



Fiscal Year Ended
June 30, 2014



Comprehensive Annual Financial Report

Botetourt County, Virginia

COUNTY OF BOTETOURT, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

Prepared By:
Department of Financial Services

COUNTY OF BOTETOURT, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1-8
GFOA Certificate of Achievement	9
Organizational Chart.....	10
List of Elected and Appointed Officials	11

FINANCIAL SECTION

Independent Auditors' Report	12-14
Management's Discussion and Analysis	15-30

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	31
Statement of Activities	2	32
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	33
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	34
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	35
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	36
Statement of Net Position - Proprietary Funds.....	7	37
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	8	38
Statement of Cash Flows - Proprietary Funds	9	39
Statement of Fiduciary Net Position - Fiduciary Funds	10	40
Notes to Financial Statements		41-85
Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
General Fund	11	86-88
Schedule of Pension and OPEB Funding Progress.....	12	89

COUNTY OF BOTETOURT, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS (CONTINUED)

	<u>Exhibit</u>	<u>Page</u>
Other Supplementary Information:		
Combining Statement of Fiduciary Net Position - Agency Funds	13	90
Combining Statement of Changes in Assets and Liabilities - Agency Funds.....	14	91
Discretely Presented Component Unit - School Board:		
Balance Sheet	15	92
Statement of Revenues, Expenditures, and Changes in Fund Balances		
Governmental Funds	16	93
Schedule of Revenues, Expenditures, and Changes in Fund Balances -		
Budget and Actual	17	94
	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	95-99
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	100-103

STATISTICAL SECTION

	<u>Table</u>	<u>Page</u>
Net Position by Component	1	104
Changes in Net Position	2	105-106
Governmental Activities Tax Revenue By Source	3	107
Fund Balances of Governmental Funds	4	108
Changes in Fund Balances of Governmental Funds	5	109
General Governmental Tax Revenues by Source	6	110
Assessed Value and Estimated Actual Value of Taxable Property	7	111
Property Tax Rates - Direct and Overlapping Governments	8	112
Principal Property Taxpayers	9	113
Property Tax Levies and Collections	10	114
Ratios of Outstanding Debt by Type.....	11	115
Ratios of Net General Bonded Debt to Assessed Value and Net		
Bonded Debt per Capital.....	12	116
Direct and Overlapping Governmental Activities Debt	13	117
Legal Debt Margin Information	14	118
Pledged - Revenue Coverage	15	119
Demographic and Economic Statistics	16	120
Principal Employers	17	121

COUNTY OF BOTETOURT, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS (CONTINUED)

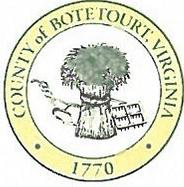
STATISTICAL SECTION (CONTINUED)

	<u>Table</u>	<u>Page</u>
Full-time Equivalent County Government Employees by Function	18	122
Operating Indicators by Function	19	123
Capital Asset Statistics by Function	20	124

COMPLIANCE SECTION

	<u>Page</u>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	125-126
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	127-128
Schedule of Expenditures of Federal Awards	129-130
Schedule of Findings and Questioned Costs.....	131-132

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

November 30, 2014

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, 2014.

Board of Supervisors
Donald M. Scothorn
Chairman

L. W. Leffel, Jr.
Vice Chairman

Todd L. Dodson

Billy w. Martin, Sr.

John B. Williamson, III

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, 2013. This was the ninth consecutive year that the government 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 control that it has established for this purpose. Because the cost of internal control 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 unmodified ("clean") opinion on the County of Botetourt's financial statements for the year ended June 30, 2014. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A compliments 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, complimented 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 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 population was 33,148, representing a 9% increase since the 2000 Census. Botetourt County enjoys a diverse economy, with the services sector accounting for 40% of the jobs in the County, manufacturing 19%, trade 18%, government 14%, construction 7%, and all others 2%. The civilian labor force totals approximately 17,781 (June 2014). With regard to the County domiciled workforce, roughly 25% 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 to six other surrounding localities. This ranking also holds true for the home ownership rate (87%), which 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 (2012). The County's ranking was 102 out of 134 localities, placing Botetourt in the lower 24% 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.

The County's Comprehensive Plan provides the framework for managing growth, along with proper zoning and subdivision ordinances. The most recent Comprehensive Plan was last updated in 2011. With respect to building activity, FY14 building permit activity for residential and commercial construction was ahead of FY13 in terms of number of permits (+4%). In terms of total dollar value, FY14's total figure of \$27.6 million was 35% less than FY13's figure, as FY13 activity included

several large construction projects. When the two largest FY13 projects totaling \$15.3 million are excluded, FY14 total building permit construction value was \$254,000 (1%) greater than FY13's remaining dollar value. Also, when these two largest projects are excluded From FY13, the FY14 total construction value is \$3.4 million (14%) greater than the 3 year average value from FY11 to FY13.

With respect to residential building construction, while the average permit value (\$203,000) decreased slightly (3%) vs. FY13, the average value exceeded the previous combined two, three, and four year averages by 5%. In terms of number of residential permits, FY14 permits were 9% greater than FY13 permits, and the highest number of yearly permits since FY10. While FY13 was a period of large dollar construction projects, FY14 activity included 12% more permits than FY13. The average value of FY14 commercial permits was \$100,000, well below the \$285,000 average value for FY13 commercial permits. However, the increase in the number of permits reflects increased project activity, as FY14 commercial permits represented a 24% increase over the average yearly number of permits from FY10 to FY13. In a summary perspective, total annual building permits have increased for two consecutive years.

Daleville Town Center, a premier planned residential and commercial development, had increased construction activity in 2013, as Botetourt County granted building permits to Town Center developers totaling \$9.1 million of construction value. These permits were for six (6) structures, including four (4) apartment buildings totaling 120 units, a parking garage, and a clubhouse. At this time all components are completed. .

Orchard Marketplace, a commercial development adjoining Daleville Town Center, continued its business activity with the FY14 construction of Carilion Clinic Pediatrics Medicine facility, an 8,400 square foot renovation project that was completed in July 2014.

As highlighted last year, on the economic development front, there were several business expansions announced in 2013 and 2014:

Flying Mouse Brewery (microbrewery)	\$ 0.9 million investment
Capco Machinery (production machinery)	\$ 4.2 million investment
Altec Industries (transportation equipment)	\$ 3.0 million investment
Dynax America Corporation (automotive parts)	\$32.6 million investment

Flying Mouse Brewery, the first microbrewery in the County, will expand its current business. This entity lends itself to both local and tourist interests, as the craft beer brewing business is an expanding industry segment in the country as a whole. Capco Machinery Systems, a manufacturer of CNC (computer numerical control) roll grinding machines located in the County's EastPark Commerce Center, has announced a \$4.2 million expansion of its manufacturing plant. Thirty (30) new jobs will be created at an average wage of \$60,000 per year. Through its Virginia Jobs Investment Program, the Virginia Department of Building Assistance will provide funding and services to support the company's recruitment and training activities.

With respect to business activity at Botetourt Center at Greenfield, the County's Board of Supervisors approved an option and performance agreement for a planned expansion of Altec Industries. Altec Industries a provider of products and services primarily to utility and telecommunication businesses, announced a \$ 3 million business expansion in 2014 and the creation of 100 jobs (by December 2016) at above average wages. Altec has undergone a number of expansions; the company continues to be one of the largest employers in the County.

Also, the County has prepared for additional business in Greenfield in the form of a construction ready site with power access. The site has been submitted by the County for the AEP (American Electric Power) Economic Development Site Certification Program. If this site is selected by AEP, they will assist in the marketing efforts, which would be national and international via print, web, and trade events.

The Botetourt Center at Greenfield was chosen by the Greater Roanoke Valley Development Foundation (GRVD), working in conjunction with the Roanoke Regional Partnership for a public-private shell building project. The proposed shell building will be 100,000 square feet. This asset will greatly increase the marketability of the Greenfield Center.

Botetourt County is utilizing the Greenfield Education and Training Center in support of our existing business, especially small businesses. The County is partnering with several business groups, including the Botetourt Chamber of Commerce, to host a series of workshops and entrepreneur events geared towards teaching local businesses effective and efficient ways to promote their business. The first event is scheduled for January 2015. Further, many of our local businesses utilize the Center for their training needs. We are proud that Dynax (see below) chose the Greenfield Center to host their international safety summit earlier this year.

Dynax America Corporation, a subsidiary of Dynax Corporation of Hokkaido, Japan, will invest \$32.6 million (as announced Fall 2014) to expand its automotive components manufacturing operation. As was the case with Capco, Botetourt County successfully competed against China for this project, which will create 75 new advanced manufacturing jobs at an average wage of \$40,683. Dynax will receive benefits from the Port of Virginia Economic and Infrastructure Development Grant Program, as well as employee training activities through the Virginia Jobs Investment Program. Dynax currently employs 580 workers in the County. Dynax America Corporation is a manufacturer of automatic transmission components, friction disks, mating plates and assemblies. The Virginia Jobs Investment Program supported the creation of 62 net new full-time jobs for a combined four Botetourt companies.

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 4,879 with a small increase of 1% in admissions for the most recent 5 years as compared to the previous 5 years. With respect to academic achievement, the Virginia Department of Education released its listing of public schools that were that were fully accredited for the 2013 – 2014 period. All of Botetourt County's public schools comprising its school division were fully accredited. Another notable achievement was the

2014 on-time graduation rates. This rate measures how many students earn a Virginia Board of Education diploma in four years. Botetourt County's on-time graduation rate of 93.3.6% was 5% better than the average graduation rate of seven other counties in the region, and exceeded the State average of 89.9%.

The County's CTE Program (Career and Technical Education) is a flourishing career-oriented program that begins its foundation with the use of an Academic Career Plan, which receives updates and follows the students through their middle school years. This is a credentialing initiative for high school students that has grown significantly, including workplace readiness skills that focuses on personal, professional, and technology knowledge and skills. As of March 2014, 239 high school students have earned at least one credential in the CTE Program. Recently, the County's two high schools were recognized as Blue Star schools, based on qualifications for economics and personal finance.

The County's STEM-H Academy (Science, Technology, Engineering, Mathematics, Healthcare) is an initiative that came to fruition in the 2013 – 2014 school year. STEM-H incorporates programs that teach independent innovation and greater exploration of learning content as a means of preparing students for opportunities in these fields, which represent the fastest growing career areas. Current enrollment of this program totals approximately 114 students at this early stage. The program utilizes both the Greenfield Education and Training Center and Virginia Western Community College (see note below) as classroom sites. Enrollment is based on a competitive application process.

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. The County, along with five other regional localities, participates in a CCAP (Community College Access Program) initiative through Virginia Western Community College. This program makes attending college a reality for a selected, qualified group of public school students that have financial challenges. Also, Virginia Western Community College recently announced a \$33 million investment planned for a STEM-H capital outlay project, with construction to tentatively begin in 2016. These community colleges are presenting viable alternatives to four-year institutions and continue to experience 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 outgoing 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 values statement of the Board of Supervisors 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

With the 2013 hiring of the County's first fully dedicated economic development manager, increased resources are being applied in working with regional alliances and economic development agencies to seek attractive quality organizations that will become partners with the County in providing job opportunities while businesses take advantage of being an established member of the Botetourt County community. These efforts also include partnering with the County's Chamber of Commerce.

The Virginia Department of Transportation has recently shared additional information regarding long-awaited changes to Interstate 81, Exit 150, as construction will take place in various stages, the first of which is scheduled to begin in spring 2015. A large truck stop will be eliminated, improvements in traffic flow will be realized, and when completed, there will be economic expansion opportunities for the nearby area. Completion of the project is targeted for 2017.

With respect to planned capital improvements, the County has two continuing large-dollar General Fund projects in FY15. The total General Capital Fund capital projects budget is \$774,000. The development of two new ball fields at the Botetourt Sports Complex (\$95,000) and the purchase of a County-wide software system (\$460,000) are continuing projects that equate to 72% of the capital improvements budget for FY15. It is anticipated that these two projects could continue beyond FY15. With the need to replace old software technology and hardware equipment, the Management Information Systems portion represents 65% of the total FY15 General Fund capital improvements budget.

The County has a Tourism program that highlights Botetourt County as a destination for recreation and cultural events. This tourism effort takes advantage of grant funds and partnerships to leverage the County's investment. With an expanding use of social media and conventional means of advertising, the promotion of tourism offerings is far reaching. Waterway, hiking, biking and wine trails are preferred tourist sites that take advantage of the County's natural setting. Regional initiatives assist the tourism marketing efforts. As an example, the County is involved in exploring the potential for seeking grant funding with three nearby localities for greenway routing, which could eventually serve as a connective tourism project. A new campaign called "What's Your Bot-e-Type," provides several options to County citizens and tourists in exploring the numerous offerings of attractions and interests the County has to offer.

Citizen participation in general County recreation programs increased 13% in 2014, despite other offerings by church, travel club, and for-profit providers. This increase includes the offering of post-season playoffs for the various sports programs. Demand for athletic facilities continues to steadily increase due to travel clubs participation and the lack of their own athletic venues.

The Botetourt Sports Complex continues to represent the County as a first-class destination site for regional and national softball tournaments. Teams playing at the Sports Complex this most recent season totaled 745, which represented an 18% increase over the prior season. The Complex has just completed its eighth year of operations, 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. As previously mentioned, there is an ongoing expansion project which will add two new fields to the four existing fields.

With respect to Enterprise activity, the County has recently completed a \$2.7 million financed project for its Tinker Creek Interceptor, which will expand sewer capacity and provide the opportunity for future residential and commercial expansion. Also, a \$1.2 million Western Virginia Water Authority Peak Flow Enhancement regional project is currently under construction, with completion scheduled for 2015.

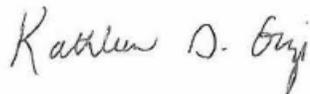
As a point of note, Botetourt County is currently in discussions with the Western Virginia Water Authority regarding the consolidation of utilities. At this time, discussions are ongoing.

Finally, Botetourt County continues to maintain AA bond ratings with all three rating agencies, Fitch Ratings, Moody's, and Standard & Poor's. Currently, Botetourt County remains the highest rated county in Virginia for its population size. It is believed that these ratings reflect proper continued executive management, support staff, and financial practices which will assist the County to move forward and 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. Zerrilla
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

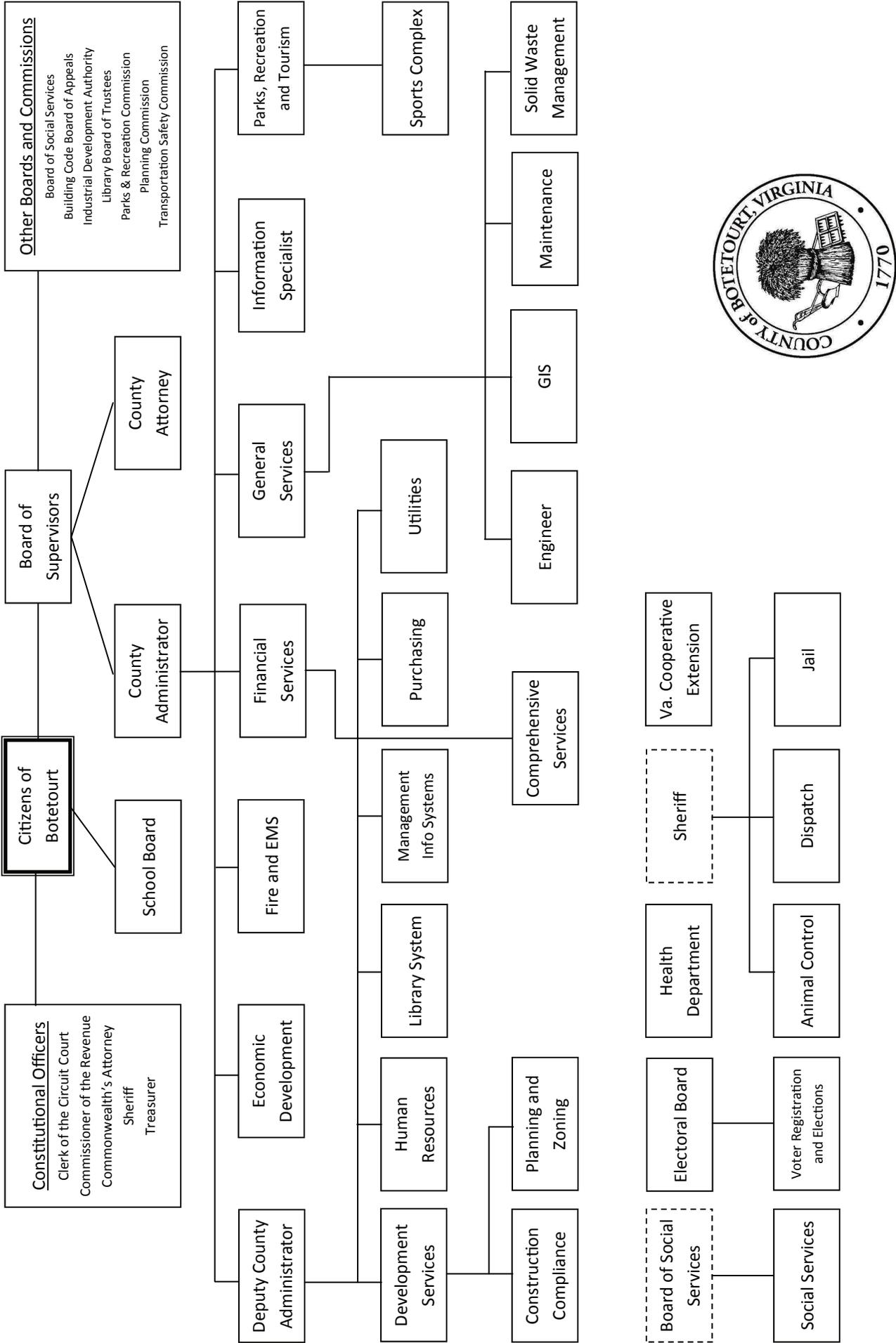
Presented to

**County of Botetourt
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



Organizational Chart

Updated July 2014

COUNTY OF BOTETOURT, VIRGINIA

BOARD OF SUPERVISORS

Dr. Donald M. (Mac) Scothorn, Chair
L.W. (Jack) Leffel, Vice Chair
Billy W. Martin, Sr.

Todd L. Dodson
John B. Williamson

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
Donna Henderson, Vice Chair
Billy W. Martin, Sr.

Jan E. Smith
Joseph Obenshain

OTHER OFFICIALS

Judge of the Circuit Court Malfourd Trumbo
Clerk of the Circuit Court Tommy L. Moore
Judge of the General District Court William Harrison Cleaveland
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 Penny Hall
County Administrator Kathleen D. Guzi
County Attorney Elizabeth Dillon

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Botetourt, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of Botetourt, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 County of Botetourt, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of pension and OPEB funding progress on pages 15-30, 86-88, and 89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Botetourt, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

The other supplementary information 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014, on our consideration of County of Botetourt, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Botetourt, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 10, 2014

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, 2014. 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, 2015.

Financial Highlights

Government-wide Financial Statements

The assets and deferred outflows of the County of Botetourt, Virginia exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$51,481,715 (net position). Of this amount, \$13,957,491 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net position was \$19,198,647; a significant amount (96%) of which is invested in capital assets. (See Exhibit 1).

The County's net position for governmental activities increased by \$925,258, which was due to general revenues exceeding expenses (net of program revenues). This was primarily due to a \$289,000 (13%) increase in local sales and use taxes, a \$189,000 (3%) increase in operating grants and contributions, a \$131,000 (13%) increase in charges for services, and a \$219,000 (10%) decrease in public works expenditures. The overall positive change in net position was achieved despite a \$2.5 million (5%) increase in governmental expenses. The School Board's net position decreased \$2.7 million (12%), primarily due to a \$ 1.6 million (3%) increase in expenses. (See Exhibit 2).

Fund Financial Statements

At the end of the current fiscal year, fund balance for the general fund was \$19,795,142 or 36 percent of total general fund expenditures (See Exhibit 3). This amount includes taxes and accounts receivable reflected in the fiscal year 2014 budget as well as funds allocated to the School Board and County Capital Improvement Projects for fiscal year 2014.

