4,168,754	(141,246)
Mobile home taxes	44,000	44,000	43,268	(732)
Machinery and tools taxes	3,606,000	3,606,000	3,159,831	(446,169)
Penalties	150,000	150,000	155,396	5,396
Interest	90,000	90,000	93,160	3,160
Total general property taxes	<u>\$ 29,685,000</u>	<u>\$ 29,624,579</u>	<u>\$ 29,814,950</u>	<u>\$ 190,371</u>
Other local taxes:				
Local sales and use taxes	\$ 2,150,000	\$ 2,150,000	\$ 2,164,312	\$ 14,312
Consumers' utility taxes	550,000	550,000	552,334	2,334
Local consumption tax	152,000	152,000	143,096	(8,904)
E-911 telephone taxes	55,000	55,000	59,415	4,415
Business license taxes	844,000	844,000	829,929	(14,071)
Franchise license tax	60,000	60,000	111,251	51,251
Motor vehicle licenses	670,000	670,000	647,083	(22,917)
Bank stock taxes	120,000	120,000	77,933	(42,067)
Taxes on recordation and wills	308,000	308,000	256,065	(51,935)
Hotel and motel room taxes	300,000	300,000	298,839	(1,161)
Restaurant food taxes	1,150,000	1,150,000	1,142,513	(7,487)
Total other local taxes	<u>\$ 6,359,000</u>	<u>\$ 6,359,000</u>	<u>\$ 6,282,770</u>	<u>\$ (76,230)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 26,000	\$ 26,000	\$ 25,168	\$ (832)
Land use application fees	2,000	2,000	669	(1,331)
Transfer fees	1,250	1,250	888	(362)
Building permits and other licenses	211,875	211,875	137,396	(74,479)
Zoning fees	22,000	22,000	10,119	(11,881)
Total permits, privilege fees, and regulatory licenses	<u>\$ 263,125</u>	<u>\$ 263,125</u>	<u>\$ 174,240</u>	<u>\$ (88,885)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 105,200	\$ 105,200	\$ 154,048	\$ 48,848
Total fines and forfeitures	<u>\$ 105,200</u>	<u>\$ 105,200</u>	<u>\$ 154,048</u>	<u>\$ 48,848</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 385,250	\$ 385,250	\$ 221,405	\$ (163,845)
Revenue from use of property	333,500	333,500	426,072	92,572
Total revenue from use of money and property	<u>\$ 718,750</u>	<u>\$ 718,750</u>	<u>\$ 647,477</u>	<u>\$ (71,273)</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Excess fees of clerk	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Charges for law enforcement and traffic control	47,769	47,769	47,243	(526)
Charges for courthouse maintenance	20,000	20,000	22,105	2,105
Charges for courtroom security	100,000	100,000	114,896	14,896
Court appointed attorneys	-	-	20,912	20,912
Miscellaneous jail and inmate fees	21,750	21,750	29,068	7,318
Jail processing fees	5,000	5,000	4,540	(460)
Charges for Commonwealth's Attorney	81,500	81,500	43,151	(38,349)
Charges for board and care of animals	6,000	6,000	4,830	(1,170)
Charges for sanitation and waste removal	180,000	180,000	138,541	(41,459)
Charges for parks and recreation	140,000	140,000	158,770	18,770
Charges for engineering reviews	3,000	3,000	2,655	(345)
Other charges for services	500	500	308	(192)
Charges for law library	-	-	4,595	4,595
Charges for library	25,000	25,000	24,815	(185)
Total charges for services	<u>\$ 635,519</u>	<u>\$ 635,519</u>	<u>\$ 616,429</u>	<u>\$ (19,090)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 1,000	\$ 1,000	\$ 142,992	\$ 141,992
Sale of salvage	3,500	3,500	5,267	1,767
Revenue sharing payments	44,400	44,400	44,720	320
Telephone commissions	24,000	24,000	25,491	1,491
Donations	4,250	4,250	16,545	12,295
Total miscellaneous revenue	<u>\$ 77,150</u>	<u>\$ 77,150</u>	<u>\$ 235,015</u>	<u>\$ 157,865</u>
Recovered costs:				
Local jails	\$ 186,000	\$ 186,000	\$ 262,552	\$ 76,552
ES cost recoveries	940,000	940,000	928,782	(11,218)
Regional jail	104,416	104,416	104,416	-
Medical co-pay	8,000	8,000	8,938	938
CSA refunds	50,000	50,000	35,397	(14,603)
Social services refunds	5,000	5,000	1,009	(3,991)
Other recovered costs	194,000	172,325	316,027	143,702
Total recovered costs	<u>\$ 1,487,416</u>	<u>\$ 1,465,741</u>	<u>\$ 1,657,121</u>	<u>\$ 191,380</u>
Total revenue from local sources	<u>\$ 39,331,160</u>	<u>\$ 39,249,064</u>	<u>\$ 39,582,050</u>	<u>\$ 332,986</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling Stock Tax	\$ 159,000	\$ 159,000	\$ 152,604	\$ (6,396)
Communications sales and use taxes	745,000	745,000	730,194	(14,806)
Motor vehicle carriers' tax	3,000	3,000	4,521	1,521
Mobile home titling tax	35,000	35,000	20,044	(14,956)
Grantor's tax	190,000	190,000	149,268	(40,732)
Personal property tax relief funds	3,418,137	3,418,137	3,418,137	-
Total noncategorical aid	<u>\$ 4,550,137</u>	<u>\$ 4,550,137</u>	<u>\$ 4,474,768</u>	<u>\$ (75,369)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 384,000	\$ 384,000	\$ 383,438	\$ (562)
Sheriff	3,192,000	3,192,000	3,238,432	46,432
Commissioner of revenue	104,000	104,000	104,388	388
Treasurer	107,000	107,000	103,349	(3,651)
Registrar/electoral board	50,000	50,000	41,425	(8,575)
Clerk of the Circuit Court	288,000	288,000	302,196	14,196
Reduction in State Aid	(289,533)	(289,533)	(289,533)	-
Total shared expenses	<u>\$ 3,835,467</u>	<u>\$ 3,835,467</u>	<u>\$ 3,883,695</u>	<u>\$ 48,228</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 495,000	\$ 495,000	\$ 421,450	\$ (73,550)
Comprehensive services act	807,997	807,997	706,105	(101,892)
Emergency medical services	100,000	100,000	120,308	20,308
Library grant	145,000	145,000	145,017	17
Property seizure	-	-	1,920	1,920
Governors opportunity funds	-	100,000	100,000	-
VJCCA grant	13,000	13,000	13,138	138
Bulletproof vest program	800	800	-	(800)
Fire program	75,000	75,000	88,467	13,467
Other categorical aid	5,150	5,150	6,901	1,751
Total other categorical aid	<u>\$ 1,641,947</u>	<u>\$ 1,741,947</u>	<u>\$ 1,603,306</u>	<u>\$ (138,641)</u>
Total categorical aid	<u>\$ 5,477,414</u>	<u>\$ 5,577,414</u>	<u>\$ 5,487,001</u>	<u>\$ (90,413)</u>
Total revenue from the Commonwealth	<u>\$ 10,027,551</u>	<u>\$ 10,127,551</u>	<u>\$ 9,961,769</u>	<u>\$ (165,782)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 119,500	\$ 119,500	\$ 145,040	\$ 25,540

