

Comprehensive Annual Financial Report



Botetourt County, Virginia

Fiscal Year Ended
June 30, 2013

COUNTY OF BOTETOURT, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

Prepared By:
Department of Financial Services

COUNTY OF BOTETOURT, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION



Botetourt County, Virginia *Board of Supervisors*

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

November 30, 2013

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

Board of Supervisors

Stephen P. Clinton
Chairman

Terry L. Austin
Vice Chairman

L. W. Leffel, Jr.

Billy W. Martin, Sr.

Donald M. Scothorn

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, 2013.

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, 2012. This was the eighth 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, PLLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the County of Botetourt's financial statements for the year ended June 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis immediately follows the independent auditor's 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 2010 population was 33,148, representing a 9% increase since the 2000 Census. Botetourt County enjoys a diverse economy, with the services sector accounting for 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 17,705 (June 2013). With regard to the County domiciled workforce, roughly 24% work for the County's top twenty employers. Unemployment remains below the State average.

With respect to demographics relating to economic factors, Botetourt County seemingly appeals to higher income residents, as evidenced by a median household income figure of \$59,441, which is above the state average and ranks first in a comparison of six other surrounding localities. This ranking also holds true for the home ownership rate, which stands at 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 (2011). The County's ranking was 103 out of 134 localities, placing Botetourt in the lower 23% 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 updated in 2011. With respect to building activity, FY13 building permit activity for residential and commercial construction was ahead of FY12 in terms of number of permits (+4%) and dollar value, with the dollar value of permits (\$42.5 million) increasing by 2.5 times compared to the prior fiscal year. This large dollar increase in aggregate permit value was the first year-to-year increase since FY08. As was likely the case in certain areas of the country, there was an increase in construction activity in FY13. Residential construction starts include expansions in existing subdivisions as well as development plans for new subdivisions. The total dollar value of residential starts in the County for FY13 was approximately \$14 million vs. \$10 million in FY12. This dollar level of residential building activity has not been achieved since FY10. Accompanying this 40% dollar increase in residential permits is a 26% increase in the number of residential building permits issued. With respect to commercial construction, Daleville Town Center (see below) has experienced a large increase in that site's activity, which assisted in an average commercial construction permit value of \$285,000 vs. \$56,000 for FY12. FY13 building permit value through October 2013 represents a 4% increase over FY12 in the total number of permits issued.

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 are for six (6) structures, including four (4) apartment buildings totaling 120 units, a parking garage, and a clubhouse. At this time all components are under construction. In addition, two new restaurants have been opened in the past six months.

Orchard Marketplace, a commercial development adjoining Daleville Town Center, continued its business activity with the FY12 construction completion of Carilion Physicians Clinic and Coots, Ward, Cross Family Dentistry. Carilion has recently been issued permits for another medical office in Orchard Marketplace.

As highlighted last year, on the economic development forefront, there were several business expansions announced in the 2011 and 2012:

Canatal Steel (steel beam fabricators)	\$1 million investment, 160 jobs
Arkay Packaging (innovative packaging)	\$6 million investment, 25 jobs
Virginia Forge (forging and machining)	\$1 million investment, 33 jobs
Tread Corporation (equipment handling manufacturer)	\$5 million investment, 100 jobs
Dynax America Corporation (auto industry parts supplier)	\$15.6 million investment, 95 jobs

There have been two recent announcements: Virginia Transformer (manufacturer of custom electric power transformers) will occupy the Lite Steel (closed business) building and make a \$3.5 million investment that which will enhance their strategic plan for growth. 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.

As a means of providing incentive for incoming and expanding businesses, Botetourt County is active in providing assistance in securing funding for these businesses; approximately \$150,000 was received from the Virginia Jobs Investment Program for job training. In FY13, approximately \$150,000 was received for training for 117 net new jobs and retraining for 152 existing jobs.

Over the last few years, the country as a whole has experienced an increase in the craft beer brewing business industry. Recently, Botetourt County welcomed Flying Mouse Brewery, a nearly \$1 million investment by the principal. This addition to the County should appeal to both the local and travel segment and will enhance the tourist experience in the County.

With respect to business activity at Botetourt Center at Greenfield, Altec Industries, a provider of products and services primarily to utility and telecommunication businesses, announced a \$2.2 million business expansion in 2012 and the creation of 95 jobs at above average wages. The County has prepared for additional business in Greenfield in the form of a pad ready site with power access. This economic development initiative is in place in order to attract businesses seeking to streamline startup operations. Botetourt Center at Greenfield is being actively marketed and there has been an overall increase in the level of interest for this location.

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 4,934 with a relatively small increase of 2% in admissions for the most recent 5 years as compared to the previous 5 years. With respect to "Adequate Yearly Progress" measurement, Virginia received a waiver from this benchmark in 2012. With respect to academic achievement, Virginia's public school teaching and learning accountability utilizes the Standards of Learning (SOL) which serves to measure and assess student achievement. Recently, the Virginia Department of Education released its listing of public schools that were fully accredited for the 2012 – 2013 period. All of Botetourt County's public schools comprising its school division were noted as fully accredited. Another notable achievement was the 2013 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 94.6% was the highest of the eight (8) counties in the region, and exceeded the State average of 89.1%.

In recent years, the Botetourt County School System began planning for a new initiative. The STEM-H Academy (Science, Technology, Engineering, Mathematics, Healthcare) 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. The plans are for a launching of the STEM-H academy in fall 2013.

The County's School Board places a high value on continuing education and use of management practices to increase the skill level and teaching proficiency of its professional teaching base. The County school system continues to be a valuable element in efforts to attract and retain quality business concerns and providing those businesses with an educated and skilled employment base.

Higher Education

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

Long-Term Financial Planning and Policies

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

As can be attested by the previously mentioned increase in building permits, the County has experienced an increased level of economic development interest and activity. As a means of addressing this increase and, in order to continue its momentum, Botetourt County has recently hired its first fully dedicated economic development manager. This addition to staff will be responsible for promoting growth of existing businesses and attract and recruit new businesses to the County. This hiring was recommended by the County’s economic development consultants (Moran, Stahl & Boyer). Prospective economic growth areas have been identified by these consultants, as these potential opportunities for development include U.S. Route 11 and associated road interchanges, along with the future redevelopment of Interstate 81, Exit 150. Strategies and efforts will be utilized to target these future economic growth areas that will hopefully result in an increase in the County’s tax base.

In addition to the above, the County’s economic development manager will work 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.

With respect to planned capital improvements, the County has three large-dollar General Fund projects in FY14, with two of these projects spanning multiple years. The total General Capital Fund capital projects budget is \$1.1 million. Replacement of mountain top communications equipment (\$455,000) will enhance public safety services to residents and businesses. New enterprise financial and tax software will be purchased, with \$300,000 budgeted for FY14 for this multi-year project. Two new ball fields will be constructed at the Botetourt Sports Complex, and \$175,000 has been budgeted in FY14 for development of site plans and initial grading of the fields.

The County continues to make strides and investments in its Tourism program in branding Botetourt County as a destination for recreation and cultural events. Waterways, hiking and biking trails, wineries, and several downtown locations have continued to be promoted through various media outlets. Tourism staff has been increased from one full time and one part-time position to two full time positions. One example of increased tourism activity was the Bike VA event which spanned six days and covered several counties. This event had 1,407 participants from 39 states and Canada, and introduced 42% of the participants to this area.

Citizen participation in general County recreation programs increased 7% in 2013 despite other offerings by church, travel club, and for-profit providers. 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. Total attendance was approximately 25,000, which represented an increase over 2012. With respect to economic impact, room nights for events increased 25% compared to last year. The Complex has just completed its seventh 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.

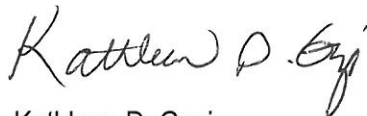
With respect to Enterprise activity, the County has recently received from its consultants an updated Water & Sewer Plan Study which identifies necessary and strategic projects that could be implemented over the next twenty to thirty years. With respect to FY14 priorities, the capital budget totals \$1.7 million, with \$1.2 million targeted for development of new water sources. The \$527,000 Cloverdale Water Extension has been completed and this project will increase water infrastructure. The \$2.7 million Tinker Creek Interceptor project will expand the County's sewer capacity and serve to accommodate future residential and business growth. Finally, a \$1.2 million Western Virginia Water Authority Peak Flow Enhancement project is currently under construction. This is a regional project with completion scheduled for 2015.

Finally, Botetourt County continues to maintain AA bond ratings with all three rating agencies--Fitch Ratings, Moody's, and Standard & Poor's. Currently, there is no Virginia locality in this position which has a population base comparative to Botetourt County. 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.

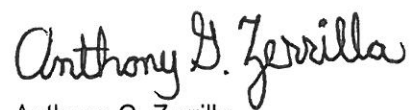
Acknowledgements

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 are offered 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**

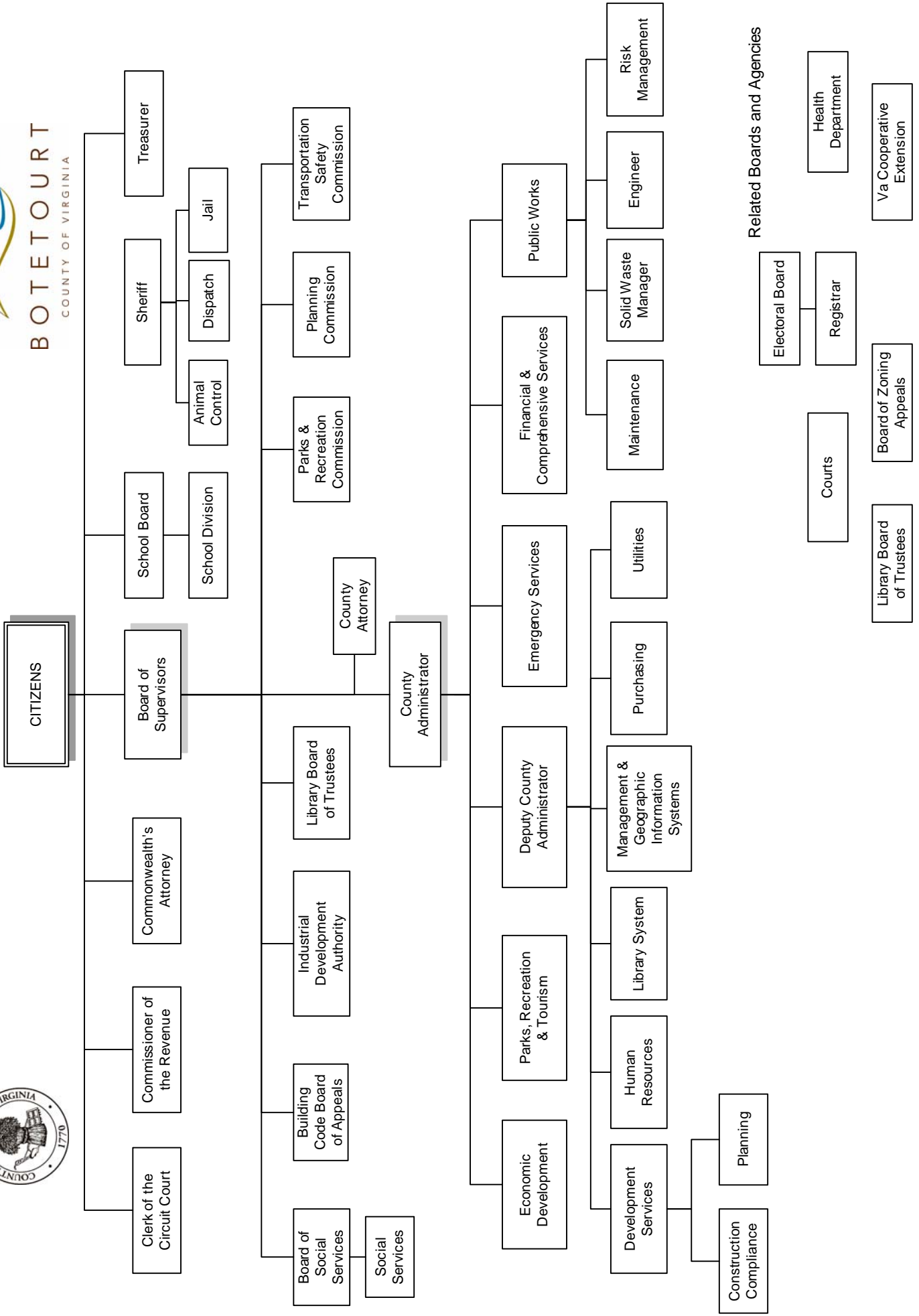
Presented to

**County of Botetourt
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



COUNTY OF BOTETOURT, VIRGINIA

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

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

SOCIAL SERVICES BOARD

	Eugene Trammel, Chair	
Donna Henderson, Vice Chair		Jan E. Smith
Billy W. Martin, Sr.		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	Louis K. Campbell, Jr.
Judge of the Juvenile & Domestic Relations Court	Paul A. Tucker
Commonwealth's Attorney	Joel R. Branscom
Commissioner of the Revenue	Rodney Spickard
Treasurer	William P. Arney
Sheriff	Ronald N. Sprinkle
Superintendent of Schools	Anthony S. Brads
Director of Social Services	William D. Burleson
County Administrator	Kathleen D. Guzi
County Attorney	Elizabeth Dillion

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

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 the County of Botetourt, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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 the County of Botetourt, Virginia, as of June 30, 2013, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the County of Botetourt, Virginia adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14-29, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 the County of Botetourt, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, 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.

Other Information (continued)

The combining and individual fund financial statements and schedules 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 combining and individual fund financial statements and schedules 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 25, 2013, on our consideration of the County of Botetourt, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 25, 2013

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, 2013. 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, 2014.

Financial Highlights

Government-wide Financial Statements

The assets and deferred outflows of resources of the County of Botetourt, Virginia exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$50,556,457 (net position). Of this amount, \$14,637,371 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net position was \$21,910,632; a significant amount (89%) of which is invested in capital assets. (See Exhibit 1).

The Government's net position for governmental activities increased by \$4,516,595, which was due to general revenues exceeding expenses (net of program revenues). This was primarily due to a \$3.2 million (11%) increase in general property taxes and a \$1.6 million gain on the sale of a communications tower. The overall positive change in net position was achieved with a \$4.9 million (12%) increase in general revenues in combination with a small (\$271,000, 1%) increase in governmental expenses. The School Board's net position decreased \$1.7 million (7%), primarily due to a \$1.1million (4%) decrease in program revenues (See Exhibit 2).

Fund Financial Statements

At the end of the current fiscal year, fund balance for the general fund was \$20,250,415 or 40 percent of total general fund expenditures (See Exhibit 3). This amount includes taxes and accounts receivable reflected in the fiscal year 2013 budget as well as funds allocated to the School Board and County Capital Improvement Projects for fiscal year 2013.

As of the close of the current fiscal year, the County's governmental fund reported an ending fund balance of \$20,250,415, which is an increase of \$4.4 million (28%) increase over fiscal year ended June 30, 2012. A \$1.9 million increase in fund balance was budgeted, as the County Board of Supervisors approved a \$.07 increase in the real estate tax rate and \$.08 increase in the personal property tax rate. Both of these increases took into consideration planning for the need for additional investment in capital projects and other requirements in the near future, which resulted in a budgeted assigned fund balance figure of \$ 1,643,315. The actual change in fund balance compared to FY12 ending fund balance represented a \$4.4 million (28%) increase. Of the total fund balance amount, \$18,164,705 is unassigned and available for spending at the government's discretion (See Exhibit 3). This represents a \$2.6 million (17%) increase in unassigned fund balance vs. FY12.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting. All current year revenues 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 and deferred outflows of resources, liabilities and deferred inflows of resources, and net position. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

Management's Discussion and Analysis

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 for Botetourt County for the School Board.

Fund Financial Statements

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

Governmental funds

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

Proprietary funds

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

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

Management's Discussion and Analysis

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.

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 exceeded liabilities by \$50,556,457 at the end of the fiscal year. The County's net position is divided into three categories: (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted.

County of Botetourt's Net Position

	Governmental activities		Business-type activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 21,761,433	\$ 17,276,406	\$ 4,042,275	\$ 3,261,993	\$ 25,803,708	\$ 20,538,399
Capital assets	72,236,136	74,571,292	19,111,351	17,750,713	91,347,487	92,322,005
Deferred outflows of resources	\$ -	\$ -	\$ 106,562	\$ 117,219	\$ 106,562	\$ 117,219
Total assets and deferred outflows	\$ 93,997,569	\$ 91,847,698	\$ 23,260,188	\$ 21,129,925	\$ 117,257,757	\$ 112,977,623
Long-term liabilities	\$ 42,209,738	\$ 44,580,733	\$ 9,210,470	\$ 7,896,435	\$ 51,420,208	\$ 52,477,168
Other liabilities	1,094,284	1,105,821	437,891	402,803	1,532,175	1,508,624
Deferred inflows of resources	\$ 137,090	\$ 121,282	\$ -	\$ -	\$ 137,090	\$ 121,282
Total liabilities and deferred inflows	\$ 43,441,112	\$ 45,807,836	\$ 9,648,361	\$ 8,299,238	\$ 53,089,473	\$ 54,107,074
Net position:						
Net investment in capital assets	\$ 35,731,696	\$ 35,235,486	\$ 10,091,246	\$ 10,215,268	\$ 45,822,942	\$ 45,450,754
Restricted	187,390	186,710	-	-	187,390	186,710
Unrestricted	14,637,371	10,617,666	3,520,581	2,615,419	18,157,952	13,233,085
Total net position	\$ 50,556,457	\$ 46,039,862	\$ 13,611,827	\$ 12,830,687	\$ 64,168,284	\$ 58,870,549

Management's Discussion and Analysis

For the County's governmental activities, net investment in capital assets (i.e., land, buildings, machinery, and equipment) represents 71% 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 amounts represent less than 1% of total net position. The remaining balance of unrestricted net position, which is \$14,637,371 or 29% of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year, the government's net position increased \$ 4,516,595. Total assets increased \$2.1 million (2%) due in large part to the \$1.6 million gain from the sale of a communications tower. With respect to total liabilities, there was a \$ 2.4 million (5%) reduction in long-term liabilities. There was no new financing debt issued in FY13, as approximately \$ 2.2 million in general obligation debt was retired, as well as a \$652,000 reduction of literary fund loans. The County's estimated landfill closure / post-closure liability increased \$457,888 (Note 16). Net investment in capital assets increased approximately \$496,000, and these assets have increased 44% since FY08.