As of the close of the current fiscal year, the County's governmental fund reported an ending fund balance of \$19,795,142, which is a decrease of \$455,273 (2%) versus ending fund balance for fiscal year ended June 30, 2013. A \$651,000 decrease in fund balance was budgeted, due primarily to cost increases in County operations and the need for additional investment in capital projects. After accounting for assigned fund balance (\$992,671) for budgeted use in subsequent years, unassigned fund balance is \$18,289,310, which is 92% of total fund balance at 6/30/14. (See Exhibit 3). This represents a \$125,000 (1%) increase in unassigned fund balance vs. FY13.

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.

Management's Discussion and Analysis

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.

Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 position and 2) the statement of activities.

The statement of net position presents all of the County's permanent accounts, or assets, deferred outflows, liabilities, deferred inflows and net position. The difference between assets and liabilities is reported as net position. Increases or decreases in net position 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 position 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.

Management's Discussion and Analysis

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.

Governmental funds

Governmental funds are used to account for and report 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.

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 Position (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 positions may serve as a useful indicator of a government's financial position. For the County of Botetourt, assets and deferred outflows exceeded liabilities and deferred inflows by \$51,481,715 at the end of the fiscal year. The County's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

County of Botetourt's Net Position

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 21,955,045	\$ 21,761,433	\$ 4,132,088	\$ 4,042,275	\$ 26,087,133	\$ 25,803,708
Capital assets	71,263,149	72,236,136	19,278,573	19,111,351	90,541,722	91,347,487
Deferred outflows of resources	-	-	95,906	106,562	95,906	106,562
Total assets and deferred outflows	\$ 93,218,194	\$ 93,997,569	\$ 23,506,567	\$ 23,260,188	\$ 116,724,761	\$ 117,257,757
Long-term liabilities	\$ 39,938,124	\$ 42,209,738	\$ 9,217,418	\$ 9,210,470	\$ 49,155,542	\$ 51,420,208
Other liabilities	1,643,451	1,094,284	293,055	437,891	1,936,506	1,532,175
Deferred inflows of resources	154,904	137,090	-	-	154,904	137,090
Total liabilities and deferred inflows	\$ 41,736,479	\$ 43,441,112	\$ 9,510,473	\$ 9,648,361	\$ 51,246,952	\$ 53,089,473
Net position:						
Net investment in capital assets	\$ 37,238,281	\$ 35,731,696	\$ 10,222,456	\$ 10,091,246	\$ 47,460,737	\$ 45,822,942
Restricted	285,943	187,390	-	-	285,943	187,390
Unrestricted	13,957,491	14,637,371	3,773,638	3,520,581	17,731,129	18,157,952
Total net position	\$ 51,481,715	\$ 50,556,457	\$ 13,996,094	\$ 13,611,827	\$ 65,477,809	\$ 64,168,284

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 72 percent of total net position. 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 position represents 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 position. The remaining balance of unrestricted net position, which is \$13,957,491 or 27% of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

Management's Discussion and Analysis

During the current fiscal year, the government's net position increased by \$925,258. Total assets and deferred outflows decreased \$779,000 (1%) due in large part to a \$973,000 (1%) decrease in capital assets. With respect to total liabilities, and deferred inflows, there was a \$ 1.7 million (4%) reduction due to a \$2.3 million (5%) decrease in long term liabilities. There was a \$1.8 million reduction in general obligation bond debt, and a \$652,000 reduction of literary fund loans. The County's estimated landfill closure / post-closure liability increased \$187,000 (Note 15). Net investment in capital assets increased approximately \$1.5 million (4%); these assets have increased \$9.5 million (34%) since FY09.

Changes in Net Position:

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 position.

	County of Botetourt's Changes in Net Position					
	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2012
Revenues:						
Program revenues:						
Charges for services	\$ 1,174,169	\$ 1,042,884	\$ 3,270,261	\$ 3,577,258	\$ 4,444,430	\$ 4,620,142
Operating grants & contributions	6,753,916	6,565,401	-	-	6,753,916	6,565,401
General revenues:						
General property taxes	33,063,716	33,065,115	-	-	33,063,716	33,065,115
Other local taxes	6,818,811	6,451,883	-	-	6,818,811	6,451,883
Use of money and property	369,202	571,498	15,320	20,215	384,522	591,713
Other	221,521	1,800,458	-	-	221,521	1,800,458
Grants and contributions not restricted to specific programs	4,653,193	4,663,034	-	-	4,653,193	4,663,034
Total revenues	<u>\$ 53,054,528</u>	<u>\$ 54,160,273</u>	<u>\$ 3,285,581</u>	<u>\$ 3,597,473</u>	<u>\$ 56,340,109</u>	<u>\$ 57,757,746</u>
Expenses:						
General government	\$ 3,258,654	\$ 2,932,750	\$ -	\$ -	\$ 3,258,654	\$ 2,932,750
Judicial administration	1,421,543	1,317,267	-	-	1,421,543	1,317,267
Public safety	14,178,649	12,734,181	-	-	14,178,649	12,734,181
Public works	2,010,971	2,230,035	-	-	2,010,971	2,230,035
Health and welfare	3,415,997	3,249,941	-	-	3,415,997	3,249,941
Education	22,911,062	22,291,399	-	-	22,911,062	22,291,399
Parks, recreation and cultural	3,194,559	2,980,612	-	-	3,194,559	2,980,612
Community development	246,185	307,960	-	-	246,185	307,960
Interest on long-term debt	1,509,639	1,595,978	-	-	1,509,639	1,595,978
Water and sewer	-	-	2,883,325	2,819,888	2,883,325	2,819,888
Total expense	<u>\$ 52,147,259</u>	<u>\$ 49,640,123</u>	<u>\$ 2,883,325</u>	<u>\$ 2,819,888</u>	<u>\$ 55,030,584</u>	<u>\$ 52,460,011</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ 907,269</u>	<u>\$ 4,520,150</u>	<u>\$ 402,256</u>	<u>\$ 777,585</u>	<u>\$ 1,309,525</u>	<u>\$ 5,297,735</u>
Transfers in (out)	<u>\$ 17,989</u>	<u>\$ (3,555)</u>	<u>\$ (17,989)</u>	<u>\$ 3,555</u>	<u>\$ -</u>	<u>\$ -</u>
Increase (decrease) in net position	\$ 925,258	\$ 4,516,595	\$ 384,267	\$ 781,140	\$ 1,309,525	\$ 5,297,735
Net position, July 1, 2013	50,556,457	46,039,862	13,611,827	12,830,687	64,168,284	58,870,549
Net position, June 30, 2014	<u>\$ 51,481,715</u>	<u>\$ 50,556,457</u>	<u>\$ 13,996,094</u>	<u>\$ 13,611,827</u>	<u>\$ 65,477,809</u>	<u>\$ 64,168,284</u>

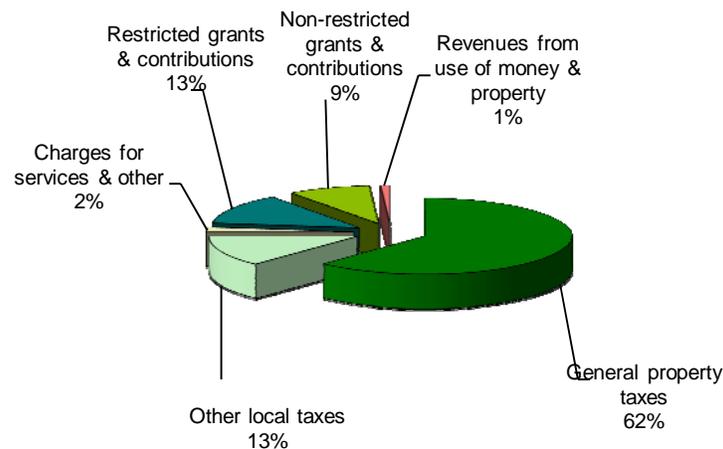
Management's Discussion and Analysis

Governmental Activities

Governmental activities increased the County's net position by \$925,258. Key elements relating to FY14 activities as compared to the prior year (FY13) will be discussed below.

The following chart provides a breakdown of the various revenue components. The largest source is general property taxes (\$33.1 million), which accounts for 62% of total governmental revenues (\$53 million).

Governmental Activities – Revenues by Source
For the Fiscal Year Ended June 30, 2014



- Revenues: General property taxes decreased slightly (\$1,000). There were no increases in the real estate and personal property tax rates. Machinery & Tools (M&T) taxes decreased \$245,000 (7%) as tax collections were impacted by the declining rate schedule for M&T taxes. Real Property taxes increased \$216,000 (1%) as a result of nominal growth. Personal Property taxes increase \$132,000 (3%). Other Local taxes increased \$367,000 (6%) primarily as a result of a \$289,000 increase in sales and use taxes.
- Revenues: Unrestricted revenues from the use of money and property decreased \$202,000 (35%) due primarily to a reduction in income from cell tower sites as a result of the sale of a tower site in the second half of FY13. In addition, revenues from the Use of Money and Property continue to be relatively low due to low rates of return on funds invested.
- Revenues: Charges for Services totaling \$1,174,000 increased \$131,000 (13%) vs. FY13 due to increased charges judicial, public safety, and parks & recreation services. Operating Grants and

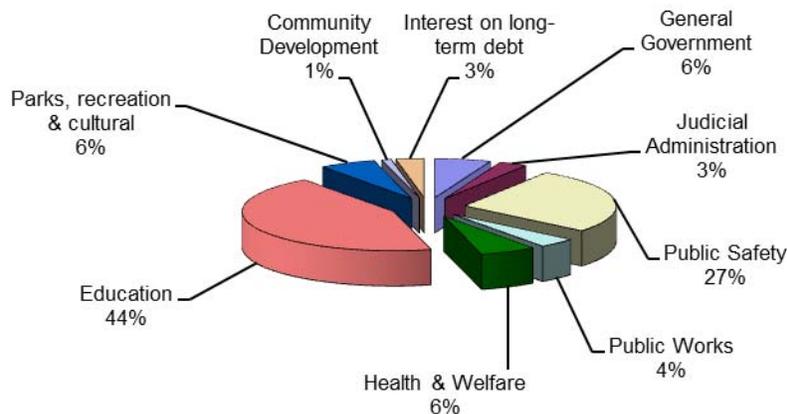
Management's Discussion and Analysis

Contributions revenues of \$6,754,000 experienced an \$189,000 (3%) increase due to increased activity relating to the Comprehensive Services Act and Asset Forfeiture activity totaling \$201,000.

- Revenues: Other Revenues decreased \$1.6 million (88%) due to an FY13 gain on disposal from the sale of a County-owned communications tower.
- Overall, primarily as a result of items identified, revenues for governmental activities decreased 1,106,000 (2%). Excluding the FY13 \$1.6 million gain on the sale of the communications tower site, FY14 revenues from governmental activities increased \$477,000 (1%).

The following chart reflects the distribution of FY14 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 71% of total expenditures of \$52.1 million.

Governmental Activities – Expenditures by Function
For the Fiscal Year Ended June 30, 2014



- Expenses: General Government Administration expenses totaling \$3,259,000 increased \$326,000 (11%) vs. FY13. On a departmental basis, Management Systems reflects spending for the new Enterprise Wide Software project and desktop and laptop computer replacement plan spending. These two projects account for the significant portion of the overall increase for this category.
- Expenses: Judicial Administration expenditures increased \$104,000 (8%) due primarily to operational cost increases in the Clerk of Circuit Court and Commonwealth's Attorney departments.
- Expenses: Public Safety expenditures increased \$1.4 million (11%) vs. FY13. Activities relating to this area (A through D) are as follows:

Management's Discussion and Analysis

- A) Fire and Rescue agencies received additional operating support in the amount of \$185,000.
- B) Correction and Detention expenditures increased \$140,000 (4%) due to increased costs reflected in wages and benefits, in particular hospital and medical costs.
- C) Sheriff's Department expenditures increased \$462,000 (11%) due to increased wage and benefit costs, and use of property seizure funds.
- D) Emergency Services expenses increased \$352,000 (15%) due to an increase in operating expenses.
- Expenses: Public Works expenditures decreased \$219,000 (10%) compared to last year. This is due to a significantly smaller increase for FY14 vs. FY13 in the landfill closure / post closure adjustment.
- Expenses: Community Development costs decreased \$62,000 (20%) due to a reduction vs. FY13's local performance grant for a manufacturer's business expansion. This was a two-year performance grant.
- Expenses: Interest on Long-Term Debt decreased \$86,000 (5%) due to reduced interest expense relating to FY14 debt service payments.
- Expenses: Health & Welfare expenses increased \$166,000 (5%) due primarily to increased Comprehensive Services Act activity.
- Expenses: Parks, Recreation and Cultural expenses increased \$214,000 (7%), due to a) increased wage and benefit costs and b) increased Tourism marketing expenses, a significant portion for which the latter was supported by grant funds.
- Expenses: Education expenses increased \$620,000 (3%) vs. FY13 results. This increase was supported by County contributions to the School Board, which was required due to a) reduction in State funding, b) elimination of the Education Jobs Funds, c) reduction in Federal support, and d) cost increases for classroom instruction.
- Overall, for reasons cited above, expenditures for governmental activities increased \$2.5 million (5%).

Business-type Activities

Business-type activities increased the County's net position by \$384,267 (3%). This activity is comprised of Water and Sewer revenues and expenses. Key elements of FY14 water and sewer activity are as follows:

- Total revenues decreased \$312,000 (9%) due in large part to the non-recurrence of FY13 connection and facility fees totaling \$484,000 received from the Daleville Town Center apartment buildings construction project. Excluding those connection fees, water and sewer revenues grew \$172,000 (6%) vs. FY13.

Management's Discussion and Analysis

- While total revenues decreased 9%, total operating expenses increased \$63,000 (2%). This was primarily due to an increase in utilities and office expenses and contractual services costs.
- Business-type net position for FY14 increased \$384,267 as compared to an increase in FY13 net position of \$781,140.

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.

In comparing unassigned fund balances as a percentage of governmental fund expenditures, it can be noted that FY14's figure of 33% reflects a decrease vs. FY13's figure of 35%. This decrease is the product of a \$4.2 million increase in governmental fund expenditures, as capital projects, school component funding, increased wages and benefits, and increased operational costs exceeded prior year amounts.

At the end of the fiscal year, the County's governmental funds reported an ending fund balance of \$19,795,142, a decrease of \$455,273 (2%) versus the prior year. FY14 revenues increased \$588,000 (1%), while FY14 expenditures were \$4.2 million (8%) more than FY13 expenditures (Exhibit 5). When compared to FY13, the FY14 unassigned portion (\$18,289,310) of the ending fund balance represents a \$125,000 (1%) increase; unassigned fund balance provides significant flexibility with respect to future discretionary spending.

As previously stated, the County's governmental fund balance decreased by \$455,273. Fiscal Year 2014 operational highlights include the following:

- Revenues: (A) General Property Taxes increased \$115,000 (0.3%) due to nominal growth. (B) other Local Taxes increased \$367,000 (6%) due to increases in Local Sales and Use Taxes, Franchise License Taxes, and Meals Taxes. (C) Revenues from The Use of Money and Property decreased \$202,000 (35%) due to the cessation of cell site rental payments due to the sale of the Crawford Mountain communications tower. (D) Charges for Services increased \$117,000 (17%) primarily due to results for charges for judicial, public safety and parks & recreation services.
- FY14 revenues from the State increased \$375,000 (4%) due primarily to a) to the non-recurrence of the Reduction in Aid to Localities (\$244,000), and an increase (\$121,000) in Comprehensive Services Act reimbursements due to increased CSA activity.
- Federal revenues totaled \$1.2 million, which represented a \$196,000 (14%) decrease, due in large part to the net impact of a) completion of the SAFER grant, and b) the receipt of Asset Forfeiture funds (\$201,000).

Management's Discussion and Analysis

- These subject revenues are shown in Schedule 1.
- Expenditures: The majority of the expenditure categories experienced increased costs vs. FY13, as the County provided a 3% wage increase in August, 2013, and healthcare costs rose significantly in FY14. As a result of a large increase for a renewal of the existing healthcare program, the County switched to a self-insured program with a \$ 75,000 reinsurance level as compared to a maximum \$10,000 payout per claim in FY13. A high level of claims contributed to the increased costs incurred in FY14.
- General Government Administration's costs increased \$577,000 (20%). Additional capital outlay and capital project costs falling under the responsibility of Management Systems accounted for \$360,000, or 62% of the categorical increase. The hiring of the County's first fully dedicated Economic Development Manager also contributed to the cost increase vs FY13. An increase in healthcare costs accounts for an additional \$60,000, and increases in wages and other related benefits resulted in additional costs for FY14.
- Public Safety costs were \$1,688,000 (13%) greater than FY13 costs. Healthcare costs were approximately \$500,000 greater than in FY13. Capital Outlay costs for Volunteer Fire & Rescue were \$694,000 higher than FY13, due in particular to a \$446,000 purchase of a used fire truck. Operational support costs for the Fire & Rescue agencies were \$165,000 greater in FY14. With respect to Animal Control, the County, as part of a regional locality group, became responsible in the managing of the regional animal shelter, and invested an additional \$70,000 for operations. Development Services were \$58,000 higher than FY13 due to increased wages and benefits, which was the case as well with Emergency Services (\$352,000 increase vs FY13), along with additional capital outlay purchases. Correction and Detention Department expenditures were \$140,000 greater than FY13, also due to increased wages and benefits. Dispatch expenditures decreased \$ 318,000 due to the \$339,000 FY13 capital project for the E-911 System.
- Public Works costs were \$73,000 (4%) more than FY13, due principally to Maintenance Department capital outlay and repairs expenditures. Health and Welfare expenses were \$165,000 (5%) greater than FY13 due to increased Comprehensive Services Act activity.
- Parks, Recreation, and Cultural expenses were \$344,000 (13%) more than FY13. Each component of this expense (Supervision, Sports Complex, Tourism, contributions to cultural organizations, and Library expenses) experienced costs increases when compared to last fiscal year, including a \$60,000 increase in capital outlay for the Sports Complex and \$45,000 additional spending for Tourism marketing, which highly utilized grant and partnership funding.
- Judicial costs increased \$111,000 (9%) due to additional operating costs for both the Clerk of Circuit Court and Commonwealth's Attorney areas. Community Development costs decreased \$62,000 (20%) due to an economic development incentive that was paid over two years, with the latter year a lesser amount.
- Education expense experienced a \$620,000 (3%) increase due to increased contributions to the County School Board.

Management's Discussion and Analysis

- Interest and other fiscal charges reflected a \$92,000 (5%) reduction vs. FY13 as interest expense on existing debt declined as expected.
- Capital Projects – Spending (\$776,000) for capital projects was significantly more (\$684,000) than last year, due to a) \$269,000 of planning, excavation and earth preparation costs for two additional ball fields at Botetourt Sports Complex, b) \$458,000 for replacement of mountaintop transmitters for the County's emergency communication system, and c) 45,000 spent for an elevator replacement in the County courthouse building.
- 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 position of the County's Water and Sewer Enterprise Fund at the end of the year was \$3,773,638, which is a 7% increase versus FY13's figure of \$3,520,581. Other factors concerning the finances of this fund were discussed in the County's business-type activities section of this letter.

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Management's Discussion and Analysis

General Fund Budgetary Highlights

Differences between the original budgeted expenditures and the final budgeted expenditures for the General Fund totaled \$3,016,734. 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, 2013 for programs and capital projects in the amount of \$607,570.
- Amended budget in the amount of \$446,372 for the booking of the Buchanan Fire Truck as a County purchase.
- Appropriations of \$434,899 for health program costs.
- Appropriation of \$390,000 from revenues for tax relief for the elderly.
- Additional appropriation of \$300,000 for healthcare medical claims costs.
- Appropriations of \$164,195 for fire & rescue program funds.
- Appropriations totaling \$108,717 for Sheriff's Department grants and reimbursed costs.
- Appropriations of \$99,661 for pass-through for use of County cell towers.
- Appropriations of \$97,633 for Parks, Recreation, and Cultural activities.
- Appropriation of \$91,000 for capital project activity.
- Appropriation of \$75,000 for payment of a local performance grant.
- Appropriation of \$60,000 for potential unemployment insurance expenditures.