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid:				
Public assistance and welfare administration	\$ 780,000	\$ 780,000	\$ 731,514	\$ (48,486)
DMME grant	-	-	119,281	119,281
Firefighting assistance grant	425,000	425,000	485,228	60,228
State and community highway safety	9,000	9,000	25,825	16,825
Total categorical aid	<u>\$ 1,214,000</u>	<u>\$ 1,214,000</u>	<u>\$ 1,361,848</u>	<u>\$ 147,848</u>
Total revenue from the federal government	<u>\$ 1,333,500</u>	<u>\$ 1,333,500</u>	<u>\$ 1,506,888</u>	<u>\$ 173,388</u>
Total General Fund	<u>\$ 50,692,211</u>	<u>\$ 50,710,115</u>	<u>\$ 51,050,707</u>	<u>\$ 340,592</u>
Total Primary Government	<u>\$ 50,692,211</u>	<u>\$ 50,710,115</u>	<u>\$ 51,050,707</u>	<u>\$ 340,592</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,000	\$ 1,000	\$ 14,141	\$ 13,141
Revenue from the use of property	120,000	120,000	115,846	(4,154)
Total revenue from use of money and property	<u>\$ 121,000</u>	<u>\$ 121,000</u>	<u>\$ 129,987</u>	<u>\$ 8,987</u>
Charges for services:				
Cafeteria sales	\$ 1,691,327	\$ 1,691,327	\$ 1,311,846	\$ (379,481)
Transportation of pupils	32,000	32,000	49,535	17,535
Tuition and payments from other divisions	173,500	173,500	241,685	68,185
Total charges for services	<u>\$ 1,896,827</u>	<u>\$ 1,896,827</u>	<u>\$ 1,603,066</u>	<u>\$ (293,761)</u>
Miscellaneous revenue:				
Donations	\$ -	\$ -	\$ 1,250	\$ 1,250
Other miscellaneous	159,000	159,000	278,174	119,174
Total miscellaneous revenue	<u>\$ 159,000</u>	<u>\$ 159,000</u>	<u>\$ 279,424</u>	<u>\$ 120,424</u>
Recovered costs:				
Other recovered costs	55,000	55,000	155,433	100,433
Total recovered costs	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 155,433</u>	<u>\$ 100,433</u>
Total revenue from local sources	<u>\$ 2,231,827</u>	<u>\$ 2,231,827</u>	<u>\$ 2,167,910</u>	<u>\$ (63,917)</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Botetourt, Virginia	\$ 20,428,794	20,566,144	\$ 20,565,696	\$ (448)
Total revenues from local governments	\$ 20,428,794	\$ 20,566,144	\$ 20,565,696	\$ (448)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,115,780	\$ 5,115,780	\$ 5,135,012	\$ 19,232
Basic school aid	12,897,072	12,897,072	13,151,423	254,351
Remedial summer education	29,226	29,226	26,043	(3,183)
Regular foster care	2,636	2,636	37,570	34,934
Adult secondary education	7,859	7,859	7,859	-
Gifted and talented	139,312	139,312	141,699	2,387
Remedial education	114,545	114,545	116,508	1,963
School construction	-	-	408,155	408,155
School food	32,096	32,096	31,876	(220)
Special education	1,597,443	1,597,443	1,624,812	27,369
Textbook payment	125,567	125,567	127,718	2,151
Standards of Learning algebra readiness	19,674	19,674	17,755	(1,919)
Vocational education SOQ payments	489,140	489,140	497,520	8,380
Social security fringe benefits	795,626	795,626	809,257	13,631
Share of fringe benefits	721,326	721,326	733,684	12,358
Group life insurance instructional	27,862	27,862	28,340	478
Early reading intervention	47,992	47,992	34,554	(13,438)
Homebound education	33,136	33,136	44,419	11,283
Vocational education	52,708	52,708	63,248	10,540
Salary supplement	47,000	47,000	27,500	(19,500)
Special education - foster children	91,412	91,412	63,876	(27,536)
Special education - regional programs	188,049	188,049	101,358	(86,691)
Industry certification	-	-	7,821	7,821
At risk payments	47,135	47,135	48,001	866
Mentor teacher program	3,771	3,771	3,377	(394)
Technology	336,000	336,000	336,000	-
State revenue	98,560	98,560	-	(98,560)
At risk four-year olds	78,560	78,560	98,561	20,001
English as a second language	10,088	10,088	12,871	2,783
Other state funds	-	-	115	115
Total categorical aid	\$ 23,149,575	\$ 23,149,575	\$ 23,736,932	\$ 587,357
Total revenue from the Commonwealth	\$ 23,149,575	\$ 23,149,575	\$ 23,736,932	\$ 587,357

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
School breakfast program	\$ 89,250	\$ 89,250	\$ 69,784	\$ (19,466)
School lunch program	351,944	351,944	535,961	184,017
School food distribution	-	-	101,805	101,805
Title V - Part A	17,000	17,000	3,279	(13,721)
State fiscal stabilization program	500,000	500,000	-	(500,000)
Title I	480,000	480,000	446,887	(33,113)
Language acquisition	5,000	5,000	1,937	(3,063)
Title VI-B, Special education flow-through	1,848,003	1,848,003	1,592,100	(255,903)
Vocational education	50,000	50,000	53,931	3,931
Title VI-B, Special education pre-school	27,482	27,482	41,612	14,130
Title II	10,000	10,000	-	(10,000)
Adult basic education	17,500	17,500	75,380	57,880
Federal land use	50,000	50,000	55,577	5,577
Education jobs	403,291	403,291	921,796	518,505
Improving teacher quality	153,000	153,000	53,652	(99,348)
Total categorical aid	<u>\$ 4,002,470</u>	<u>\$ 4,002,470</u>	<u>\$ 3,953,701</u>	<u>\$ (48,769)</u>
Total revenue from the federal government	<u>\$ 4,002,470</u>	<u>\$ 4,002,470</u>	<u>\$ 3,953,701</u>	<u>\$ (48,769)</u>
Total School Operating Fund	<u>\$ 49,812,666</u>	<u>\$ 49,950,016</u>	<u>\$ 50,424,239</u>	<u>\$ 474,223</u>
Total Discretely Presented Component Unit - Total Component-Unit School Board	<u>\$ 49,812,666</u>	<u>\$ 49,950,016</u>	<u>\$ 50,424,239</u>	<u>\$ 474,223</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 231,866	\$ 266,975	\$ 266,975	\$ -
General and financial administration:				
County administrator	\$ 368,341	\$ 377,522	\$ 352,379	\$ 25,143
Deputy administrators	344,638	347,141	342,948	4,193
Central garage	60,565	62,100	61,728	372
Commissioner of revenue	352,785	361,973	349,845	12,128
Central purchasing	94,770	97,797	90,198	7,599
Treasurer	407,428	418,987	410,205	8,782
Management information systems	710,348	728,943	695,075	33,868
Financial services	335,948	322,493	321,662	831
Total general and financial administration	<u>\$ 2,674,823</u>	<u>\$ 2,716,956</u>	<u>\$ 2,624,040</u>	<u>\$ 92,916</u>
Board of elections:				
Electoral board/registrar	\$ 271,394	\$ 303,108	\$ 272,746	\$ 30,362
Total general government administration	<u>\$ 3,178,083</u>	<u>\$ 3,287,039</u>	<u>\$ 3,163,761</u>	<u>\$ 123,278</u>
Judicial administration:				
Courts:				
Circuit court	\$ 59,051	\$ 60,585	\$ 58,308	\$ 2,277
General district court	32,408	32,409	28,738	3,671
Magistrate	625	625	465	160
Clerk of the circuit court	565,259	593,001	560,240	32,761
Total courts	<u>\$ 657,343</u>	<u>\$ 686,620</u>	<u>\$ 647,751</u>	<u>\$ 38,869</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 653,920	\$ 664,673	\$ 630,073	\$ 34,600
Total commonwealth's attorney	<u>\$ 653,920</u>	<u>\$ 664,673</u>	<u>\$ 630,073</u>	<u>\$ 34,600</u>
Total judicial administration	<u>\$ 1,311,263</u>	<u>\$ 1,351,293</u>	<u>\$ 1,277,824</u>	<u>\$ 73,469</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,043,213	\$ 4,279,204	\$ 4,207,152	\$ 72,052
Total law enforcement and traffic control	<u>\$ 4,043,213</u>	<u>\$ 4,279,204</u>	<u>\$ 4,207,152</u>	<u>\$ 72,052</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire departments and rescue squads	\$ 1,550,944	\$ 1,702,427	\$ 1,591,682	\$ 110,745
Emergency communications	208,979	309,049	255,731	53,318
Western Virginia EMS	6,722	6,722	6,722	-
Total fire and rescue services	<u>\$ 1,766,645</u>	<u>\$ 2,018,198</u>	<u>\$ 1,854,135</u>	<u>\$ 164,063</u>
Correction and detention:				
County operated institutions - jail	\$ 3,433,581	\$ 3,492,233	\$ 3,284,441	\$ 207,792
Probation office	23,250	36,388	19,796	16,592
Total correction and detention	<u>\$ 3,456,831</u>	<u>\$ 3,528,621</u>	<u>\$ 3,304,237</u>	<u>\$ 224,384</u>
Development services:				
Building, planning, zoning and engineering	\$ 655,836	\$ 668,013	\$ 613,897	\$ 54,116
Total inspections	<u>\$ 655,836</u>	<u>\$ 668,013</u>	<u>\$ 613,897</u>	<u>\$ 54,116</u>
Other protection:				
Animal control	\$ 438,253	\$ 417,233	\$ 396,348	\$ 20,885
Emergency services	2,396,897	2,497,749	2,392,987	104,762
Dispatch	705,073	721,969	678,989	42,980
Total other protection	<u>\$ 3,540,223</u>	<u>\$ 3,636,951</u>	<u>\$ 3,468,324</u>	<u>\$ 168,627</u>
Total public safety	<u>\$ 13,462,748</u>	<u>\$ 14,130,987</u>	<u>\$ 13,447,745</u>	<u>\$ 683,242</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 566,196	\$ 655,918	\$ 610,392	\$ 45,526
Public works	298,753	541,151	466,692	74,459
Total sanitation and waste removal	<u>\$ 864,949</u>	<u>\$ 1,197,069</u>	<u>\$ 1,077,084</u>	<u>\$ 119,985</u>
Maintenance of general buildings and grounds:				
General properties	\$ 624,564	\$ 650,155	\$ 650,155	\$ -
Total maintenance of general buildings and grounds	<u>\$ 624,564</u>	<u>\$ 650,155</u>	<u>\$ 650,155</u>	<u>\$ -</u>
Total public works	<u>\$ 1,489,513</u>	<u>\$ 1,847,224</u>	<u>\$ 1,727,239</u>	<u>\$ 119,985</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 329,252	\$ 329,252	\$ 329,252	\$ -
Total health	<u>\$ 329,252</u>	<u>\$ 329,252</u>	<u>\$ 329,252</u>	<u>\$ -</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Mental health contribution	\$ 38,743	\$ 38,743	\$ 38,743	\$ -
Welfare:				
Welfare administration and programs	\$ 1,670,652	1,670,652	\$ 1,355,825	\$ 314,827
Comprehensive services act	1,274,193	1,335,727	1,285,770	49,957
Senior van program	73,431	79,905	79,898	7
Resource center	6,750	6,750	6,750	-
Tax relief for the elderly	335,000	335,000	334,054	946
Other welfare programs	41,696	41,696	41,696	-
Total welfare	\$ 3,401,722	\$ 3,469,730	\$ 3,103,993	\$ 365,737
Total health and welfare	\$ 3,769,717	\$ 3,837,725	\$ 3,471,988	\$ 365,737
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 12,258	\$ 12,258	\$ 12,258	\$ -
Contribution to County School Board	20,428,794	20,566,144	20,565,696	448
Total education	\$ 20,441,052	\$ 20,578,402	\$ 20,577,954	\$ 448
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 1,181,739	\$ 1,271,705	\$ 1,271,127	\$ 578
Sports Complex	371,236	412,103	412,013	90
Tourism	165,260	193,955	177,136	16,819
Total parks and recreation	\$ 1,718,235	\$ 1,877,763	\$ 1,860,276	\$ 17,487
Cultural enrichment:				
Contributions to cultural organizations	\$ 72,612	\$ 77,612	\$ 77,612	\$ -
Greenfield Historical Resources	50,000	50,000	-	50,000
Total cultural enrichment	\$ 122,612	\$ 127,612	\$ 77,612	\$ 50,000
Library:				
Library expenses	\$ 972,890	\$ 993,139	\$ 970,113	\$ 23,026
Total library	\$ 972,890	\$ 993,139	\$ 970,113	\$ 23,026
Total parks, recreation, and cultural	\$ 2,813,737	\$ 2,998,514	\$ 2,908,001	\$ 90,513