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Management's Discussion and Analysis

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.

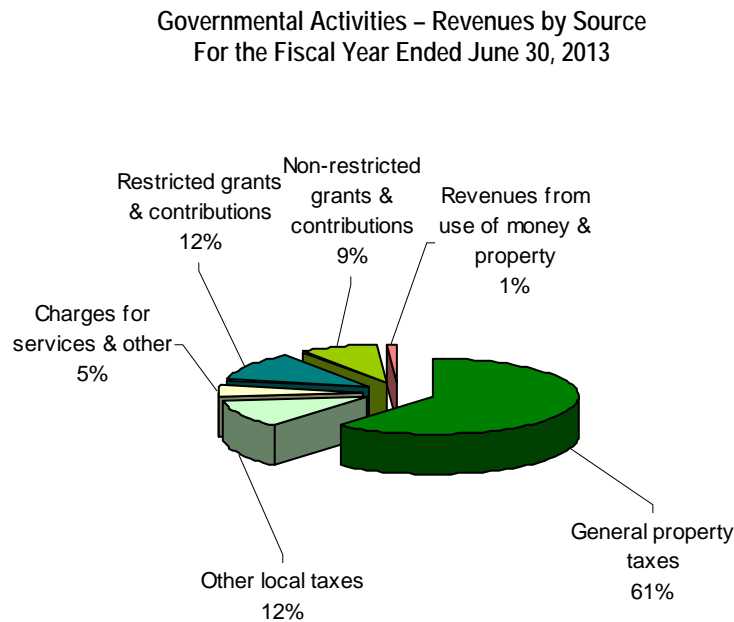
	County of Botetourt's Changes in Net Position					
	Governmental activities		Business-type activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,042,884	\$ 944,717	\$ 3,577,258	\$ 3,019,701	\$ 4,620,142	\$ 3,964,418
Operating grants & contributions	6,565,401	6,848,849	-	-	6,565,401	6,848,849
General revenues:						
General property taxes	33,065,115	29,822,572	-	-	33,065,115	29,822,572
Other local taxes	6,451,883	6,282,770	-	-	6,451,883	6,282,770
Use of money and property	571,498	647,477	20,215	26,128	591,713	673,605
Other	1,800,458	235,015	-	-	1,800,458	235,015
Grants and contributions not restricted to specific programs	4,663,034	4,619,808	-	-	4,663,034	4,619,808
Total revenues	<u>\$ 54,160,273</u>	<u>\$ 49,401,208</u>	<u>\$ 3,597,473</u>	<u>\$ 3,045,829</u>	<u>\$ 57,757,746</u>	<u>\$ 52,447,037</u>
Expenses:						
General government	\$ 2,932,750	\$ 3,009,226	\$ -	\$ -	\$ 2,932,750	\$ 3,009,226
Judicial administration	1,317,267	1,284,630	-	-	1,317,267	1,284,630
Public safety	12,734,181	12,689,537	-	-	12,734,181	12,689,537
Public works	2,230,035	1,709,623	-	-	2,230,035	1,709,623
Health and welfare	3,249,941	3,427,728	-	-	3,249,941	3,427,728
Education	22,291,399	21,703,533	-	-	22,291,399	21,703,533
Parks, recreation and cultural	2,980,612	3,193,686	-	-	2,980,612	3,193,686
Community development	307,960	533,841	-	-	307,960	533,841
Interest on long-term debt	1,595,978	1,805,765	-	-	1,595,978	1,805,765
Water and sewer	-	-	2,819,888	2,664,729	2,819,888	2,664,729
Total expense	<u>\$ 49,640,123</u>	<u>\$ 49,357,569</u>	<u>\$ 2,819,888</u>	<u>\$ 2,664,729</u>	<u>\$ 52,460,011</u>	<u>\$ 52,022,298</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ 4,520,150</u>	<u>\$ 43,639</u>	<u>\$ 777,585</u>	<u>\$ 381,100</u>	<u>\$ 5,297,735</u>	<u>\$ 424,739</u>
Transfers in (out)	<u>\$ (3,555)</u>	<u>\$ 7,657</u>	<u>\$ 3,555</u>	<u>\$ (7,657)</u>	<u>\$ -</u>	<u>\$ -</u>
Increase (decrease) in net position	\$ 4,516,595	\$ 51,296	\$ 781,140	\$ 373,443	\$ 5,297,735	\$ 424,739
Net position, July 1, 2012 (restated)	46,039,862	45,988,566	12,830,687	12,457,244	58,870,549	58,445,810
Net position, June 30, 2013	<u>\$ 50,556,457</u>	<u>\$ 46,039,862</u>	<u>\$ 13,611,827</u>	<u>\$ 12,830,687</u>	<u>\$ 64,168,284</u>	<u>\$ 58,870,549</u>

Management's Discussion and Analysis

Governmental Activities

Governmental activities increased the County's net position by \$4,516,595. Key elements relating to FY13 activities as compared to the prior year (FY12) 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 61% of total governmental revenues (\$54.2 million).



- Revenues: General property taxes increased \$3.2 million (11%) primarily due to a \$.07 increase in the real estate tax rate and a \$.08 increase in the personal property tax rate. Revenues for these items increased \$3.1 million (12%). Also, Machinery & Tools taxes realized a \$124,000 (4%) increase. Other Local taxes increased \$169,000 (3%) as a result of improved results compared to FY12 for sales & use taxes and taxes on recordation and wills.
- Revenues: Unrestricted revenues from the use of money and property decreased \$76,000 (12%) 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 \$1,043,000 increased \$98,000 (10%) vs. FY12 due to increased charges for judicial, public safety, and public works services. Operating Grants and Contributions revenues experienced a \$284,000 (4%) decrease due to reduced activity relating to the

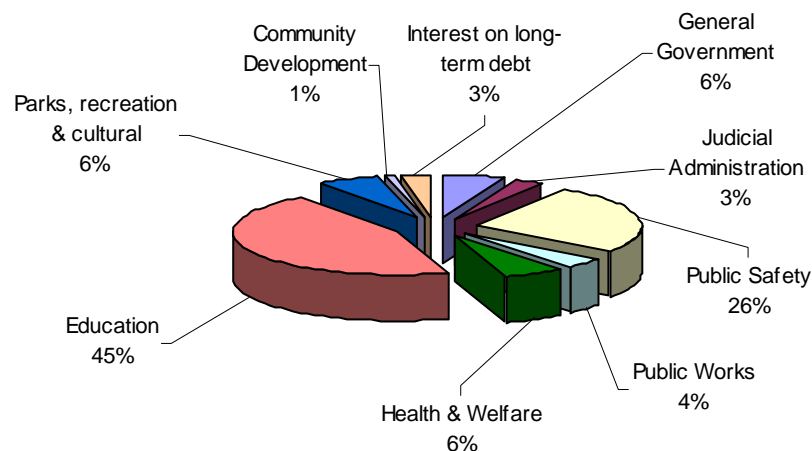
Management's Discussion and Analysis

Comprehensive Services Act and an expiring DMME (Department of Mines, Minerals, and Energy) grant.

- Revenues: Other Revenues increased \$1.6 million due to a gain on disposal from the sale of a County-owned communications tower.
- Overall, primarily as a result of items identified, revenues for governmental activities increased \$4.8 million (10%).

The following chart reflects the distribution of FY13 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 \$49.7million.

Governmental Activities – Expenditures by Function
For the Fiscal Year Ended June 30, 2013



- Expenses: General Government Administration expenses totaling \$2,933,000 decreased \$76,000 (3%) vs. FY12. On a departmental basis, reduced legal expenditures in Board of Supervisors and a personnel vacancy saving in Deputy County Administration largely contributed to the overall cost reduction in this category.
- Expenses: Judicial Administration expenditures increased \$33,000 (3%) due to relatively small operational cost increases in the Clerk of Circuit Court and Commonwealth's Attorney departments.

Management's Discussion and Analysis

- Expenses: Public Safety expenditures increased \$45,000 (less than 1%) vs. FY12. Activities relating to this area are as follows:
 - Fire and Rescue agencies; expenses decreased \$591,000 (37%) due to reduced capital outlay purchases; a fire truck was purchased in FY12, and there was no such purchase in FY13.
 - Correction and Detention expenditures increased \$109,000 (4%) due to increased costs reflected in wages and benefits, food supplies and services, and youth detention services.
 - Dispatch expenditures increased \$ 341,000 (50%) due to the installation of a new \$339,000 microwave radio communications system.
 - Emergency Services expenses decreased \$64,000 (3%) due to a reduction in capital outlay purchases.
- Expenses: Public Works expenditures increased \$520,000 (30%) compared to last year. This is primarily due to the accrual for landfill closure costs, which was increased \$458,000 in FY13 while being reduced \$116,000 in FY12.
- Expenses: Community Development costs decreased \$226,000 (42%) due to the non-recurrence of two FY12 items, 1) \$100,000 of costs relating to Governor's Opportunity Funds activities, and 2) a \$ 249,000 loss on disposal of assets and land.
- Expenses: Interest on Long-Term Debt decreased \$210,000 (12%) due to reduced interest expense relating to FY13 debt service payments.
- Expenses: Health & Welfare expenses decreased \$178,000 (5%) due to reduced Comprehensive Services Act activity.
- Expenses: Parks, Recreation and Cultural expenses decreased \$213,000 (7%), as all departmental components experienced reduced costs as compared to FY12 results.
- Expenses: Education expenses increased \$588,000 (3%) vs. FY12 results. When the last two years are considered (a \$416,000 decrease in FY12 vs. FY11), there is a relatively small net increase of \$174,000 in Education spending for the last two years on a spending base that has averaged \$22 million over the last three years.
- Overall, expenditures for governmental activities increased \$282,000 (1%) vs. a 10% increase in revenues

Business-type Activities

Business-type activities increased the County's net position by \$781,140 (6%). This activity is comprised of Water and Sewer revenues and expenses. Key elements of FY13 water and sewer activity are as follows:

Management's Discussion and Analysis

- Total revenues increased \$552,000 (18%) due in part to a full-year impact of an FY12 mid-year increase in water and sewer rates. The primary reason for the revenue increase was due to connection and facility fees totaling \$484,000 received from the Daleville Town Center apartment buildings construction project.
- While total revenues increased 18%, total operating expenses increased \$155,000 (6%). This was primarily due to a 101,000 (15%) increase in Utilities and office expenses. Engineering and architectural services and utilities expense comprised the majority of the increase vs. last year (FY12) reflected in the Utilities and office expenses category. There was also a \$38,000 (8%) increase in Personnel Services costs.
- Business-type net position for FY13 increased \$781,140 as compared to an increase in FY12 net position of \$373,443.

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 FY13's figure of 35% reflects an increase vs. FY12's figure of 30%. This increase is the product of a \$2.6 million increase in unassigned fund balance, primarily driven by an increase in tax revenues. Cost reduction efforts in several areas of governmental operations assisted in supporting the increase in unassigned fund balance.

At the end of the fiscal year, the County's governmental funds reported an ending fund balance of \$20,250,415, an increase of \$4,396,609 (28%) versus the prior year. Excluding the sale of capital assets, FY13 revenues increased \$2.9 million (6%), while FY13 expenditures were \$497,000 (1%) less than FY12 expenditures (Exhibit 5). When compared to FY12, the FY13 unassigned portion (\$18,164,705) of the ending fund balance represents a \$2.6 million increase, which provides significant flexibility with respect to future discretionary spending.

As previously stated, the County's governmental fund balance increased by \$4,396,609. Fiscal Year 2013 Operational highlights include the following:

- Revenues: (A) General Property Taxes increased \$3.2 million (11%) due to a \$.07 increase in the tax rate from \$.65 to \$.72 per \$100 of assessed value. In addition, the personal property tax rate increased from \$2.55 to \$2.63 per \$100 of assessed value. B) Other Local Taxes increased \$169,000 (3%) due to increases in Local Sales and Use Taxes, Business License Taxes, and Taxes on Recordation and Wills. (C) Revenues From The Use of Property decreased \$76,000 (12%) due to reduced cell site

Management's Discussion and Analysis

rental payments as a result of the \$ 1.7 million sale of a communications tower. (D) Charges for Services increased \$56,000 (9%) primarily due to results for charges for judicial, public safety and public works.

- FY13 revenues from the State decreased \$107,000 (1%) due to the non-recurrence of an FY12 \$100,000 Governors Opportunity Fund receipt.
- Federal revenues totaled \$1.4 million, which represented a \$133,000 (9%) decrease, due in large part to a reduction in firefighting assistance grants, and the run-out of a DMME (Department of Mines, Minerals and Energy) grant.
- Expenditures: The majority of the expenditure categories experienced reduced costs vs. FY12:
- General Government Administration's cost were reduced \$298,000 (9%). A \$50,000 reduction in legal fees expense, a \$70,000 wage and benefit savings in personnel vacancies, \$64,000 in cost reductions due to employee turnover, and a \$44,000 reduction in capital outlay costs for Management Systems accounted for 77% of the \$298,000 reduction.
- Public Safety costs were slightly low (\$41,000, or less than 1%) compared to FY12 results. A \$590,000 reduction in Volunteer Fire Department and Rescue Squad expenditures was experience primarily as a result of reduced capital outlay costs. This reduction serves to assist in the covering of a \$339,000 capital purchase of a microwave communications system replacement utilized in the Dispatch department.
- Public Works costs were \$61,000 (4%) less than FY12, due to the non-recurrence of energy audit expenses incurred in FY12. Health and Welfare expenses were \$179,000 (5%) less than FY12 due to reduced Comprehensive Services Act activity.
- Parks, Recreation, and Cultural expenses were \$221,000 (8%) less than FY12. Each component of this expense (Supervision, Sports Complex, Tourism, contributions to cultural organizations, and Library expenses) experienced costs savings when compared to last fiscal year (FY12).
- Judicial and Community Development combined experienced cost increases vs. FY12 of \$46,000 (3%), with industrial development activities accounting for the majority of the increase.
- Education expense experienced a \$588,000 (3%) increase due to increased contributions to the County School Board.
- Interest and other fiscal charges reflected a \$162,000 (4%) reduction vs. FY12 as interest expense on existing debt declined as expected.
- Capital Improvement Projects – Spending (\$92,000) for capital projects was limited, as was the case in FY12 (\$262,000). Enhancements to the Public Safety Building accounted for the majority of the FY13 spending.

Management's Discussion and Analysis

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 \$3,520,581, which is a 35% increase versus FY12's figure of \$2,615,419. Other factors concerning the finances of this fund were discussed in the County's business-type activities section of this letter.

General Fund Budgetary Highlights

Differences between the original budgeted expenditures and the final budgeted expenditures for the General Fund totaled \$1,832,447. 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, 2012 for programs and capital projects in the amount of \$318,119.
- Appropriation of \$320,000 from revenues for tax relief for the elderly.
- Appropriation in the amount of \$272,000 relating to Contributions to County School Board.
- Appropriations totaling \$148,392 for refund related activity.
- Appropriations totaling \$146,323 for Sheriff's Department grants and reimbursed costs.
- Appropriations totaling \$140,208 for fire & rescue program funds.
- Appropriation of \$125,000 for payment of a local performance grant.
- Appropriation of \$124,253 for emergency services grants and reimbursed costs.
- Appropriation of \$94,092 for pass-through for use of County cell towers.
- Appropriations totaling \$60,000 for potential unemployment insurance expenditures.

The above-mentioned appropriations for amended budget expenditures total \$1,748,387 or 95% of the difference between the original budget appropriation and the amended budget.

With respect to FY13 amended budget vs. actual results, general fund revenues for the primary government were approximately 1% over budget for the year. Results for revenues from local sources accounted for a \$900,000 (2%) positive variance, due primarily to results vs. budget for general property taxes. State revenues were approximately \$471,000 (4%) under budget and Federal revenues were approximately \$171,000 over budget, due primarily to revenues received from the federal SAFER grant.

Management's Discussion and Analysis

Amended budget vs. actual results for general fund government expenditures for FY13 reflected a 3.5% (\$1.8 million) positive variance due to significant savings in several categories. Most notably, there were significant positive variances in the areas of General Government Administration, Public Safety, Health and Welfare, and Capital Projects. Public Safety budget savings represented approximately 48% of the total expenditure savings vs. budget. Most departments and agencies contributed to cost reduction efforts.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2013 is \$72,236,136 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, machinery and equipment, and construction in progress. The total represents a 3% decrease from the prior fiscal year.