The above-mentioned appropriations for amended budget expenditures total \$2,875,047 or 95% of the difference between the original budget appropriation and the amended budget.

With respect to FY14 amended budget vs. actual results, general fund revenues for the primary government were approximately \$867,000 (2%) over budget for the year. Results for revenues from local sources accounted for a \$790,000 (2%) positive variance, due primarily to results vs. budget for general property taxes and local sales and use taxes. State revenues were approximately \$110,000 (1%) under budget and Federal revenues were approximately \$187,000 (19%) over budget, due primarily to the receipt of asset forfeiture funds.

Amended budget vs. actual results for general fund government expenditures for FY14 reflected a 3% (\$1.8 million) positive variance due to significant savings in several categories. Most notably, there were significant

Management's Discussion and Analysis

positive variances vs. budget in the areas of Public Safety, Public Works, Health and Welfare, Community Development, and Capital Projects. Public Safety budget savings represented approximately 42% of the total expenditure savings vs. budget, with approximately one-third of the Public Safety savings vs. budget attributable to a delay in capital outlay purchases.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2014 is \$71,263,149 (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 1% decrease.

Major capital asset transactions included the following for FY14:

A \$2.3 million reduction in value for buildings & improvement due to the annual depreciation charge.

A \$1 million increase in Machinery & equipment due to capital item additions.

A \$69,000 decrease in construction in progress activity

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

	Governmental activities		Business-type activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 12,047,324	\$ 11,707,664	\$ 61,010	\$ 43,010	\$ 12,108,334	\$ 11,750,674
Buildings	55,032,254	57,289,635	-	-	55,032,254	57,289,635
Machinery and equipment	3,288,717	2,275,277	205,058	136,338	3,493,775	2,411,615
Infrastructure	-	-	18,583,596	16,089,859	18,583,596	16,089,859
Construction in progress	894,854	963,560	428,909	2,842,144	1,323,763	3,805,704
Total	\$ 71,263,149	\$ 72,236,136	\$ 19,278,573	\$ 19,111,351	\$ 90,541,722	\$ 91,347,487

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 reflects a reduction due to significant completion of the \$ 2.7 million Tinker Creek Interceptor project. Additional information on the County's capital assets can be found in the notes to the financial statements.

Management's Discussion and Analysis

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	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 29,907,498	\$ 31,735,140	\$ -	\$ -	\$ 29,907,498	\$ 31,735,140
Literary Loans	4,117,370	4,769,300	-	-	4,117,370	4,769,300
Revenue Bonds	-	-	9,152,023	9,126,667	9,152,023	9,126,667
Landfill closure / post-closure	5,187,845	5,000,945	-	-	5,187,845	5,000,945
Compensated absences	725,411	704,353	65,395	83,803	790,806	788,156
Total	<u>\$ 39,938,124</u>	<u>\$ 42,209,738</u>	<u>\$ 9,217,418</u>	<u>\$ 9,210,470</u>	<u>\$ 49,155,542</u>	<u>\$ 51,420,208</u>

Botetourt County's FY14 outstanding debt for governmental activities decreased \$2,271,614 (5%) due to debt service retirements exceeding issuances and principal payments for general obligation and literary fund debt. With respect to landfill obligations, cost estimates provided by an independent consulting firm resulted in an \$187,000 (4%) increase in the liability. For business-type activities, outstanding debt increased \$25,356 due to the continued draw down of revenue bonds and scheduled bond payments.

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 \$1,018.
- Net bonded debt to assessed value, limit 4%, actual (0.86%).
- Ratio of debt service to total general governmental expenditures, limit 10%, actual 5.20%.

Additional information on the County's capital asset activity (Note 11) and long-term debt (Notes 7 and 8) can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Once again, the next year's (FY15) budget process contained its challenges. County local revenues were budgeted to increase only \$238,000 (0.6%), and total County revenues were expected to increase only \$149,000 (0.3%). School component revenues were expected to decrease \$976,000 (3%). With the combined County and School revenues projected to decrease \$827,000 (1%), both components set out to scrutinize costs and identify spending priorities. Carryover budget themes have been the issue of deferred spending for capital outlay and capital projects, the impact of state mandated costs, marginal or no total revenue growth, and the need to prioritize services provided by the County, lending consideration for the cost of those services.

Both County and School administration utilized an FY15 budget process that performed several reviews of expenditures that resulted in certain operational spending reductions before presenting a draft budget to the Board of Supervisors. Factors and financial points of note regarding the FY15 Budget are as follows:

Management's Discussion and Analysis

- The most recent unemployment rate published (September, 2014) for the County is 5.0%, which is a decrease from the rate of 5.2% from the same month a year ago. This compares favorably to the state's September 2014 unemployment rate of 5.2 percent and the current national rate of 5.7 percent. In terms of a positive trend, the September 2014 unemployment rate for Botetourt County is below the FY13 average monthly unemployment rate of 5.4%.
- Funding from the Commonwealth of Virginia for the School Board is budgeted to decrease \$477,000 (2%). With respect to support from the County, the FY15 budget reflects an increase (\$814,000) (4%) in operational funding. Total revenues for the School Board are budgeted to decrease \$976,000 (3%), with a \$161,000 (0.3%) decrease in expenditures.
- General fund County budgeted local revenues for FY15 vs. FY14 Budget are expected to increase by \$ 238,000 (0.6%). Approximately 85% of this increase is reflected in Public Service Corporations and Personal Property taxes, and considers the most recent book of current assessments. Budgeted revenue increases are also anticipated for Other Local taxes and General Property taxes. Budgeted revenue decreases of note are reflected in Machinery & Tools Taxes and Revenue from the Use of Property and Money. It should be noted that the next reassessment of real estate will begin in FY15 and will be utilized to update 2016 assessment values, with a revenue impact to be realized in FY17.
- FY15 County revenues from the State are budgeted to increase only slightly (\$36,000, 0.3%), while Federal revenues budgeted for FY15 reflects a \$125,000(13%) decrease due to the inability to budget for Payments In Lieu of Taxes (PILT), since this funding has been allowed to expire. There is currently nationwide support from localities for reinstatement of this funding.
- FY15 General Fund operational expenditures are budgeted to increase by approximately \$1.2 million (4%). Hospital & Medical costs include a 28% increase in quoted costs and accounts for \$490,000, or 41% of the \$1.2 million cost increase. In addition, new costs in FY15 of \$190,000 are reflected in the FY15 budget for Assessor services for the first year of a two year process. Public Safety cost increases of \$462,000 are for fire apparatus and an ambulance purchase. These items mentioned account for 95% of the \$ 1.2 million increase. With respect to compensation, there were no employee raises included in the FY15 budget.
- The total General Fund capital project budget of \$774,000 represents a \$365,000 (32%) reduction in relation to capital project dollars budgeted for FY14. The budget includes \$460,000 for the first year of a multi-year project involving the implementation of an enterprise-wide software system to replace an aged (upwards of 14 years old) system. For Parks and Recreation, there is \$95,000 budgeted for another multi-year project – the development of two additional ball fields at Botetourt Sports Complex. When \$100,000 for Industrial Site Development is included, these three items represent 85% of the total budget for General Fund capital projects. Including debt service, total County expenditures are budgeted to increase coincidentally by approximately \$774,000 (2.5%).
- During the budget process, measures were taken to seek opportunities for cost reduction and minimization at the departmental level. As a result, when compared to the FY14 budget, the final FY15 budget included one-third of the 39 departments / areas realizing either a decrease or no

Management's Discussion and Analysis

increase, and another one-third incurred a relatively minor increase from 1% to 3%. Therefore, including consideration for the increase in health care costs, two-thirds of the departments / areas realized a reduction, no increase, or an increase up to 3%. This scrutiny of costs provided assistance in order to fund those priority areas (primarily Public Safety and Public Works) requiring funding increases.

- The FY13 budget process included a look forward to FY14 in order to provide for the need for project and operational spending which had been deferred in previous years. \$1.6 million of fund balance was assigned in FY13 for future year operations. For FY14, \$651,000 of these assigned funds was utilized to balance the FY14 budget. For FY15, \$993,000 of these assigned funds are being used to assist in balancing the budget. In addition to the use of these assigned funds, due primarily to increased operational costs (see above) for the County and an \$815,000 increase in contributions to the School Component (due to reduced state and federal funding), an additional \$1.2 million of fund balance was utilized to balance the FY15 budget.
- For business-type activities, FY15 water and sewer revenues from operations were anticipated to increase \$238,000 (8%) versus the FY14 budget. While FY15 operational expenditures are budgeted to increase \$38,000 (2%) the FY15 Capital Improvements Budget of \$485,000 is approximately \$1.2 million less than the budget for FY14. This is due to FY14's planned high priority improvement projects; the FY15 budget provides for a smaller amount for continuation of these projects. In addition, Debt Service is budgeted to increase slightly (\$28,000, 3%), as debt requirements for the Tinker Creek Interceptor project take effect for a full year. With this reduction in capital spending requirements, a \$198,000 net surplus in the Utility Operating Fund is budgeted. This Enterprise Fund is expected to continue its self-sustaining position.

All of these factors were considered in preparing the County's budget for the 2015 fiscal year.

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 Position
June 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 18,742,559	\$ 3,542,129	\$ 22,284,688	\$ 6,514,415	\$ 122,750
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,109,099	-	1,109,099	-	-
Accounts receivable	182,028	589,959	771,987	24,517	-
Due from component unit	131,418	-	131,418	-	-
Due from other governmental units	1,276,780	-	1,276,780	1,241,367	-
Prepaid items	227,218	-	227,218	259,995	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	285,943	-	285,943	131,847	-
Capital assets (net of accumulated depreciation):					
Land	12,047,324	61,010	12,108,334	1,949,631	-
Buildings and improvements	55,032,254	-	55,032,254	15,526,370	3,657,121
Machinery and equipment	3,288,717	205,058	3,493,775	892,032	-
Utility plant in service	-	18,583,596	18,583,596	-	-
Construction in progress	894,854	428,909	1,323,763	-	-
Total assets	<u>\$ 93,218,194</u>	<u>\$ 23,410,661</u>	<u>\$ 116,628,855</u>	<u>\$ 26,540,174</u>	<u>\$ 3,779,871</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	\$ -	\$ 95,906	\$ 95,906	\$ -	\$ -
LIABILITIES					
Accounts payable	\$ 722,750	\$ 153,300	\$ 876,050	\$ 959,941	\$ -
Accrued wages and health claims	369,938	-	369,938	4,293,955	-
Customers' deposits	-	57,729	57,729	-	-
Accrued interest payable	550,763	82,026	632,789	-	9,744
Due to primary government	-	-	-	131,418	-
Unearned revenue	-	-	-	-	28,750
Long-term liabilities:					
Due within one year	3,434,388	724,770	4,159,158	720,160	291,339
Due in more than one year	36,503,736	8,492,648	44,996,384	1,236,053	1,568,022
Total liabilities	<u>\$ 41,581,575</u>	<u>\$ 9,510,473</u>	<u>\$ 51,092,048</u>	<u>\$ 7,341,527</u>	<u>\$ 1,897,855</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes paid in advance	\$ 154,904	\$ -	\$ 154,904	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 37,238,281	\$ 10,222,456	\$ 47,460,737	\$ 18,368,033	\$ 1,797,760
Restricted:					
Law library	67,228	-	67,228	-	-
Emergency 911	14,867	-	14,867	-	-
Cafeteria operations	-	-	-	131,847	-
Property seizure	174,649	-	174,649	-	-
Van program	29,199	-	29,199	-	-
Unrestricted	13,957,491	3,773,638	17,731,129	698,767	84,256
Total net position	<u>\$ 51,481,715</u>	<u>\$ 13,996,094</u>	<u>\$ 65,477,809</u>	<u>\$ 19,198,647</u>	<u>\$ 1,882,016</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, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units		
	Expenses	Charges for	Capital	Governmental	Primary Government	Total	School Board	IDA	
		Services	Grants and Contributions						Business-type Activities
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 3,258,654	\$ 600	\$ 258,410	\$ (2,999,644)	\$ (2,999,644)	\$ -	\$ -	\$ -	
Judicial administration	1,421,543	276,141	712,952	(432,450)	(432,450)	-	-	-	
Public safety	14,178,649	550,788	3,777,991	(9,849,870)	(9,849,870)	-	-	-	
Public works	2,010,971	162,979	-	(1,847,992)	(1,847,992)	-	-	-	
Health and welfare	3,415,997	-	1,850,790	(1,565,207)	(1,565,207)	-	-	-	
Education	22,911,062	-	-	(22,911,062)	(22,911,062)	-	-	-	
Parks, recreation, and cultural	3,194,559	183,661	153,773	(2,857,125)	(2,857,125)	-	-	-	
Community development	246,185	-	-	(246,185)	(246,185)	-	-	-	
Interest on long-term debt	1,509,639	-	-	(1,509,639)	(1,509,639)	-	-	-	
Total governmental activities	\$ 52,147,259	\$ 1,174,169	\$ 6,753,916	\$ (44,219,174)	\$ (44,219,174)	\$ -	\$ -	\$ -	
Business-type activities:									
Water and sewer	\$ 2,883,325	\$ 3,270,261	\$ -	\$ -	\$ 386,936	\$ 386,936	\$ -	\$ -	
Total primary government	\$ 55,030,584	\$ 4,444,430	\$ 6,753,916	\$ (44,219,174)	\$ 386,936	\$ (43,832,238)	\$ -	\$ -	
COMPONENT UNITS:									
School Board	\$ 54,122,918	\$ 1,308,423	\$ 26,529,241	\$ -	\$ -	\$ -	\$ (26,285,254)	\$ 157,686	
Industrial Development Authority	187,314	345,000	-	-	-	-	-	-	
Total component units	\$ 54,310,232	\$ 1,653,423	\$ 26,529,241	\$ -	\$ -	\$ -	\$ (26,285,254)	\$ 157,686	
General revenues:									
General property taxes	\$ 33,063,716	\$ -	\$ -	\$ 33,063,716	\$ -	\$ -	\$ -	\$ -	
Other local taxes:									
Local sales and use taxes	2,514,913	-	-	2,514,913	-	-	-	-	
Consumers' utility taxes	710,204	-	-	710,204	-	-	-	-	
Business license taxes	840,808	-	-	840,808	-	-	-	-	
Motor vehicle taxes	661,412	-	-	661,412	-	-	-	-	
Restaurant food taxes	1,209,735	-	-	1,209,735	-	-	-	-	
Other local taxes	881,739	-	-	881,739	-	-	-	-	
Unrestricted revenues from the use of money and property	369,202	15,320	384,522	369,202	15,320	384,522	117,871	233	
Miscellaneous	221,521	-	-	221,521	-	-	576,201	500	
Grants and contributions not restricted to specific programs	4,653,193	-	-	4,653,193	-	-	22,879,197	-	
Transfers	17,989	-	-	17,989	(17,989)	-	-	-	
Total general revenues and transfers	\$ 45,144,432	\$ (2,669)	\$ 45,141,763	\$ 45,144,432	\$ (2,669)	\$ 45,141,763	\$ 23,573,269	\$ 733	
Change in net position	\$ 925,258	\$ 384,267	\$ 1,309,525	\$ 925,258	\$ 384,267	\$ 1,309,525	\$ (2,711,985)	\$ 158,419	
Net position - beginning	50,556,457	13,611,827	64,168,284	50,556,457	13,611,827	64,168,284	21,910,632	1,723,597	
Net position - ending	\$ 51,481,715	\$ 13,996,094	\$ 65,477,809	\$ 51,481,715	\$ 13,996,094	\$ 65,477,809	\$ 19,198,647	\$ 1,882,016	

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

County of Botetourt, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 18,512,254
Receivables (net of allowance for uncollectibles):	
Taxes receivable	1,109,099
Accounts receivable	182,028
Due from component unit	131,418
Due from other governmental units	1,276,780
Prepaid items	227,218
Total assets	<u>\$ 21,438,797</u>
LIABILITIES	
Accounts payable	\$ 722,750
Total liabilities	<u>\$ 722,750</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	\$ 766,001
Property taxes paid in advance	154,904
Total deferred inflows of resources	<u>\$ 920,905</u>
FUND BALANCES	
Nonspendable	
Prepaid items	\$ 227,218
Restricted	
Law library	67,228
Emergency 911	14,867
Property seizure	174,649
Van program	29,199
Assigned	
Subsequent year's budgeted use of fund balance	992,671
Unassigned	18,289,310
Total fund balances	<u>\$ 19,795,142</u>
Total liabilities, deferred outflows of resources, and fund balances	<u>\$ 21,438,797</u>

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 Position
 June 30, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 19,795,142	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$ 12,047,324		
Buildings and improvements	55,032,254		
Machinery and equipment	3,288,717		
Construction in progress	<u>894,854</u>	71,263,149	
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. The assets consist of unavailable property taxes.			
Unavailable revenue - property taxes			766,001
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 position.			146,310
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
General obligation bonds/literary fund loans	\$ (33,357,954)		
Accrued interest payable	(550,763)		
Unamortized bond premium	(666,914)		
Landfill postclosure liability	(5,187,845)		
Compensated absences	<u>(725,411)</u>	(40,488,887)	
Net position of governmental activities			<u>\$ 51,481,715</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, 2014

	<u>General</u>
REVENUES	
General property taxes	\$ 33,167,127
Other local taxes	6,818,811
Permits, privilege fees, and regulatory licenses	245,505
Fines and forfeitures	139,238
Revenue from the use of money and property	369,202
Charges for services	789,426
Miscellaneous	221,521
Recovered costs	1,391,628
Intergovernmental:	
Commonwealth	10,229,724
Federal Government	1,177,385
Total revenues	<u>\$ 54,549,567</u>
EXPENDITURES	
Current:	
General government administration	\$ 3,443,109
Judicial administration	1,419,922
Public safety	15,094,607
Public works	1,739,422
Health and welfare	3,458,579
Education	21,785,483
Parks, recreation, and cultural	3,030,846
Community development	242,770
Capital projects	776,212
Debt service:	
Principal retirement	2,881,768
Interest and other fiscal charges	1,596,483
Total expenditures	<u>\$ 55,469,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (919,634)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 17,989
Issuance of bonds	446,372
Total other financing sources (uses)	<u>\$ 464,361</u>
Net change in fund balances	\$ (455,273)
Fund balances - beginning	20,250,415
Fund balances - ending	<u>\$ 19,795,142</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, 2014

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

Net change in fund balances - total governmental funds \$ (455,273)

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 depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 2,146,884	
Depreciation expenses	<u>(3,105,741)</u>	(958,857)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (14,130)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (103,411)

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 position. Also, governmental funds report the effect of 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.

Debt issued or incurred:		
Issuance of general obligation debt	\$ (446,372)	
Increase in accrued landfill closure/postclosure liability	(186,900)	
Principal repayments:		
General obligation bonds	<u>2,881,768</u>	2,248,496

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.