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning commission	\$ 24,707	\$ 24,707	\$ 24,707	\$ -
Industrial development	80,475	80,475	80,475	-
Governor's Opportunity Funds	-	100,000	100,000	-
Total planning and community development	<u>\$ 105,182</u>	<u>\$ 205,182</u>	<u>\$ 205,182</u>	<u>\$ -</u>
Environmental management:				
Other environmental management	\$ 23,135	\$ 23,135	\$ 23,135	\$ -
Cooperative extension program:				
Extension office	\$ 82,366	\$ 82,367	\$ 60,738	\$ 21,629
Total community development	<u>\$ 210,683</u>	<u>\$ 310,684</u>	<u>\$ 289,055</u>	<u>\$ 21,629</u>
Capital projects:				
Tower site batteries	\$ -	\$ 21,000	\$ 21,000	\$ -
ADA Compliance	15,000	15,000	-	15,000
Buchanan Park	80,000	137,000	32,090	104,910
Emergency services backup system	44,000	44,000	44,000	-
Industrial site development	125,000	388,817	164,729	224,088
Total capital projects	<u>\$ 264,000</u>	<u>\$ 605,817</u>	<u>\$ 261,819</u>	<u>\$ 343,998</u>
Debt service:				
Principal retirement	\$ 2,865,449	\$ 2,865,449	\$ 2,838,515	\$ 26,934
Interest and other fiscal charges	1,799,409	1,799,409	1,799,409	-
Total debt service	<u>\$ 4,664,858</u>	<u>\$ 4,664,858</u>	<u>\$ 4,637,924</u>	<u>\$ 26,934</u>
Total General Fund	<u>\$ 51,605,654</u>	<u>\$ 53,612,543</u>	<u>\$ 51,763,310</u>	<u>\$ 1,849,233</u>
Total Primary Government	<u>\$ 51,605,654</u>	<u>\$ 53,612,543</u>	<u>\$ 51,763,310</u>	<u>\$ 1,849,233</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 1,751,679	\$ 1,751,679	\$ 2,031,017	\$ (279,338)
Instruction costs:				
Instructional costs	\$ 36,711,162	\$ 36,711,162	\$ 35,488,620	\$ 1,222,542
Operating costs:				
Pupil transportation	\$ 3,100,236	\$ 3,100,236	\$ 3,283,794	\$ (183,558)
Operation and maintenance of school plant	4,661,662	4,661,662	4,258,744	402,918
School food service	2,180,617	2,180,617	2,093,943	86,674
Facilities	500,000	500,000	908,519	(408,519)
Technology	1,802,690	1,802,690	2,162,912	(360,222)
Total operating costs	<u>\$ 12,245,205</u>	<u>\$ 12,245,205</u>	<u>\$ 12,707,912</u>	<u>\$ (462,707)</u>
Total education	<u>\$ 50,708,046</u>	<u>\$ 50,708,046</u>	<u>\$ 50,227,549</u>	<u>\$ 480,497</u>
Total School Operating Fund	<u>\$ 50,708,046</u>	<u>\$ 50,708,046</u>	<u>\$ 50,227,549</u>	<u>\$ 480,497</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 50,708,046</u>	<u>\$ 50,708,046</u>	<u>\$ 50,227,549</u>	<u>\$ 480,497</u>

Note: Appropriations to the School Board are enforced at the fund level only.

STATISTICAL SECTION

Statistical Section

<u>Contents</u>	<u>Tables</u>
Financial Trends These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.	1 - 6
Revenue Capacity These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	7 - 10
Debt Capacity These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	11 - 15
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	16
Operating Information These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.	17 - 20

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

Table 1

COUNTY OF BOTETOURT, VIRGINIA

Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 12,904,146	\$ 13,639,757	\$ 15,807,067	\$ 18,352,750	\$ 23,967,351	\$ 30,444,399	\$ 33,178,862	\$ 34,195,468	\$ 34,962,435	\$ 35,235,486
Restricted	118,523	144,886	116,975	676,265	666,969	243,247	260,324	184,574	198,529	186,710
Unrestricted	3,966,387	6,651,305	10,173,008	18,758,845	20,068,496	17,062,750	10,303,045	9,116,696	10,975,733	10,754,235
Total governmental activities net assets	\$ 16,989,056	\$ 20,435,948	\$ 26,097,050	\$ 37,787,860	\$ 44,702,816	\$ 47,750,396	\$ 43,742,231	\$ 43,496,738	\$ 46,136,697	\$ 46,176,431
Business-type activities										
Invested in capital assets, net of related debt	\$ 7,853,689	\$ 7,519,539	\$ 8,841,644	\$ 8,909,696	\$ 10,031,502	\$ 10,207,082	\$ 10,102,393	\$ 9,954,091	\$ 10,019,461	\$ 10,284,457
Unrestricted	1,393,862	2,035,410	1,340,450	1,401,069	286,498	888,109	2,022,825	2,354,249	2,511,990	2,615,419
Total business-type activities net assets	\$ 9,247,551	\$ 9,554,949	\$ 10,182,094	\$ 10,310,765	\$ 10,327,000	\$ 11,095,191	\$ 12,125,218	\$ 12,308,340	\$ 12,531,451	\$ 12,899,876
Primary government										
Invested in capital assets, net of related debt	\$ 20,757,835	\$ 21,159,296	\$ 24,648,711	\$ 27,262,446	\$ 33,998,853	\$ 40,651,481	\$ 43,281,255	\$ 44,149,559	\$ 44,981,896	\$ 45,519,943
Restricted	118,523	144,886	116,975	676,265	666,969	243,247	260,324	184,574	198,529	186,710
Unrestricted	5,360,249	8,686,715	11,513,458	20,159,914	20,363,994	17,950,859	12,325,870	11,470,945	13,487,723	13,369,654
Total primary government net assets	\$ 26,236,607	\$ 29,990,897	\$ 36,279,144	\$ 48,098,625	\$ 55,029,816	\$ 58,845,587	\$ 55,867,449	\$ 55,805,078	\$ 58,668,148	\$ 59,076,307