Major capital asset transactions included the following for FY13:

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

An \$88,000 decrease in Machinery & equipment due in part to the disposal of a communications tower.

A \$16,000 increase in construction in progress activity

County of Botetourt, Virginia Capital Assets for Governmental Activities (net of depreciation)							
	Governmental activities		Business-type activities		Total		
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
Land	\$ 11,707,664	\$ 11,707,664	\$ 43,010	\$ 43,010	\$ 11,750,674	\$ 11,750,674	
Buildings	57,289,635	59,552,575	-	-	57,289,635	59,552,575	
Machinery and equipment	2,275,277	2,363,296	136,338	128,240	2,411,615	2,491,536	
Infrastructure	-	-	16,089,859	16,284,591	16,089,859	16,284,591	
Construction in progress	963,560	947,758	2,842,144	1,364,061	3,805,704	2,311,819	
Total	<u>\$ 72,236,136</u>	<u>\$ 74,571,293</u>	<u>\$ 19,111,351</u>	<u>\$ 17,819,902</u>	<u>\$ 91,347,487</u>	<u>\$ 92,391,195</u>	

The results for Business-type activities (Enterprise Fund) include continued investment in the County's water and sewer infrastructure in order to sufficiently meet the current and future demands of customers. Construction in progress primarily represents activity for two financed projects, with the largest being 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 ¹		Total		
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
General obligation bonds	\$ 31,735,140	\$ 33,914,578	\$ -	\$ -	\$ 31,735,140	\$ 33,914,578	
Literary Loans	4,769,300	5,421,230	-	-	4,769,300	5,421,230	
Revenue Bonds	-	-	9,020,105	7,703,292	9,020,105	7,703,292	
Landfill closure / post-closure	5,000,945	4,543,057	-	-	5,000,945	4,543,057	
Compensated absences	704,353	701,870	83,803	75,924	788,156	777,794	
Total	<u>\$ 42,209,738</u>	<u>\$ 44,580,735</u>	<u>\$ 9,103,908</u>	<u>\$ 7,779,216</u>	<u>\$ 51,313,646</u>	<u>\$ 52,359,951</u>	

¹ Net of deferred charges on refundings.

Botetourt County's FY13 outstanding debt for governmental activities decreased \$2,370,997 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 a \$458,000 (10%) increase in the liability. This accrual decreased 2% from FY11 to FY12. For business-type activities, outstanding debt increased \$1,324,692 (17%) due to the inclusion of a new issuance relating to the Western Virginia Water Authority's Peak Flown Enhancement project, for which Botetourt County is responsible for 6.5% of the obligation.

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 \$1,096.
- Net bonded debt to assessed value, limit 4%, actual (0.92%).
- Ratio of debt service to total general governmental expenditures, limit 10%, actual 5.60%.

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

Economic Factors and Next Year's Budgets and Rates

As is typically the case every year, the FY14 budget process contained its challenges. County local revenues were budgeted to increase only \$254,000 (0.6%), and total County revenues were expected to increase only \$95,000 (0.2%). School component revenues were expected to decrease \$527,000 (2%). With the combined County and School revenues projected to decrease \$432,000 (1%), Both components set out to scrutinize costs and identify spending priorities. As has been the case with most localities, there was the issue of deferred spending for capital outlay and capital projects that needed to be addressed, as well as the need to maintain a competitive posture with respect to salaries compensation and the providing of benefits.

Management's Discussion and Analysis

During the FY13 budget process, the County Board of Supervisors gave consideration for the FY14 budget cycle as well. A \$.07 increase in the real estate tax rate and a \$.08 increase in the personal property tax rate addressed FY13 issues, but also provided for the need to address FY14 spending priorities that had been previously deferred. Still, both County and School administration utilized an FY14 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 FY14 Budget are as follows:

- The most recent unemployment rate published (October, 2013) for the County is 4.9%, which is a decrease from the rate of 5.0 percent from the same month a year ago. This compares favorably to the state's October 2013 unemployment rate of 5.5 percent and the current national rate of 7.0 percent. In terms of a positive trend, the October 2013 unemployment rate for Botetourt County is below the FY12 average monthly unemployment rate of 5.6%.
- Funding from the Commonwealth of Virginia for the School Board is budgeted to increase by only \$88,000 (0.3%). With respect to support from the County, the FY14 budget reflects an increase (\$847,000) (4%) in operational funding. Total revenues for the School Board are budgeted to decrease \$527,000 (2%), with a \$319,000 increase (0.6%) in expenditures.
- General fund County budgeted local revenues for FY14 vs. FY13 Budget are expected to increase by \$ 254,000 (0.6%). Approximately $\frac{3}{4}$ of this increase is reflected in General Property Taxes, and considers the most recent book of current assessments. Budgeted revenue increases are also anticipated for Public Service Corporation taxes and Personal 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 Board of Supervisors decided to delay the next reassessment of real estate; this reassessment process will begin in FY15 and will be utilized to update 2016 assessment values.
- County revenues from the State are budgeted to increase \$51,000 (0.5%), while Federal revenues budgeted for FY14 reflect a \$210,000(18%) decrease due to the expiration of a SAFER grant which had provided funding for the hiring of 8 firefighters in Emergency Services.
- For the first time since FY08 General Fund budgeted expenditures exclude a State Reduction In Aid giveback to the State; the figure for FY13 was \$244,000, with an aggregate \$1,296,000 impact over the last five. FY14 General Fund operational expenditures are budgeted to increase by approximately \$1.3 million (6%). Included in this increase is a 3% raise provided to County employees beginning August, 2013. Net of State Compensation Board reimbursements, the raise impact is \$285,000. In addition, four (4) career emergency services staff is budgeted to be hired to provide 24 hour, 7 day coverage in the most densely populated area of the County. Prior to the impact of the raises, funding for Public Safety departments comprised the significant portion of the operational spending increase from FY13, with additional spending reflected as well in Public Works. The total capital project budget of \$1.1 million identifies priority needs for the County, including \$455,000 for the replacement of mountaintop radio tower transmitters, \$300,000 for the initial investment in new enterprise-wide software, and \$175,000 for the development of a site plan and initial grading for two additional ball diamonds at the Botetourt Sports Complex. These three

Management's Discussion and Analysis

projects account for 82% of the FY14 Capital Improvements Project budget. Including debt service, total County expenditures are budgeted to increase by approximately \$1.7 million (6%).

- During the budget process, measures were taken to seek opportunities for cost reduction and minimization at the departmental level. As a result, prior to the end-of process compensation and final adjustments, 26% of the County's departments reflected decreased budgets, while another 29% were budgeted for a 0% to 1% increase in expenditures. These cost reductions and maintenance of existing levels of departmental budgets provided assistance in order to fund priority areas (primarily Public Safety and Public Works) requiring funding increases.
- As previously mentioned, 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 were utilized to balance the FY14 Budget. Also, a budgeted contingency of \$100,000 has been established in the event that currently unknown or extraordinary expenditures arise in FY14.
- For business-type activities, FY14 water and sewer revenues from operations were anticipated to decrease \$96,000 (3%) versus the FY13 Budget, as FY13 experienced a non-recurring increase of project connection fees. While FY14 operational expenditures are budgeted to increase \$79,000 (5%) the FY14 Capital Improvements Budget of \$1.7 million is approximately \$1million greater than the budget for FY13. This is due to high priority improvement projects necessary and planned for FY14. In addition, Debt Service is budgeted to increase \$141,000 (18%), as debt requirements are beginning for the Tinker Creek Interceptor project. With these additional spending requirements, a \$1.2 million decrease 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 2014 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, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 18,528,512	\$ 3,535,632	\$ 22,064,144	\$ 6,776,987	\$ -
Cash in custody of others	-	-	-	-	114,121
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,227,307	-	1,227,307	-	-
Accounts receivable	158,833	506,643	665,476	16,030	-
Due from component unit	142,214	-	142,214	-	-
Due from other governmental units	1,262,172	-	1,262,172	1,259,401	-
Prepaid items	255,005	-	255,005	336,396	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	187,390	-	187,390	142,203	-
Capital assets (net of accumulated depreciation):					
Land	11,707,664	43,010	11,750,674	1,949,631	-
Buildings and improvements	57,289,635	-	57,289,635	16,295,246	3,792,570
Machinery and equipment	2,275,277	136,338	2,411,615	1,178,647	-
Utility plant in service	-	16,089,859	16,089,859	-	-
Construction in progress	963,560	2,842,144	3,805,704	-	-
Total assets	\$ 93,997,569	\$ 23,153,626	\$ 117,151,195	\$ 27,954,541	\$ 3,906,691
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	\$ -	\$ 106,562	\$ 106,562	\$ -	\$ -
LIABILITIES					
Accounts payable	\$ 424,436	\$ 281,056	\$ 705,492	\$ 205,635	\$ -
Accrued wages	76,417	7,084	83,501	4,092,244	-
Customers' deposits	-	50,280	50,280	-	-
Accrued interest payable	593,431	99,471	692,902	-	11,085
Due to primary government	-	-	-	142,214	-
Unearned revenue	-	-	-	-	28,750
Long-term liabilities:					
Due within one year	3,351,537	666,081	4,017,618	532,362	283,898
Due in more than one year	38,858,201	8,544,389	47,402,590	1,071,454	1,859,361
Total liabilities	\$ 43,304,022	\$ 9,648,361	\$ 52,952,383	\$ 6,043,909	\$ 2,183,094
DEFERRED INFLOWS OF RESOURCES					
Property taxes paid in advance	\$ 137,090	\$ -	\$ 137,090	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 35,731,696	\$ 10,091,246	\$ 45,822,942	\$ 19,423,524	\$ 1,649,311
Restricted:					
Law library	63,616	-	63,616	-	-
Emergency 911	18,838	-	18,838	-	-
Cafeteria operations	-	-	-	142,203	-
Property seizure	79,649	-	79,649	-	-
Van program	25,287	-	25,287	-	-
Unrestricted	14,637,371	3,520,581	18,157,952	2,344,905	74,286
Total net position	\$ 50,556,457	\$ 13,611,827	\$ 64,168,284	\$ 21,910,632	\$ 1,723,597

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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-type Activities	School Board	IDA
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 2,932,750	\$ 1,154	\$ 250,730	\$ -	\$ (2,680,866)	\$ -	\$ -	\$ -
Judicial administration	1,317,267	240,931	683,886	-	(392,450)	-	-	-
Public safety	12,734,181	479,049	3,693,035	-	(8,562,097)	-	-	-
Public works	2,230,035	155,792	-	-	(2,074,243)	-	-	-
Health and welfare	3,249,941	-	1,767,180	-	(1,482,761)	-	-	-
Education	22,291,399	-	-	-	(22,291,399)	-	-	-
Parks, recreation, and cultural	2,980,612	165,958	170,570	-	(2,644,084)	-	-	-
Community development	307,960	-	-	-	(307,960)	-	-	-
Interest on long-term debt	1,595,978	-	-	-	(1,595,978)	-	-	-
Total governmental activities	\$ 49,640,123	\$ 1,042,884	\$ 6,565,401	\$ -	\$ (42,031,838)	\$ -	\$ -	\$ -
Business-type activities:								
Water and sewer	\$ 2,819,888	\$ 3,577,258	\$ -	\$ -	\$ -	\$ 757,370	\$ -	\$ -
Total primary government	\$ 52,460,011	\$ 4,620,142	\$ 6,565,401	\$ -	\$ (42,031,838)	\$ 757,370	\$ -	\$ -
COMPONENT UNITS:								
School Board	\$ 52,568,553	\$ 1,406,108	\$ 26,816,971	\$ -	\$ -	\$ -	\$ (24,345,474)	\$ -
Industrial Development Authority	287,308	345,000	24,855	-	-	-	-	82,547
Total component units	\$ 52,855,861	\$ 1,751,108	\$ 26,841,826	\$ -	\$ -	\$ -	\$ (24,345,474)	\$ 82,547
General revenues:								
General property taxes					\$ 33,065,115	\$ -	\$ -	\$ -
Other local taxes:								
Local sales and use taxes					2,226,360	-	-	-
Consumers' utility taxes					702,303	-	-	-
Business license taxes					875,526	-	-	-
Motor vehicle taxes					647,951	-	-	-
Restaurant food taxes					1,135,809	-	-	-
Other local taxes					863,934	-	-	-
Unrestricted revenues from the use of money and property					571,498	20,215	110,682	25
Miscellaneous					217,703	-	284,137	-
Grants and contributions not restricted to specific programs					4,663,034	-	22,283,810	-
Gain on disposal of capital assets					1,582,755	-	(2,363)	-
Transfers					(3,555)	3,555	-	-
Total general revenues and transfers					\$ 46,548,433	\$ 23,770	\$ 22,676,266	\$ 25
Change in net position					\$ 4,516,595	\$ 781,140	\$ (1,669,208)	\$ 82,572
Net position - beginning, as restated					46,039,862	12,830,687	23,579,840	1,641,025
Net position - ending					\$ 50,556,457	\$ 13,611,827	\$ 21,910,632	\$ 1,723,597

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

County of Botetourt, Virginia
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 18,635,822
Receivables (net of allowance for uncollectibles):	
Taxes receivable	1,227,307
Accounts receivable	158,833
Due from component unit	142,214
Due from other governmental units	1,262,172
Prepaid items	255,005
Total assets	<u><u>\$ 21,681,353</u></u>
LIABILITIES	
Accounts payable	\$ 424,436
Total liabilities	<u><u>\$ 424,436</u></u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	\$ 869,412
Property taxes paid in advance	137,090
Total deferred inflows of resources	<u><u>\$ 1,006,502</u></u>
FUND BALANCES	
Nonspendable	
Prepaid items	\$ 255,005
Restricted	
Law library	63,616
Emergency 911	18,838
Property seizure	79,649
Van program	25,287
Assigned	
Subsequent year's budgeted use of fund balance	1,643,315
Unassigned	18,164,705
Total fund balances	<u><u>\$ 20,250,415</u></u>
Total liabilities, deferred outflows of resources, and fund balances	<u><u>\$ 21,681,353</u></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, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 20,250,415
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	72,236,136
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.	869,412
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.	3,663
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(42,803,169)
Net position of governmental activities	<u>\$ 50,556,457</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, 2013

	<u>General</u>
REVENUES	
General property taxes	\$ 33,052,057
Other local taxes	6,451,883
Permits, privilege fees, and regulatory licenses	237,446
Fines and forfeitures	132,627
Revenue from the use of money and property	571,498
Charges for services	672,811
Miscellaneous	217,703
Recovered costs	1,396,735
Intergovernmental revenues:	
Commonwealth	9,854,658
Federal	1,373,777
Total revenues	<u>\$ 53,961,195</u>
EXPENDITURES	
Current:	
General government administration	\$ 2,865,931
Judicial administration	1,308,558
Public safety	13,406,454
Public works	1,666,210
Health and welfare	3,293,613
Education	21,165,820
Parks, recreation, and cultural	2,687,058
Community development	304,429
Capital projects	92,247
Debt service:	
Principal retirement	2,787,190
Interest and other fiscal charges	1,688,774
Total expenditures	<u>\$ 51,266,284</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,694,911</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	\$ (3,555)
Sale of capital assets	1,705,253
Total other financing sources (uses)	<u>\$ 1,701,698</u>
Net change in fund balances	\$ 4,396,609
Fund balances - beginning	15,853,806
Fund balances - ending	<u>\$ 20,250,415</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, 2013

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

Net change in fund balances - total governmental funds	\$ 4,396,609
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.	(2,212,659)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(122,498)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	13,058
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.	2,329,302
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.	90,313
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.	22,470
Change in net position of governmental activities	<u>\$ 4,516,595</u>

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, 2013

	Enterprise Fund Water and Sewer	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,535,632	\$ 80,080
Accounts receivable, net of allowance for uncollectibles	506,643	-
Total current assets	<u>\$ 4,042,275</u>	<u>\$ 80,080</u>
Noncurrent assets:		
Capital assets:		
Land	\$ 43,010	\$ -
Utility plant in service	27,385,016	-
Machinery and equipment	238,200	-
Construction in progress	2,842,144	-
Less accumulated depreciation	(11,397,019)	-
Total capital assets	<u>\$ 19,111,351</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 19,111,351</u>	<u>\$ -</u>
Total assets	<u>\$ 23,153,626</u>	<u>\$ 80,080</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	<u>\$ 106,562</u>	<u>\$ -</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 281,056	\$ -
Customers' deposits	50,280	-
Accrued interest payable	99,471	-
Accrued wages	7,084	76,417
Compensated absences - current portion	62,852	-
Revenue Bonds - current portion	603,229	-
Total current liabilities	<u>\$ 1,103,972</u>	<u>\$ 76,417</u>
Noncurrent liabilities:		
Compensated absences - net of current portion	\$ 20,951	\$ -
Revenue Bonds - net of current portion	8,523,438	-
Total noncurrent liabilities	<u>\$ 8,544,389</u>	<u>\$ -</u>
Total liabilities	<u>\$ 9,648,361</u>	<u>\$ 76,417</u>
NET POSITION		
Net investment in capital assets	\$ 10,091,246	\$ -
Unrestricted	3,520,581	3,663
Total net position	<u>\$ 13,611,827</u>	<u>\$ 3,663</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, 2013