Decrease (increase) in compensated absences	\$ (21,058)	
Decrease (increase) in accrued interest payable	42,668	
Amortization of bond premium	<u>44,176</u>	65,786

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. 142,647

Change in net position of governmental activities \$ 925,258

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

County of Botetourt, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2014

	<u>Enterprise Fund Water and Sewer</u>	<u>Internal Service Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,542,129	\$ 516,248
Accounts receivable, net of allowance for uncollectibles	589,959	-
Total current assets	<u>\$ 4,132,088</u>	<u>\$ 516,248</u>
Noncurrent assets:		
Capital assets:		
Land	\$ 61,010	\$ -
Utility plant in service	30,608,298	-
Machinery and equipment	400,117	-
Construction in progress	428,909	-
Accumulated depreciation	(12,219,761)	-
Total capital assets	<u>\$ 19,278,573</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 19,278,573</u>	<u>\$ -</u>
Total assets	<u>\$ 23,410,661</u>	<u>\$ 516,248</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	\$ 95,906	\$ -
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 153,300	\$ -
Customers' deposits	57,729	-
Accrued interest payable	82,026	-
Accrued wages and health claims	-	369,938
Compensated absences - current portion	49,046	-
Revenue Bonds - current portion	675,724	-
Total current liabilities	<u>\$ 1,017,825</u>	<u>\$ 369,938</u>
Noncurrent liabilities:		
Compensated absences - net of current portion	\$ 16,349	\$ -
Revenue Bonds - net of current portion	8,476,299	-
Total noncurrent liabilities	<u>\$ 8,492,648</u>	<u>\$ -</u>
Total liabilities	<u>\$ 9,510,473</u>	<u>\$ 369,938</u>
NET POSITION		
Net investment in capital assets	\$ 10,222,456	\$ -
Unrestricted	3,773,638	146,310
Total net position	<u>\$ 13,996,094</u>	<u>\$ 146,310</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 Position
Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Fund <u>Water and Sewer</u>	Internal Service <u>Funds</u>
OPERATING REVENUES		
Charges for services:		
Water revenues pledged as security for revenue bonds	\$ 1,305,350	\$ -
Sewer revenues pledged as security for revenue bonds	1,816,090	-
Tap fees	132,761	-
Insurance premiums	-	2,016,369
Other revenues	16,060	-
Total operating revenues	<u>\$ 3,270,261</u>	<u>\$ 2,016,369</u>
OPERATING EXPENSES		
Personnel services	\$ 489,272	\$ -
Contractual services	255,392	-
Utilities and office expense	800,824	-
Repair and maintenance	228,604	-
Insurance claims and expenses	-	1,873,722
Depreciation	822,743	-
Total operating expenses	<u>\$ 2,596,835</u>	<u>\$ 1,873,722</u>
Operating income (loss)	<u>\$ 673,426</u>	<u>\$ 142,647</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	\$ 15,320	\$ -
Interest expense	(286,490)	-
Total nonoperating revenues (expenses)	<u>\$ (271,170)</u>	<u>\$ -</u>
Income before transfers	<u>\$ 402,256</u>	<u>\$ 142,647</u>
Transfers out	<u>(17,989)</u>	<u>-</u>
Change in net position	\$ 384,267	142,647
Total net position - beginning	13,611,827	3,663
Total net position - ending	<u>\$ 13,996,094</u>	<u>\$ 146,310</u>

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, 2014

	Enterprise Fund Water and Sewer	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 3,194,394	\$ -
Receipts for insurance premiums	-	2,016,369
Payments to suppliers	(1,412,576)	-
Payments to employees	(514,764)	-
Payments for health claims	-	(1,580,201)
Net cash provided by (used for) operating activities	<u>\$ 1,267,054</u>	<u>\$ 436,168</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	\$ (17,989)	\$ -
Net cash provided by (used for) noncapital financing activities	<u>\$ (17,989)</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	\$ (961,113)	\$ -
Principal payments on bonds	(604,659)	-
Proceeds from indebtedness	635,475	-
Interest expense	(327,591)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,257,888)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	\$ 15,320	\$ -
Net cash provided by (used for) investing activities	<u>\$ 15,320</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ 6,497	\$ 436,168
Cash and cash equivalents - beginning	3,535,632	80,080
Cash and cash equivalents - ending	<u>\$ 3,542,129</u>	<u>\$ 516,248</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 673,426	\$ 142,647
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	\$ 822,743	\$ -
(Increase) decrease in accounts receivable	(83,316)	-
Increase (decrease) in accrued wages	(7,084)	-
Increase (decrease) in customer deposits	7,449	-
Increase (decrease) in accounts payable	(127,756)	-
Increase (decrease) in health claims payable	-	293,521
Increase (decrease) in compensated absences	(18,408)	-
Total adjustments	<u>\$ 593,628</u>	<u>\$ 293,521</u>
Net cash provided by (used for) operating activities	<u>\$ 1,267,054</u>	<u>\$ 436,168</u>

Interest payments above include capitalized interest totaling \$28,851 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 Position
Fiduciary Funds
June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,061,300
Total assets	<u>\$ 1,061,300</u>
LIABILITIES	
Amounts held for social services clients	\$ 21,671
Amounts held for employees	49,900
Amounts held for other agencies	814,863
Amounts held for performance bond	115,000
Amounts held for inmates	59,866
Total liabilities	<u>\$ 1,061,300</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, 2014

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 and the Roanoke Center for Animal Control and Protection (Pound). 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 and \$216,888 to the Pound. The County's payments to the Pound are based on usage of the facility.

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 position 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 position 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 position and will report depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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.

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

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

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 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 reported as unavailable 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 is used to account for and report 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.

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, Inmate Trust and Canteen, and Escrow Funds.

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.

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance

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.

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.

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

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance
(Continued)

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 \$418,732 at June 30, 2014. The allowance consists of delinquent taxes in the amount of \$100,913 and delinquent water and sewer bills of \$317,819.

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.

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, deferred outflows/inflows of resources and net position/fund balance
 (Continued)

8. 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 \$28,851 was capitalized during the fiscal year.

Property, plant, equipment, and infrastructure 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

9. Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

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

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance
(Continued)

10. Fund equity

The County reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County of Botetourt, Virginia evaluated its funds at June 30, 2014 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.

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. At year end the assigned fund balance represents an amount necessary to balance the subsequent year's budget (i.e. budgeted use of reserves).

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.

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

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance
(Continued)

11. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

12. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

13. 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.

14. Restricted Assets

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

15. 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.

16. 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 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance
(Continued)

17. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. At June 30, 2014, the County's deferred outflows consisted of deferred charges on refunding totaling \$95,906.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The County's deferred inflows of resources as of June 30, 2014 consist of \$766,001 and \$154,904 in modified basis - property and prepaid taxes, respectively, and \$154,904 in accrual bases - prepaid taxes.

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Note 2-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 commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2014, expenditures did not exceed appropriations in any departments.

C. Deficit fund equity

At June 30, 2014, there were no funds with negative equity.

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Note 3-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).

The County did not hold any investments during the year.

Interest Rate Risk

As the County did not hold any investments during the year, there was no 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.

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 4-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	\$ 434,017	\$ -
Categorical aid-State sales tax	-	926,557
Categorical aid-Other	472,119	-
Non-categorical aid	154,530	-
Categorical aid-Virginia Public Assistance	38,640	-
Categorical aid-Comprehensive Services Act	109,684	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	62,262	-
Categorical aid-Other	5,528	314,810
Totals	<u>\$ 1,276,780</u>	<u>\$ 1,241,367</u>

Note 5-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
<u>Primary Government:</u>		
General Fund	\$ -	\$ 131,418
<u>Component Unit - School Board:</u>		
School Fund	\$ 131,418	\$ -
Totals	<u>\$ 131,418</u>	<u>\$ 131,418</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 6-Interfund Transfers/Component Unit Contributions:

Primary government contributions to component units for the year ended June 30, 2014, consisted of the following:

Component Unit:	
School Board	\$ 21,753,618

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 \$17,989 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, 2014

Note 7-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2014.

	Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
General Obligation				
Bonds	\$ 31,024,050	\$ 446,372	\$ (2,229,838)	\$ 29,240,584
Unamortized Premium	711,090	-	(44,176)	666,914
Literary Fund Loans	4,769,300	-	(651,930)	4,117,370
Landfill closure/ post-closure liability	5,000,945	186,900	-	5,187,845
Compensated absences	704,353	549,323	(528,265)	725,411
 Total	 <u>\$ 42,209,738</u>	 <u>\$ 1,182,595</u>	 <u>\$ (3,454,209)</u>	 <u>\$ 39,938,124</u>

For governmental activities, compensated absences and the landfill closure/post-closure 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
2015	\$ 2,238,400	\$ 1,361,390	\$ 651,930	\$ 123,521
2016	1,821,346	1,271,751	651,930	103,963
2017	1,387,395	1,194,741	651,930	84,405
2018	1,448,365	1,125,602	651,930	64,847
2019	1,519,378	1,051,419	651,930	45,290
2020-2024	8,403,683	4,079,634	857,720	41,829
2025-2029	8,012,018	1,936,870	-	-
2030-2033	4,409,999	453,405	-	-
 Totals	 <u>\$ 29,240,584</u>	 <u>\$ 12,474,812</u>	 <u>\$ 4,117,370</u>	 <u>\$ 463,855</u>

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

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	\$ 482,931	\$ 482,931
General projects	5.1% - 6.1%	12/21/1995	2016	8,385,372	979,777	484,896
School construction	4.1% - 5.225%	4/30/1998	2019	1,545,000	375,000	75,000
School construction	4.1% - 5.1%	5/11/2006	2026	15,890,000	12,010,000	675,000
Jail Construction	3.6325% - 4.9866%	6/8/2006	2032	17,570,000	15,005,000	500,000
Fire Truck Loan	4.25%	8/6/2013	2029	446,372	387,876	20,573
Total General Obligation Bonds					\$ 29,240,584	\$ 2,238,400
Add:						
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	666,914	-
Net General Obligation Bonds					\$ 29,907,498	\$ 2,238,400
Literary Fund Loans:						
School construction	3.00%	12/1/2000	2021	\$ 7,500,000	\$ 2,625,000	\$ 375,000
School construction	3.00%	2/1/1999	2019	5,000,000	1,250,000	250,000
School construction	3.00%	1/15/2003	2023	538,600	242,370	26,930
Total Literary Fund Loans					\$ 4,117,370	\$ 651,930
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 725,411	\$ 544,058
Landfill closure/post-closure liability	n/a	n/a	n/a	n/a	5,187,845	-
Total Other Obligations					\$ 5,913,256	\$ 544,058
Total Long-term obligations					\$ 39,938,124	\$ 3,434,388

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 7-Long-Term Obligations: (Continued)

Primary Government - Business-type Activities Obligations:

The following is a summary of long-term obligations transactions of the Enterprise Fund for the year ended June 30, 2014.

	Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
Revenue Bonds	\$ 9,050,292	\$ 635,476	\$ (604,659)	\$ 9,081,109
Unamortized Premium	76,375	-	(5,461)	70,914
Compensated absences	83,803	44,444	(62,852)	65,395
Total	\$ 9,210,470	\$ 679,920	\$ (672,972)	\$ 9,217,418

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
2015	\$ 675,724	\$ 295,415
2016	730,377	269,518
2017	786,046	241,992
2018	811,315	213,099
2019	842,073	183,278
20120-2024	3,081,576	549,742
2025-2029	1,386,694	193,140
2030-2033	767,304	42,326
Totals	\$ 9,081,109	\$ 1,988,510

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 7-Long-Term Obligations: (Continued)

Primary Government - Business-type Activities Obligations: (Continued)

Details of long-term obligations:

	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	\$ 2,644,017	\$ 111,895
VRA Refunding Bond	3.1% - 4.9269%	5/17/2005	2023	4,250,000	2,550,000	235,000
VRA Bond	3.75%	7/31/1997	2019	3,000,000	931,717	172,760
VRA Bond	3.10%	8/1/2004	2027	4,032,975	2,117,235	141,069
VRA Bond	2.125% - 5.125%	5/2/2011	2032	510,000	480,000	15,000
VRA Bond	1.45%	1/25/2013	2035	1,169,808	358,140	-
Total Revenue Bonds					\$ 9,081,109	\$ 675,724
Add:						
Unamortized premium on issuance					70,914	-
Net Revenue Bonds					\$ 9,152,023	\$ 675,724
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 65,395	\$ 49,046
Total Long-term obligations					\$ 9,217,418	\$ 724,770

Note 8-Long-Term Obligations-Component Units:

Discretely Presented Component Unit - School Board Obligations:

The following is a summary of long-term obligations transactions of the Component Unit-School Board for the year ended June 30, 2014.

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Net OPEB obligation	\$ 894,000	\$ 356,000	\$ (254,000)	\$ 996,000
Compensated absences	709,816	782,759	(532,362)	960,213
Total	\$ 1,603,816	\$ 1,138,759	\$ (786,362)	\$ 1,956,213

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 8-Long-Term Obligations-Component Units: (Continued)

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

Details of long-term obligations:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
Other Obligations:						
Net OPEB Obligation	n/a	n/a	n/a	n/a	\$ 996,000	\$ -
Compensated Absences	n/a	n/a	n/a	n/a	960,213	720,160
Total long-term obligations					<u>\$ 1,956,213</u>	<u>\$ 720,160</u>

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

Discretely Presented Component Unit - Industrial Development Authority Obligations:

The following is a summary of long-term obligations transactions of the Component Unit-Industrial Development Authority for the year ended June 30, 2014.

	<u>Balance July 1, 2013</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>
Lease Revenue Bond	<u>\$ 2,143,529</u>	<u>\$ -</u>	<u>\$ (283,898)</u>	<u>\$ 1,859,631</u>

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

<u>Year Ending June 30,</u>	<u>Lease Revenue Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 291,339	\$ 43,781
2016	298,520	36,599
2017	305,879	29,241
2018	313,419	21,700
2019	321,144	13,975
2020	329,060	6,059
Totals	<u>\$ 1,859,361</u>	<u>\$ 151,355</u>

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 8-Long-Term Obligations-Component Units: (Continued)

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

Details of long-term obligations:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Business-type Activities</u>	<u>Amount Due Within One Year</u>
Lease Revenue Bond:						
Lease Revenue Bond	2.45%	4/1/2013	2020	\$ 2,143,259	<u>\$ 1,859,361</u>	<u>\$ 291,339</u>

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Note 9-Pension Plan:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer 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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

- 1. Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (Continued)

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (Continued)

11. Earliest Unreduced Retirement Eligibility - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. Earliest Reduced Retirement Eligibility - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. Cost-of-Living Adjustment (COLA) in Retirement - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

14. Eligibility - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

15. Exceptions to COLA Effective Dates - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (Continued)

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS – PLAN 2

- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (Continued)

4. **Retirement Contributions** - Same as VRS Plan 1–Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1– Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1–Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1–Refer to Section 7.
8. **Average Final Compensation** - A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** - Same as VRS Plan 1–Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (Continued)

16. Disability Coverage - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service - Same as VRS Plan 1—Refer to Section 17.

HYBRID RETIREMENT PLAN

1. Plan Overview - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1-Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. Average Final Compensation - Same as VRS Plan 2-Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2-Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2–Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 17.

Defined Contribution Component - Not Applicable.

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/2013-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 9-Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's contribution rates for the fiscal year ended 2014 were 12.61% and 13.45% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$3,106,162, \$2,942,672, and \$1,616,386, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012, respectively and these contributions represented 11.66%, 11.66%, and 6.33% for 2014, 2013, and 2012, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the County's annual pension cost of \$1,407,910 and \$360,709 was equal to the County's and School Board's required and actual contributions for the County and the School Board Non-Professionals, respectively.

	Fiscal Year Ending (1)	Three-Year Trend Information		
		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2014	\$ 1,407,910	100.00%	\$ -
	6/30/2013	1,366,810	100.00%	-
	6/30/2012	1,045,692	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2014	\$ 360,709	100.00%	\$ -
	6/30/2013	344,333	100.00%	-
	6/30/2012	254,805	100.00%	-

Note 9-Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, 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 for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board'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, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 78.57% funded. The actuarial accrued liability for benefits was \$39,704,024, and the actuarial value of assets was \$31,194,619, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,509,405. The covered payroll (annual payroll of active employees covered by the plan) was \$10,808,988 and ratio of the UAAL to the covered payroll was 78.73%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 75.61% funded. The actuarial accrued liability for benefits was \$11,803,600, and the actuarial value of assets was \$8,925,149, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,878,451. The covered payroll (annual payroll of active employees covered by the plan) was \$2,568,798 and ratio of the UAAL to the covered payroll was 112.05%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) 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 (AAL) for benefits.

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 10-Deferred Inflows (Outflows) of Resources:

At June 30, 2014, the County’s deferred inflows (outflows) of resources consisted of the following:

	Government-wide Statements		Balance Sheet
	Governmental Activities	Business Type Activities	Governmental Funds
Primary Government:			
Deferred charge on refunding	\$ -	\$ (95,906)	\$ -
Deferred property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	-	-	766,001
Prepaid taxes relating to taxes due in a future period.	154,904	-	154,904
Total deferred inflows (outflows) of resources	\$ 154,904	\$ (95,906)	\$ 920,905

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 11-Capital Assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 11,707,664	\$ 339,660	\$ -	\$ 12,047,324
Construction in progress	963,560	323,643	(392,349)	894,854
Total capital assets not being depreciated	<u>\$ 12,671,224</u>	<u>\$ 663,303</u>	<u>\$ (392,349)</u>	<u>\$ 12,942,178</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 79,033,264	\$ 9,790	\$ -	\$ 79,043,054
Machinery and equipment	9,284,813	1,866,141	(192,382)	10,958,572
Total capital assets being depreciated	<u>\$ 88,318,077</u>	<u>\$ 1,875,931</u>	<u>\$ (192,382)</u>	<u>\$ 90,001,626</u>
Accumulated depreciation:				
Buildings and improvements	\$ (21,743,629)	\$ (2,267,171)	\$ -	\$ (24,010,800)
Machinery and equipment	(7,009,536)	(838,570)	178,251	(7,669,855)
Total accumulated depreciation	<u>\$ (28,753,165)</u>	<u>\$ (3,105,741)</u>	<u>\$ 178,251</u>	<u>\$ (31,680,655)</u>
Total capital assets being depreciated, net	<u>\$ 59,564,912</u>	<u>\$ (1,229,810)</u>	<u>\$ (14,131)</u>	<u>\$ 58,320,971</u>
Governmental activities capital assets, net	<u>\$ 72,236,136</u>	<u>\$ (566,507)</u>	<u>\$ (406,480)</u>	<u>\$ 71,263,149</u>

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 11-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 43,010	\$ 18,000	\$ -	\$ 61,010
Construction in progress	2,842,144	874,928	(3,288,163)	428,909
Total capital assets not being depreciated	<u>\$ 2,885,154</u>	<u>\$ 892,928</u>	<u>\$ (3,288,163)</u>	<u>\$ 489,919</u>
Capital assets, being depreciated:				
Utility plant in service	\$ 27,283,686	\$ 3,324,612	\$ -	\$ 30,608,298
Machinery and equipment	339,530	60,587	-	400,117
Total capital assets being depreciated	<u>\$ 27,623,216</u>	<u>\$ 3,385,199</u>	<u>\$ -</u>	<u>\$ 31,008,415</u>
Accumulated depreciation:				
Utility plant in service	\$ (11,241,491)	\$ (783,211)	\$ -	\$ (12,024,702)
Machinery and equipment	(155,527)	(39,532)	-	(195,059)
Total accumulated depreciation	<u>\$ (11,397,018)</u>	<u>\$ (822,743)</u>	<u>\$ -</u>	<u>\$ (12,219,761)</u>
Total capital assets being depreciated, net	<u>\$ 16,226,198</u>	<u>\$ 2,562,456</u>	<u>\$ -</u>	<u>\$ 18,788,654</u>
Business-type activities capital assets, net	<u>\$ 19,111,352</u>	<u>\$ 3,455,384</u>	<u>\$ (3,288,163)</u>	<u>\$ 19,278,573</u>

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

Governmental activities:	
General government administration	\$ 191,777
Judicial administration	8,807
Public safety	1,362,317
Public works	109,986
Education	1,125,579
Parks, recreation, and culture	307,275
	<u>3,105,741</u>
Total depreciation expense-governmental activities	<u>\$ 3,105,741</u>
Business-type activities:	
Service authority	\$ 822,743

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 11-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2014 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
Total capital assets not being depreciated	<u>\$ 1,949,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,949,631</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 36,255,338	\$ 313,183	\$ -	\$ 36,568,521
Machinery and equipment	7,057,775	157,946	(251,834)	6,963,887
Total capital assets being depreciated	<u>\$ 43,313,113</u>	<u>\$ 471,129</u>	<u>\$ (251,834)</u>	<u>\$ 43,532,408</u>
Accumulated depreciation:				
Buildings and improvements	\$ (19,960,092)	\$ (1,082,059)	\$ -	\$ (21,042,151)
Machinery and equipment	(5,879,128)	(444,561)	251,834	(6,071,855)
Total accumulated depreciation	<u>\$ (25,839,220)</u>	<u>\$ (1,526,620)</u>	<u>\$ 251,834</u>	<u>\$ (27,114,006)</u>
Total capital assets being depreciated, net	<u>\$ 17,473,893</u>	<u>\$ (1,055,491)</u>	<u>\$ -</u>	<u>\$ 16,418,402</u>
School Board capital assets, net	<u>\$ 19,423,524</u>	<u>\$ (1,055,491)</u>	<u>\$ -</u>	<u>\$ 18,368,033</u>

Note 12-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.