Source: County financial reports

COUNTY OF BOTETOURT, VIRGINIA
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 2,012,402	\$ 2,230,461	\$ 2,396,259	\$ 2,623,963	\$ 2,474,879	\$ 2,425,324	\$ 2,882,831	\$ 3,330,864	\$ 3,017,197	\$ 3,009,226
Judicial administration	606,205	850,225	898,610	1,007,505	1,247,810	1,315,699	1,307,844	1,289,818	1,251,798	1,284,630
Public safety	6,460,243	6,800,812	7,214,325	7,541,698	9,005,396	11,408,457	11,875,621	12,060,957	11,119,800	12,689,537
Public works	2,196,276	1,634,166	1,087,788	(342,596)	2,094,816	1,645,071	3,469,969	1,026,920	1,902,510	1,709,623
Health and welfare	2,550,130	2,964,611	3,089,866	3,078,876	3,155,210	3,522,298	3,359,650	3,717,605	3,572,226	3,427,728
Education	16,779,701	17,511,696	17,079,188	19,280,972	19,101,380	20,230,768	23,154,154	20,616,634	22,116,884	21,703,533
Parks, recreation and cultural	1,324,480	1,349,839	1,708,618	1,756,571	2,172,778	2,801,151	2,932,681	3,120,867	3,266,210	3,193,686
Community development	466,355	802,821	1,022,648	564,789	582,609	2,012,043	1,323,106	672,942	581,692	533,841
Interest on long-term debt	1,075,768	1,014,329	949,361	1,081,456	2,712,171	2,566,987	2,127,418	1,978,620	1,763,356	1,817,327
Total governmental activities expenses	\$ 33,471,560	\$ 35,158,960	\$ 35,446,641	\$ 36,593,234	\$ 42,547,049	\$ 47,927,798	\$ 52,433,274	\$ 47,815,227	\$ 48,591,673	\$ 49,369,131
Business-type activities:										
Water	\$ 1,691,872	\$ 1,490,662	\$ 1,524,165	\$ 2,035,296	\$ 2,095,311	\$ 2,382,201	\$ 2,705,663	\$ 2,822,893	\$ 2,616,243	\$ 2,669,747
Total primary government expenses	\$ 35,163,432	\$ 36,649,622	\$ 36,970,806	\$ 38,628,530	\$ 44,642,360	\$ 50,309,999	\$ 55,138,937	\$ 50,638,120	\$ 51,207,916	\$ 52,038,878
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 801	\$ 10,104	\$ -	\$ 2,220	\$ 1,090	\$ 1,202	\$ 606	\$ 492	\$ 1,148	\$ 308
Judicial administration	209,353	336,028	222,281	337,141	304,025	293,937	79,072	154,962	183,408	223,594
Public safety	111,999	687,202	574,937	624,263	541,492	584,434	542,087	482,721	396,503	395,365
Public works	763,073	670,364	874,485	853,104	1,255,980	936,821	176,935	168,841	174,421	141,865
Parks, recreation and cultural	16,524	9,007	28,141	30,786	61,788	130,073	149,235	164,399	163,473	183,585
Community development	-	-	-	-	39,582	-	-	-	-	-
Operating grants and contributions	4,485,440	4,844,407	5,527,195	5,884,760	5,813,858	6,004,623	7,900,796	6,843,667	6,943,118	6,848,949
Capital grants and contributions	-	-	825,621	5,341,327	833,052	3,141,221	-	-	-	-
Total governmental activities program revenues	\$ 5,587,190	\$ 6,557,112	\$ 8,052,660	\$ 13,073,601	\$ 8,850,867	\$ 11,892,311	\$ 8,848,731	\$ 7,795,082	\$ 7,862,071	\$ 7,793,566
Business-type activities:										
Charges for services:										
Water	\$ 1,299,743	\$ 1,918,042	\$ 1,844,364	\$ 1,903,624	\$ 1,965,855	\$ 2,788,894	\$ 2,703,870	\$ 2,971,193	\$ 2,826,574	\$ 3,019,701
Operating grants and contributions	-	123,452	-	-	14,270	-	-	-	-	-
Capital grants and contributions	-	-	242,320	184,415	-	-	97,975	25,000	-	-
Total business-type activities program revenues	\$ 1,299,743	\$ 2,041,494	\$ 2,086,684	\$ 2,088,039	\$ 1,980,125	\$ 2,788,894	\$ 2,801,845	\$ 2,996,193	\$ 2,826,574	\$ 3,019,701
Total primary government program revenues	\$ 6,886,933	\$ 8,598,606	\$ 10,139,344	\$ 15,161,640	\$ 10,830,992	\$ 14,681,205	\$ 11,650,576	\$ 10,791,275	\$ 10,688,645	\$ 10,813,267

COUNTY OF BOTETOURT, VIRGINIA
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense) / revenue										
Governmental activities	\$ (27,884,370)	\$ (28,601,848)	\$ (27,393,981)	\$ (23,519,633)	\$ (33,696,182)	\$ (36,035,487)	\$ (43,584,543)	\$ (40,020,145)	\$ (40,729,602)	\$ (41,575,565)
Business-type activities	(392,129)	550,832	562,519	52,743	(115,198)	406,693	96,182	173,300	210,331	349,954
Total primary government net expense	\$ (28,276,499)	\$ (28,051,016)	\$ (26,831,462)	\$ (23,466,890)	\$ (33,811,380)	\$ (35,628,794)	\$ (43,488,361)	\$ (39,846,845)	\$ (40,519,271)	\$ (41,225,611)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 21,118,883	\$ 21,511,158	\$ 21,959,684	\$ 22,943,504	\$ 26,540,984	\$ 27,293,853	\$ 28,666,285	\$ 28,295,560	\$ 30,227,710	\$ 29,822,572
Local sales and use taxes	1,627,979	1,902,149	1,907,016	2,043,136	2,120,627	2,102,537	1,930,445	1,873,975	2,028,548	2,164,312
Taxes on recordation and wills	226,569	289,075	345,583	610,881	453,586	405,937	296,613	285,530	263,973	256,065
Motor vehicle licenses taxes	654,769	672,656	694,280	715,817	718,797	25,815	587,147	627,860	632,926	647,083
Consumer utility taxes	496,838	722,673	1,097,302	1,114,597	946,172	694,547	694,849	694,260	699,959	695,430
Business licenses taxes	479,334	591,582	717,265	761,213	780,498	828,183	788,003	779,757	745,256	829,929
Other local taxes	2,004,431	1,743,015	1,648,434	1,829,180	2,133,704	2,437,859	2,329,120	1,537,984	1,703,421	1,689,951
Unrestricted grants and contributions	3,598,245	3,815,309	3,684,929	3,330,507	3,990,504	3,679,675	4,007,081	4,652,598	4,509,921	4,619,808
Unrestricted revenues from use of money and property	331,740	270,904	760,822	1,247,708	2,661,235	1,631,765	902,894	660,250	602,854	647,477
Miscellaneous	446,480	283,959	270,663	628,389	334,911	126,545	285,932	366,878	1,948,711	235,015
Transfers	(271,103)	76,302	(30,875)	(14,489)	(69,880)	(343,649)	(911,991)	-	6,282	7,657
Total governmental activities	\$ 30,714,165	\$ 31,860,782	\$ 33,055,083	\$ 35,210,443	\$ 40,611,138	\$ 39,083,067	\$ 39,576,378	\$ 39,774,652	\$ 43,369,561	\$ 41,615,299
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 19,199	\$ 16,950	\$ 33,751	\$ 61,439	\$ 61,541	\$ 17,849	\$ 21,854	\$ 9,822	\$ 19,062	\$ 26,128
Miscellaneous	2,107	5,876	-	-	-	-	-	-	-	-
Transfers	271,103	(76,302)	30,875	14,489	69,880	343,649	911,991	-	(6,282)	(7,657)
Total business-type activities	\$ 292,409	\$ (55,476)	\$ 64,626	\$ 75,928	\$ 131,421	\$ 361,498	\$ 933,845	\$ 9,822	\$ 12,780	\$ 18,471
Total primary government	\$ 31,006,574	\$ 31,805,306	\$ 33,119,709	\$ 35,286,371	\$ 40,742,559	\$ 39,444,565	\$ 40,510,223	\$ 39,784,474	\$ 43,382,341	\$ 41,633,770
Change in Net Assets										
Governmental activities	\$ 2,829,795	\$ 3,258,934	\$ 5,661,102	\$ 11,690,810	\$ 6,914,956	\$ 3,047,580	\$ (4,008,165)	\$ (245,493)	\$ 2,639,959	\$ 39,734
Business-type activities	(99,720)	495,356	627,145	128,671	16,235	768,191	1,030,027	183,122	223,111	368,425
Total primary government	\$ 2,730,075	\$ 3,754,290	\$ 6,288,247	\$ 11,819,481	\$ 6,931,191	\$ 3,815,771	\$ (2,978,138)	\$ (62,371)	\$ 2,863,070	\$ 408,159