	Enterprise Fund Water and Sewer	Internal Service Funds
OPERATING REVENUES		
Charges for services:		
Water revenues pledged as security for revenue bonds	\$ 1,259,450	\$ -
Sewer revenues pledged as security for revenue bonds	1,731,256	-
Tap fees	585,528	-
Insurance premiums	-	541,837
Other revenues	1,024	-
Total operating revenues	<u>\$ 3,577,258</u>	<u>\$ 541,837</u>
OPERATING EXPENSES		
Personnel services	\$ 500,726	\$ -
Contractual services	197,469	-
Utilities and office expense	777,993	-
Repair and maintenance	260,205	-
Insurance claims and expenses	-	519,367
Depreciation	815,396	-
Total operating expenses	<u>\$ 2,551,789</u>	<u>\$ 519,367</u>
Operating income (loss)	<u>\$ 1,025,469</u>	<u>\$ 22,470</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	\$ 20,215	\$ -
Interest expense	(268,099)	-
Total nonoperating revenues (expenses)	<u>\$ (247,884)</u>	<u>\$ -</u>
Income before transfers	<u>\$ 777,585</u>	<u>\$ 22,470</u>
Transfers in	<u>3,555</u>	<u>-</u>
Change in net position	\$ 781,140	22,470
Total net position - beginning, as restated	12,830,687	(18,807)
Total net position - ending	<u><u>\$ 13,611,827</u></u>	<u><u>\$ 3,663</u></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, 2013

	Enterprise Fund Water and Sewer	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 3,527,625	\$ -
Receipts for insurance premiums	-	541,837
Payments to suppliers	(1,243,016)	-
Payments to employees	(485,763)	-
Payments for health claims	-	(517,533)
Net cash provided by (used for) operating activities	<u>\$ 1,798,846</u>	<u>\$ 24,304</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	\$ 3,555	\$ -
Net cash provided by (used for) noncapital financing activities	<u>\$ 3,555</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	\$ (2,068,711)	\$ -
Principal payments on bonds	(527,589)	-
Proceeds from indebtedness	1,839,206	-
Interest payments	(268,949)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,026,043)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	\$ 20,215	\$ -
Net cash provided by (used for) investing activities	<u>\$ 20,215</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ 796,573	\$ 24,304
Cash and cash equivalents - beginning (including restricted of \$167,847)	2,739,059	55,776
Cash and cash equivalents - ending	<u><u>\$ 3,535,632</u></u>	<u><u>\$ 80,080</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 1,025,469	\$ 22,470
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 815,396	\$ -
(Increase) decrease in accounts receivable	(52,898)	-
Increase (decrease) in accrued wages	7,084	-
Increase (decrease) in customer deposits	3,265	-
Increase (decrease) in accounts payables	(7,349)	-
Increase (decrease) in health claims payable	-	1,834
Increase (decrease) in compensated absences	7,879	-
Total adjustments	<u>\$ 773,377</u>	<u>\$ 1,834</u>
Net cash provided by (used for) operating activities	<u><u>\$ 1,798,846</u></u>	<u><u>\$ 24,304</u></u>

Interest payments above include capitalized interest totaling \$38,134 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, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 958,862
Total assets	<u>\$ 958,862</u>
LIABILITIES	
Amounts held for social services clients	\$ 16,657
Amounts held for employees	50,046
Amounts held for other agencies	789,459
Amounts held for performance bond	40,000
Amounts held for inmates	62,700
Total liabilities	<u>\$ 958,862</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, 2013

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

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

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

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

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

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

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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 reflected 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, Jail 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 \$365,617 at June 30, 2013. The allowance consists of delinquent taxes in the amount of \$83,722 and delinquent water and sewer bills of \$281,895.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 \$38,134 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

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, 2013 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. 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.

13. Restricted Assets

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

14. 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.

15. 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.

16. 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.

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, 2013, the County's deferred outflows consisted of deferred charges on refunding totaling \$106,562.

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, 2013 consist of \$137,090 in prepaid taxes.

18. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board:

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

19. Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board:

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Due to the implementation of this standard, beginning net position was restated to remove unamortized bond issuance costs as detailed in Note 22.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 2-Reconciliation of Government-Wide and Fund Financial Statements:

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$42,803,169) and (\$1,603,816) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
General obligation bonds	\$ (31,024,050)	\$ -
Premium on bond issuance	(711,090)	-
Literary fund loans	(4,769,300)	-
Accrued interest payable	(593,431)	-
Landfill accrued closure and post-closure liability	(5,000,945)	-
Net OPEB obligation	-	(894,000)
Compensated absences	(704,353)	(709,816)
	<u> </u>	<u> </u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u><u>\$ (42,803,169)</u></u>	<u><u>\$ (1,603,816)</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these (\$2,212,659) and (\$1,508,315) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 843,995	\$ 101,085
Depreciation expense	(3,056,654)	(1,609,400)
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (2,212,659)</u>	<u>\$ (1,508,315)</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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." The details of this \$2,329,302 difference in the primary government are as follows:

Decrease (increase) in estimated liability	
Landfill closure/postclosure liability	\$ (457,888)
Principal repayments:	
General obligation bonds	2,135,260
Literary fund loans	651,930
	<u> </u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 2,329,302</u></u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these (\$90,313) and (\$158,939) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
(Increase) decrease in compensated absences	\$ (2,483)	\$ (65,939)
(Increase) decrease in net OPEB obligation	-	(93,000)
(Increase) decrease in accrued interest payable	48,618	-
Amortization of premium	44,178	-
	<u> </u>	<u> </u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 90,313</u></u>	<u><u>\$ (158,939)</u></u>

Note 3-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or fund level (School Board). Only the Board of Supervisors can revise the appropriation for each department or fund. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all County units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to 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, 2013, expenditures in the general fund exceeded appropriations for health and welfare, education, and community development.

C. Deficit fund equity

At June 30, 2013, there were no funds with negative equity.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 4-Deposits and Investments:**

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

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

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.

Note 5-Due from Other Governmental Units:

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

	Primary Government	Component Unit- School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 410,554	\$ -
Categorical aid-State sales tax	-	891,182
Categorical aid-Other	489,236	-
Non-categorical aid	128,939	-
Categorical aid-Virginia Public Assistance	45,451	-
Categorical aid-Comprehensive Services Act	85,495	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	60,521	-
Categorical aid-Other	41,976	368,219
Totals	<u>\$ 1,262,172</u>	<u>\$ 1,259,401</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 6-Interfund/Component-Unit Obligations:**

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ -	\$ 142,214
Component Unit - School Board:		
School Fund	\$ 142,214	\$ -
Totals	<u>\$ 142,214</u>	<u>\$ 142,214</u>

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

Note 7-Interfund Transfers/Component Unit Contributions:

Primary government contributions to component units for the year ended June 30, 2013, consisted of the following:

Component Unit:	
School Board	\$ 21,158,231

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 \$3,555 to the Water and Sewer Fund from the General Fund.

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 8-Long-Term Obligations:

Primary Government - Governmental Activity Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2013.

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
General Obligation				
Bonds	\$ 33,159,310	\$ -	\$ (2,135,260)	\$ 31,024,050
Unamortized Premium	755,268	-	(44,178)	711,090
Literary Fund Loans	5,421,230	-	(651,930)	4,769,300
Landfill closure/ post-closure liability	4,543,057	457,888	-	5,000,945
Compensated absences	701,870	528,886	(526,403)	704,353
Total	<u>\$ 44,580,735</u>	<u>\$ 986,774</u>	<u>\$ (3,357,771)</u>	<u>\$ 42,209,738</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
2014	\$ 2,171,342	\$ 1,435,864	\$ 651,930	\$ 143,079
2015	2,217,827	1,345,344	651,930	123,521
2016	1,799,881	1,256,556	651,930	103,963
2017	1,365,000	1,180,475	651,930	84,405
2018	1,425,000	1,112,307	651,930	64,847
2019-2023	7,945,000	4,428,380	1,509,650	87,119
2024-2028	8,720,000	2,326,383	-	-
2029-2033	5,380,000	697,210	-	-
Totals	<u>\$ 31,024,050</u>	<u>\$ 13,782,519</u>	<u>\$ 4,769,300</u>	<u>\$ 606,934</u>

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 8-Long-Term Obligations: (Continued)

Primary Government - Governmental Activity 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	\$ 988,865	\$ 505,934
General projects	5.1% - 6.1%	12/21/1995	2016	8,385,372	1,455,185	475,408
School construction	4.1% - 5.225%	4/30/1998	2019	1,545,000	450,000	75,000
School construction	4.1% - 5.1%	5/11/2006	2026	15,890,000	12,650,000	640,000
Jail Construction	3.6325% - 4.9866%	6/8/2006	2032	17,570,000	15,480,000	475,000
Total General Obligation Bonds					\$ 31,024,050	\$ 2,171,342
Add:						
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	\$ 711,090	\$ -
Net General Obligation Bonds					\$ 31,735,140	\$ 2,171,342
Literary Fund Loans:						
School construction	3.00%	12/1/2000	2021	7,500,000	\$ 3,000,000	\$ 375,000
School construction	3.00%	2/1/1999	2019	5,000,000	1,500,000	250,000
School construction	3.00%	1/15/2003	2023	538,600	269,300	26,930
Total Literary Fund Loans					\$ 4,769,300	\$ 651,930
Other Obligations:						
Comp. Absences	n/a	n/a	n/a	n/a	\$ 704,353	\$ 528,265
Landfill closure/post-closure liability	n/a	n/a	n/a	n/a	5,000,945	-
Total Other Obligations					\$ 5,705,298	\$ 528,265
Total Long-term obligations					\$ 42,209,738	\$ 3,351,537

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 8-Long-Term Obligations: (Continued)Primary Government - Enterprise Activity Obligations:

The following is a summary of long-term obligations transactions of the Enterprise Fund for the year ended June 30, 2013.

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
Revenue Bonds	\$ 7,738,675	\$ 1,839,206	\$ (527,589)	\$ 9,050,292
Unamortized Premium	81,836		(5,461)	76,375
Deferred amount on refunding	(117,219)	-	10,657	(106,562)
Compensated absences	75,924	64,822	(56,943)	83,803
Total	<u>\$ 7,779,216</u>	<u>\$ 1,904,028</u>	<u>\$ (579,336)</u>	<u>\$ 9,103,908</u>

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
2014	\$ 603,229	\$ 327,908
2015	675,725	282,508
2016	730,377	257,768
2017	786,008	230,258
2018	757,856	201,381
2019-2023	3,348,576	618,691
2024-2028	1,546,072	199,728
2029-2033	602,449	33,714
Totals	<u>\$ 9,050,292</u>	<u>\$ 2,151,956</u>

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 8-Long-Term Obligations: (Continued)

Primary Government - Enterprise Activity 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	\$ 2,343,947	\$ 54,974
VRA Refunding Bond	3.1% - 4.9269%	5/17/2005	2023	4,250,000	2,780,000	230,000
VRA Bond	3.75%	7/31/1997	2019	3,000,000	1,098,177	166,460
VRA Bond	3.10%	8/1/2004	2027	4,032,975	2,254,451	136,795
VRA Bond	2.125% - 5.125%	5/2/2011	2032	510,000	495,000	15,000
VRA Bond	1.45%	1/25/2013	2035	1,169,808	78,717	-
Total Revenue Bonds					\$ 9,050,292	\$ 603,229
Add:						
Unamortized premium					\$ 76,375	\$ -
Net Revenue Bonds					\$ 9,126,667	\$ 603,229
Other Obligations:						
Compensated Absence:	n/a	n/a	n/a	n/a	\$ 83,803	\$ 62,852
Total Long-term obligations					\$ 9,210,470	\$ 666,081

Note 9-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, 2013.

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
Net OPEB obligation	\$ 801,000	\$ 348,000	\$ (255,000)	\$ 894,000
Compensated absences	643,877	548,847	(482,908)	709,816
Total	\$ 1,444,877	\$ 896,847	\$ (737,908)	\$ 1,603,816

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 9-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	\$ 894,000	\$ -
Compensated Absences	n/a	n/a	n/a	n/a	709,816	532,362
Total long-term obligations					<u>\$ 1,603,816</u>	<u>\$ 532,362</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, 2013.

	<u>Balance July 1, 2012</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>
Lease Revenue Bond	<u>\$ 2,688,640</u>	<u>\$ 2,143,259</u>	<u>\$ (2,688,640)</u>	<u>\$ 2,143,259</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>
2014	\$ 283,898	\$ 51,222
2015	291,339	43,781
2016	298,520	36,599
2017	305,879	29,241
2018	313,419	21,701
2019-2021	650,204	20,033
Totals	<u>\$ 2,143,259</u>	<u>\$ 202,577</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 9-Long-Term Obligations-Component Units: (Continued)****Discretely Presented Component Unit - Industrial Development Authority 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
Lease Revenue Bond:						
Lease Revenue Bond	2.45%	4/1/2013	2020	\$ 2,143,259	\$ 2,143,259	\$ 283,898

Note 10-Employee Retirement System and Defined Benefit Pension Plan:**A. Plan Description**

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

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

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

Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

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

Note 10-Employee Retirement System and Defined Benefit Pension Plan: (Continued)

A. Plan Description (Continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% 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 is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2013 was 12.61% of annual covered payroll.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 10-Employee Retirement System and Defined Benefit Pension Plan: (Continued)****B. Funding Policy (Continued)**Discretely Presented Component Unit - School Board (Non-Professional Employees):

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% 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 School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2013 was 13.45% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the County's annual pension cost of \$1,366,810 and \$344,333 was equal to the County's and School Board's required and actual contributions for the County and the School Board Non-Professionals, respectively.

		Three-Year Trend Information			
		Fiscal Year	Annual Pension	Percentage of	Net Pension
		Ending (1)	Cost (APC)	APC Contributed	Obligation
Primary Government:					
County	6/30/2012	\$	1,366,810	100.00%	\$ -
	6/30/2012		1,045,692	100.00%	-
	6/30/2011		989,585	100.00%	-
Discretely Presented-Component Unit:					
School Board Non-Professional	6/30/2012	\$	344,333	100.00%	\$ -
	6/30/2012		254,805	100.00%	-
	6/30/2011		255,585	100.00%	-

¹ Employer portion only

The FY 2013 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. 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.

Note 10-Employee Retirement System and Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 75.22% funded. The actuarial accrued liability for benefits was \$38,982,617, and the actuarial value of assets was \$29,324,542, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,568,075. The covered payroll (annual payroll of active employees covered by the plan) was \$10,452,159, and ratio of the UAAL to the covered payroll was 92.40%.

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

As of June 30, 2012, the most recent actuarial valuation date, the plan was 71.69% funded. The actuarial accrued liability for benefits was \$12,234,801, and the actuarial value of assets was \$8,771,456, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,463,345. The covered payroll (annual payroll of active employees covered by the plan) was \$2,536,773, and ratio of the UAAL to the covered payroll was 136.53%.