Note 12-Risk Management: (Continued)

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 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 13-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 14-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

Note 14-Surety Bonds: (Continued)

Selective Insurance Company of America:

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

United States Fidelity and Guaranty Company-Surety:

Board of Supervisors:

John B. Williamson	\$ 1,000
L.W. (Jack) Leffel	1,000
Dr. Donald M. (Mac) Scothorn	1,000
Billy W. Martin, Sr.	1,000
Todd L. Dodson	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 15-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 93% of its estimated capacity. Total closure and post-closure care cost have been estimated to be \$5,595,329 based on 100% usage of the facility. This represents what it would cost to perform all closure and post-closure care in 2014. Landfill closure and post-closure care costs are allocated based on landfill capacity to date. As such, approximately 93% of the aforementioned amount has been recognized as a liability in the financial statements (\$5,187,845). The remaining amount to be recognized, \$407,484, 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, 2014, the landfill's remaining life is estimated to be 55 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. The County demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 16 - Arbitrage Rebate Compliance:

As of June 30, 2014 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 17 - Commitments and Contingencies:

The County was involved in a major construction project during the fiscal year as presented below, along with the funding source. At year end, the resulting asset has been placed in service and the remaining commitment represents retainage payable.

Project	Contract Amount	Contract Amount Outstanding at June 30, 2014	Funding Source
Tinker Creek - Enterprise Project	\$ 2,380,000	\$ 49,335	VRA Loan

Note 18-Other Postemployment Benefits - Health Insurance:

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 799 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, 2013:

<u>Participants</u>	<u>Total Premium</u>
Employee	\$ 540.36
Employee / Spouse	1,081.19
Employee / Child	783.75
Family	1,362.47

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.

Note 18-Other Postemployment Benefits - Health Insurance: (Continued)

Component Unit: School Board (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

For 2014, the Board’s annual contribution of \$254,000 did not equal the annual OPEB cost of \$356,000. The obligation calculation is as follows:

Annual required contribution	\$ 357,000
Interest on net OPEB obligation	36,000
Adjustment to annual required contribution	<u>(37,000)</u>
Annual OPEB cost (expense)	356,000
Contributions made	<u>254,000</u>
Increase in net OPEB obligation	102,000
Net OPEB obligation - beginning of year	<u>894,000</u>
Net OPEB obligation - ending of year	<u><u>\$ 996,000</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
6/30/2014	\$ 356,000	71%	\$ 996,000
6/30/2013	348,000	73%	894,000
6/30/2012	446,000	81%	801,000

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2012 (date of the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 3,812,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 3,812,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 27,173,000
UAAL as a percentage of covered payroll	14.03%

Note 18-Other Postemployment Benefits - Health Insurance: (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, 2012, most recent 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 4.00%, and a health care trend rate of 9% 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, 2012, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

Note 19-Other Postemployment Benefits - VRS Health Insurance Credit:

Professional Employees - 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.

Note 19- Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

A. Plan Description (Continued)

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 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 as 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 0.55%, of annual covered payroll for the years ending June 30, 2014, 2013, and 2012, respectively. The School Board's contributions to VRS for the years ending June 30, 2014, 2013, and 2012 were \$16,087 \$15,361, and \$14,271, respectively and equaled the required contributions for each year.

C. Annual OPEB Cost and Net OPEB Obligation

For 2014, the Board's annual contribution of \$16,087 equaled the annual required contribution (OPEB cost). The obligation calculation is as follows:

Annual required contribution	\$ 16,087
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>16,087</u>
Contributions made	<u>16,087</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - ending of year	<u><u>\$ -</u></u>

Note 19-Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

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	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 16,087	100%	\$ -
6/30/2013	15,361	100%	-
6/30/2012	14,271	100%	-

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2013 (date of the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 185,712
Actuarial value of plan assets	\$ 29,944
Unfunded actuarial accrued liability (UAAL)	\$ 155,768
Funded ratio (actuarial value of plan assets/AAL)	16.12%
Covered payroll (active plan members)	\$ 2,568,798
UAAL as a percentage of covered payroll	6.06%

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.

Note 19-Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

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, 2013, most recent 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 2.50%, payroll growth rate of 3.00% and investment rate of return at 7.00%. The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2013, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

The Retiree Health Insurance Credit benefit is based on a member’s employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member’s actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to healthcare cost trend rates is needed or applied.

Note 20-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 2014, a total of \$1,580,201 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 \$369,938 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>
2013-14	\$ 76,417	\$ 1,873,722	\$ (1,580,201)	\$ 369,938
2012-13	74,583	541,837	(540,003)	76,417
2011-12	188,240	1,143,711	(1,257,368)	74,583

Note 21-New Accounting Standards:

The Governmental Accounting Standards Board (GASB) has issued 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. This standard will be effective for the fiscal year ending June 30, 2015. 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.

Note 22-Litigation:

At June 30, 2014, there were no matters of litigation involving the County which would materially affect the County’s financial position should any court decisions on pending matters not be favorable.

Note 23-Subsequent Events:

At the time of issuance of this Report, Botetourt County is in discussions with Western Virginia Water Authority regarding the consolidation of utilities. If consolidation occurs, it is anticipated that the County’s utility operations (water and sewer) will be turned over to the Authority along with all related assets and liabilities. These financial statements do not contain any adjustments for consolidation as discussions are ongoing and final terms have not been established.

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 32,749,500	\$ 32,926,428	\$ 33,167,127	\$ 240,699
Other local taxes	6,591,000	6,591,000	6,818,811	227,811
Permits, privilege fees, and regulatory licenses	222,125	222,125	245,505	23,380
Fines and forfeitures	135,000	135,000	139,238	4,238
Revenue from the use of money and property	371,950	371,950	369,202	(2,748)
Charges for services	649,630	703,630	789,426	85,796
Miscellaneous	41,100	41,100	221,521	180,421
Recovered costs	1,482,166	1,361,362	1,391,628	30,266
Intergovernmental:				
Commonwealth	10,339,384	10,339,391	10,229,724	(109,667)
Federal Government	990,500	990,500	1,177,385	186,885
Total revenues	<u>\$ 53,572,355</u>	<u>\$ 53,682,486</u>	<u>\$ 54,549,567</u>	<u>\$ 867,081</u>
EXPENDITURES				
General government administration:				
Board of supervisors	\$ 223,316	\$ 223,291	\$ 221,542	\$ 1,749
County administrator	365,741	367,082	363,914	3,168
Deputy administrators	361,453	382,027	310,636	71,391
Central garage	69,368	71,653	71,415	238
Commissioner of revenue	368,702	382,402	373,425	8,977
Central purchasing	87,274	91,197	82,548	8,649
Treasurer	429,256	460,184	452,108	8,076
Management information systems	981,256	989,604	955,737	33,867
Financial services	344,341	366,527	365,982	545
Electoral board/registrar	280,777	285,345	245,802	39,543
Total general government administration	<u>\$ 3,511,484</u>	<u>\$ 3,619,312</u>	<u>\$ 3,443,109</u>	<u>\$ 176,203</u>
Judicial administration:				
Circuit court	\$ 55,469	\$ 57,753	\$ 56,016	\$ 1,737
General district court	31,299	31,299	23,957	7,342
Magistrate	1,351	1,351	1,312	39
Clerk of the circuit court	596,681	622,561	609,702	12,859
Commonwealth's attorney	708,199	737,328	728,935	8,393
Total judicial administration	<u>\$ 1,392,999</u>	<u>\$ 1,450,292</u>	<u>\$ 1,419,922</u>	<u>\$ 30,370</u>

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Public safety:				
Sheriff	\$ 4,556,684	\$ 4,799,813	\$ 4,730,501	\$ 69,312
Fire departments and rescue squads	1,387,894	2,213,526	1,862,937	350,589
Emergency communications	209,726	323,584	314,120	9,464
Western Virginia EMS	6,722	6,722	6,722	-
County operated institutions - jail	3,521,928	3,627,823	3,509,486	118,337
Probation office	6,300	6,300	5,181	1,119
Juvenile detention	55,000.00	107,073	94,652	12,421
Building inspections	651,236	668,781	646,500	22,281
Animal control	519,843	573,055	540,778	32,277
Emergency services	2,622,708	2,735,371	2,681,601	53,770
Dispatch	776,915	782,632	702,129	80,503
Total public safety	<u>\$ 14,314,956</u>	<u>\$ 15,844,680</u>	<u>\$ 15,094,607</u>	<u>\$ 750,073</u>
Public works:				
Refuse collection and disposal	\$ 564,823	\$ 650,955	\$ 637,503	\$ 13,452
Public works	400,938	532,754	315,317	217,437
General properties	700,139	789,977	786,602	3,375
Total public works	<u>\$ 1,665,900</u>	<u>\$ 1,973,686</u>	<u>\$ 1,739,422</u>	<u>\$ 234,264</u>
Health and welfare:				
Supplement of local health department	\$ 329,252	\$ 330,967	\$ 286,863	\$ 44,104
Mental health contribution	38,743	38,743	38,743	-
Welfare administration and programs	1,593,556	1,593,556	1,413,804	179,752
Comprehensive services act	1,279,098	1,279,630	1,246,732	32,898
Senior van program	77,181	62,536	60,452	2,084
Resource center	6,500	6,500	6,500	-
Tax relief for the elderly	-	390,000	389,485	515
Other welfare programs	16,000	16,000	16,000	-
Total health and welfare	<u>\$ 3,340,330</u>	<u>\$ 3,717,932</u>	<u>\$ 3,458,579</u>	<u>\$ 259,353</u>
Education:				
Contributions to Community Colleges	\$ 34,865	\$ 34,865	\$ 31,865	\$ 3,000
Contribution to County School Board	21,734,788	21,753,618	21,753,618	-
Total education	<u>\$ 21,769,653</u>	<u>\$ 21,788,483</u>	<u>\$ 21,785,483</u>	<u>\$ 3,000</u>
Parks, recreation, and cultural:				
Supervision of parks and recreation	\$ 1,204,916	\$ 1,266,605	\$ 1,253,770	\$ 12,835
Sports Complex	393,006	466,980	462,943	4,037
Tourism	212,459	262,627	245,812	16,815
Contributions to cultural organizations	79,932	84,932	84,932	-
Library expenses	973,826	1,012,386	983,389	28,997
Total parks, recreation, and cultural	<u>\$ 2,864,139</u>	<u>\$ 3,093,530</u>	<u>\$ 3,030,846</u>	<u>\$ 62,684</u>

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Community development:				
Planning commission	\$ 25,049	\$ 25,049	\$ 25,049	\$ -
Economic Development Partnership	69,136	69,136	69,136	-
Other environmental management	23,135	24,154	24,154	-
Industrial development	125,000	199,183	75,000	124,183
Extension office	66,994	66,994	49,431	17,563
Total community development	<u>\$ 309,314</u>	<u>\$ 384,516</u>	<u>\$ 242,770</u>	<u>\$ 141,746</u>
Capital projects:				
Mountaintop transmitters	\$ 454,768	\$ 457,895	\$ 457,895	\$ -
Lift Pump Station	10,000	10,000	-	10,000
Elevator replacement	-	48,990	48,990	-
VDOT revenue sharing	-	91,000	-	91,000
Recreation facility (Greenfield park)	175,000	281,166	269,327	11,839
Total capital projects	<u>\$ 639,768</u>	<u>\$ 889,051</u>	<u>\$ 776,212</u>	<u>\$ 112,839</u>
Debt service:				
Principal retirement	\$ 2,817,973	\$ 2,881,768	\$ 2,881,768	\$ -
Interest and other fiscal charges	1,596,483	1,596,483	1,596,483	-
Total debt service	<u>\$ 4,414,456</u>	<u>\$ 4,478,251</u>	<u>\$ 4,478,251</u>	<u>\$ -</u>
Total expenditures	<u>\$ 54,222,999</u>	<u>\$ 57,239,733</u>	<u>\$ 55,469,201</u>	<u>\$ 1,770,532</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (650,644)</u>	<u>\$ (3,557,247)</u>	<u>\$ (919,634)</u>	<u>\$ 2,637,613</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 17,989	\$ 17,989
Issuance of bonds	-	-	446,372	446,372
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,361</u>	<u>\$ 464,361</u>
Net change in fund balances	\$ (650,644)	\$ (3,557,247)	\$ (455,273)	\$ 3,101,974
Fund balances - beginning	650,644	3,557,247	20,250,415	16,693,168
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,795,142</u>	<u>\$ 19,795,142</u>

Note 1: GAAP serves as the budgetary basis of accounting

County of Botetourt, Virginia

Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2014

Primary Government: County Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 31,194,619	\$ 39,704,024	8,509,405	78.57%	\$ 10,808,988	78.73%
June 30, 2012	29,324,542	38,982,617	9,658,075	75.22%	10,452,159	92.40%
June 30, 2011	28,630,314	37,000,672	8,370,358	77.38%	10,140,765	82.54%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 8,925,149	\$ 11,803,600	2,878,451	75.61%	\$ 2,568,798	112.05%
June 30, 2012	8,771,456	12,234,801	3,463,345	71.69%	2,536,773	136.53%
June 30, 2011	9,026,132	11,993,214	2,967,082	75.26%	2,557,727	116.00%

School Board Health Insurance Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2012	\$ -	\$ 3,812,000	\$ 3,812,000	0.00%	\$ 27,173,000	14.03%
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%

School Board Health Insurance Credit Program

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 29,944	\$ 185,712	\$ 155,768	16.12%	\$ 2,568,798	6.06%
June 30, 2012	19,370	172,385	153,015	11.24%	2,536,773	6.03%
June 30, 2011	13,369	140,324	126,955	9.53%	2,557,727	4.96%

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 Position
 Agency Funds
 June 30, 2014

	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	\$ 21,671	\$ 30,872	\$ 59,866	\$ 19,028	\$ 115,000	\$ 814,863	\$1,061,300
Total assets	<u>\$ 21,671</u>	<u>\$ 30,872</u>	<u>\$ 59,866</u>	<u>\$ 19,028</u>	<u>\$ 115,000</u>	<u>\$ 814,863</u>	<u>\$1,061,300</u>
LIABILITIES							
Amounts held for social services clients	\$ 21,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,671
Amounts held for employees	-	30,872	-	19,028	-	-	49,900
Amounts held for other agencies	-	-	-	-	-	814,863	814,863
Amounts held for performance bond	-	-	-	-	115,000	-	115,000
Amounts held for inmates	-	-	59,866	-	-	-	59,866
Total liabilities	<u>\$ 21,671</u>	<u>\$ 30,872</u>	<u>\$ 59,866</u>	<u>\$ 19,028</u>	<u>\$ 115,000</u>	<u>\$ 814,863</u>	<u>\$1,061,300</u>

County of Botetourt, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 16,657	\$ 49,579	\$ (44,565)	\$ 21,671
Liabilities:				
Amounts held for social services clients	\$ 16,657	\$ 49,579	\$ (44,565)	\$ 21,671
Flexible Benefits Fund:				
Assets:				
Cash and cash equivalents	\$ 38,566	\$ 174,908	\$ (182,602)	\$ 30,872
Liabilities:				
Amounts held for employees	\$ 38,566	\$ 174,908	\$ (182,602)	\$ 30,872
Inmate Trust and Canteen Fund:				
Assets:				
Cash and cash equivalents	\$ 62,700	\$ 168,653	\$ (171,487)	\$ 59,866
Liabilities:				
Amounts held for inmates	\$ 62,700	\$ 168,653	\$ (171,487)	\$ 59,866
Cafeteria Plan Fund:				
Assets:				
Cash and cash equivalents	\$ 11,480	\$ 47,888	\$ (40,340)	\$ 19,028
Liabilities:				
Amounts held for employees	\$ 11,480	\$ 47,888	\$ (40,340)	\$ 19,028
Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ 40,000	\$ 80,000	\$ (5,000)	\$ 115,000
Liabilities:				
Amounts held for performance bond	\$ 40,000	\$ 80,000	\$ (5,000)	\$ 115,000
Roanoke Valley Regional Board Fund:				
Assets:				
Cash and cash equivalents	\$ 789,459	\$ 6,967,743	\$ (6,942,339)	\$ 814,863
Liabilities:				
Amounts held for other agencies	\$ 789,459	\$ 6,967,743	\$ (6,942,339)	\$ 814,863
Totals				
<hr/>				
Total Assets:				
Cash and cash equivalents	\$ 958,862	\$ 7,488,771	\$ (7,386,333)	\$ 1,061,300
Total Liabilities:				
Amounts held for others	\$ 958,862	\$ 7,488,771	\$ (7,386,333)	\$ 1,061,300

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD**

MAJOR GOVERNMENTAL FUNDS

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

County of Botetourt, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2014

	<u>School Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 6,646,262
Receivables (net of allowance for uncollectibles):	
Accounts receivable	24,517
Due from other governmental units	1,241,367
Prepaid items	259,995
Total assets	<u>\$ 8,172,141</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 959,941
Salaries payable	4,293,955
Due to primary government	131,418
Total liabilities	<u>\$ 5,385,314</u>
Fund balances:	
Nonspendable	
Prepaid items	\$ 259,995
Restricted	
School cafeterias	131,847
Unassigned	2,394,985
Total fund balances	<u>\$ 2,786,827</u>
Total liabilities and fund balances	<u>\$ 8,172,141</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,786,827
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	1,949,631
Buildings and improvements	15,526,370
Machinery and equipment	892,032
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(960,213)
Net OPEB obligation	(996,000)
Net position of governmental activities	<u>\$ 19,198,647</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, 2014

	<u>Total Governmental Funds</u>
REVENUES	
Revenue from the use of money and property	\$ 117,871
Charges for services	1,308,423
Miscellaneous	576,201
Recovered costs	43,023
Intergovernmental:	
Local government	21,753,618
Commonwealth	24,260,685
Federal Government	2,268,556
Total revenues	<u>\$ 50,328,377</u>
EXPENDITURES	
Education	\$ 51,632,474
Total expenditures	<u>\$ 51,632,474</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,304,097)</u>
Net change in fund balances	\$ (1,304,097)
Fund balances - beginning	4,090,924
Fund balances - ending	<u>\$ 2,786,827</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	\$ (1,304,097)
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.	
Capital outlays	471,129
Depreciation expenses	(1,526,620)
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.	
Decrease (increase) in compensated absences	(250,397)
(Increase) decrease in net OPEB obligation	(102,000)
Change in net position of governmental activities	<u>\$ (2,711,985)</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, 2014