Source: County financial reports

Table 3

COUNTY OF BOTETOURT, VIRGINIA
 Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax		Recordation and Wills Tax	Business License Tax	Restaurant Food Tax	Other Local Taxes	Total
				Motor Vehicle License Tax	Motor Vehicle License Tax					
2012	\$ 29,822,572	\$ 2,164,312	\$ 695,430	\$ 647,083	\$ 256,065	\$ 829,929	\$ 1,142,513	\$ 547,438	\$ 36,105,342	
2011	30,227,710	2,028,548	699,959	632,926	263,973	745,256	1,093,240	610,181	36,301,793	
2010	28,295,560	1,873,975	694,260	627,860	285,530	779,757	1,066,328	471,656	34,094,926	
2009	28,666,285	1,930,445	694,849	587,147	296,613	788,003	1,097,813	1,231,307	35,292,462	
2008	27,293,853	2,102,537	694,547	25,815	405,937	828,183	1,078,988	1,358,871	33,788,731	
2007	26,540,984	2,120,627	946,172	718,797	453,586	780,498	1,074,307	1,059,397	33,694,368	
2006	22,943,504	2,043,136	1,114,597	715,817	610,881	761,213	996,577	832,603	30,018,328	
2005	21,959,664	1,907,016	1,097,302	694,280	345,583	717,265	934,270	714,164	28,369,544	
2004	21,511,158	1,902,149	722,673	672,656	269,075	591,582	926,064	816,951	27,412,308	
2003	21,118,883	1,627,979	496,838	654,769	226,569	479,334	813,560	889,137	26,307,069	

Source: County financial reports

Note: The motor vehicle license tax was not collected in FY08, as the County eliminated vehicle decals. The tax will be a fee collected with the personal property taxes due each December.

Table 4

COUNTY OF BOTETOURT, VIRGINIA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Reserved/Restricted	\$ 118,523	\$ 144,886	\$ 116,975	\$ 18,610,318	\$ 4,884,335	\$ 243,247	\$ 260,324	\$ 266,406	\$ 198,529	\$ 186,710
Unreserved/Unassigned	10,429,369	13,076,070	16,199,075	16,603,564	17,669,312	21,465,706	16,164,020	14,054,127	15,900,561	15,545,586
Non-spendable	-	-	-	-	-	-	-	-	117,761	121,510
Total general fund	\$ 10,547,892	\$ 13,220,956	\$ 16,316,050	\$ 35,213,882	\$ 22,553,647	\$ 21,708,953	\$ 16,424,344	\$ 14,320,533	\$ 16,216,851	\$ 15,853,806
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ 13,695,671	\$ 1,441,807	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ -	\$ -	\$ -	\$ 13,695,671	\$ 1,441,807	\$ -	\$ -	\$ -	\$ -	\$ -

Note: The County implemented GASB 54 during the fiscal year ending June 30, 2011. As such, fund balance classifications have changed to include amounts that are restricted assigned, and nonspendable as reported above for years ending on June 30, 2011 and thereafter.

Source: County financial reports

Table 5

COUNTY OF BOTETOURT, VIRGINIA
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
General property taxes	\$ 21,108,596	\$ 21,469,051	\$ 21,996,002	\$ 22,902,166	\$ 26,407,115	\$ 27,365,128	\$ 28,472,840	\$ 28,265,340	\$ 30,156,224	\$ 29,814,950
Other local taxes	5,188,186	5,901,150	6,409,880	7,074,824	7,153,384	6,494,878	6,626,177	5,799,366	6,074,083	6,282,770
Permits, privilege fees and regulatory licenses	301,734	543,063	436,836	537,885	410,932	364,491	259,873	259,962	216,496	174,240
Fines and forfeitures	169,024	170,769	213,182	116,066	132,611	116,316	87,133	91,436	115,006	154,048
Revenue from use of money and property	331,740	270,904	760,822	1,247,708	2,661,235	1,631,765	902,894	660,250	602,854	647,477
Charges for services	932,726	998,873	1,049,826	1,193,560	1,660,415	1,465,660	600,929	600,018	587,451	616,429
Miscellaneous	446,480	309,235	270,663	661,263	334,911	126,545	285,932	366,878	1,948,711	235,015
Recovered costs	309,381	329,355	441,512	1,079,791	1,328,471	1,429,487	1,982,437	1,465,804	1,383,273	1,657,121
Intergovernmental:										
Commonwealth	7,211,333	7,663,789	9,041,764	13,444,276	9,677,832	12,947,156	9,827,831	10,278,579	10,151,813	9,961,769
Federal	872,352	995,927	995,981	1,112,318	959,582	878,363	2,080,046	1,217,686	1,301,226	1,506,888
Total revenues	\$ 36,871,552	\$ 38,652,116	\$ 41,616,468	\$ 49,369,857	\$ 50,726,488	\$ 52,819,789	\$ 51,126,092	\$ 49,005,318	\$ 52,537,137	\$ 51,050,707
Expenditures										
General government administration	\$ 1,889,219	\$ 2,060,828	\$ 2,350,299	\$ 2,591,998	\$ 2,666,089	\$ 2,895,922	\$ 3,133,423	\$ 3,217,633	\$ 2,946,149	\$ 3,163,761
Judicial administration	601,548	843,482	891,129	1,006,931	1,253,243	1,288,367	1,281,196	1,276,576	1,224,399	1,277,824
Public safety	6,691,120	7,003,462	7,382,662	8,198,518	9,814,152	11,782,509	12,709,074	12,621,652	11,570,131	13,447,745
Public works	1,590,427	1,435,431	1,677,815	1,571,094	1,724,833	1,625,801	1,699,314	1,729,418	1,670,355	1,727,239
Health and welfare	2,548,996	2,957,939	3,135,064	3,127,959	3,219,915	3,569,914	3,427,105	3,770,875	3,639,024	3,471,988
Education	15,901,919	16,194,823	16,226,404	18,428,189	18,248,597	19,060,764	21,712,253	19,021,824	20,401,136	20,577,954
Parks, recreation and cultural	1,414,061	1,563,106	1,685,404	1,733,989	2,268,455	2,812,653	2,986,515	2,972,332	2,850,141	2,908,001
Community development	467,517	799,379	1,020,840	731,012	603,682	1,778,813	496,566	625,127	600,861	289,055
Capital projects	744,708	239,276	1,429,944	10,802,412	31,516,911	4,916,928	3,067,114	1,014,166	1,016,336	281,819
Debt service										
Principal	1,905,688	1,905,711	1,891,773	1,898,541	1,898,887	2,377,691	2,762,390	2,798,024	2,784,220	2,838,515
Bond issuance cost	-	-	-	157,398	-	-	-	-	31,266	-
Interest and other fiscal charges	1,113,506	1,050,735	987,125	951,619	2,355,943	2,652,279	2,223,760	2,061,502	1,972,381	1,799,409
Total expenditures	\$ 34,868,709	\$ 36,054,172	\$ 38,678,459	\$ 51,200,660	\$ 75,570,707	\$ 54,762,641	\$ 55,498,710	\$ 51,109,129	\$ 50,706,399	\$ 51,763,310
Excess of revenues over (under) expenditures	\$ 2,002,843	\$ 2,597,944	\$ 2,938,009	\$ (1,830,803)	\$ (24,844,219)	\$ (1,942,852)	\$ (4,372,618)	\$ (2,103,811)	\$ 1,830,738	\$ (712,603)
Other financing sources (uses)										
Transfers in	\$ 250	\$ 175,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,282	\$ 7,657
Transfers out	(271,103)	(99,900)	(30,875)	(14,489)	(69,880)	(343,649)	(911,991)	-	-	-
Proceeds from refunding bonds	-	-	-	-	-	-	-	-	2,074,298	-
Refunded bonds redeemed	-	-	-	-	-	-	-	-	(2,015,000)	-
Proceeds of general obligation bonds	-	-	-	33,460,000	-	-	-	-	-	-
Proceeds of revenue anticipation notes	-	-	825,621	-	-	-	-	-	-	-
Premium on bonds issued	-	-	-	978,795	-	-	-	-	-	-
Sale of land	-	-	-	-	-	-	-	-	-	341,901
Total other financing sources (uses)	\$ 340,747	\$ 75,120	\$ 794,746	\$ 34,424,306	\$ (69,880)	\$ (343,649)	\$ (911,991)	\$ -	\$ 65,580	\$ 349,558
Net change in fund balances	\$ 2,343,590	\$ 2,673,064	\$ 3,732,755	\$ 32,593,503	\$ (24,914,099)	\$ (2,286,501)	\$ (5,284,609)	\$ (2,103,811)	\$ 1,896,318	\$ (363,045)
Debt service as a percentage of noncapital expenditures	8.85%	8.25%	7.73%	7.06%	9.66%	10.18%	9.51%	9.70%	9.57%	9.15%