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

Discretely Presented Component Unit - School Board (Professional Employees)

Plan Description

The Botetourt County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. The employer may assume this 5.00% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees, not including the 5% member contribution, was \$2,942,672, \$1,616,386, and \$973,244, for the fiscal years ended 2013, 2012, and 2011, respectively. Required employer contributions represented 11.66% for 2013, 6.33% for 2012, and 3.93% for 2011 of covered payroll, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 11-Deferred Inflows (Outflows) of Resources:

At June 30, 2013, 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	\$ -	\$ (106,562)	\$ -
Deferred property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	-	-	869,412
Prepaid taxes relating to taxes due in a future period.	137,090	-	137,090
Total deferred inflows (outflows) of resources	\$ 137,090	\$ (106,562)	\$ 1,006,502

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 12-Capital Assets:**

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 11,707,664	\$ -	\$ -	\$ 11,707,664
Construction in progress	947,758	15,802	-	963,560
Total capital assets not being depreciated	<u>\$ 12,655,422</u>	<u>\$ 15,802</u>	<u>\$ -</u>	<u>\$ 12,671,224</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 79,033,264	\$ -	\$ -	\$ 79,033,264
Machinery and equipment	9,127,741	828,193	(671,121)	9,284,813
Total capital assets being depreciated	<u>\$ 88,161,005</u>	<u>\$ 828,193</u>	<u>\$ (671,121)</u>	<u>\$ 88,318,077</u>
Accumulated depreciation:				
Buildings and improvements	\$ (19,480,689)	\$ (2,262,940)	\$ -	\$ (21,743,629)
Machinery and equipment	(6,764,445)	(793,714)	548,623	(7,009,536)
Total accumulated depreciation	<u>\$ (26,245,134)</u>	<u>\$ (3,056,654)</u>	<u>\$ 548,623</u>	<u>\$ (28,753,165)</u>
Total capital assets being depreciated, net	<u>\$ 61,915,871</u>	<u>\$ (2,228,461)</u>	<u>\$ (122,498)</u>	<u>\$ 59,564,912</u>
Governmental activities capital assets, net	<u>\$ 74,571,293</u>	<u>\$ (2,212,659)</u>	<u>\$ (122,498)</u>	<u>\$ 72,236,136</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 12-Capital Assets: (Continued)**

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 43,010	\$ -	\$ -	\$ 43,010
Construction in progress	1,364,061	2,072,841	(594,758)	2,842,144
Total capital assets not being depreciated	<u>\$ 1,407,071</u>	<u>\$ 2,072,841</u>	<u>\$ (594,758)</u>	<u>\$ 2,885,154</u>
Capital assets, being depreciated:				
Utility plant in service	\$ 26,790,257	\$ 594,759	\$ -	\$ 27,385,016
Machinery and equipment	204,197	34,003	-	238,200
Total capital assets being depreciated	<u>\$ 26,994,454</u>	<u>\$ 628,762</u>	<u>\$ -</u>	<u>\$ 27,623,216</u>
Accumulated depreciation:				
Utility plant in service	\$ (10,505,666)	\$ (789,491)	\$ -	\$ (11,295,157)
Machinery and equipment	(75,957)	(25,905)	-	(101,862)
Total accumulated depreciation	<u>\$ (10,581,623)</u>	<u>\$ (815,396)</u>	<u>\$ -</u>	<u>\$ (11,397,019)</u>
Total capital assets being depreciated, net	<u>\$ 16,412,831</u>	<u>\$ (186,634)</u>	<u>\$ -</u>	<u>\$ 16,226,197</u>
Business-type activities capital assets, net	<u>\$ 17,819,902</u>	<u>\$ 1,886,207</u>	<u>\$ (594,758)</u>	<u>\$ 19,111,351</u>

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

Governmental activities:	
General government administration	\$ 187,952
Judicial administration	9,875
Public safety	1,310,618
Public works	114,339
Education	1,125,579
Parks, recreation, and culture	308,291
Total depreciation expense-governmental activities	<u>\$ 3,056,654</u>
Business-type activities:	
Service authority	\$ 815,396

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 12-Capital Assets: (Continued)**

Capital asset activity for the School Board for the year ended June 30, 2013 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	\$ 1,949,631	\$ -	\$ -	\$ 1,949,631
Capital assets, being depreciated:				
Buildings and improvements	\$ 36,190,080	\$ 65,258	\$ -	\$ 36,255,338
Machinery and equipment	7,171,948	35,827	(150,000)	7,057,775
Total capital assets being depreciated	\$ 43,362,028	\$ 101,085	\$ (150,000)	\$ 43,313,113
Accumulated depreciation:				
Buildings and improvements	\$ (18,875,066)	\$ (1,085,026)	\$ -	\$ (19,960,092)
Machinery and equipment	(5,502,391)	(524,374)	147,637	(5,879,128)
Total accumulated depreciation	\$ (24,377,457)	\$ (1,609,400)	\$ 147,637	\$ (25,839,220)
Total capital assets being depreciated, net	\$ 18,984,571	\$ (1,508,315)	\$ (2,363)	\$ 17,473,893
School Board capital assets, net	\$ 20,934,202	\$ (1,508,315)	\$ (2,363)	\$ 19,423,524

Note 13-Risk Management:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 13-Risk Management: (Continued)

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

Note 14-Contingent Liabilities:

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

Note 15-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 15-Surety Bonds: (Continued)**United States Fidelity and Guaranty Company-Surety:

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

Component Unit - School Board:

The Continental Insurance Company:

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

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

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The County's landfill has reached approximately 93% of its estimated capacity. Total closure and post-closure care cost have been estimated to be \$5,401,020 based on 100% usage of the facility. This represents what it would cost to perform all closure and post-closure care in 2013. 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 (\$5,000,945). The remaining amount to be recognized, \$400,075, 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, 2013, the landfill's remaining life is estimated to be 56 years. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in applicable laws or regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and post-closure costs. 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 17 - Arbitrage Rebate Compliance:

As of June 30, 2013 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 18 - Commitments and Contingencies:**

The County was involved in major construction projects during the fiscal year as presented below, along with the funding source.

Project	Contract Amount	Outstanding at June 30, 2013	Funding Source
Tinker Creek - Enterprise Project	\$ 2,380,000	\$ 116,357	VRA Loan
School Project	\$ 246,758	\$ 246,758	Local Funds

Note 19-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:

Participants	Total Premium
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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 19-Other Postemployment Benefits - Health Insurance: (Continued)**Component Unit: School Board (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

For 2013, the Board's annual contribution of \$255,000 did not equal the annual OPEB cost of \$348,000. The obligation calculation is as follows:

Annual required contribution	\$ 349,000
Interest on net OPEB obligation	32,000
Adjustment to annual required contribution	(33,000)
Annual OPEB cost (expense)	<u>348,000</u>
Contributions made	<u>255,000</u>
Increase in net OPEB obligation	93,000
Net OPEB obligation - beginning of year	<u>801,000</u>
Net OPEB obligation - ending of year	<u><u>\$ 894,000</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
6/30/2011	\$ 424,383	78%	\$ 716,000
6/30/2012	446,000	81%	801,000
6/30/2013	348,000	73%	894,000

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 19-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, 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 20- Other Postemployment Benefits - VRS Health Insurance Credit:

Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description

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

Note 20- 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%, 0.55%, and 0.55%, of annual covered payroll for the years ending June 30, 2013, 2012, and 2011, respectively. The School Board's contributions to VRS for the years ending June 30, 2013, 2012, and 2011 were \$15,361, \$14,271, and \$14,314, respectively and equaled the required contributions for each year.

C. Annual OPEB Cost and Net OPEB Obligation

For 2013, the Board's annual contribution of \$15,361 equaled the annual required contribution (OPEB cost). The obligation calculation is as follows:

Annual required contribution	\$ 15,361
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>15,361</u>
Contributions made	<u>15,361</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - ending of year	<u><u>\$ -</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 20- 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	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 14,314	100%	\$ -
6/30/2012	14,271	100%	-
6/30/2013	15,361	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)	\$ 172,385
Actuarial value of plan assets	\$ 19,370
Unfunded actuarial accrued liability (UAAL)	\$ 153,015
Funded ratio (actuarial value of plan assets/AAL)	11.24%
Covered payroll (active plan members)	\$ 2,536,773
UAAL as a percentage of covered payroll	6.03%

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 20- 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, 2012, 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%, payroll growth rate of 3% 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, 2012, was 29 years. Amortizations are open ended in that they begin anew at each valuation date.

Note 21-Self Health Insurance:

The County of Botetourt, Virginia established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and are available to pay claims, and administrative costs of the program. During the fiscal year 2013, a total of \$540,003 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 \$76,417 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>
2012-13	\$ 74,583	\$ 541,837	\$ (540,003)	\$ 76,417
2011-12	188,240	1,143,711	(1,257,368)	74,583

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 22 - Restatement of Beginning Net Position:**

During the fiscal year, the County implemented Governmental Accounting Standards Board (GASB) Statements 63 and 65. GASB Statement number 65 requires an expense to be recognized in the period in which the cost to issue indebtedness was incurred. As a result of the implementation, the County wrote off unamortized bond issuance costs. This restatement of beginning net position is summarized below.

	Governmental Activities	Business-type Activities
Net position, as previously reported	\$ 46,176,431	\$ 12,899,876
Unamortized bond issuance costs	(136,569)	(69,189)
Net position, as restated	\$ 46,039,862	\$ 12,830,687

Note 23-New Accounting Standards:

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

Note 24-Litigation:

At June 30, 2013, 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 25-Subsequent Event:

On January 7, 2013, the Botetourt County, Roanoke City, Roanoke County, and the Town of Vinton entered into a joint operating agreement to operate a regional animal shelter facility. Previously, this facility was operated by Animal Care Services (ACS), Inc., a wholly-owned subsidiary of the Roanoke Valley SPCA. The agreement with RVSPCA specified July 1, 2013 as the date that the ownership and responsibility for operating the animal shelter transferred to the localities, with Roanoke County acting as fiscal agent. As was previously the case when ACS was operating the shelter, Botetourt County is responsible for 16% of the operating costs of the facility.

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, 2013

	Budgeted Amounts				Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts		
REVENUES					
General property taxes	\$ 32,109,000	\$ 32,280,762	\$ 33,052,057	\$	771,295
Other local taxes	6,434,000	6,434,000	6,451,883		17,883
Permits, privilege fees, and regulatory licenses	213,025	213,025	237,446		24,421
Fines and forfeitures	130,200	130,200	132,627		2,427
Revenue from the use of money and property	414,500	414,500	571,498		156,998
Charges for services	675,880	694,304	672,811		(21,493)
Miscellaneous	85,200	138,401	217,703		79,302
Recovered costs	1,679,661	1,504,957	1,396,735		(108,222)
Intergovernmental revenues:					
Commonwealth	10,310,134	10,326,501	9,854,658		(471,843)
Federal	1,203,000	1,203,000	1,373,777		170,777
Total revenues	\$ 53,254,600	\$ 53,339,650	\$ 53,961,195	\$	621,545
EXPENDITURES					
General government administration:					
Board of supervisors	\$ 224,416	\$ 224,404	\$ 190,769	\$	33,635
County administrator	369,265	368,888	319,677		49,211
Deputy administrators	345,187	345,021	261,123		83,898
Central garage	61,676	61,649	61,385		264
Commissioner of revenue	354,949	354,780	345,275		9,505
Central purchasing	85,065	85,697	75,784		9,913
Treasurer	404,395	407,171	394,609		12,562
Management information systems	764,897	764,641	628,350		136,291
Financial services	331,292	331,050	319,433		11,617
Electoral board/registrar	280,533	291,368	269,526		21,842
Total general government administration	\$ 3,221,675	\$ 3,234,669	\$ 2,865,931	\$	368,738
Judicial administration:					
Circuit court	\$ 51,127	\$ 51,089	\$ 48,959	\$	2,130
General district court	30,547	30,547	27,942		2,605
Magistrate	1,176	1,176	829		347
Clerk of the circuit court	577,004	592,273	571,921		20,352
Commonwealth's attorney	658,642	658,907	658,907		-
Total judicial administration	\$ 1,318,496	\$ 1,333,992	\$ 1,308,558	\$	25,434

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES (Continued)				
Public safety:				
Sheriff	\$ 4,218,892	\$ 4,414,978	\$ 4,267,889	\$ 147,089
GIS enhancements	49,750	49,750	49,737	13
Fire departments and rescue squads	1,212,027	1,429,183	1,001,157	428,026
Emergency communications	206,022	302,648	295,614	7,034
Western Virginia EMS	6,722	6,722	6,722	-
County operated institutions - jail	3,470,822	3,491,262	3,369,120	122,142
Probation office	24,850	34,704	15,028	19,676
Juvenile detention	-	23,706	23,706	-
Building inspections	638,701	621,824	588,516	33,308
Animal control	418,430	440,290	439,216	1,074
Emergency services	2,275,218	2,428,637	2,329,291	99,346
Dispatch	1,050,989	1,052,907	1,020,458	32,449
Total public safety	\$ 13,572,423	\$ 14,296,611	\$ 13,406,454	\$ 890,157
Public works:				
Refuse collection and disposal	\$ 557,180	\$ 613,759	\$ 613,759	\$ -
Public works	309,038	376,578	351,146	25,432
General properties	657,894	701,305	701,305	-
Total public works	\$ 1,524,112	\$ 1,691,642	\$ 1,666,210	\$ 25,432
Health and welfare:				
Supplement of local health department	\$ 329,252	\$ 329,252	\$ 324,838	\$ 4,414
Mental health contribution	38,743	38,743	38,743	-
Welfare administration and programs	1,508,431	1,508,431	1,421,127	87,304
Comprehensive services act	1,276,177	1,179,187	1,097,499	81,688
Senior van program	92,022	91,635	76,506	15,129
Resource center	6,500	6,500	6,500	-
Tax relief for the elderly	-	320,000	317,400	2,600
Other welfare programs	11,000	11,000	11,000	-
Total health and welfare	\$ 3,262,125	\$ 3,484,748	\$ 3,293,613	\$ 191,135
Education:				
Contributions to Community Colleges	\$ 7,589	\$ 7,589	\$ 7,589	\$ -
Contribution to County School Board	20,888,071	21,160,071	21,158,231	1,840
Total education	\$ 20,895,660	\$ 21,167,660	\$ 21,165,820	\$ 1,840
Parks, recreation, and cultural:				
Supervision of parks and recreation	\$ 1,148,213	\$ 1,174,133	\$ 1,152,121	\$ 22,012
Sports Complex	375,118	391,633	386,502	5,131
Tourism	203,719	187,008	172,600	14,408
Contributions to cultural organizations	22,906	36,406	36,406	-
Library expenses	945,018	957,927	939,429	18,498
Total parks, recreation, and cultural	\$ 2,694,974	\$ 2,747,107	\$ 2,687,058	\$ 60,049

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES (Continued)				
Community development:				
Planning commission	\$ 24,707	\$ 24,861	\$ 24,861	\$ -
Industrial development	68,190	193,190	193,190	-
Contribution to Industrial Development Authority	-	24,855	24,855	-
Other environmental management	-	23,135	23,135	-
Extension office	85,507	85,507	38,388	47,119
Total community development	\$ 178,404	\$ 351,548	\$ 304,429	\$ 47,119
Capital projects:				
Street signs	\$ 15,000	\$ 15,000	\$ -	\$ 15,000
Buchanan Park	-	103,791	-	103,791
Public safety building	-	88,548	88,548	-
Elevator replacement	55,000	55,000	3,699	51,301
Industrial site development	100,000	100,000	-	100,000
Total capital projects	\$ 170,000	\$ 362,339	\$ 92,247	\$ 270,092
Debt service:				
Principal retirement	\$ 2,787,190	\$ 2,787,190	\$ 2,787,190	\$ -
Interest and other fiscal charges	1,697,316	1,697,316	1,688,774	8,542
Total debt service	\$ 4,484,506	\$ 4,484,506	\$ 4,475,964	\$ 8,542
Total expenditures	\$ 51,322,375	\$ 53,154,822	\$ 51,266,284	\$ 1,888,538
Excess (deficiency) of revenues over (under) expenditures				
	\$ 1,932,225	\$ 184,828	\$ 2,694,911	\$ 2,510,083
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (3,555)	\$ (3,555)
Sale of capital assets	-	-	1,705,253	1,705,253
Total other financing sources (uses)	\$ -	\$ -	\$ 1,701,698	\$ 1,701,698
Net change in fund balances				
	\$ 1,932,225	\$ 184,828	\$ 4,396,609	\$ 4,211,781
Fund balances - beginning	-	-	15,853,806	15,853,806
Fund balances - ending	\$ 1,932,225	\$ 184,828	\$ 20,250,415	\$ 20,065,587

Note 1: GAAP serves as the budgetary basis of accounting

County of Botetourt, Virginia

Schedules of Pension and OPEB Funding Progress
For the Year Ended June 30, 2013

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, 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%
June 30, 2010	27,467,725	35,657,580	8,189,855	77.03%	10,115,413	80.96%

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, 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%
June 30, 2010	9,025,981	11,852,233	2,826,252	76.15%	2,763,889	102.26%

School Board Healthcare 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, 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%

* Information has only been available for two years.

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, 2013

	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	\$ 16,657	\$ 38,566	\$ 62,700	\$ 11,480	\$ 40,000	\$ 789,459	\$ 958,862
Total assets	<u>\$ 16,657</u>	<u>\$ 38,566</u>	<u>\$ 62,700</u>	<u>\$ 11,480</u>	<u>\$ 40,000</u>	<u>\$ 789,459</u>	<u>\$ 958,862</u>
LIABILITIES							
Amounts held for social services clients	\$ 16,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,657
Amounts held for employees	-	38,566	-	11,480	-	-	50,046
Amounts held for other agencies	-	-	-	-	-	789,459	789,459
Amounts held for performance bond	-	-	-	-	40,000	-	40,000
Amounts held for inmates	-	-	62,700	-	-	-	62,700
Total liabilities	<u>\$ 16,657</u>	<u>\$ 38,566</u>	<u>\$ 62,700</u>	<u>\$ 11,480</u>	<u>\$ 40,000</u>	<u>\$ 789,459</u>	<u>\$ 958,862</u>

County of Botetourt, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 21,670	\$ 40,019	\$ (45,032)	\$ 16,657
Liabilities:				
Amounts held for social services clients	\$ 21,670	\$ 40,019	\$ (45,032)	\$ 16,657
Flexible Benefits Fund:				
Assets:				
Cash and cash equivalents	\$ 33,874	\$ 182,510	\$ (177,818)	\$ 38,566
Liabilities:				
Amounts held for employees	\$ 33,874	\$ 182,510	\$ (177,818)	\$ 38,566
Inmate Trust and Canteen Fund:				
Assets:				
Cash and cash equivalents	\$ 50,211	\$ 215,864	\$ (203,375)	\$ 62,700
Liabilities:				
Amounts held for prisoners	\$ 50,211	\$ 215,864	\$ (203,375)	\$ 62,700
Cafeteria Plan:				
Assets:				
Cash and cash equivalents	\$ 14,020	\$ 49,629	\$ (52,169)	\$ 11,480
Liabilities:				
Amounts held for employees	\$ 14,020	\$ 49,629	\$ (52,169)	\$ 11,480
Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ 41,000	\$ -	\$ (1,000)	\$ 40,000
Liabilities:				
Amounts held for performance bond	\$ 41,000	\$ -	\$ (1,000)	\$ 40,000
Roanoke Valley Regional Board Fund:				
Assets:				
Cash and cash equivalents	\$ 627,540	\$ 5,796,897	\$ (5,634,978)	\$ 789,459
Liabilities:				
Amounts held for other agencies	\$ 627,540	\$ 5,796,897	\$ (5,634,978)	\$ 789,459
Totals				
Total Assets:				
Cash and cash equivalents	\$ 788,315	\$ 6,284,919	\$ (6,114,372)	\$ 958,862
Total Liabilities:				
Amounts held for others	\$ 788,315	\$ 6,284,919	\$ (6,114,372)	\$ 958,862