	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	\$ 117,871	\$ (3,129)
Charges for services	1,779,820	1,779,820	1,308,423	(471,397)
Miscellaneous	506,391	506,391	576,201	69,810
Recovered costs	64,000	64,000	43,023	(20,977)
Intergovernmental:				
Local government	21,734,788	21,753,618	21,753,618	-
Commonwealth	24,671,471	24,671,471	24,260,685	(410,786)
Federal Government	3,077,674	3,077,674	2,268,556	(809,118)
Total revenues	<u>\$ 51,955,144</u>	<u>\$ 51,973,974</u>	<u>\$ 50,328,377</u>	<u>\$ (1,645,597)</u>
EXPENDITURES				
Education	\$ 52,780,144	\$ 52,780,144	\$ 51,632,474	\$ 1,147,670
Total expenditures	<u>\$ 52,780,144</u>	<u>\$ 52,780,144</u>	<u>\$ 51,632,474</u>	<u>\$ 1,147,670</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (825,000)</u>	<u>\$ (806,170)</u>	<u>\$ (1,304,097)</u>	<u>\$ (497,927)</u>
Net change in fund balances	\$ (825,000)	\$ (806,170)	\$ (1,304,097)	\$ (497,927)
Fund balances - beginning	825,000	806,170	4,090,924	3,284,754
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,786,827</u>	<u>\$ 2,786,827</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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	\$ 22,942,500	\$ 23,051,825	\$ 23,479,224	\$ 427,399
Real and personal public service corporation taxes	1,520,000	1,520,000	1,582,692	62,692
Personal property taxes	4,720,000	4,787,603	4,767,299	(20,304)
Mobile home taxes	42,500	42,500	52,041	9,541
Machinery and tools taxes	3,282,500	3,282,500	3,038,952	(243,548)
Penalties	150,000	150,000	166,757	16,757
Interest	92,000	92,000	80,162	(11,838)
Total general property taxes	<u>\$ 32,749,500</u>	<u>\$ 32,926,428</u>	<u>\$ 33,167,127</u>	<u>\$ 240,699</u>
Other local taxes:				
Local sales and use taxes	\$ 2,390,000	\$ 2,390,000	\$ 2,514,913	\$ 124,913
Consumers' utility taxes	550,000	550,000	558,366	8,366
Local consumption tax	144,000	144,000	151,838	7,838
E-911 telephone taxes	50,000	50,000	59,381	9,381
Business license taxes	822,000	822,000	840,808	18,808
Franchise license tax	62,000	62,000	90,650	28,650
Motor vehicle licenses	680,000	680,000	661,412	(18,588)
Bank stock taxes	137,000	137,000	124,810	(12,190)
Taxes on recordation and wills	284,000	284,000	269,869	(14,131)
Hotel and motel room taxes	322,000	322,000	337,029	15,029
Restaurant food taxes	1,150,000	1,150,000	1,209,735	59,735
Total other local taxes	<u>\$ 6,591,000</u>	<u>\$ 6,591,000</u>	<u>\$ 6,818,811</u>	<u>\$ 227,811</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 28,000	\$ 28,000	\$ 24,013	\$ (3,987)
Land use application fees	1,200	1,200	568	(632)
Transfer fees	900	900	1,064	164
Building permits and other licenses	181,025	181,025	204,145	23,120
Zoning fees	11,000	11,000	15,715	4,715
Total permits, privilege fees, and regulatory licenses	<u>\$ 222,125</u>	<u>\$ 222,125</u>	<u>\$ 245,505</u>	<u>\$ 23,380</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 135,000	\$ 135,000	\$ 139,238	\$ 4,238
Total fines and forfeitures	<u>\$ 135,000</u>	<u>\$ 135,000</u>	<u>\$ 139,238</u>	<u>\$ 4,238</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 135,950	\$ 135,950	\$ 135,400	\$ (550)
Revenue from use of property	236,000	236,000	233,802	(2,198)
Total revenue from use of money and property	<u>\$ 371,950</u>	<u>\$ 371,950</u>	<u>\$ 369,202</u>	<u>\$ (2,748)</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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:				
Charges for law enforcement and traffic control	\$ 47,680	\$ 47,680	\$ 44,932	\$ (2,748)
Charges for courthouse maintenance	23,000	23,000	28,782	5,782
Charges for courtroom security	122,000	122,000	152,551	30,551
Court appointed attorneys	150	150	70,065	69,915
Miscellaneous jail and inmate fees	24,500	24,500	19,504	(4,996)
Jail processing fees	4,500	4,500	4,018	(482)
Charges for Commonwealth's Attorney	79,500	79,500	62,162	(17,338)
Charges for board and care of animals	5,000	5,000	3,480	(1,520)
Charges for sanitation and waste removal	143,000	143,000	152,832	9,832
Charges for parks and recreation	172,000	172,000	159,754	(12,246)
Charges for engineering reviews	5,800	5,800	9,579	3,779
Other charges for services	500	500	600	100
Charges for law library	-	-	3,612	3,612
Charges for EMS and Hazmat	-	54,000	53,648	(352)
Charges for library	22,000	22,000	23,907	1,907
Total charges for services	<u>\$ 649,630</u>	<u>\$ 703,630</u>	<u>\$ 789,426</u>	<u>\$ 85,796</u>
Miscellaneous revenue:				
Miscellaneous	\$ 2,000	\$ 2,000	\$ 136,790	\$ 134,790
Sale of salvage	5,000	5,000	7,704	2,704
Performance Bonds	-	-	100	100
Sponsorships	-	-	2,790	2,790
Telephone commissions	25,000	25,000	28,393	3,393
Donations	9,100	9,100	45,744	36,644
Total miscellaneous revenue	<u>\$ 41,100</u>	<u>\$ 41,100</u>	<u>\$ 221,521</u>	<u>\$ 180,421</u>
Recovered costs:				
Local jails	\$ 285,000	\$ 285,000	\$ 251,280	\$ (33,720)
ES cost recoveries	800,000	800,000	819,238	19,238
Health Department	-	-	750	750
Regional jail	104,416	104,416	104,416	-
Medical co-pay	8,000	8,000	29,792	21,792
CSA refunds	20,250	20,250	19,370	(880)
Social services refunds	1,500	1,500	14,171	12,671
Town of Buchanan	-	-	40,389	40,389
Tourism	-	26,000	25,807	(193)
Other recovered costs	263,000	116,196	86,415	(29,781)
Total recovered costs	<u>\$ 1,482,166</u>	<u>\$ 1,361,362</u>	<u>\$ 1,391,628</u>	<u>\$ 30,266</u>
Total revenue from local sources	<u>\$ 42,242,471</u>	<u>\$ 42,352,595</u>	<u>\$ 43,142,458</u>	<u>\$ 789,863</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling Stock Tax	\$ 167,500	\$ 167,500	\$ 172,992	\$ 5,492
Communications sales and use taxes	745,000	745,000	719,675	(25,325)
Motor vehicle carriers' tax	4,000	4,000	3,319	(681)
Mobile home titling tax	21,000	21,000	12,008	(8,992)
Grantor's tax	150,000	150,000	162,319	12,319
Personal property tax relief funds	3,418,137	3,418,137	3,418,137	-
Total noncategorical aid	<u>\$ 4,505,637</u>	<u>\$ 4,505,637</u>	<u>\$ 4,488,450</u>	<u>\$ (17,187)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 404,000	\$ 404,000	\$ 404,688	\$ 688
Sheriff	3,337,000	3,337,000	3,324,043	(12,957)
Commissioner of revenue	109,000	109,000	108,936	(64)
Treasurer	106,000	106,000	106,402	402
Registrar/electoral board	40,000	40,000	41,085	1,085
Clerk of the Circuit Court	296,000	296,000	308,264	12,264
Total shared expenses	<u>\$ 4,292,000</u>	<u>\$ 4,292,000</u>	<u>\$ 4,293,418</u>	<u>\$ 1,418</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 489,000	\$ 489,000	\$ 422,443	\$ (66,557)
Comprehensive services act	732,997	732,997	701,221	(31,776)
Emergency medical services	87,500	87,500	72,594	(14,906)
Library grant	144,000	144,007	148,773	4,766
Property seizure	-	-	1,711	1,711
State disaster recovery	-	-	467	467
Financial assistance for culture and art	5,000	5,000	5,000	-
Fire program	82,500	82,500	93,660	11,160
Other categorical aid	750	750	1,987	1,237
Total other categorical aid	<u>\$ 1,541,747</u>	<u>\$ 1,541,754</u>	<u>\$ 1,447,856</u>	<u>\$ (93,898)</u>
Total categorical aid	<u>\$ 5,833,747</u>	<u>\$ 5,833,754</u>	<u>\$ 5,741,274</u>	<u>\$ (92,480)</u>
Total revenue from the Commonwealth	<u>\$ 10,339,384</u>	<u>\$ 10,339,391</u>	<u>\$ 10,229,724</u>	<u>\$ (109,667)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 137,000	\$ 137,000	\$ 164,743	\$ 27,743
Categorical aid:				
Public assistance and welfare administration	\$ 836,000	\$ 836,000	\$ 727,126	\$ (108,874)
Firefighting assistance grant	-	-	47,442	47,442
Emergency management grant	-	-	15,284	15,284
State and community highway safety	17,500	17,500	21,699	4,199
Forfeiture funds	-	-	201,091	201,091
Total categorical aid	<u>\$ 853,500</u>	<u>\$ 853,500</u>	<u>\$ 1,012,642</u>	<u>\$ 159,142</u>
Total revenue from the federal government	<u>\$ 990,500</u>	<u>\$ 990,500</u>	<u>\$ 1,177,385</u>	<u>\$ 186,885</u>
Total General Fund	<u>\$ 53,572,355</u>	<u>\$ 53,682,486</u>	<u>\$ 54,549,567</u>	<u>\$ 867,081</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,000	\$ 1,000	\$ 5,009	\$ 4,009
Revenue from the use of property	120,000	120,000	112,862	(7,138)
Total revenue from use of money and property	<u>\$ 121,000</u>	<u>\$ 121,000</u>	<u>\$ 117,871</u>	<u>\$ (3,129)</u>
Charges for services:				
Cafeteria sales	\$ 1,574,320	\$ 1,574,320	\$ 1,068,637	\$ (505,683)
Transportation of pupils	32,000	32,000	47,977	15,977
Tuition and payments from other divisions	173,500	173,500	191,809	18,309
Total charges for services	<u>\$ 1,779,820</u>	<u>\$ 1,779,820</u>	<u>\$ 1,308,423</u>	<u>\$ (471,397)</u>
Other miscellaneous				
Total miscellaneous revenue	<u>\$ 506,391</u>	<u>\$ 506,391</u>	<u>\$ 576,201</u>	<u>\$ 69,810</u>
Recovered costs:				
Other recovered costs	\$ 64,000	\$ 64,000	\$ 43,023	\$ (20,977)
Total recovered costs	<u>\$ 64,000</u>	<u>\$ 64,000</u>	<u>\$ 43,023</u>	<u>\$ (20,977)</u>
Total revenue from local sources	<u>\$ 2,471,211</u>	<u>\$ 2,471,211</u>	<u>\$ 2,045,518</u>	<u>\$ (425,693)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Botetourt, Virginia	\$ 21,734,788	\$ 21,753,618	\$ 21,753,618	\$ -
Total revenues from local governments	<u>\$ 21,734,788</u>	<u>\$ 21,753,618</u>	<u>\$ 21,753,618</u>	<u>\$ -</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,454,816	\$ 5,454,816	\$ 5,270,791	\$ (184,025)
Basic school aid	12,605,465	12,605,465	12,540,788	(64,677)
Remedial summer education	29,752	29,752	36,297	6,545
Regular foster care	40,505	40,505	29,824	(10,681)
Adult secondary education	7,859	7,859	7,859	-
Gifted and talented	139,607	139,607	138,219	(1,388)
Remedial education	151,746	151,746	150,238	(1,508)
School food	32,756	32,756	25,463	(7,293)
Special education	1,808,815	1,808,815	1,790,844	(17,971)
Textbook payment	272,324	272,324	270,333	(1,991)
Standards of Learning algebra readiness	24,127	24,127	24,127	-
Vocational education SOQ payments	364,191	364,191	360,572	(3,619)
Social security fringe benefits	813,360	813,360	805,277	(8,083)
Share of fringe benefits	1,542,146	1,542,146	1,528,665	(13,481)
Group life insurance instructional	51,594	51,594	51,081	(513)
Early reading intervention	51,059	51,059	47,131	(3,928)
Homebound education	48,052	48,052	31,906	(16,146)
Vocational education	63,248	63,248	59,153	(4,095)
Salary supplement	32,000	32,000	20,000	(12,000)
Special education - foster children	94,510	94,510	71,765	(22,745)
Special education - regional programs	120,831	120,831	105,266	(15,565)

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Industry certification	\$ -	\$ -	\$ 12,932	\$ 12,932
At risk payments	69,911	69,911	69,189	(722)
Maintenance supplement	309,424	309,424	306,237	(3,187)
Mentor teacher program	2,943	2,943	2,272	(671)
Technology	336,000	336,000	336,000	-
State revenue	65,707	65,707	33,908	(31,799)
At risk four-year olds	113,220	113,220	113,220	-
English as a second language	25,503	25,503	19,127	(6,376)
Other state funds	-	-	2,201	2,201
Total categorical aid	<u>\$ 24,671,471</u>	<u>\$ 24,671,471</u>	<u>\$ 24,260,685</u>	<u>\$ (410,786)</u>
Total revenue from the Commonwealth	<u>\$ 24,671,471</u>	<u>\$ 24,671,471</u>	<u>\$ 24,260,685</u>	<u>\$ (410,786)</u>
Revenue from the federal government:				
Categorical aid:				
School breakfast program	\$ 113,704	\$ 113,704	\$ 63,373	\$ (50,331)
School lunch program	454,815	454,815	481,456	26,641
School food distribution	-	-	128,926	128,926
Title I	445,610	445,610	359,209	(86,401)
Advanced placement program	-	-	540	540
Title VI-B, Special education flow-through	1,794,387	1,794,387	991,444	(802,943)
Vocational education	50,000	50,000	48,585	(1,415)
Title VI-B, Special education pre-school	28,576	28,576	27,437	(1,139)
Adult basic education	29,819	29,819	31,346	1,527
Federal land use	55,000	55,000	52,631	(2,369)
Improving teacher quality	105,763	105,763	83,609	(22,154)
Total categorical aid	<u>\$ 3,077,674</u>	<u>\$ 3,077,674</u>	<u>\$ 2,268,556</u>	<u>\$ (809,118)</u>
Total revenue from the federal government	<u>\$ 3,077,674</u>	<u>\$ 3,077,674</u>	<u>\$ 2,268,556</u>	<u>\$ (809,118)</u>
Total School Operating Fund	<u>\$ 51,955,144</u>	<u>\$ 51,973,974</u>	<u>\$ 50,328,377</u>	<u>\$ (1,645,597)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 51,955,144</u>	<u>\$ 51,973,974</u>	<u>\$ 50,328,377</u>	<u>\$ (1,645,597)</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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	\$ 223,316	\$ 223,291	\$ 221,542	\$ 1,749
General and financial administration:				
County administrator	\$ 365,741	\$ 367,082	\$ 363,914	\$ 3,168
Deputy administrators	361,453	382,027	310,636	71,391
Central garage	69,368	71,653	71,415	238
Commissioner of revenue	368,702	382,402	373,425	8,977
Central purchasing	87,274	91,197	82,548	8,649
Treasurer	429,256	460,184	452,108	8,076
Management information systems	981,256	989,604	955,737	33,867
Financial services	344,341	366,527	365,982	545
Total general and financial administration	<u>\$ 3,007,391</u>	<u>\$ 3,110,676</u>	<u>\$ 2,975,765</u>	<u>\$ 134,911</u>
Board of elections:				
Electoral board/registrar	\$ 280,777	\$ 285,345	\$ 245,802	\$ 39,543
Total general government administration	<u>\$ 3,511,484</u>	<u>\$ 3,619,312</u>	<u>\$ 3,443,109</u>	<u>\$ 176,203</u>
Judicial administration:				
Courts:				
Circuit court	\$ 55,469	\$ 57,753	\$ 56,016	\$ 1,737
General district court	31,299	31,299	23,957	7,342
Magistrate	1,351	1,351	1,312	39
Clerk of the circuit court	596,681	622,561	609,702	12,859
Total courts	<u>\$ 684,800</u>	<u>\$ 712,964</u>	<u>\$ 690,987</u>	<u>\$ 21,977</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 708,199	\$ 737,328	\$ 728,935	\$ 8,393
Total commonwealth's attorney	<u>\$ 708,199</u>	<u>\$ 737,328</u>	<u>\$ 728,935</u>	<u>\$ 8,393</u>
Total judicial administration	<u>\$ 1,392,999</u>	<u>\$ 1,450,292</u>	<u>\$ 1,419,922</u>	<u>\$ 30,370</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,556,684	\$ 4,799,813	\$ 4,730,501	\$ 69,312
Total law enforcement and traffic control	<u>\$ 4,556,684</u>	<u>\$ 4,799,813</u>	<u>\$ 4,730,501</u>	<u>\$ 69,312</u>
Fire and rescue services:				
Fire departments and rescue squads	\$ 1,387,894	\$ 2,213,526	\$ 1,862,937	\$ 350,589
Emergency communications	209,726	323,584	314,120	9,464
Western Virginia EMS	6,722	6,722	6,722	-
Total fire and rescue services	<u>\$ 1,604,342</u>	<u>\$ 2,543,832</u>	<u>\$ 2,183,779</u>	<u>\$ 360,053</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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)				
Correction and detention:				
County operated institutions - jail	\$ 3,521,928	\$ 3,627,823	\$ 3,509,486	\$ 118,337
Juvenile detention	55,000	107,073	94,652	12,421
Probation office	6,300	6,300	5,181	1,119
Total correction and detention	<u>\$ 3,583,228</u>	<u>\$ 3,741,196</u>	<u>\$ 3,609,319</u>	<u>\$ 131,877</u>
Development services:				
Building, planning, zoning and engineering	\$ 651,236	\$ 668,781	\$ 646,500	\$ 22,281
Total inspections	<u>\$ 651,236</u>	<u>\$ 668,781</u>	<u>\$ 646,500</u>	<u>\$ 22,281</u>
Other protection:				
Animal control	\$ 519,843	\$ 573,055	\$ 540,778	\$ 32,277
Emergency services	2,622,708	2,735,371	2,681,601	53,770
Dispatch	776,915	782,632	702,129	80,503
Total other protection	<u>\$ 3,919,466</u>	<u>\$ 4,091,058</u>	<u>\$ 3,924,508</u>	<u>\$ 166,550</u>
Total public safety	<u>\$ 14,314,956</u>	<u>\$ 15,844,680</u>	<u>\$ 15,094,607</u>	<u>\$ 750,073</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 564,823	\$ 650,955	\$ 637,503	\$ 13,452
Public works	400,938	532,754	315,317	217,437
Total sanitation and waste removal	<u>\$ 965,761</u>	<u>\$ 1,183,709</u>	<u>\$ 952,820</u>	<u>\$ 230,889</u>
Maintenance of general buildings and grounds:				
General properties	\$ 700,139	\$ 789,977	\$ 786,602	\$ 3,375
Total maintenance of general buildings and grounds	<u>\$ 700,139</u>	<u>\$ 789,977</u>	<u>\$ 786,602</u>	<u>\$ 3,375</u>
Total public works	<u>\$ 1,665,900</u>	<u>\$ 1,973,686</u>	<u>\$ 1,739,422</u>	<u>\$ 234,264</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 329,252	\$ 330,967	\$ 286,863	\$ 44,104
Total health	<u>\$ 329,252</u>	<u>\$ 330,967</u>	<u>\$ 286,863</u>	<u>\$ 44,104</u>
Mental health and mental retardation:				
Mental health contribution	\$ 38,743	\$ 38,743	\$ 38,743	\$ -
Total mental health and mental retardation	<u>\$ 38,743</u>	<u>\$ 38,743</u>	<u>\$ 38,743</u>	<u>\$ -</u>
Welfare:				
Welfare administration and programs	\$ 1,593,556	1,593,556	\$ 1,413,804	\$ 179,752
Comprehensive services act	1,279,098	1,279,630	1,246,732	32,898
Senior van program	77,181	62,536	60,452	2,084
Resource center	6,500	6,500	6,500	-
Tax relief for the elderly	-	390,000	389,485	515
Other welfare programs	16,000	16,000	16,000	-
Total welfare	<u>\$ 2,972,335</u>	<u>\$ 3,348,222</u>	<u>\$ 3,132,973</u>	<u>\$ 215,249</u>
Total health and welfare	<u>\$ 3,340,330</u>	<u>\$ 3,717,932</u>	<u>\$ 3,458,579</u>	<u>\$ 259,353</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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)				
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 34,865	\$ 34,865	\$ 31,865	\$ 3,000
Contribution to County School Board	21,734,788	21,753,618	21,753,618	-
Total education	<u>\$ 21,769,653</u>	<u>\$ 21,788,483</u>	<u>\$ 21,785,483</u>	<u>\$ 3,000</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 1,204,916	\$ 1,266,605	\$ 1,253,770	\$ 12,835
Sports Complex	393,006	466,980	462,943	4,037
Tourism	212,459	262,627	245,812	16,815
Total parks and recreation	<u>\$ 1,810,381</u>	<u>\$ 1,996,212</u>	<u>\$ 1,962,525</u>	<u>\$ 33,687</u>
Cultural enrichment:				
Contributions to cultural organizations	\$ 79,932	\$ 84,932	\$ 84,932	\$ -
Total cultural enrichment	<u>\$ 79,932</u>	<u>\$ 84,932</u>	<u>\$ 84,932</u>	<u>\$ -</u>
Library:				
Library expenses	\$ 973,826	\$ 1,012,386	\$ 983,389	\$ 28,997
Total library	<u>\$ 973,826</u>	<u>\$ 1,012,386</u>	<u>\$ 983,389</u>	<u>\$ 28,997</u>
Total parks, recreation, and cultural	<u>\$ 2,864,139</u>	<u>\$ 3,093,530</u>	<u>\$ 3,030,846</u>	<u>\$ 62,684</u>
Community development:				
Planning and community development:				
Planning commission	\$ 25,049	\$ 25,049	\$ 25,049	\$ -
Economic Development Partnership	69,136	69,136	69,136	-
Industrial development	125,000	199,183	75,000	124,183
Total planning and community development	<u>\$ 219,185</u>	<u>\$ 293,368</u>	<u>\$ 169,185</u>	<u>\$ 124,183</u>
Environmental management:				
Other environmental management	\$ 23,135	\$ 24,154	\$ 24,154	\$ -
Cooperative extension program:				
Extension office	\$ 66,994	\$ 66,994	\$ 49,431	\$ 17,563
Total community development	<u>\$ 309,314</u>	<u>\$ 384,516</u>	<u>\$ 242,770</u>	<u>\$ 141,746</u>
Capital projects:				
Mountaintop transmitters	\$ 454,768	\$ 457,895	\$ 457,895	\$ -
Lift Pump Station	10,000	10,000	-	10,000
Elevator replacement	-	48,990	48,990	-
VDOT revenue sharing	-	91,000	-	91,000
Recreation facility (Greenfield park)	175,000	281,166	269,327	11,839
Total capital projects	<u>\$ 639,768</u>	<u>\$ 889,051</u>	<u>\$ 776,212</u>	<u>\$ 112,839</u>
Debt service:				
Principal retirement	2,817,973	2,881,768	\$ 2,881,768	\$ -
Interest and other fiscal charges	1,596,483	1,596,483	1,596,483	-
Total debt service	<u>\$ 4,414,456</u>	<u>\$ 4,478,251</u>	<u>\$ 4,478,251</u>	<u>\$ -</u>
Total General Fund	<u>\$ 54,222,999</u>	<u>\$ 57,239,733</u>	<u>\$ 55,469,201</u>	<u>\$ 1,770,532</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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	\$ 2,940,644	\$ 2,940,644	\$ 2,083,892	\$ 856,752
Instruction costs:				
Instructional costs	\$ 38,248,312	\$ 38,248,312	\$ 37,568,130	\$ 680,182
Operating costs:				
Pupil transportation	\$ 3,214,254	\$ 3,214,254	\$ 3,242,756	\$ (28,502)
Operation and maintenance of school plant	4,514,717	4,514,717	4,614,497	(99,780)
School food service	2,200,595	2,200,595	2,001,901	198,694
Facilities	-	-	178,099	(178,099)
Technology	1,661,622	1,661,622	1,943,199	(281,577)
Total operating costs	<u>\$ 11,591,188</u>	<u>\$ 11,591,188</u>	<u>\$ 11,980,452</u>	<u>\$ (389,264)</u>
Total education	<u>\$ 52,780,144</u>	<u>\$ 52,780,144</u>	<u>\$ 51,632,474</u>	<u>\$ 1,147,670</u>
Total School Operating Fund	<u>\$ 52,780,144</u>	<u>\$ 52,780,144</u>	<u>\$ 51,632,474</u>	<u>\$ 1,147,670</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 52,780,144</u>	<u>\$ 52,780,144</u>	<u>\$ 51,632,474</u>	<u>\$ 1,147,670</u>