COUNTY OF BOTETOURT, VIRGINIA
 General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax		Record-ation and Wills Tax	Business License Tax	Other Local Taxes		Total
				License	Tax			Local	Taxes	
2012	\$ 29,814,950	\$ 2,164,312	\$ 552,334	\$ 647,083	\$ 256,065	\$ 829,929	\$ 1,833,047	\$ 36,097,720		
2011	30,156,224	2,028,548	551,977	632,926	263,973	745,256	1,851,403	36,230,307		
2010	28,265,340	1,873,975	549,266	627,860	285,530	779,757	1,682,978	34,064,706		
2009	28,472,840	1,930,445	546,232	587,147	296,613	788,003	2,477,737	35,099,017		
2008	27,365,128	2,102,537	539,236	25,815	405,937	828,183	2,593,170	33,860,006		
2007	26,407,115	2,120,627	787,430	718,797	453,586	780,498	2,292,446	33,560,499		
2006	22,902,166	2,043,136	959,263	715,817	610,881	761,213	1,984,514	29,976,990		
2005	21,996,002	1,907,016	948,046	694,280	345,583	717,265	1,797,690	28,405,882		
2004	21,469,051	1,902,149	722,673	672,656	269,075	591,582	1,743,015	27,370,201		
2003	21,108,596	1,627,979	496,838	654,769	226,569	479,334	1,702,697	26,296,782		

Note: The motor vehicle license tax was not collected in FY08, as the County eliminated vehicle decals. The tax will be a fee collected with the personal property taxes due each December.

Table 7

COUNTY OF BOTETOURT, VIRGINIA

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service	Total Direct Tax Rate	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2012	\$ 3,218,025,862	\$ 310,059,737	\$ 6,997,205	\$ 173,908,916	\$	\$ 194,395,467	\$ 0.870	\$ 3,903,387,187	\$ 3,903,387,187	100.00%
2011	3,235,788,546	300,246,831	7,491,117	194,707,052	n/a	198,118,207	0.852	3,936,351,753	3,936,351,753	100.00%
2010	2,988,312,115	283,659,315	7,399,339	193,749,235	n/a	174,383,239	0.859	3,647,503,243	3,647,503,243	100.00%
2009	2,959,128,712	333,396,867	7,345,446	192,402,843	n/a	163,592,256	0.884	3,655,866,124	3,655,866,124	100.00%
2008	2,895,743,670	308,999,319	7,808,357	172,799,915	n/a	156,941,049	0.872	3,542,292,310	3,542,292,310	100.00%
2007	2,833,082,150	310,621,094	7,700,260	151,870,890	n/a	133,877,838	0.873	3,437,152,232	3,437,152,232	100.00%
2006	2,186,686,112	289,638,810	8,033,414	153,638,605	n/a	135,301,326	0.954	2,773,298,267	2,773,298,267	100.00%
2005	2,139,938,316	256,968,546	8,158,314	146,973,693	n/a	142,625,259	0.936	2,694,664,128	2,694,664,128	100.00%
2004	2,085,489,629	257,232,958	8,321,274	136,994,597	n/a	153,383,435	0.937	2,641,421,893	2,641,421,893	100.00%
2003	2,035,695,125	280,283,007	9,730,292	130,338,657	n/a	160,027,136	0.953	2,616,074,217	2,616,074,217	100.00%

Source: Commissioner of Revenue
Tax rate is per \$100 of assessed value.

Table 8

COUNTY OF BOTETOURT, VIRGINIA
Property Tax Rates (1)
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Years	Direct Rates						Overlapping Rates Town of Buchanan	
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Total Direct Tax Rate	Real Estate	Personal Property
2012	\$ 0.65	2.55	0.65	1.80	n/a	0.870	\$ 0.19	0.32
2011	0.65	2.55	0.65	1.80	n/a	0.852	0.19	0.32
2010	0.65	2.55	0.65	1.80	n/a	0.859	0.19	0.32
2009	0.65	2.55	0.65	1.80	n/a	0.884	0.19	0.32
2008	0.65	2.55	0.65	1.80	n/a	0.872	0.19	0.32
2007	0.65	2.55	0.65	1.80	n/a	0.873	0.19	0.32
2006	0.70	2.55	0.70	1.80	n/a	0.954	0.19	0.32
2005	0.70	2.55	0.70	1.80	n/a	0.936	0.19	0.32
2004	0.70	2.55	0.70	1.80	n/a	0.937	0.19	0.32
2003	0.70	2.55	0.70	1.80	n/a	0.953	0.19	0.32

Source: Commissioner of the Revenue

(1) Per \$100 of assessed value

Total Direct Tax Rate is for County only; information to develop direct rate inclusive of Town was not readily available.

Table 9

COUNTY OF BOTETOURT, VIRGINIA

Principal Property Taxpayers

Current Year and the Period Nine Years Prior

(dollars in millions)

Taxpayer	Type Business	Fiscal Year 2012		Fiscal Year 2013	
		2011 Assessed Valuation	% of Total Assessed Valuation	2012 Assessed Valuation	% of Total Assessed Valuation
American Electric Power	Utility	\$ 83.3	1.96%	\$ 57.7	2.60%
Roanoke Cement	Manufacturing	45.4	1.07%	44.5	2.00%
Ntelos/R&B	Communications	30.5	0.72%	28.8	1.30%
Metalsa Roanoke	Manufacturing	18.2	0.43%	8.9	0.40%
Norfolk Sothorn Railway	Railroad	17.4	0.41%	8.8	0.40%
CSX	Railroad	16.8	0.40%	9.2	0.41%
Roanoke Gas	Utility	14.4	0.34%	10.2	0.46%
Dynax America Corporation	Manufacturing	12.9	0.30%	9.8	0.44%
Lawrence Investments	Transportation / Holdings	12.0	0.28%	3.8	0.17%
Virginia Electric Power	Utility	11.5	0.27%	8.9	0.40%
Totals		\$ 262.4	6.17%	\$ 190.6	8.59%

Source: Commissioner of Revenue

Table 10

COUNTY OF BOTETOURT, VIRGINIA
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ending June 30	Total Tax Levy for Fiscal Year(1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2012	\$ 33,191,396	\$ 32,560,205	98.10%	-	32,560,205	98.098%
2011	33,292,786	32,733,716	98.32%	275,670	33,009,386	99.149%
2010	31,190,720	30,634,370	98.22%	441,035	31,075,405	99.630%
2009	31,895,673	31,340,826	98.26%	492,219	31,833,045	99.804%
2008	30,514,781	30,086,812	98.60%	415,430	30,502,242	99.959%
2007	29,963,032	29,598,026	98.78%	356,737	29,954,763	99.972%
2006	26,371,905	26,079,420	98.89%	290,942	26,370,362	99.994%
2005	25,210,467	24,909,536	98.81%	298,121	25,207,657	99.989%
2004	24,560,744	24,223,585	98.63%	336,110	24,559,695	99.996%
2003	23,952,534	23,606,376	98.55%	345,548	23,951,924	99.997%

1.) Levy and collections include amounts due under the State Personal Property Tax Relief Act.

Source of information: Commissioner of the Revenue's assessment records and the Treasurer's collections records.

Table 11

COUNTY OF BOTETOURT, VIRGINIA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/Bonds	Capital Leases	Revenue Bonds	Capital Leases					
2012	\$ 33,159,310	\$ 5,421,230	\$ -	\$ -	\$ 7,738,675	\$ -	\$ -	46,319,215	3.55%	\$ 1,387	
2011	35,345,895	6,073,160	-	-	7,653,375	-	-	49,072,430	3.78%	1,478	
2010	37,375,656	6,768,321	-	-	7,622,008	-	-	51,765,985	3.89%	1,562	
2009	39,424,338	7,517,663	-	-	8,086,437	-	-	55,028,438	3.93%	1,649	
2008	41,428,198	8,276,193	-	-	8,537,017	-	-	58,241,408	4.31%	1,755	
2007	43,032,759	9,049,323	7,000,000	-	8,901,138	-	-	67,983,220	5.48%	2,081	
2006	45,137,311	9,822,453	6,166,948	-	8,686,912	-	-	69,813,624	5.99%	2,126	
2005	11,823,927	10,595,583	825,621	-	7,986,472	-	-	31,231,603	3.01%	982	
2004	12,942,570	11,368,713	-	-	7,834,606	-	-	32,145,889	3.20%	1,023	
2003	14,075,151	12,141,843	-	-	7,385,311	-	-	33,602,305	3.44%	1,081	

Source: County financial reports

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

(1) See the Schedule of Demographic and Economic Statistics - Table 16

Table 12

COUNTY OF BOTETOURT, VIRGINIA
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2012	\$ 38,580,540	-	\$ 38,580,540	0.99%	\$ 1,155
2011	41,419,055	-	41,419,055	1.05%	1,247
2010	44,143,977	-	44,143,977	1.21%	1,332
2009	46,942,001	-	46,942,001	1.28%	1,407
2008	49,704,391	-	49,704,391	1.40%	1,498
2007	52,082,082	-	52,082,082	1.52%	1,594
2006	54,959,764	-	54,959,764	1.98%	1,673
2005	23,245,131	-	23,245,131	0.86%	731
2004	24,311,283	-	24,311,283	0.92%	774
2003	26,216,994	-	26,216,994	1.00%	844

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 16

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

Source: County financial reports

COUNTY OF BOTETOURT, VIRGINIA
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Town of Troutville	\$ 81,788	100%	\$ 81,788
Subtotal, overlapping debt			<u>\$ 81,788</u>
County of Botetourt, direct debt			<u>\$ 38,580,540</u>
Total direct and overlapping debt			<u><u>\$ 38,662,328</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This table estimates the portion of the outstanding debt of those overlapping government's that is borne by the residents and businesses of the County of Botetourt. This process recognizes that, when considering the County's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Town's taxable assessed value that is within the government's boundaries and dividing it by the Town's total taxable assessed value.