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD**

MAJOR GOVERNMENTAL FUNDS

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

County of Botetourt, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2013

	School Operating <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 6,919,190
Receivables (net of allowance for uncollectibles):	
Accounts receivable	16,030
Due from other governmental units	1,259,401
Prepaid items	336,396
Total assets	<u>\$ 8,531,017</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 205,635
Salaries payable	4,092,244
Due to primary government	142,214
Total liabilities	<u>\$ 4,440,093</u>
Fund balances:	
Nonspendable	
Prepaid items	\$ 336,396
Restricted	
School cafeterias	142,203
Unassigned	3,612,325
Total fund balances	<u>\$ 4,090,924</u>
Total liabilities and fund balances	<u>\$ 8,531,017</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 4,090,924
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,423,524
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,603,816)
Net position of governmental activities	<u>\$ 21,910,632</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, 2013

	Total Governmental Funds
REVENUES	
Revenue from the use of money and property	\$ 110,682
Charges for services	1,406,108
Miscellaneous	284,137
Recovered costs	64,425
Intergovernmental revenues:	
Local government	21,158,231
Commonwealth	24,350,785
Federal	2,466,186
Total revenues	<u>\$ 49,840,554</u>
EXPENDITURES	
Education	\$ 49,840,145
Total expenditures	<u>\$ 49,840,145</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 409</u>
Net change in fund balances	\$ 409
Fund balances - beginning	4,090,515
Fund balances - ending	<u>\$ 4,090,924</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	\$ 409
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.	(1,508,315)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(2,363)
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.	(158,939)
Change in net position of governmental activities	<u>\$ (1,669,208)</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, 2013

	School Operating Fund			Variance with
	Budgeted Amounts		Actual	Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 121,000	\$ 121,000	\$ 110,682	\$ (10,318)
Charges for services	1,797,428	1,797,428	1,406,108	(391,320)
Miscellaneous	351,483	351,483	284,137	(67,346)
Recovered costs	57,203	57,203	64,425	7,222
Intergovernmental revenues:				
Local government	20,888,071	21,160,071	21,158,231	(1,840)
Commonwealth	24,757,018	24,757,018	24,350,785	(406,233)
Federal	3,615,504	3,615,504	2,466,186	(1,149,318)
Total revenues	\$ 51,587,707	\$ 51,859,707	\$ 49,840,554	\$ (2,019,153)
EXPENDITURES				
Education	\$ 52,652,037	\$ 52,652,037	\$ 49,840,145	\$ 2,811,892
Total expenditures	\$ 52,652,037	\$ 52,652,037	\$ 49,840,145	\$ 2,811,892
Excess (deficiency) of revenues over (under) expenditures	\$ (1,064,330)	\$ (792,330)	\$ 409	\$ 792,739
Net change in fund balances	\$ (1,064,330)	\$ (792,330)	\$ 409	\$ 792,739
Fund balances - beginning	1,064,330	1,064,330	4,090,515	3,026,185
Fund balances - ending	\$ -	\$ 272,000	\$ 4,090,924	\$ 3,818,924

Supporting Schedules

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<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	\$ 22,523,000	\$ 22,641,403	\$ 23,263,303	\$ 621,900
Real and personal public service corporation taxes	1,438,000	1,438,000	1,511,526	73,526
Personal property taxes	4,477,500	4,530,859	4,635,117	104,258
Mobile home taxes	49,000	49,000	48,160	(840)
Machinery and tools taxes	3,356,500	3,356,500	3,284,172	(72,328)
Penalties	170,000	170,000	172,447	2,447
Interest	95,000	95,000	137,332	42,332
Total general property taxes	\$ 32,109,000	\$ 32,280,762	\$ 33,052,057	\$ 771,295
Other local taxes:				
Local sales and use taxes	\$ 2,230,000	\$ 2,230,000	\$ 2,226,360	\$ (3,640)
Consumers' utility taxes	550,000	550,000	553,864	3,864
Local consumption tax	150,000	150,000	148,439	(1,561)
E-911 telephone taxes	55,000	55,000	67,475	12,475
Business license taxes	821,000	821,000	875,526	54,526
Franchise license tax	65,000	65,000	54,792	(10,208)
Motor vehicle licenses	675,000	675,000	647,951	(27,049)
Bank stock taxes	160,000	160,000	114,765	(45,235)
Taxes on recordation and wills	258,000	258,000	310,308	52,308
Hotel and motel room taxes	320,000	320,000	316,594	(3,406)
Restaurant food taxes	1,150,000	1,150,000	1,135,809	(14,191)
Total other local taxes	\$ 6,434,000	\$ 6,434,000	\$ 6,451,883	\$ 17,883
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 30,000	\$ 30,000	\$ 26,762	\$ (3,238)
Land use application fees	1,500	1,500	535	(965)
Transfer fees	1,000	1,000	943	(57)
Building permits and other licenses	165,525	165,525	197,133	31,608
Zoning fees	15,000	15,000	12,073	(2,927)
Total permits, privilege fees, and regulatory licenses	\$ 213,025	\$ 213,025	\$ 237,446	\$ 24,421
Fines and forfeitures:				
Court fines and forfeitures	\$ 130,200	\$ 130,200	\$ 132,627	\$ 2,427
Total fines and forfeitures	\$ 130,200	\$ 130,200	\$ 132,627	\$ 2,427
Revenue from use of money and property:				
Revenue from use of money	\$ 215,000	\$ 215,000	\$ 192,282	\$ (22,718)
Revenue from use of property	199,500	199,500	379,216	179,716
Total revenue from use of money and property	\$ 414,500	\$ 414,500	\$ 571,498	\$ 156,998

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Excess fees of clerk	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Charges for law enforcement and traffic control	47,680	47,680	47,727	47
Charges for courthouse maintenance	20,000	20,000	25,389	5,389
Charges for courtroom security	105,000	105,000	133,218	28,218
Court appointed attorneys	-	18,424	18,645	221
Miscellaneous jail and inmate fees	22,500	22,500	28,971	6,471
Jail processing fees	5,000	5,000	3,496	(1,504)
Charges for Commonwealth's Attorney	80,200	80,200	84,735	4,535
Charges for board and care of animals	6,000	6,000	4,280	(1,720)
Charges for sanitation and waste removal	165,000	165,000	149,474	(15,526)
Charges for parks and recreation	190,000	190,000	144,632	(45,368)
Charges for engineering reviews	4,000	4,000	5,783	1,783
Other charges for services	1,000	1,000	1,154	154
Charges for law library	-	-	3,981	3,981
Charges for library	27,000	27,000	21,326	(5,674)
Total charges for services	\$ 675,880	\$ 694,304	\$ 672,811	\$ (21,493)
Miscellaneous revenue:				
Miscellaneous	\$ 2,500	\$ 55,701	\$ 81,968	\$ 26,267
Sale of salvage	5,000	5,000	10,654	5,654
Revenue sharing payments	45,000	45,000	45,659	659
Performance Bonds	-	-	31,338	31,338
Telephone commissions	25,000	25,000	31,812	6,812
Donations	7,700	7,700	16,272	8,572
Total miscellaneous revenue	\$ 85,200	\$ 138,401	\$ 217,703	\$ 79,302
Recovered costs:				
Local jails	\$ 235,000	\$ 235,000	\$ 312,172	\$ 77,172
ES cost recoveries	975,745	975,745	864,661	(111,084)
Regional jail	104,416	104,416	104,416	-
Medical co-pay	8,000	8,000	9,785	1,785
CSA refunds	38,000	38,000	13,354	(24,646)
Social services refunds	2,500	2,500	2,338	(162)
Other recovered costs	316,000	141,296	90,009	(51,287)
Total recovered costs	\$ 1,679,661	\$ 1,504,957	\$ 1,396,735	\$ (108,222)
Total revenue from local sources	\$ 41,741,466	\$ 41,810,149	\$ 42,732,760	\$ 922,611

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling Stock Tax	\$ 163,198	\$ 163,198	\$ 162,522	\$ (676)
Communications sales and use taxes	715,000	715,000	732,131	17,131
Motor vehicle carriers' tax	3,000	3,000	3,984	984
Mobile home titling tax	20,000	20,000	32,991	12,991
Grantor's tax	184,467	184,467	161,947	(22,520)
Personal property tax relief funds	3,418,137	3,418,137	3,418,137	-
Total noncategorical aid	\$ 4,503,802	\$ 4,503,802	\$ 4,511,712	\$ 7,910
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 402,163	\$ 402,163	\$ 384,132	\$ (18,031)
Sheriff	3,383,562	3,383,562	3,269,606	(113,956)
Commissioner of revenue	106,751	106,751	104,464	(2,287)
Treasurer	109,739	109,739	99,667	(10,072)
Registrar/electoral board	46,868	46,868	44,833	(2,035)
Clerk of the Circuit Court	308,415	308,415	299,754	(8,661)
Reduction in State Aid	(243,956)	(243,956)	(243,956)	-
Total shared expenses	\$ 4,113,542	\$ 4,113,542	\$ 3,958,500	\$ (155,042)
Other categorical aid:				
Public assistance and welfare administration	\$ 450,000	\$ 450,000	\$ 470,523	\$ 20,523
Comprehensive services act	829,432	829,432	580,425	(249,007)
Emergency medical services	162,500	162,500	47,206	(115,294)
Library grant	151,747	151,747	145,164	(6,583)
Property seizure	-	-	11,495	11,495
VJCCCA grant	13,611	13,611	9,854	(3,757)
State disaster recovery	-	-	8,663	8,663
Fire program	82,500	82,500	88,944	6,444
Recreation grant	2,500	2,500	-	(2,500)
Internet crimes against children	-	16,367	20,406	4,039
Other categorical aid	500	500	1,766	1,266
Total other categorical aid	\$ 1,692,790	\$ 1,709,157	\$ 1,384,446	\$ (324,711)
Total categorical aid	\$ 5,806,332	\$ 5,822,699	\$ 5,342,946	\$ (479,753)
Total revenue from the Commonwealth	\$ 10,310,134	\$ 10,326,501	\$ 9,854,658	\$ (471,843)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 125,500	\$ 125,500	\$ 151,322	\$ 25,822

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid:				
Public assistance and welfare administration	\$ 710,000	\$ 710,000	\$ 702,938	\$ (7,062)
DMME grant	-	-	13,294	13,294
Firefighting assistance grant	350,000	350,000	427,743	77,743
Emergency management grant	-	-	52,737	52,737
State and community highway safety	12,500	12,500	20,743	8,243
Financial assistance for culture and art	5,000	5,000	5,000	-
Total categorical aid	\$ 1,077,500	\$ 1,077,500	\$ 1,222,455	\$ 144,955
Total revenue from the federal government	\$ 1,203,000	\$ 1,203,000	\$ 1,373,777	\$ 170,777
Total General Fund	\$ 53,254,600	\$ 53,339,650	\$ 53,961,195	\$ 621,545
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	\$ 11,205	\$ 10,205
Revenue from the use of property	120,000	120,000	99,477	(20,523)
Total revenue from use of money and property	\$ 121,000	\$ 121,000	\$ 110,682	\$ (10,318)
Charges for services:				
Cafeteria sales	\$ 1,591,928	\$ 1,591,928	\$ 1,170,731	\$ (421,197)
Transportation of pupils	32,000	32,000	45,320	13,320
Tuition and payments from other divisions	173,500	173,500	190,057	16,557
Total charges for services	\$ 1,797,428	\$ 1,797,428	\$ 1,406,108	\$ (391,320)
Miscellaneous revenue:				
Other miscellaneous	\$ 351,483	\$ 351,483	\$ 284,137	\$ (67,346)
Total miscellaneous revenue	\$ 351,483	\$ 351,483	\$ 284,137	\$ (67,346)
Recovered costs:				
Other recovered costs	\$ 57,203	\$ 57,203	\$ 64,425	\$ 7,222
Total recovered costs	\$ 57,203	\$ 57,203	\$ 64,425	\$ 7,222
Total revenue from local sources	\$ 2,327,114	\$ 2,327,114	\$ 1,865,352	\$ (461,762)

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Botetourt, Virginia	\$ 20,888,071	\$ 21,160,071	\$ 21,158,231	\$ (1,840)
Total revenues from local governments	\$ 20,888,071	\$ 21,160,071	\$ 21,158,231	\$ (1,840)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,121,430	\$ 5,121,430	\$ 5,138,010	\$ 16,580
Basic school aid	13,218,164	13,218,164	12,942,162	(276,002)
Remedial summer education	23,800	23,800	31,537	7,737
Regular foster care	30,012	30,012	40,167	10,155
Adult secondary education	7,859	7,859	7,859	-
Gifted and talented	143,223	143,223	141,093	(2,130)
Remedial education	155,678	155,678	153,362	(2,316)
School food	33,573	33,573	32,280	(1,293)
Special education	1,849,449	1,849,449	1,821,939	(27,510)
Textbook payment	279,379	279,379	275,223	(4,156)
Standards of Learning algebra readiness	26,183	26,183	24,127	(2,056)
Vocational education SOQ payments	373,626	373,626	368,068	(5,558)
Social security fringe benefits	834,431	834,431	822,019	(12,412)
Share of fringe benefits	1,576,332	1,576,332	1,555,630	(20,702)
Group life insurance instructional	52,930	52,930	52,143	(787)
Early reading intervention	43,204	43,204	53,023	9,819
Homebound education	47,318	47,318	44,907	(2,411)
Vocational education	61,530	61,530	62,291	761
Salary supplement	32,000	32,000	27,500	(4,500)
Special education - foster children	72,300	72,300	86,068	13,768
Special education - regional programs	103,423	103,423	108,656	5,233
Industry certification	-	-	7,290	7,290
At risk payments	71,661	71,661	70,592	(1,069)
Mentor teacher program	3,771	3,771	2,943	(828)
Technology	336,000	336,000	336,000	-
State revenue	65,707	65,707	1,734	(63,973)
At risk four-year olds	177,378	177,378	113,220	(64,158)
English as a second language	15,377	15,377	22,878	7,501
Other state funds	1,280	1,280	8,064	6,784
Total categorical aid	\$ 24,757,018	\$ 24,757,018	\$ 24,350,785	\$ (406,233)
Total revenue from the Commonwealth	\$ 24,757,018	\$ 24,757,018	\$ 24,350,785	\$ (406,233)

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
School breakfast program	\$ 113,704	\$ 113,704	\$ 97,401	\$ (16,303)
School lunch program	454,815	454,815	455,644	829
School food distribution	-	-	117,217	117,217
State fiscal stabilization program	90,000	90,000	-	(90,000)
Title I	721,000	721,000	455,489	(265,511)
Language acquisition	5,000	5,000	2,015	(2,985)
Title VI-B, Special education flow-through	1,848,003	1,848,003	987,855	(860,148)
Vocational education	50,000	50,000	51,660	1,660
Title VI-B, Special education pre-school	27,482	27,482	26,801	(681)
Title II	5,000	5,000	-	(5,000)
Adult basic education	31,500	31,500	29,327	(2,173)
Federal land use	50,000	50,000	55,164	5,164
Education jobs	-	-	6,374	6,374
Improving teacher quality	219,000	219,000	181,239	(37,761)
Total categorical aid	<u>\$ 3,615,504</u>	<u>\$ 3,615,504</u>	<u>\$ 2,466,186</u>	<u>\$ (1,149,318)</u>
Total revenue from the federal government	<u>\$ 3,615,504</u>	<u>\$ 3,615,504</u>	<u>\$ 2,466,186</u>	<u>\$ (1,149,318)</u>
Total School Operating Fund	<u>\$ 51,587,707</u>	<u>\$ 51,859,707</u>	<u>\$ 49,840,554</u>	<u>\$ (2,019,153)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 51,587,707</u>	<u>\$ 51,859,707</u>	<u>\$ 49,840,554</u>	<u>\$ (2,019,153)</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<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	\$ 224,416	\$ 224,404	\$ 190,769	\$ 33,635
General and financial administration:				
County administrator	\$ 369,265	\$ 368,888	\$ 319,677	\$ 49,211
Deputy administrators	345,187	345,021	261,123	83,898
Central garage	61,676	61,649	61,385	264
Commissioner of revenue	354,949	354,780	345,275	9,505
Central purchasing	85,065	85,697	75,784	9,913
Treasurer	404,395	407,171	394,609	12,562
Management information systems	764,897	764,641	628,350	136,291
Financial services	331,292	331,050	319,433	11,617
Total general and financial administration	\$ 2,716,726	\$ 2,718,897	\$ 2,405,636	\$ 313,261
Board of elections:				
Electoral board/registrar	\$ 280,533	\$ 291,368	\$ 269,526	\$ 21,842
Total general government administration	\$ 3,221,675	\$ 3,234,669	\$ 2,865,931	\$ 368,738
Judicial administration:				
Courts:				
Circuit court	\$ 51,127	\$ 51,089	\$ 48,959	\$ 2,130
General district court	30,547	30,547	27,942	2,605
Magistrate	1,176	1,176	829	347
Clerk of the circuit court	577,004	592,273	571,921	20,352
Total courts	\$ 659,854	\$ 675,085	\$ 649,651	\$ 25,434
Commonwealth's attorney:				
Commonwealth's attorney	\$ 658,642	\$ 658,907	\$ 658,907	\$ -
Total commonwealth's attorney	\$ 658,642	\$ 658,907	\$ 658,907	\$ -
Total judicial administration	\$ 1,318,496	\$ 1,333,992	\$ 1,308,558	\$ 25,434
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,218,892	\$ 4,414,978	\$ 4,267,889	\$ 147,089
Total law enforcement and traffic control	\$ 4,218,892	\$ 4,414,978	\$ 4,267,889	\$ 147,089