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

STATISTICAL SECTION

Table 1

COUNTY OF BOTETOURT, VIRGINIA
 Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 15,807,067	\$ 18,352,750	\$ 23,967,351	\$ 30,444,399	\$ 33,178,862	\$ 34,195,468	\$ 34,962,435	\$ 35,235,486	\$ 35,731,696	\$ 37,238,281
Restricted	116,975	676,265	666,969	243,247	260,324	184,574	198,529	186,710	187,390	285,943
Unrestricted	10,173,008	18,758,845	20,068,496	17,062,750	10,303,045	9,116,696	10,975,733	10,617,666	14,637,371	13,957,491
Total governmental activities net position	\$ 26,097,050	\$ 37,787,860	\$ 44,702,816	\$ 47,750,396	\$ 43,742,231	\$ 43,496,738	\$ 46,136,697	\$ 46,039,862	\$ 50,556,457	\$ 51,481,715
Business-type activities										
Net investment in capital assets	\$ 8,841,644	\$ 8,909,696	\$ 10,031,502	\$ 10,207,082	\$ 10,102,393	\$ 9,954,091	\$ 10,019,461	\$ 10,215,268	\$ 10,091,246	\$ 10,222,456
Unrestricted	1,340,450	1,401,069	295,498	888,109	2,022,825	2,354,249	2,511,990	2,615,419	3,520,581	3,773,638
Total business-type activities net position	\$ 10,182,094	\$ 10,310,765	\$ 10,327,000	\$ 11,095,191	\$ 12,125,218	\$ 12,308,340	\$ 12,531,451	\$ 12,830,687	\$ 13,611,827	\$ 13,996,094
Primary government										
Net investment in capital assets	\$ 24,648,711	\$ 27,262,446	\$ 33,998,853	\$ 40,651,481	\$ 43,281,255	\$ 44,149,559	\$ 44,981,896	\$ 45,450,754	\$ 45,822,942	\$ 47,460,737
Restricted	116,975	676,265	666,969	243,247	260,324	184,574	198,529	186,710	187,390	285,943
Unrestricted	11,513,458	20,159,914	20,363,994	17,950,859	12,325,870	11,470,945	13,487,723	13,233,085	18,157,952	17,731,129
Total primary government net position	\$ 36,279,144	\$ 48,098,625	\$ 55,029,816	\$ 58,845,587	\$ 55,867,449	\$ 55,805,078	\$ 58,668,148	\$ 58,870,549	\$ 64,168,284	\$ 65,477,809

Source: County financial reports

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government administration	\$ 2,396,259	\$ 2,623,963	\$ 2,474,879	\$ 2,425,324	\$ 2,882,831	\$ 3,330,864	\$ 3,017,197	\$ 3,009,226	\$ 2,932,750	\$ 3,258,654
Judicial administration	898,610	1,007,505	1,247,810	1,315,699	1,307,844	1,289,818	1,251,798	1,284,630	1,317,267	1,421,543
Public safety	7,214,325	7,541,698	9,005,396	11,408,457	11,875,621	12,060,957	11,119,800	12,689,537	12,734,181	14,178,649
Public works	1,087,768	(342,596)	2,094,816	1,645,071	3,469,969	1,026,920	1,902,510	1,709,623	2,230,035	2,010,971
Health and welfare	3,089,866	3,078,876	3,155,210	3,522,298	3,359,650	3,717,605	3,572,226	3,427,728	3,249,941	3,415,997
Education	17,079,186	19,280,972	19,101,380	20,230,768	23,154,154	20,616,634	22,116,884	21,703,533	22,291,399	22,911,062
Parks, recreation and cultural	1,708,618	1,756,571	2,172,778	2,801,151	2,932,681	3,120,867	3,266,210	3,193,686	2,980,612	3,194,559
Community development	1,022,648	564,789	582,609	2,012,043	1,323,106	672,942	581,692	533,841	307,960	246,185
Interest on long-term debt	949,361	1,081,456	2,712,171	2,566,987	2,127,418	1,978,620	1,763,356	1,805,765	1,595,978	1,509,639
Total governmental activities expenses	\$ 35,446,641	\$ 36,593,234	\$ 42,547,049	\$ 47,927,798	\$ 52,433,274	\$ 47,815,227	\$ 48,591,673	\$ 49,357,569	\$ 49,640,123	\$ 52,147,259
Business-type activities:										
Water	\$ 1,524,165	\$ 2,035,296	\$ 2,095,311	\$ 2,382,201	\$ 2,705,663	\$ 2,822,893	\$ 2,616,243	\$ 2,664,729	\$ 2,819,888	\$ 2,883,325
Total primary government expenses	\$ 36,970,806	\$ 38,628,530	\$ 44,642,360	\$ 50,309,999	\$ 55,138,937	\$ 50,638,120	\$ 51,207,916	\$ 52,022,298	\$ 52,460,011	\$ 55,030,584
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	\$ -	\$ 2,220	\$ 1,090	\$ 1,202	\$ 606	\$ 492	\$ 1,148	\$ 308	\$ 1,154	\$ 600
Judicial administration	222,281	337,141	304,025	293,937	79,072	154,962	183,408	223,594	240,931	276,141
Public safety	574,937	624,263	541,492	584,434	542,087	462,721	396,503	395,365	479,049	550,788
Public works	874,485	853,104	1,255,980	936,821	176,935	168,841	174,421	141,865	155,792	162,979
Parks, recreation and cultural	28,141	30,786	61,788	130,073	149,235	164,399	163,473	183,585	165,958	183,661
Community development	-	-	39,582	-	-	-	-	-	-	-
Operating grants and contributions	5,527,195	5,884,760	5,813,858	6,804,623	7,900,796	6,843,667	6,943,118	6,848,849	6,565,401	6,753,916
Capital grants and contributions	825,621	5,341,327	833,052	3,141,221	-	-	-	-	-	-
Total governmental activities program revenues	\$ 8,052,660	\$ 13,073,601	\$ 8,850,867	\$ 11,892,311	\$ 8,848,731	\$ 7,795,082	\$ 7,862,071	\$ 7,793,566	\$ 7,608,285	\$ 7,928,085
Business-type activities:										
Charges for services:										
Water	\$ 1,844,364	\$ 1,903,624	\$ 1,945,855	\$ 2,788,894	\$ 2,703,870	\$ 2,971,193	\$ 2,826,574	\$ 3,019,701	\$ 3,577,258	\$ 3,270,261
Capital grants and contributions	242,320	184,415	14,270	-	97,975	25,000	-	-	-	-
Total business-type activities program revenues	\$ 2,086,684	\$ 2,088,039	\$ 1,960,125	\$ 2,788,894	\$ 2,801,845	\$ 2,996,193	\$ 2,826,574	\$ 3,019,701	\$ 3,577,258	\$ 3,270,261
Total primary government program revenues	\$ 10,139,344	\$ 15,161,640	\$ 10,830,992	\$ 14,681,205	\$ 11,650,576	\$ 10,791,275	\$ 10,688,645	\$ 10,813,267	\$ 11,185,543	\$ 11,198,346

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (expense) / revenue										
Governmental activities	\$ (27,393,981)	\$ (23,519,633)	\$ (33,696,182)	\$ (36,035,487)	\$ (43,584,543)	\$ (40,020,145)	\$ (40,729,602)	\$ (41,564,003)	\$ (42,031,838)	\$ (44,219,174)
Business-type activities	\$ 562,519	\$ 52,743	\$ (115,186)	\$ 406,693	\$ 96,182	\$ 173,300	\$ 210,331	\$ 354,972	\$ 757,370	\$ 386,936
Total primary government net expense	\$ (26,831,462)	\$ (23,466,890)	\$ (33,811,368)	\$ (35,628,794)	\$ (43,488,361)	\$ (39,846,845)	\$ (40,519,271)	\$ (41,209,031)	\$ (41,274,468)	\$ (43,832,238)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 21,959,664	\$ 22,943,504	\$ 26,540,984	\$ 27,293,853	\$ 28,666,285	\$ 28,295,560	\$ 30,227,710	\$ 29,822,572	\$ 33,065,115	\$ 33,063,716
Local sales and use taxes	1,907,016	2,043,136	2,120,627	2,102,537	1,930,445	1,873,975	2,028,548	2,164,312	2,226,360	2,514,913
Taxes on recordation and wills	345,583	610,881	453,586	405,937	296,613	285,530	263,973	256,065	310,308	269,869
Motor vehicle licenses taxes	694,280	715,817	718,797	25,815	587,147	627,860	632,926	647,083	647,951	661,412
Consumers' utility taxes	1,091,302	1,114,597	946,172	694,547	694,849	694,260	699,959	695,430	702,303	710,204
Business licenses taxes	717,265	761,213	780,498	828,183	788,003	779,757	745,256	829,929	875,526	840,808
Other local taxes	1,648,434	1,829,180	2,133,704	2,437,859	2,329,120	1,537,984	1,703,421	1,689,951	1,689,435	1,821,605
Unrestricted grants and contributions	3,684,929	3,330,507	3,990,504	3,879,675	4,007,081	4,652,598	4,509,921	4,619,808	4,663,034	4,653,193
Unrestricted revenues from use of money and property	760,822	1,247,708	2,661,235	1,631,765	902,894	660,250	602,854	647,477	571,498	369,202
Miscellaneous	270,663	628,389	334,911	126,545	285,932	366,878	1,948,711	235,015	217,703	221,521
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	-	-	1,582,755	-
Transfers	(30,875)	(14,489)	(69,880)	(343,649)	(911,991)	-	6,282	7,657	(3,555)	17,989
Total governmental activities	\$ 33,055,083	\$ 35,210,443	\$ 40,611,138	\$ 39,083,067	\$ 39,576,378	\$ 39,774,652	\$ 43,369,561	\$ 41,615,299	\$ 46,548,433	\$ 45,144,432
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 33,751	\$ 61,439	\$ 61,541	\$ 17,849	\$ 21,854	\$ 9,822	\$ 19,062	\$ 26,128	\$ 20,215	\$ 15,320
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	30,875	14,489	69,880	343,649	911,991	-	(6,282)	(7,657)	3,555	(17,989)
Total business-type activities	\$ 64,626	\$ 75,928	\$ 131,421	\$ 361,498	\$ 933,845	\$ 9,822	\$ 12,780	\$ 18,471	\$ 23,770	\$ (2,669)
Total primary government	\$ 33,119,709	\$ 35,286,371	\$ 40,742,559	\$ 39,444,565	\$ 40,510,223	\$ 39,784,474	\$ 43,382,341	\$ 41,633,770	\$ 46,572,203	\$ 45,141,763
Change in Net Position										
Governmental activities	\$ 5,661,102	\$ 11,690,810	\$ 6,914,956	\$ 3,047,580	\$ (4,008,165)	\$ (245,493)	\$ 2,639,959	\$ 51,296	\$ 4,516,595	\$ 925,258
Business-type activities	\$ 627,145	\$ 128,671	\$ 16,235	\$ 768,191	\$ 1,030,027	\$ 183,122	\$ 223,111	\$ 373,443	\$ 781,140	\$ 384,267
Total primary government	\$ 6,288,247	\$ 11,819,481	\$ 6,931,191	\$ 3,815,771	\$ (2,978,138)	\$ (62,371)	\$ 2,863,070	\$ 424,739	\$ 5,297,735	\$ 1,309,525

Source: County financial reports

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	Consumers' Utility Tax	Motor Vehicle License Tax		Record-ation and Wills Tax	Business License Tax	Restaurant Food Tax	Other Local Taxes	Total
				Motor Vehicle License Tax	Record-ation and Wills Tax					
2014	\$ 33,167,127	\$ 2,514,913	\$ 710,204	\$ 661,412	\$ 269,869	\$ 840,808	\$ 1,209,735	\$ 611,870	\$ 39,985,938	
2013	33,065,115	2,226,360	702,303	647,951	310,308	875,526	1,135,809	553,626	39,516,998	
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	

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.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund	\$ 116,975	\$ 18,610,318	\$ 4,884,335	\$ 243,247	\$ 260,324	\$ 266,406	\$ 198,529	\$ 186,710	\$ 187,390	\$ 285,943
Reserved/Restricted	-	-	-	-	-	-	-	-	1,643,315	992,671
Assigned	16,199,075	16,603,564	17,669,312	21,465,706	16,164,020	14,054,127	15,900,561	15,545,586	18,164,705	18,289,310
Unreserved/Unassigned	-	-	-	-	-	-	117,761	121,510	255,005	227,218
Non-spendable	-	-	-	-	-	-	-	-	-	-
Total general fund	\$ 16,316,050	\$ 35,213,882	\$ 22,553,647	\$ 21,708,953	\$ 16,424,344	\$ 14,320,533	\$ 16,216,851	\$ 15,853,806	\$ 20,250,415	\$ 19,795,142
All other governmental funds										
Reserved	-	\$ 13,695,671	\$ 1,441,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental fund:	\$ -	\$ 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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
General property taxes	\$ 21,996,002	\$ 22,902,166	\$ 26,407,115	\$ 27,365,128	\$ 28,472,840	\$ 28,265,340	\$ 30,156,224	\$ 29,814,950	\$ 33,052,057	\$ 33,167,127
Other local taxes	6,409,880	7,074,824	7,153,384	6,494,878	6,626,177	5,799,366	6,074,083	6,282,770	6,451,883	6,818,811
Permits, privilege fees and regulatory licenses	436,836	537,885	410,932	364,491	259,873	259,962	216,496	174,240	237,446	245,505
Fines and forfeitures	213,182	116,066	132,611	116,316	87,133	91,435	115,006	154,048	132,627	139,238
Revenue from use of money and property	760,822	1,247,708	2,661,235	1,631,765	902,894	660,250	602,854	647,477	571,498	369,202
Charges for services	1,049,826	1,193,560	1,660,415	1,465,660	600,929	600,018	587,451	616,429	672,811	789,426
Miscellaneous	270,663	661,263	334,911	126,545	285,932	366,878	1,948,711	235,015	217,703	221,521
Recovered costs	441,512	1,079,791	1,328,471	1,429,487	1,982,437	1,465,804	1,383,273	1,657,121	1,396,735	1,391,628
Intergovernmental:										
Commonwealth	9,041,764	13,444,276	9,677,832	12,947,156	9,827,831	10,278,579	10,151,813	9,961,769	9,854,658	10,229,724
Federal	995,981	1,112,318	959,582	878,363	2,080,046	1,217,686	1,301,226	1,506,888	1,373,777	1,177,385
Total revenues	\$ 41,616,468	\$ 49,369,857	\$ 50,726,488	\$ 52,819,789	\$ 51,126,092	\$ 49,005,318	\$ 52,537,137	\$ 51,050,707	\$ 53,961,195	\$ 54,549,567
Expenditures										
General government administration	\$ 2,350,299	\$ 2,591,998	\$ 2,666,089	\$ 2,896,922	\$ 3,133,423	\$ 3,217,633	\$ 2,946,149	\$ 3,163,761	\$ 2,865,931	\$ 3,443,109
Judicial administration	891,129	1,006,931	1,253,243	1,288,367	1,281,196	1,276,576	1,224,399	1,277,824	1,308,558	1,419,922
Public safety	7,382,662	8,199,518	9,814,152	11,782,509	12,709,074	12,621,652	11,570,131	13,447,745	13,406,454	15,094,607
Public works	1,677,815	1,571,094	1,724,833	1,625,801	1,699,314	1,729,418	1,670,355	1,727,239	1,666,210	1,739,422
Health and welfare	3,135,064	3,127,959	3,219,915	3,569,914	3,427,105	3,770,875	3,639,024	3,471,988	3,293,613	3,458,579
Education	16,226,404	18,428,189	18,248,597	19,060,764	21,712,253	19,021,824	20,401,136	20,577,954	21,165,820	21,785,483
Parks, recreation and cultural	1,685,404	1,733,989	2,268,455	2,812,653	2,986,515	2,972,332	2,850,141	2,908,001	2,687,058	3,030,846
Community development	1,020,840	731,012	603,682	1,778,813	496,566	625,127	600,861	289,055	304,429	242,770
Capital projects	1,429,944	10,802,412	31,516,911	4,916,928	3,067,114	1,014,166	1,016,336	1,016,819	92,247	776,212
Debt service										
Principal	1,891,773	1,898,541	1,898,887	2,377,691	2,762,390	2,798,024	2,784,220	2,838,515	2,787,190	2,881,768
Bond issuance cost	-	157,398	-	-	-	-	31,266	-	-	-
Interest and other fiscal charges	987,125	951,619	2,355,943	2,652,279	2,223,760	2,061,502	1,972,381	1,799,409	1,688,774	1,596,483
Total expenditures	\$ 38,678,459	\$ 51,200,660	\$ 75,570,707	\$ 54,762,641	\$ 55,498,710	\$ 51,109,129	\$ 50,706,399	\$ 51,763,310	\$ 51,266,284	\$ 55,469,201
Excess (deficiency) of revenues over (under) expenditures	\$ 2,938,009	\$ (1,830,803)	\$ (24,844,219)	\$ (1,942,852)	\$ (4,372,618)	\$ (2,103,811)	\$ 1,830,738	\$ (712,603)	\$ 2,694,911	\$ (919,634)
Other financing sources (uses)										
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,282	\$ 7,657	\$ -	\$ 17,989
Transfers out	(30,875)	(14,489)	(69,880)	(343,649)	(911,991)	-	-	-	(3,555)	-
Proceeds from refunding bonds	-	-	-	-	-	-	2,074,298	-	-	-
Refunded bonds redeemed	-	-	-	-	-	-	(2,015,000)	-	-	-
Proceeds of general obligation bonds	-	33,460,000	-	-	-	-	-	-	-	446,372
Proceeds of revenue anticipation notes	825,621	-	-	-	-	-	-	-	-	-
Premium on bonds issued	-	978,795	-	-	-	-	-	-	-	-
Sale of assets	-	-	-	-	-	-	-	341,901	1,705,253	-
Total other financing sources (uses)	\$ 794,746	\$ 34,424,306	\$ (69,880)	\$ (343,649)	\$ (911,991)	\$ -	\$ 65,580	\$ 349,558	\$ 1,701,698	\$ 464,361
Net change in fund balances	\$ 3,732,755	\$ 32,593,503	\$ (24,914,099)	\$ (2,286,501)	\$ (5,284,609)	\$ (2,103,811)	\$ 1,896,318	\$ (363,045)	\$ 4,396,609	\$ (455,273)
Debt service as a percentage of noncapital expenditures	7.73%	7.06%	9.66%	10.18%	9.51%	9.70%	9.57%	9.15%	8.88%	8.21%