Source: Financial reports of Towns within the County.

Table 14

COUNTY OF BOTETOURT, VIRGINIA
 Legal Debt Margin Information
 Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 261,607,422	\$ 264,142,189	\$ 269,466,413	\$ 277,329,827	\$ 343,715,223	\$ 354,229,231	\$ 365,866,612	\$ 364,750,324	\$ 393,635,175	\$ 390,338,719
Total net debt applicable to limit	26,216,594	24,311,283	23,245,131	54,959,764	52,082,082	49,704,391	46,942,001	44,149,977	41,419,055	38,650,540
Legal debt margin	\$ 235,390,428	\$ 239,830,906	\$ 246,221,282	\$ 222,370,063	\$ 291,633,141	\$ 304,524,840	\$ 318,944,611	\$ 320,606,347	\$ 352,216,120	\$ 351,758,179
Total net debt applicable to the limit as a percentage of debt limit	10.02%	9.20%	8.63%	19.82%	15.15%	14.03%	12.84%	12.10%	10.52%	9.88%

Legal Debt Margin Calculation for Fiscal Year 2012	
Total assessed value	\$ 3,903,387,187
Debt limit (10% of total assessed value)	\$ 390,338,719
Net debt applicable to limit	\$ 38,650,540
Legal debt margin	\$ 351,758,179

Table 15

COUNTY OF BOTETOURT, VIRGINIA

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water/Sewer Revenue Bonds				Special Assessment Bonds			
	Water/Sewer Charges and Other(1)	Less: Operating Expenses	Net Available Revenue	Debt Service	Special Assessment Collections	Principal	Interest	Coverage
			Principal	Interest				
2012	5,590,913	1,595,354	3,995,559	498,158	284,171	n/a	n/a	n/a
2011	5,647,072	1,546,418	4,100,654	478,632	288,574	n/a	n/a	n/a
2010	5,038,229	1,749,040	3,289,189	464,429	295,806	n/a	n/a	n/a
2009	4,623,658	1,637,099	2,986,559	450,580	311,427	n/a	n/a	n/a
2008	3,656,258	1,537,690	2,118,568	437,042	234,817	n/a	n/a	n/a
2007	3,695,574	1,274,548	2,421,026	308,340	297,595	n/a	n/a	n/a
2006	3,686,707	1,165,587	2,521,120	179,807	194,610	n/a	n/a	n/a
2005	4,154,552	658,558	3,495,994	1,014,542	355,444	n/a	n/a	n/a
2004	3,243,629	623,053	2,620,576	309,805	354,306	n/a	n/a	n/a
2003	2,903,111	797,004	2,106,107	253,044	380,907	n/a	n/a	n/a

Note: The County has had no special assessment bonds activity during this period.

1. Other includes cash and cash equivalents and contributions available for funding debt service.

Source: County financial reports

Table 16

COUNTY OF BOTETOURT, VIRGINIA
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2012	33,399	\$ 1,305,901	\$ 39,100	44.9	4,984	5.40%
2011	33,209	1,296,845	39,051	44.9	4,943	5.80%
2010	33,148	1,331,820	40,178	44.9	4,977	6.40%
2009	33,374	1,399,739	41,941	44.8	4,864	5.00%
2008	33,177	1,350,271	40,699	44.8	4,921	2.93%
2007	32,674	1,241,547	37,998	44.8	4,867	2.53%
2006	32,844	1,165,666	35,491	44.8	4,819	2.60%
2005	31,799	1,036,870	32,607	44.8	4,782	3.00%
2004	31,423	1,005,253	31,991	44.0	4,736	2.90%
2003	31,079	976,875	31,432	43.2	4,700	3.40%

Population Source: Weldon Cooper Center (most recent year not available; estimate used)

Income Source: U.S. Bureau of Economic Analysis (most recent year not available)

Median Age figures are estimates using year 2010 (provided by U.S. Census Bureau) as benchmark

School enrollment is derived from March ADM (Average Daily Membership) figures

Unemployment Rate Source: Virginia Employment Commission

Table 17

COUNTY OF BOTETOURT, VIRGINIA
Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2012			Fiscal Year 2003	
	Employees	Rank	% of Total County Employment	Employees	% of Total County Employment
Botetourt County Public Schools	762	1	8.13%	705	8.53%
Dynax America Corporation	492	2	5.25%	250	3.03%
Altec Industries	391	3	4.17%	75	0.91%
Botetourt County Government	271	4	2.89%	194	2.35%
Lanford Brothers	264	5	2.82%	219	2.65%
Metalsa Roanoke	239	6	2.49%	158	1.91%
Lawrence Transportation System	210	7	2.48%	225	2.72%
Arkay Packaging	202	8	2.16%	110	1.33%
Gala Industries	195	9	2.08%	185	2.24%
Pepsi Cola Bottling Company	189	10	2.02%	200	2.42%
Roanoke Cement	174	11	1.86%	204	2.47%
Tread Corporation	158	12	1.69%	80	0.97%
Virginia Truck Center	150	13	1.60%	110	1.33%
nTelos	149	14	1.59%	115	1.39%
Virginia Forge	85	15	0.91%	51	0.62%
Bank of Botetourt	84	16	0.90%	69	0.84%
Loomis Fargo	71	17	0.76%	80	0.97%
Howell's Motor Freight	62	18	0.66%	34	0.41%
Carmeuse Lime & Stone - James River	59	19	0.63%	111	1.34%
Bank of Fincastle	55	20	0.59%	53	0.64%
Totals	4,284		45.73%	3,228	39.07%

Source: Individual companies. Total number employed in County supplied by employers. Estimates used as necessary.

Table 18

COUNTY OF BOTETOURT, VIRGINIA
Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	25	26	26	26	28	29	30	31	31	30
Judicial administration	7	12	12	13	17	17	17	17	16	17
Public safety:	87	87	87	87	103	116	115	108	109	114
Sheriffs department										
Fire & rescue	2	4	5	9	10	14	15	17	25	29
Inspections (Development Services)	6	6	6	6	6	5	5	4	4	8
Animal control	2	2	3	3	3	3	4	4	4	4
GIS / Communications	1	2	2	2	2	2	3	0	0	0
Public works:										
Utilities	7	7	8	8	8	10	11	11	11	12
General maintenance	5	5	5	5	5	6	7	7	7	7
Waste Management	6	6	6	6	5	4	5	4	4	4
Engineering	3	4	4	4	4	4	4	4	4	0
Health and welfare:										
Department of social services	18	18	18	18	18	18	16	16	14	16
Comprehensive Services	0	0	1	1	1	1	1	1	1	1
Culture and recreation:										
Parks and recreation	11	12	13	13	16	18	17	15	16	15
Library	11	12	12	12	13	13	13	14	14	14
Tourism / Marketing	0	0	0	1	1	1	1	1	1	1
Community development:										
Planning	3	3	3	4	4	4	4	4	3	0
Totals	<u>194</u>	<u>206</u>	<u>211</u>	<u>218</u>	<u>244</u>	<u>265</u>	<u>268</u>	<u>258</u>	<u>264</u>	<u>271</u>

Source: Individual county departments

Note: GIS employees have been reallocated to General Government.

Note: Engineering employees have been reallocated to Development Services and Utilities.

Note: Planning employees have been reallocated to Development Services.