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
Page 2 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire departments and rescue squads	\$ 1,212,027	\$ 1,429,183	\$ 1,001,157	\$ 428,026
Emergency communications	206,022	302,648	295,614	7,034
Western Virginia EMS	6,722	6,722	6,722	-
Total fire and rescue services	\$ 1,424,771	\$ 1,738,553	\$ 1,303,493	\$ 435,060
Correction and detention:				
County operated institutions - jail	\$ 3,470,822	\$ 3,491,262	\$ 3,369,120	\$ 122,142
Juvenile detention	-	23,706	23,706	-
Probation office	24,850	34,704	15,028	19,676
Total correction and detention	\$ 3,495,672	\$ 3,549,672	\$ 3,407,854	\$ 141,818
Development services:				
Building, planning, zoning and engineering	\$ 638,701	\$ 621,824	\$ 588,516	\$ 33,308
Total inspections	\$ 638,701	\$ 621,824	\$ 588,516	\$ 33,308
Other protection:				
Animal control	\$ 418,430	\$ 440,290	\$ 439,216	\$ 1,074
Emergency services	2,275,218	2,428,637	2,329,291	99,346
Dispatch	1,050,989	1,052,907	1,020,458	32,449
GIS enhancements	49,750	49,750	49,737	13
Total other protection	\$ 3,794,387	\$ 3,971,584	\$ 3,838,702	\$ 132,882
Total public safety	\$ 13,572,423	\$ 14,296,611	\$ 13,406,454	\$ 890,157
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 557,180	\$ 613,759	\$ 613,759	\$ -
Public works	309,038	376,578	351,146	25,432
Total sanitation and waste removal	\$ 866,218	\$ 990,337	\$ 964,905	\$ 25,432
Maintenance of general buildings and grounds:				
General properties	\$ 657,894	\$ 701,305	\$ 701,305	\$ -
Total maintenance of general buildings and grounds	\$ 657,894	\$ 701,305	\$ 701,305	\$ -
Total public works	\$ 1,524,112	\$ 1,691,642	\$ 1,666,210	\$ 25,432
Health and welfare:				
Health:				
Supplement of local health department	\$ 329,252	\$ 329,252	\$ 324,838	\$ 4,414
Total health	\$ 329,252	\$ 329,252	\$ 324,838	\$ 4,414

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
Page 3 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Mental health contribution	\$ 38,743	\$ 38,743	\$ 38,743	\$ -
Total mental health and mental retardation	\$ 38,743	\$ 38,743	\$ 38,743	\$ -
Welfare:				
Welfare administration and programs	\$ 1,508,431	1,508,431	\$ 1,421,127	\$ 87,304
Comprehensive services act	1,276,177	1,179,187	1,097,499	81,688
Senior van program	92,022	91,635	76,506	15,129
Resource center	6,500	6,500	6,500	-
Tax relief for the elderly	-	320,000	317,400	2,600
Other welfare programs	11,000	11,000	11,000	-
Total welfare	\$ 2,894,130	\$ 3,116,753	\$ 2,930,032	\$ 186,721
Total health and welfare	\$ 3,262,125	\$ 3,484,748	\$ 3,293,613	\$ 191,135
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 7,589	\$ 7,589	\$ 7,589	\$ -
Contribution to County School Board	20,888,071	21,160,071	21,158,231	1,840
Total education	\$ 20,895,660	\$ 21,167,660	\$ 21,165,820	\$ 1,840
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 1,148,213	\$ 1,174,133	\$ 1,152,121	\$ 22,012
Sports Complex	375,118	391,633	386,502	5,131
Tourism	203,719	187,008	172,600	14,408
Total parks and recreation	\$ 1,727,050	\$ 1,752,774	\$ 1,711,223	\$ 41,551
Cultural enrichment:				
Contributions to cultural organizations	\$ 22,906	\$ 36,406	\$ 36,406	\$ -
Total cultural enrichment	\$ 22,906	\$ 36,406	\$ 36,406	\$ -
Library:				
Library expenses	\$ 945,018	\$ 957,927	\$ 939,429	\$ 18,498
Total library	\$ 945,018	\$ 957,927	\$ 939,429	\$ 18,498
Total parks, recreation, and cultural	\$ 2,694,974	\$ 2,747,107	\$ 2,687,058	\$ 60,049

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning commission	\$ 24,707	\$ 24,861	\$ 24,861	\$ -
Industrial development	68,190	193,190	193,190	-
Contribution to Industrial Development Authority	-	24,855	24,855	-
Total planning and community development	<u>\$ 92,897</u>	<u>\$ 242,906</u>	<u>\$ 242,906</u>	<u>\$ -</u>
Environmental management:				
Other environmental management	\$ -	\$ 23,135	\$ 23,135	\$ -
Cooperative extension program:				
Extension office	\$ 85,507	\$ 85,507	\$ 38,388	\$ 47,119
Total community development	<u>\$ 178,404</u>	<u>\$ 351,548</u>	<u>\$ 304,429</u>	<u>\$ 47,119</u>
Capital projects:				
Street signs	\$ 15,000	\$ 15,000	\$ -	\$ 15,000
Buchanan Park	-	103,791	-	103,791
Public safety building	-	88,548	88,548	-
Elevator replacement	55,000	55,000	3,699	51,301
Industrial site development	100,000	100,000	-	100,000
Total capital projects	<u>\$ 170,000</u>	<u>\$ 362,339</u>	<u>\$ 92,247</u>	<u>\$ 270,092</u>
Debt service:				
Principal retirement	\$ 2,787,190	\$ 2,787,190	\$ 2,787,190	\$ -
Interest and other fiscal charges	1,697,316	1,697,316	1,688,774	8,542
Total debt service	<u>\$ 4,484,506</u>	<u>\$ 4,484,506</u>	<u>\$ 4,475,964</u>	<u>\$ 8,542</u>
Total General Fund	<u>\$ 51,322,375</u>	<u>\$ 53,154,822</u>	<u>\$ 51,266,284</u>	<u>\$ 1,888,538</u>
Total Primary Government	<u>\$ 51,322,375</u>	<u>\$ 53,154,822</u>	<u>\$ 51,266,284</u>	<u>\$ 1,888,538</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<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	\$ 2,141,502	\$ 2,141,502	\$ 2,153,228	\$ (11,726)
Instruction costs:				
Instructional costs	\$ 38,942,062	\$ 38,942,062	\$ 36,203,791	\$ 2,738,271
Operating costs:				
Pupil transportation	\$ 3,195,959	\$ 3,195,959	\$ 3,104,251	\$ 91,708
Operation and maintenance of school plant	4,555,055	4,555,055	4,287,284	267,771
School food service	2,210,020	2,210,020	2,148,898	61,122
Facilities	-	-	291,762	(291,762)
Technology	1,607,439	1,607,439	1,650,931	(43,492)
Total operating costs	\$ 11,568,473	\$ 11,568,473	\$ 11,483,126	\$ 85,347
Total education	\$ 52,652,037	\$ 52,652,037	\$ 49,840,145	\$ 2,811,892
Total School Operating Fund	\$ 52,652,037	\$ 52,652,037	\$ 49,840,145	\$ 2,811,892
Total Discretely Presented Component Unit - School Board	\$ 52,652,037	\$ 52,652,037	\$ 49,840,145	\$ 2,811,892

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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 13,639,757	\$ 15,807,067	\$ 18,352,750	\$ 23,967,351	\$ 30,444,399	\$ 33,178,862	\$ 34,195,468	\$ 34,962,435	\$ 35,235,486	\$ 35,731,696
Restricted	144,886	116,975	676,265	666,969	243,247	260,324	184,574	198,529	186,710	187,390
Unrestricted	6,651,305	10,173,008	18,758,845	20,068,496	17,062,750	10,303,045	9,116,696	10,975,733	10,617,666	14,637,371
Total governmental activities net position	\$ 20,435,948	\$ 26,097,050	\$ 37,787,860	\$ 44,702,816	\$ 47,750,396	\$ 43,742,231	\$ 43,496,738	\$ 46,136,697	\$ 46,039,862	\$ 50,556,457
Business-type activities										
Net investment in capital assets	\$ 7,519,539	\$ 8,841,644	\$ 8,909,696	\$ 10,031,502	\$ 10,207,082	\$ 10,102,393	\$ 9,954,091	\$ 10,019,461	\$ 10,215,268	\$ 10,091,246
Unrestricted	2,035,410	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
Total business-type activities net position	\$ 9,554,949	\$ 10,182,094	\$ 10,310,765	\$ 10,327,000	\$ 11,095,191	\$ 12,125,218	\$ 12,308,340	\$ 12,531,451	\$ 12,830,687	\$ 13,611,827
Primary government										
Net investment in capital assets	\$ 21,159,296	\$ 24,648,711	\$ 27,262,446	\$ 33,998,853	\$ 40,651,481	\$ 43,281,255	\$ 44,149,559	\$ 44,981,896	\$ 45,450,754	\$ 45,822,942
Restricted	144,886	116,975	676,265	666,969	243,247	260,324	184,574	198,529	186,710	187,390
Unrestricted	8,686,715	11,513,458	20,159,914	20,363,994	17,950,859	12,325,870	11,470,945	13,487,723	13,233,085	18,157,952
Total primary government net position	\$ 29,990,897	\$ 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

Source: County financial reports

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 2,230,461	\$ 2,396,259	\$ 2,623,963	\$ 2,474,879	\$ 2,425,324	\$ 2,882,831	\$ 3,330,864	\$ 3,017,197	\$ 3,009,226	\$ 2,932,750
Judicial administration	850,225	899,610	1,007,505	1,247,810	1,315,699	1,307,844	1,289,818	1,251,798	1,284,630	1,317,267
Public safety	6,800,812	7,214,325	7,541,698	9,005,396	11,408,457	11,875,621	12,060,957	11,119,800	12,689,537	12,734,181
Public works	1,634,166	1,087,788	(342,596)	2,094,816	1,645,071	3,469,969	1,026,920	1,902,510	1,709,623	2,230,035
Health and welfare	2,964,611	3,089,866	3,078,876	3,155,210	3,522,298	3,359,650	3,717,605	3,572,226	3,427,728	3,249,941
Education	17,511,696	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
Parks, recreation and cultural	1,349,839	1,708,618	1,756,571	2,172,778	2,801,151	2,932,681	3,120,867	3,266,210	3,193,886	2,980,612
Community development	802,821	1,022,648	564,789	582,609	2,012,043	1,323,106	672,942	581,692	533,841	307,960
Interest on long-term debt	1,014,329	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
Total governmental activities expenses	\$ 35,158,960	\$ 35,446,641	\$ 36,593,234	\$ 42,547,049	\$ 47,927,798	\$ 52,433,274	\$ 47,815,227	\$ 48,591,673	\$ 49,357,569	\$ 49,640,123
Business-type activities:										
Water	\$ 1,490,662	\$ 1,524,165	\$ 2,035,296	\$ 2,095,311	\$ 2,382,201	\$ 2,705,663	\$ 2,822,893	\$ 2,616,243	\$ 2,664,729	\$ 2,819,888
Total primary government expenses	\$ 36,649,622	\$ 36,970,806	\$ 38,628,530	\$ 44,642,360	\$ 50,309,999	\$ 55,138,937	\$ 50,638,120	\$ 51,207,916	\$ 52,022,298	\$ 52,460,011
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 10,104	\$ -	\$ 2,220	\$ 1,090	\$ 1,202	\$ 606	\$ 492	\$ 1,148	\$ 308	\$ 1,154
Judicial administration	336,028	222,281	337,141	304,025	293,937	79,072	154,962	183,408	223,594	240,931
Public safety	687,202	574,937	624,263	541,492	584,434	542,087	462,721	396,503	395,365	479,049
Public works	670,364	874,485	853,104	1,255,980	935,821	176,935	168,841	174,421	141,865	155,792
Parks, recreation and cultural	9,007	28,141	30,786	61,788	130,073	149,235	164,399	163,473	183,585	165,958
Community development	-	-	-	39,582	-	-	-	-	-	-
Operating grants and contributions	4,844,407	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
Capital grants and contributions	-	825,621	5,341,327	833,052	3,141,221	-	-	-	-	-
Total governmental activities program revenues	\$ 6,557,112	\$ 8,052,660	\$ 13,073,601	\$ 8,850,867	\$ 11,892,311	\$ 8,848,731	\$ 7,795,082	\$ 7,862,071	\$ 7,793,566	\$ 7,608,285
Business-type activities:										
Charges for services:										
Water	\$ 1,918,042	\$ 1,844,364	\$ 1,903,624	\$ 1,965,855	\$ 2,788,894	\$ 2,703,870	\$ 2,971,193	\$ 2,826,574	\$ 3,019,701	\$ 3,577,258
Operating grants and contributions	123,452	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	242,320	184,415	14,270	-	97,975	25,000	-	-	-
Total business-type activities program revenues	\$ 2,041,494	\$ 2,086,684	\$ 2,088,039	\$ 1,980,125	\$ 2,788,894	\$ 2,801,845	\$ 2,996,193	\$ 2,826,574	\$ 3,019,701	\$ 3,577,258
Total primary government program revenues	\$ 8,598,606	\$ 10,139,344	\$ 15,161,640	\$ 10,830,992	\$ 14,681,205	\$ 11,650,576	\$ 10,791,275	\$ 10,688,645	\$ 10,813,267	\$ 11,185,543

COUNTY OF BOTETOURT, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense) / revenue										
Governmental activities	\$ (28,601,848) \$	\$ (27,393,981) \$	\$ (23,519,633) \$	\$ (33,696,182) \$	\$ (36,035,487) \$	\$ (43,584,543) \$	\$ (40,020,145) \$	\$ (40,729,602) \$	\$ (41,564,003) \$	\$ (42,031,838) \$
Business-type activities	\$ 550,832	\$ 562,519	\$ 52,743	\$ (115,186)	\$ 406,693	\$ 96,182	\$ 173,300	\$ 210,331	\$ 354,972	\$ 757,370
Total primary government net expense	\$ (28,051,016) \$	\$ (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) \$
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 21,511,158 \$	\$ 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
Local sales and use taxes	\$ 1,902,149	\$ 1,907,016	\$ 2,043,136	\$ 2,120,627	\$ 2,102,537	\$ 1,930,445	\$ 1,873,975	\$ 2,028,548	\$ 2,164,312	\$ 2,226,360
Taxes on recordation and wills	\$ 269,075	\$ 345,593	\$ 610,881	\$ 453,586	\$ 405,937	\$ 286,613	\$ 285,530	\$ 263,973	\$ 256,065	\$ 702,303
Motor vehicle licenses taxes	\$ 672,656	\$ 694,280	\$ 715,817	\$ 718,797	\$ 25,815	\$ 587,147	\$ 627,860	\$ 632,926	\$ 647,083	\$ 875,526
Consumer utility taxes	\$ 722,673	\$ 1,097,302	\$ 1,114,597	\$ 946,172	\$ 694,547	\$ 694,849	\$ 694,260	\$ 699,959	\$ 695,430	\$ 647,951
Business licenses taxes	\$ 591,582	\$ 717,265	\$ 761,213	\$ 780,498	\$ 828,183	\$ 788,003	\$ 779,757	\$ 745,256	\$ 829,929	\$ 1,135,809
Other local taxes	\$ 1,743,015	\$ 1,648,434	\$ 1,829,180	\$ 2,133,704	\$ 2,437,859	\$ 2,329,120	\$ 1,537,984	\$ 1,703,421	\$ 1,689,951	\$ 863,934
Unrestricted grants and contributions	\$ 3,815,309	\$ 3,884,929	\$ 3,330,507	\$ 3,990,504	\$ 3,879,675	\$ 4,007,081	\$ 4,652,598	\$ 4,509,921	\$ 4,619,808	\$ 4,663,034
Unrestricted revenues from use of money and property	\$ 270,904	\$ 760,822	\$ 1,247,708	\$ 2,661,235	\$ 1,631,765	\$ 902,894	\$ 660,250	\$ 602,854	\$ 647,477	\$ 571,498
Miscellaneous	\$ 283,959	\$ 270,663	\$ 628,388	\$ 334,911	\$ 126,545	\$ 285,932	\$ 366,878	\$ 1,948,711	\$ 235,015	\$ 217,703
Gain on disposal of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,582,755
Transfers	\$ 78,302	\$ (30,875)	\$ (14,488)	\$ (69,880)	\$ (343,649)	\$ (911,991)	\$ -	\$ 6,282	\$ 7,657	\$ (3,555)
Total governmental activities	\$ 31,860,782 \$	\$ 33,055,083 \$	\$ 35,210,443 \$	\$ 40,611,138 \$	\$ 39,083,067 \$	\$ 39,576,378 \$	\$ 39,774,652 \$	\$ 43,389,561 \$	\$ 41,615,299 \$	\$ 46,548,433
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 16,950 \$	\$ 33,751 \$	\$ 61,439 \$	\$ 61,541 \$	\$ 17,849 \$	\$ 21,854 \$	\$ 9,822 \$	\$ 19,062 \$	\$ 26,128 \$	\$ 20,215
Miscellaneous	\$ 5,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	\$ (78,302)	\$ 30,875	\$ 14,488	\$ 69,880	\$ 343,649	\$ 911,991	\$ -	\$ (6,282)	\$ (7,657)	\$ 3,555
Total business-type activities	\$ (55,476) \$	\$ 64,626 \$	\$ 75,928 \$	\$ 131,421 \$	\$ 361,498 \$	\$ 933,845 \$	\$ 9,822 \$	\$ 12,780 \$	\$ 18,471 \$	\$ 23,770
Total primary government	\$ 31,805,306 \$	\$ 33,119,709 \$	\$ 35,286,371 \$	\$ 40,742,559 \$	\$ 39,444,565 \$	\$ 40,510,223 \$	\$ 39,784,474 \$	\$ 43,382,341 \$	\$ 41,633,770 \$	\$ 46,572,203
Change in Net Position										
Governmental activities	\$ 3,258,934 \$	\$ 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
Business-type activities	\$ 495,356	\$ 627,145	\$ 128,671	\$ 16,235	\$ 768,191	\$ 1,030,027	\$ 183,122	\$ 223,111	\$ 373,443	\$ 781,140
Total primary government	\$ 3,754,290 \$	\$ 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