Table 6

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	Consumers' Utility Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Business License Tax	Other Local Taxes		Total
2014	\$ 33,167,127	\$ 2,514,913	\$ 558,366	\$ 661,412	\$ 269,869	\$ 840,808	\$ 1,973,443	\$	\$ 39,985,938
2013	33,052,057	2,226,360	702,303	647,951	310,308	875,526	1,689,435		39,503,940
2012	29,814,950	2,164,312	695,430	647,083	256,065	829,929	1,689,951		36,097,720
2011	30,156,224	2,028,548	699,959	632,926	263,973	745,256	1,703,421		36,230,307
2010	28,265,340	1,873,975	694,260	627,860	285,530	779,757	1,537,984		34,064,706
2009	28,472,840	1,930,445	694,849	587,147	296,613	788,003	2,329,120		35,099,017
2008	27,365,128	2,102,537	694,547	25,815	405,937	828,183	2,437,859		33,860,006
2007	26,407,115	2,120,627	946,172	718,797	453,586	780,498	2,133,704		33,560,499
2006	22,902,166	2,043,136	1,114,597	715,817	610,881	761,213	1,829,180		29,976,990
2005	21,996,002	1,907,016	1,097,302	694,280	345,583	717,265	1,648,434		28,405,882

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
2014	\$ 3,257,599,002	\$ 314,360,176	\$ 7,134,407	\$ 175,191,835	\$ n/a	\$ 218,475,707	\$ 0.919	\$ 3,972,761,127	\$ 3,972,761,127	100.00%
2013	3,242,699,650	311,958,061	6,950,130	182,418,399	n/a	208,049,845	0.921	3,952,076,085	3,952,076,085	100.00%
2012	3,218,025,862	310,059,737	6,997,205	173,908,916	n/a	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%

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
2014	\$ 0.72	\$ 2.63	\$ 0.72	\$ 1.80	n/a	\$ 0.919	\$ 0.19	0.32
2013	0.72	2.63	0.72	1.80	n/a	0.921	0.19	0.32
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

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 2014		Fiscal Year 2005	
		2013 Assessed Valuation	% of Total Assessed Valuation	2004 Assessed Valuation	% of Total Assessed Valuation
American Electric Power	Utility	\$ 92.3	2.32%	\$ 55.1	2.04%
Roanoke Cement	Manufacturing	48.4	1.22%	44.5	1.65%
Lumos Network / Telephone	Communications	28.4	0.71%	25.2	0.94%
Lawrence Investments	Transportation / Holdings	18.9	0.48%	9.3	0.35%
CSX Transportation	Railroad	18.5	0.47%	9.0	0.33%
Metalsa Roanoke	Manufacturing	18.2	0.46%	8.9	0.33%
Norfolk Sothern Railway	Railroad	17.9	0.45%	8.4	0.31%
Roanoke Gas	Utility	16.1	0.41%	9.8	0.36%
Dynax America Corporation	Manufacturing	12.9	0.32%	9.8	0.36%
Virginia Electric Power	Utility	12.6	0.32%	7.9	0.29%
Totals		\$ 284.2	7.15%	\$ 187.9	6.97%

Source: Commissioner of Revenue

Table 10

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

Fiscal Year	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
2014	\$ 36,509,897	\$ 35,749,329	97.92%	\$ -	35,749,329	97.917%
2013	36,077,900	35,398,082	98.12%	399,184	35,797,266	99.222%
2012	33,191,396	32,560,205	98.10%	508,476	33,068,681	99.630%
2011	33,292,786	32,733,716	98.32%	511,009	33,244,725	99.856%
2010	31,190,720	30,634,370	98.22%	516,721	31,151,091	99.873%
2009	31,895,673	31,340,826	98.26%	499,298	31,840,124	99.826%
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%

(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					
2014	\$ 29,907,498	\$ 4,117,370	\$ -	\$ -	\$ 9,152,023	\$ -	\$ -	43,176,891	2.85%	\$ 1,292	
2013	31,735,140	4,769,300	-	-	9,126,667	-	-	45,631,107	3.02%	1,371	
2012	33,914,576	5,421,230	-	-	7,820,511	-	-	47,156,317	3.23%	1,412	
2011	36,145,337	6,073,160	-	-	7,739,655	-	-	49,958,152	3.69%	1,504	
2010	38,219,274	6,768,321	-	-	7,657,640	-	-	52,645,235	3.91%	1,588	
2009	40,305,216	7,517,663	-	-	8,126,202	-	-	55,949,081	4.03%	1,676	
2008	42,353,932	8,276,193	-	-	8,581,294	-	-	59,211,419	4.38%	1,785	
2007	43,993,111	9,049,323	7,000,000	-	8,950,382	-	-	68,992,816	5.51%	2,112	
2006	45,137,311	9,822,453	6,166,948	-	8,899,259	-	-	70,025,971	5.94%	2,132	
2005	11,823,927	10,595,583	825,621	-	7,986,472	-	-	31,231,603	2.98%	982	

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)
2014	\$ 34,024,868	-	\$ 34,024,868	0.86%	\$ 1,018
2013	36,504,440	-	36,504,440	0.92%	1,096
2012	39,335,806	-	39,335,806	1.01%	1,178
2011	42,218,497	-	42,218,497	1.07%	1,271
2010	44,987,595	-	44,987,595	1.23%	1,357
2009	47,822,879	-	47,822,879	1.31%	1,433
2008	50,630,125	-	50,630,125	1.43%	1,526
2007	53,042,434	-	53,042,434	1.54%	1,623
2006	54,959,764	-	54,959,764	1.98%	1,673
2005	23,245,131	-	23,245,131	0.86%	731

(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. Bond indebtedness includes debt to be repaid with general government resources.

Source: County financial reports

Table 13

COUNTY OF BOTETOURT, VIRGINIA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Town of Troutville	\$ 73,116	100%	\$ 73,116
Subtotal, overlapping debt			<u>\$ 73,116</u>
County of Botetourt, direct debt			<u>\$ 34,024,868</u>
Total direct and overlapping debt			<u><u>\$ 34,097,984</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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 269,466,413	\$ 277,329,827	\$ 343,715,223	\$ 354,229,231	\$ 365,586,612	\$ 364,750,324	\$ 393,635,175	\$ 390,338,719	\$ 395,207,609	\$ 397,276,113
Total net debt applicable to limit	23,245,131	54,959,764	53,042,434	50,630,125	47,822,879	44,987,595	42,218,497	39,335,806	36,504,440	34,024,868
Legal debt margin	\$ 246,221,282	\$ 222,370,063	\$ 290,672,789	\$ 303,599,106	\$ 317,763,733	\$ 319,762,729	\$ 351,416,678	\$ 351,002,913	\$ 358,703,169	\$ 363,251,245
Total net debt applicable to the limit as a percentage of debt limit	8.63%	19.82%	15.43%	14.29%	13.08%	12.33%	10.73%	10.08%	9.24%	8.56%

Legal Debt Margin Calculation for Fiscal Year 2014	
Total assessed value	\$ 3,972,761,127
Debt limit (10% of total assessed value)	397,276,113
Net debt applicable to limit	34,024,868
Legal debt margin	\$ 363,251,245

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 Principal Interest	Special Assessment Collections	Principal	Interest	Coverage
2014 \$	6,812,390	\$ 2,596,835	\$ 4,215,555	\$ 604,659	\$ 327,591	n/a	n/a	n/a
2013	7,136,660	1,736,393	5,400,267	527,590	268,949	n/a	n/a	n/a
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

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2014	33,423	\$ 1,514,730	\$ 45,320	44.9	4,777	5.07%
2013	33,293	1,508,839	45,320	44.9	4,876	5.18%
2012	33,399	1,460,238	43,721	44.9	4,984	5.57%
2011	33,209	1,354,794	40,796	44.9	4,943	5.80%
2010	33,148	1,348,030	40,667	44.9	4,977	6.40%
2009	33,374	1,388,692	41,610	44.8	4,864	5.00%
2008	33,177	1,352,792	40,775	44.8	4,921	2.93%
2007	32,674	1,252,623	38,337	44.8	4,867	2.53%
2006	32,844	1,178,640	35,886	44.8	4,819	2.60%
2005	31,799	1,049,049	32,990	44.8	4,782	3.00%

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 2014			Fiscal Year 2005		
	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees
Botetourt County Public Schools	1	Local Government	500-999	1	Local Government	500-999
Dynax America Corporation	2	Private	500-999	2	Private	250 - 499
Altec Industries	3	Private	500-999	14	Private	100-249
Botetourt County Government	4	Local Government	250 - 499	4	Local Government	250 - 499
Metalsa Roanoke	5	Private	100-249	3	Private	100-249
The Glebe Inc. Dip	6	Private	100-249	-	-	-
Gala Industries	7	Private	100-249	7	Private	100-249
Roanoke Cement Company LLC	8	Private	100-249	6	Private	100-249
Lawrence Transportation System	9	Private	100-249	5	Private	100-249
Arkay Packaging	10	Private	100-249	18	Private	100-249
Virginia Truck Center	11	Private	100-249	12	Private	100-249
Cracker Barrel Old Country Store	12	Private	100-249	16	Private	100-249
Lanford Brothers Company	13	Private	100-249	9	Private	100-249
Kroger	14	Private	100-249	19	Private	100-249
Pepsi Cola Bottling Company	15	Private	100-249	-	-	-
Kirby Vass Insulation	16	Private	50-99	-	-	-
Tread Corporation	17	Private	50-99	-	-	-
Carrington Place Botetourt	18	Private	50-99	-	-	-
Food Lion	19	Private	50-99	-	-	-
Howell's Motor Freight	20	Private	50-99	17	Private	100-249
General Shale Brick				8	Private	100-249
Koyo Steering Systems				10	Private	100-249
O'Neal Steel				11	Private	100-249
David H. Elliot Company, m nc.				13	Private	100-249
Home Instead Senior Care				15	Private	100-249
Va. Dept. of Corrections Western VA. Field Office				20	State Government	100-249

Source: Virginia Employment Commission

Table 18

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

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government administration	26	26	28	29	30	31	31	30	29	30
Judicial administration	12	13	17	17	17	17	16	17	17	17
Public safety:										
Sheriffs department	87	87	103	116	115	108	109	114	113	115
Fire & rescue	5	9	10	14	15	17	25	29	30	32
Inspections (Development Services)	6	6	6	5	5	4	4	8	9	8
Animal control	3	3	3	3	4	4	4	4	4	4
GIS / Communications	2	2	2	2	3	0	0	0	0	0
Public works:										
Utilities	8	8	8	10	11	11	11	12	12	11
General maintenance	5	5	5	6	7	7	7	7	7	7
Waste Management	6	6	5	4	5	4	4	4	4	4
Engineering	4	4	4	4	4	4	4	0	0	0
Health and welfare:										
Department of social services	18	18	18	18	16	16	14	16	15	17
Comprehensive Services	1	1	1	1	1	1	1	1	1	1
Culture and recreation:										
Parks and recreation	13	13	16	18	17	15	16	15	15	15
Library	12	12	13	13	13	14	14	14	13	13
Tourism / Marketing	0	1	1	1	1	1	1	1	1	2
Community development:										
Planning	3	4	4	4	4	4	3	0	0	0
Totals	211	218	244	265	268	258	264	271	270	270

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 Development Services.

Table 19

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

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Sheriffs department:										
Physical arrests	2,565	2,756	2,612	2,422	1,768	1,845	2,402	2,290	2,302	2,051
Traffic violations	3,582	3,494	3,219	2,697	2,330	2,698	3,232	2,951	2,560	3,180
Civil papers	7,906	7,770	6,905	7,298	7,301	7,187	6,955	6,813	6,750	6,335
Fire and rescue:										
Number of calls answered	4,186	4,582	4,956	4,965	5,131	4,615	4,057	4,730	4,719	4,618
Building inspections:										
Permits issued (same as Planning)	627	740	667	598	462	475	424	378	395	411
Animal control:										
Number of calls answered	3,079	3,118	3,484	4,965	6,872	6,082	6,035	6,100	5,210	4,790
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	3	3	3	3	3	4
Landfill:										
Refuse collected (tons/day)	99	107	110	33	6.5	6.8	7.1	5.6	6.4	7.1
Recycling (tons/day)	29	33	21	17	8.1	9.7	9.5	8.3	10.3	10.7
Health and welfare										
Department of Social Services:										
Caseload	2,300	2,585	2,389	2,448	2,702	3,493	4,125	4,152	4,479	5,014
Culture and recreation										
Parks and recreation:										
Recreation permits issued	70	71	78	69	85	86	93	97	129	118
Youth sports participants	2,717	2,953	3,311	3,511	3,594	3,863	3,960	3,931	4,197	4,725
Community development										
Planning:										
Zoning permits issued	627	740	667	598	462	475	424	378	395	411
Component Unit - School Board										
Education:										
School age population (per census)	6,224	n/a								
Number of teachers	375	387	400	401	409	405	405	414	408	398
Local expenditures per pupil	3,601	3,788	3,885	4,075	4,369	4,222	4,344	4,304	4,721	5,246

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

Note: Youth sports participants includes a partial year (FY13) and a full year (FY14) of recreation sports post-season playoffs participants.

Table 20

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

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government administration										
Administration buildings										
Vehicles	3	3	3	4	4	4	4	4	4	4
Public safety	3	4	4	4	5	7	7	4	3	5
Sheriffs department:										
Patrol units	48	48	49	51	51	50	51	51	51	51
Other vehicles	10	12	12	13	14	15	16	15	16	18
Development Services / Building inspections:										
Vehicles	4	4	4	3	4	4	4	7	6	8
Animal control:										
Vehicles	3	3	3	3	4	4	4	4	4	4
Public works										
General maintenance:										
Trucks/vehicles	9	10	12	14	15	14	17	19	22	19
Landfill:										
Vehicles	12	12	11	11	11	8	6	6	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	-	-	-	-	-	-	-	-	-	2
County Van Program - Vehicles	2	2	2	2	2	2	2	2	2	2
Culture and recreation										
Parks and recreation:										
Community centers	2	2	2	2	2	2	2	2	1	1
Vehicles - Parks & Recreation, Library	14	14	15	16	17	19	19	20	21	21
Parks acreage	20	158	158	158	158	158	158	158	158	158
Swimming pools	-	-	-	-	-	-	-	-	-	-
Tennis courts	2	2	2	4	4	4	4	4	4	4
Community development										
Planning:	2	2	2	2	2	1	2	0	0	0
Vehicles										
Component Unit - School Board										
Education:										
Schools	12	12	12	12	12	12	12	12	12	13
School buses	79	77	82	85	89	93	94	96	95	94

Source: Individual county departments.
 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

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the 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, 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 County of Botetourt, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of Botetourt, Virginia's basic financial statements, and have issued our report thereon dated October 10, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Botetourt, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Botetourt, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Botetourt, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Botetourt, Virginia's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 10, 2014

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited 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 County of Botetourt, Virginia's major federal programs for the year ended June 30, 2014. County of Botetourt, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Botetourt, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of County of Botetourt, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Botetourt, Virginia complied, in all material respects, with the types of 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, 2014.

Report on Internal Control over Compliance

Management of County of Botetourt, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Botetourt, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Jaeger, Cox Associates

Blacksburg, Virginia
October 10, 2014

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

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	\$ 141,692
<i>Department of Education:</i>			
Schools and Roads - Grants to States	10.665	43841	52,631
School Breakfast Program (Child Nutrition Cluster)	10.553	40591	63,373
<i>State Department of Agriculture:</i>			
Food Distribution-Schools (Note C) (Child Nutrition Cluster)	10.555	NA	\$128,926
<i>Department of Education:</i>			
National School Lunch Program (Child Nutrition Cluster)	10.555	40623	481,456
Total Department of Agriculture			<u>610,382</u>
			<u>\$ 868,078</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	\$ 13,102
Temporary Assistance for Needy Families	93.558	0400111	136,397
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110/0500111	875
Low Income Home Energy Assistance	93.568	0600410/0600411	15,175
Social Services Block Grant	93.667	1000110/1000111	107,036
Chafee Foster Care Independence Program	93.674	9150110/9150111	2,912
Children's Health Insurance Program	93.767	0540110/0540111	4,497
Medical Assistance Program	93.778	1200110/1200111	128,141
Chafee Education and Training Vouchers Program	93.599	9160110	5,264
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110/0900111	994
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111	19,257
Foster Care - Title IV E	93.658	1100110/1100111	85,605
Adoption Assistance	93.659	1120110/1120111	66,179
Total Department of Health and Human Services			<u>\$ 585,434</u>
DEPARTMENT OF HOMELAND SECURITY:			
Direct payments:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	Not applicable	<u>\$ 47,442</u>
Pass through payments from:			
<i>Department of Emergency Management:</i>			
State Homeland Security Program	97.073	52709	<u>\$ 15,284</u>
Total Department of Homeland Security			<u>\$ 62,726</u>
DEPARTMENT OF TRANSPORTATION:			
Pass through payments from:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	50326	<u>\$ 21,699</u>
Total Department of Transportation			<u>\$ 21,699</u>

COUNTY OF BOTETOURT, VIRGINIA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF JUSTICE:			
Direct payments:			
Equitable Sharing Program	16.922	NA	\$ 201,091
Total Department of Justice			<u>\$ 201,091</u>
DEPARTMENT OF EDUCATION:			
Pass through payments from:			
<i>Department of Education:</i>			
Career and Technical Education -- Basic Grants to States	84.048	61095	\$ 48,585
Adult Education - Basic Grants to States	84.002	42801	31,346
Improving Teacher Quality State Grants	84.367	61480	83,609
English Language Acquisition State Grants	84.365	NA	4,806
Advance Placement Program	84.330	NA	540
Title I Grants to Local Educational Agencies	84.010	42901	359,209
Special Education - Grants to States (Special Education Cluster - IDEA)	84.027	73071	986,638
Special Education - Preschool Grants (Special Education Cluster - IDEA)	84.173	62521	27,437
Total Department of Education			<u>\$ 1,542,170</u>
Total Expenditures of Federal Awards			<u>\$ 3,281,198</u>

Notes to Schedule of Expenditures of Federal Awards

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, 2014. 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 position, 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	\$ 1,177,385
Less: Payment in Lieu of Taxes	(164,743)
Component Unit Schools:	
School Operating Fund	<u>2,268,556</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 3,281,198</u>

County of Botetourt, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
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>
10.553/10.555 84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014 (Continued)

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

There were no prior audit findings related to federal awards.