Table 19

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

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Sheriffs department:										
Physical arrests	1,887	2,162	2,565	2,756	2,612	2,422	1,768	1,845	2,402	2,290
Traffic violations	2,838	3,082	3,582	3,494	3,219	2,697	2,330	2,698	3,232	2,951
Civil papers	8,057	8,244	7,906	7,770	6,905	7,298	7,301	7,187	6,955	6,813
Fire and rescue:										
Number of calls answered	4,211	4,673	4,186	4,582	4,956	4,965	5,131	4,615	4,057	4,730
Building inspections:										
Permits issued (same as Planning)	634	789	627	740	667	598	462	475	424	378
Animal control:										
Number of calls answered	1,815	2,507	3,079	3,118	3,484	4,965	6,872	6,082	6,035	6,100
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	3	3	3	3	3	3
Landfill:										
Refuse collected (tons/day)	90	95	99	107	110	33	6.5	6.8	7.1	5.6
Recycling (tons/day)	n/a	n/a	29	33	21	17	8.1	9.7	9.5	8.3
Health and welfare										
Department of Social Services:										
Caseload	n/a	1,786	2,300	2,585	2,389	2,448	2,702	3,493	4,125	4,152
Culture and recreation										
Parks and recreation:										
Recreation permits issued	n/a	n/a	70	71	78	69	85	86	93	97
After-school program participants	-	-	-	-	-	-	-	-	-	-
Youth sports participants	2,898	2,924	2,717	2,953	3,311	3,511	3,594	3,863	3,960	3,931
Community development										
Planning:										
Zoning permits issued	634	789	627	740	667	598	462	475	424	378
Component Unit - School Board										
Education:										
School age population (per census)			6,224	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of teachers	371	376	375	387	400	401	409	405	405	414
Local expenditures per pupil	3,535	3,573	3,601	3,788	3,885	4,075	4,369	4,222	4,344	4,304

Source: Individual county departments. Prior year information provided to the extent available.

Note: Landfill - Reduction in tons collected per day beginning in FY08 is due to the diversion of refuse from contracted trash haulers to another locality's transfer station site.

Table 20

COUNTY OF BOTETOURT, VIRGINIA
 Capital Asset Statistics by Function
 Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Administration buildings	3	3	3	3	3	4	4	4	4	4
Vehicles	4	3	3	4	4	4	5	7	7	4
Public safety										
Sheriffs department:										
Patrol units	48	48	48	48	49	51	51	50	51	51
Other vehicles	11	12	10	12	12	13	14	15	16	15
Development Services / Building inspections:										
Vehicles	4	4	4	4	4	3	4	4	4	7
Animal control:										
Vehicles	2	3	3	3	3	3	4	4	4	4
Public works										
General maintenance:										
Trucks/vehicles	8	8	9	10	12	14	15	14	17	18
Landfill:										
Vehicles	12	12	12	12	11	11	11	8	6	6
Equipment	9	9	9	9	9	9	9	9	9	9
Sites	2	2	2	2	2	2	2	2	2	2
Health and welfare										
Department of Social Services: Vehicles	-	-	-	-	-	-	-	-	-	-
County Van Program - Vehicles	1	2	2	2	2	2	2	2	2	2
Culture and recreation										
Parks and recreation:										
Community centers	3	2	2	2	2	2	2	2	2	2
Vehicles - Parks & Recreation, Library	11	14	14	14	15	16	17	19	19	19
Parks acreage	20	20	20	158	158	158	158	158	158	158
Swimming pools	-	-	-	-	-	-	-	-	-	-
Tennis courts	2	2	2	2	2	4	4	4	4	4
Community development										
Planning:	2	2	2	2	2	2	2	1	2	0
Vehicles										
Component Unit - School Board										
Education:										
Schools	12	12	12	12	12	12	12	12	12	12
School buses	75	74	79	77	82	85	89	93	94	96

Source: Individual county departments. Prior year information provided to the extent available. Beginning in FY12, Planning vehicles are combined into Development Services.

Note: Public Works - General maintenance vehicles includes Public Works, Utilities, and Maintenance.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Members of the Board of Supervisors
County of Botetourt, Virginia
Fincastle, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Botetourt, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Botetourt, Virginia's basic financial statements and have issued our report thereon dated October 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Botetourt, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Botetourt, Virginia in a separate letter dated October 29, 2012.

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

Robinson, Faerner, Cox Associates

Blacksburg, Virginia
October 29, 2012

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Members of the Board of Supervisors
County of Botetourt, Virginia
Fincastle, Virginia

Compliance

We have audited the County of Botetourt, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Botetourt, Virginia's major federal programs for the year ended June 30, 2012. The County of Botetourt, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Botetourt, Virginia's management. Our responsibility is to express an opinion on the County of Botetourt, Virginia's compliance based on our audit.

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

In our opinion, the County of Botetourt, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the County of Botetourt, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Botetourt, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Botetourt, Virginia's internal control over compliance.

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

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

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

Robinson, Turner, Cox Associates

Blacksburg, Virginia
October 29, 2012

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Pass through payments from:			
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110/0040110/0040111	\$ 140,842
<i>Department of Education:</i>			
Schools and Roads - Grants to States	10.665	43841	55,577
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	40591	69,784
<i>State Department of Agriculture:</i>			
<i>Child Nutrition Cluster:</i>			
Food Distribution-Schools (Note C) (Child Nutrition Cluster)	10.555	NA	\$ 101,805
<i>Department of Education:</i>			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program (Child Nutrition Cluster)	10.555	40623	535,961
Total Department of Agriculture			<u>637,766</u>
			<u>\$ 903,969</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass through payments from:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950110/0950111	\$ 13,050
Temporary Assistance for Needy Families	93.558	0400111	131,918
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110/0500111	215
Low Income Home Energy Assistance	93.568	0600410/0600411	12,547
Social Services Block Grant	93.667	1000110/1000111	108,338
Chafee Foster Care Independence	93.674	9150110/9150111	3,097
Children's Health Insurance Program	93.767	0540110/0540111	3,863
Medical Assistance Program	93.778	1200110/1200111	85,260
Chafee Education & Training Vouchers Program	93.599	9160110	2,273
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110/0900111	443
<i>Child Care and Development Funds Cluster:</i>			
Child Care and Development Block Grant	93.575	0770110	76,861
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111	44,640
Foster Care - Title IV E	93.658	1100110/1100111	46,687
Adoption Assistance	93.659	1120110/1120111	61,480
Total Department of Health and Human Services			<u>\$ 590,672</u>
DEPARTMENT OF ENERGY:			
Pass through payments from:			
<i>State Department of Mines, Minerals and Energy</i>			
Energy Efficiency and Conservation Block Grant Program	81.128	NA	\$ 119,281
U. S. DEPARTMENT OF HOMELAND SECURITY:			
Direct payments:			
Staffing for Adequate Fire and Emergency Resopnse (SAFER)	97.083	Not applicable	<u>\$ 485,228</u>
DEPARTMENT OF TRANSPORTATION:			
Pass through payments from:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	50326	<u>\$ 25,825</u>

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF EDUCATION:			
Pass through payments from:			
<i>Department of Education:</i>			
Career and Technical Education -- Basic Grants to States	84.048	61095	\$ 53,931
Adult Education - Basic Grants to States	84.002	42801	75,380
Improving Teacher Quality State Grants	84.367	61480	53,652
Education Jobs Fund, Recovery Act	84.410	62700	921,796
English Language Acquisition Grants	84.365	NA	1,937
<i>Title I, Part A Cluster:</i>			
Title I Grants to Local Educational Agencies (Title 1 - Part A Cluster)	84.010	42901	\$ 428,051
Title I Grants to Local Educational Agencies, Recovery Act (Title 1 - Part A Cluster)	84.389	42913	18,836
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States (Special Education Cluster (IDEA))	84.027	73071	1,013,926
Special Education Grants to States, Recovery Act (Special Education Cluster (IDEA))	84.391	61245	578,174
Special Education - Preschool Grants (Special Education Cluster (IDEA))	84.173	62521	25,306
Special Education - Preschool Grants, Recovery Act (Special Education Cluster (IDEA))	84.392	61247	16,306
Educational Technology State Grants	84.318	61600	3,279
Total Department of Education			<u>\$ 3,190,574</u>
DEPARTMENT OF THE INTERIOR:			
Direct payments:			
<i>Bureau of Land Management:</i>			
Payment in Lieu of Taxes	15.226	Not applicable	\$ 145,040
Total Expenditures of Federal Awards			<u>\$ 5,460,589</u>

Note A--Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Botetourt, Virginia under programs of the federal government for the year ended June 30, 2012. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Botetourt, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Botetourt, Virginia.

Note B--Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(2) Pass-through entity identifying number are presented where available.

Note C--Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note D--Relationship to the Financial Statements:

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Primary government:	
General Fund	\$ 1,506,888
Component Unit Schools:	
School Operating Fund	<u>\$ 3,953,701</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 5,460,589</u>

County of Botetourt, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173/84.391/84.392	Special Education Cluster (IDEA)
84.010/84.389	Title 1 , Part A Cluster
84.410	Education Jobs Fund, Recovery Grant
97.083	Staffing for Adequate Fire and Emergency Services

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

County of Botetourt, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no prior audit findings related to federal awards.