Source: County financial reports

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

Fiscal Year	Local sales and use			Consumer Utility		Motor Vehicle License		Record-ation and Wills Tax		Business License		Restaurant Food		Other Local Taxes		Total
	Property Tax	Tax		Tax		Tax		Tax		Tax		Tax		Taxes		
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							
2004	21,511,158	1,902,149	722,673	672,656	269,075	591,582	926,064	816,951	27,412,308							

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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Reserved/Restricted	\$ 144,886	\$ 116,975	\$ 18,610,318	\$ 4,884,335	\$ 243,247	\$ 260,324	\$ 266,406	\$ 198,529	\$ 186,710	\$ 187,390
Assigned	-	-	-	-	-	-	-	-	-	1,643,315
Unreserved/Unassigned	12,438,409	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
Non-spendable	-	-	-	-	-	-	-	117,761	121,510	255,005
Total general fund	<u>\$ 12,583,295</u>	<u>\$ 16,316,050</u>	<u>\$ 35,213,882</u>	<u>\$ 22,553,647</u>	<u>\$ 21,708,953</u>	<u>\$ 16,424,344</u>	<u>\$ 14,320,533</u>	<u>\$ 16,216,851</u>	<u>\$ 15,853,806</u>	<u>\$ 20,250,415</u>
All other governmental funds										
Reserved	\$ -	- \$	13,695,671	\$ 1,441,807	- \$	- \$	- \$	- \$	- \$	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>- \$</u>	<u>13,695,671</u>	<u>\$ 1,441,807</u>	<u>- \$</u>	<u>- \$</u>	<u>- \$</u>	<u>- \$</u>	<u>- \$</u>	<u>-</u>

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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
General property taxes	\$ 21,469,051	\$ 21,996,002	\$ 22,902,166	\$ 26,407,115	\$ 27,365,128	\$ 28,472,840	\$ 28,265,340	\$ 30,156,224	\$ 29,814,950	\$ 33,052,057
Other local taxes	5,901,150	6,409,880	7,074,824	7,153,384	6,494,878	6,626,177	5,799,366	6,074,083	6,282,770	6,451,883
Permits, privilege fees and regulatory licenses	543,063	436,836	537,885	410,932	364,491	259,873	259,962	216,496	174,240	237,446
Fines and forfeitures	170,769	213,182	116,066	132,611	116,316	87,133	91,435	115,006	154,048	132,627
Revenue from use of money and property	270,904	760,822	1,247,708	2,661,235	1,631,765	902,894	660,250	602,854	647,477	571,498
Charges for services	998,873	1,049,826	1,193,560	1,660,415	1,465,660	600,929	600,018	587,451	616,429	672,811
Miscellaneous	309,235	270,663	661,263	334,911	126,545	285,932	366,878	1,948,711	235,015	217,703
Recovered costs	329,355	441,512	1,079,791	1,328,471	1,429,487	1,982,437	1,465,804	1,383,273	1,657,121	1,396,735
Intergovernmental:										
Commonwealth	7,663,789	9,041,764	13,444,276	9,677,832	12,947,156	9,827,831	10,278,579	10,151,813	9,961,769	9,854,658
Federal	995,927	995,981	1,112,318	959,582	878,363	2,080,046	1,217,686	1,301,226	1,506,888	1,373,777
Total revenues	\$ 38,652,116	\$ 41,616,468	\$ 49,369,857	\$ 50,726,488	\$ 52,819,789	\$ 51,126,092	\$ 49,005,318	\$ 52,537,137	\$ 51,050,707	\$ 53,961,195
Expenditures										
General government administration	\$ 2,060,828	\$ 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
Judicial administration	843,482	891,129	1,006,931	1,253,243	1,288,367	1,281,196	1,276,576	1,224,399	1,277,824	1,308,558
Public safety	7,003,462	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
Public works	1,435,431	1,677,815	1,571,094	1,724,833	1,625,801	1,699,314	1,729,418	1,670,355	1,727,239	1,666,210
Health and welfare	2,957,939	3,135,064	3,127,959	3,219,915	3,569,914	3,427,105	3,770,875	3,639,024	3,471,988	3,293,613
Education	16,194,823	16,226,404	18,428,189	18,248,597	19,060,764	21,712,253	19,021,824	20,401,136	20,577,954	21,165,820
Parks, recreation and cultural	1,563,106	1,685,404	1,733,989	2,268,455	2,812,653	2,986,515	2,972,332	2,850,141	2,908,001	2,687,058
Community development	799,379	1,020,840	731,012	603,682	1,778,813	496,566	625,127	600,861	289,055	304,429
Capital projects	239,276	1,429,974	10,802,412	31,516,912	4,916,928	3,067,114	1,014,166	1,016,336	261,819	92,247
Debt service										
Principal	1,905,711	1,891,773	1,898,541	1,898,887	2,377,691	2,762,390	2,798,024	2,784,220	2,838,515	2,787,190
Bond issuance cost	-	-	157,398	-	-	-	-	31,266	-	-
Interest and other fiscal charges	-	-	951,619	2,355,943	2,652,279	2,223,760	2,061,502	1,972,381	1,799,409	1,688,774
Total expenditures	\$ 36,054,172	\$ 38,678,459	\$ 51,200,660	\$ 75,570,707	\$ 54,762,641	\$ 55,498,710	\$ 51,109,129	\$ 50,706,399	\$ 51,763,310	\$ 51,266,284
Excess of revenues over (under) expenditures	\$ 2,597,944	\$ 2,938,009	\$ (1,830,803)	\$ (24,844,219)	\$ (1,942,852)	\$ (4,372,618)	\$ (2,103,811)	\$ 1,830,738	\$ (712,603)	\$ 2,694,911
Other financing sources (uses)										
Transfers in	\$ 175,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,282	\$ 7,657	\$ -
Transfers out	(99,900)	(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	-	-	-	-	-	-	-	-	-	-
Proceeds of revenue anticipation notes	-	-	33,460,000	-	-	-	-	-	-	-
Premium on bonds issued	-	-	978,795	-	-	-	-	-	-	-
Sale of assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ 75,120	\$ 794,746	\$ 34,424,306	\$ (69,880)	\$ (343,649)	\$ (911,991)	\$ -	\$ 65,580	\$ 349,558	\$ 1,701,698
Net change in fund balances	\$ 2,673,064	\$ 3,732,755	\$ 32,593,503	\$ (24,914,099)	\$ (2,286,501)	\$ (5,284,609)	\$ (2,103,811)	\$ 1,896,318	\$ (363,045)	\$ 4,396,609
Debt service as a percentage of noncapital expenditures	8.25%	7.73%	7.06%	9.66%	10.18%	9.51%	9.70%	9.57%	9.15%	8.88%

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	Consumer Utility Tax	Motor		Record- ation and Wills Tax	Business License Tax	Other		Total
				Vehicle License Tax				Local Taxes		
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	
2004	21,469,051	1,902,149	722,673	672,656	269,075	591,582	1,743,015		27,370,201	

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
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%
2004	2,085,489,629	257,232,958	8,321,274	136,994,597	n/a	153,383,435	0.937	2,641,421,893	2,641,421,893	100.00%

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
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
2004	0.70	2.55	0.70	1.80	n/a	0.937	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 2013			Fiscal Year 2004		
		2012	Assessed Valuation	% of Total Assessed Valuation	2003	Assessed Valuation	% of Total Assessed Valuation
American Electric Power	Utility	\$	86.4	2.03%	\$	57.7	2.60%
Roanoke Cement	Manufacturing		48.4	1.14%		44.5	2.00%
Ntelos/R&B	Communications		30.5	0.72%		28.8	1.30%
Lawrence Investments	Transportation / Holdings		18.3	0.43%		9.3	0.42%
Metalsa Roanoke	Manufacturing		18.2	0.43%		8.9	0.40%
Norfolk Sotham Railway	Railroad		17.4	0.41%		8.8	0.40%
CSX	Railroad		16.8	0.40%		9.2	0.41%
Roanoke Gas	Utility		14.5	0.34%		10.2	0.46%
Dynax America Corporation	Manufacturing		12.9	0.30%		9.8	0.44%
Virginia Electric Power	Utility		11.5	0.27%		8.9	0.40%
Totals		\$	274.9	6.47%	\$	196.1	8.83%

Source: Commissioner of Revenue

Table 10

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

Fiscal Year Ending June 30	Total Tax Levy for Fiscal Year(1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2013	\$ 36,077,900	\$ 35,398,082	98.12%	-	35,398,082	98.116%
2012	33,191,396	32,560,205	98.10%	385,751	32,945,956	99.261%
2011	33,292,786	32,733,716	98.32%	456,056	33,189,772	99.691%
2010	31,190,720	30,634,370	98.22%	508,559	31,142,929	99.847%
2009	31,895,673	31,340,826	98.26%	495,306	31,836,132	99.813%
2008	30,514,781	30,086,812	98.60%	415,430	30,502,242	99.959%
2007	29,963,032	29,598,026	98.78%	356,737	29,954,763	99.972%
2006	26,371,905	26,079,420	98.89%	290,942	26,370,362	99.994%
2005	25,210,467	24,909,536	98.81%	298,121	25,207,657	99.989%
2004	24,560,744	24,223,585	98.63%	336,110	24,559,695	99.996%

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		Revenue Bonds	Capital Leases				
			Notes/ Bonds	Capital Leases						
2013	\$ 31,735,140	\$ 4,769,300	\$ -	\$ -	\$ 9,126,667	\$ -	\$ -	45,631,107	3.22%	\$ 1,371
2012	33,914,576	5,421,230	-	-	7,820,511	-	-	47,156,317	3.32%	1,412
2011	36,145,337	6,073,160	-	-	7,739,655	-	-	49,958,152	3.73%	1,504
2010	38,219,274	6,768,321	-	-	7,657,640	-	-	52,645,235	3.98%	1,588
2009	40,305,216	7,517,663	-	-	8,126,202	-	-	55,949,081	4.00%	1,676
2008	42,353,932	8,276,193	-	-	8,581,294	-	-	59,211,419	4.39%	1,785
2007	43,993,111	9,049,323	7,000,000	-	8,950,382	-	-	68,992,816	5.56%	2,112
2006	45,137,311	9,822,453	6,166,948	-	8,899,259	-	-	70,025,971	6.01%	2,132
2005	11,823,927	10,595,583	825,621	-	7,986,472	-	-	31,231,603	3.01%	982
2004	12,942,570	11,368,713	-	-	7,834,606	-	-	32,145,889	3.20%	1,023

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)
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
2004		24,311,283	-	24,311,283	0.92%	774

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

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

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

Source: County financial reports

Table 13

COUNTY OF BOTETOURT, VIRGINIA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013

<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	\$ 81,816	100%	\$ 81,816
Subtotal, overlapping debt			<u>\$ 81,816</u>
County of Botetourt, direct debt			<u>\$ 36,504,440</u>
Total direct and overlapping debt			<u><u>\$ 36,586,256</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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
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	\$ 395,207,609	
Total net debt applicable to limit	24,311,283	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	
Legal debt margin	\$ 245,155,130	\$ 254,084,696	\$ 288,755,459	\$ 301,186,797	\$ 314,956,487	\$ 316,927,445	\$ 348,647,580	\$ 348,120,222	\$ 355,871,803	\$ 358,703,169	
Total net debt applicable to the limit as a percentage of debt limit	9.02%	8.38%	15.99%	14.97%	13.85%	13.11%	11.43%	10.82%	9.95%	9.24%	
Legal Debt Margin Calculation for Fiscal Year 2013											
	Total assessed value										\$ 3,952,076,085
	Debt limit (10% of total assessed value)										\$ 395,207,609
	Net debt applicable to limit										36,504,440
	Legal debt margin										\$ 358,703,169

COUNTY OF BOTETOURT, VIRGINIA
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water/Sewer Revenue Bonds					Special Assessment Bonds			
	Water/ Sewer Charges and Other(1)	Less: Operating Expenses	Net Available Revenue	Debt Service		Special Assessment Collections	Principal	Interest	Coverage
				Principal	Interest				
2013	7,136,660	1,736,393	5,400,267	527,590	268,949	n/a	n/a	n/a	n/a
2012	5,990,913	1,595,354	3,995,559	498,158	284,171	n/a	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	n/a
2010	5,038,229	1,749,040	3,289,189	464,429	295,806	n/a	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	n/a
2008	3,656,258	1,537,690	2,118,568	437,042	234,817	n/a	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	n/a
2006	3,686,707	1,165,587	2,521,120	179,807	194,610	n/a	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	n/a
2004	3,243,629	623,053	2,620,576	309,805	354,306	n/a	n/a	n/a	n/a

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

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

Source: County financial reports

Table 16

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

Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2013	33,293	\$ 1,416,950	\$ 42,560	44.9	4,876	5.18%
2012	33,399	1,421,461	42,560	44.9	4,984	5.57%
2011	33,209	1,337,991	40,290	44.9	4,943	5.80%
2010	33,148	1,322,274	39,890	44.9	4,977	6.40%
2009	33,374	1,399,739	41,941	44.8	4,864	5.00%
2008	33,177	1,350,271	40,699	44.8	4,921	2.93%
2007	32,674	1,241,547	37,998	44.8	4,867	2.53%
2006	32,844	1,165,666	35,491	44.8	4,819	2.60%
2005	31,799	1,036,870	32,607	44.8	4,782	3.00%
2004	31,423	1,005,253	31,991	44.0	4,736	2.90%

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 2013			Fiscal Year 2004	
	Employees	Rank	% of Total County Employment	Employees	% of Total County Employment
Botetourt County Public Schools	750	1	7.58%	760	9.05%
Dynax America Corporation	530	2	5.36%	252	3.00%
Altec Industries	391	3	3.95%	75	0.89%
Botetourt County Government	270	4	2.73%	206	2.45%
Lawrence Transportation System	261	5	2.64%	160	1.90%
Metalsa Roanoke	239	6	2.42%	200	2.38%
Arkay Packaging	202	7	2.04%	105	1.25%
Gala Industries	192	8	1.94%	180	2.14%
Lanford Brothers	190	9	1.92%	219	2.61%
Pepsi Cola Bottling Company	190	10	1.92%	185	2.20%
Roanoke Cement	174	11	1.76%	193	2.30%
Virginia Truck Center	131	12	1.32%	150	1.79%
nTelos / Lumos	111	13	1.12%	108	1.29%
Tread Corporation	98	14	0.99%	30	0.36%
Bank of Botetourt	85	15	0.86%	75	0.89%
Virginia Forge	66	16	0.67%	50	0.60%
Loomis Fargo	65	17	0.66%	80	0.95%
Howell's Motor Freight	56	18	0.57%	40	0.48%
General Shale Brick	56	19	0.57%	157	1.87%
Bank of Fincastle	53	20	0.54%	53	0.63%
Totals	4,110		41.54%	3,278	39.02%

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

Table 18

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	26	26	26	28	29	30	31	31	30	29
Judicial administration	12	12	13	17	17	17	17	16	17	17
Public safety:										
Sheriffs department	87	87	87	103	116	115	108	109	114	113
Fire & rescue	4	5	9	10	14	15	17	25	29	30
Inspections (Development Services)	6	6	6	6	5	5	4	4	8	9
Animal control	2	3	3	3	3	4	4	4	4	4
GIS / Communications	2	2	2	2	2	3	0	0	0	0
Public works:										
Utilities	7	8	8	8	10	11	11	11	12	12
General maintenance	5	5	5	5	6	7	7	7	7	7
Waste Management	6	6	6	5	4	5	4	4	4	4
Engineering	4	4	4	4	4	4	4	4	0	0
Health and welfare:										
Department of social services	18	18	18	18	18	16	16	14	16	15
Comprehensive Services	0	1	1	1	1	1	1	1	1	1
Culture and recreation:										
Parks and recreation	12	13	13	16	18	17	15	16	15	15
Library	12	12	12	13	13	13	14	14	14	13
Tourism / Marketing	0	0	1	1	1	1	1	1	1	1
Community development:										
Planning	3	3	4	4	4	4	4	3	0	0
Totals	206	211	218	244	265	268	258	264	271	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.

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Sheriffs department:										
Physical arrests	2,162	2,565	2,756	2,612	2,422	1,768	1,845	2,402	2,290	2,302
Traffic violations	3,082	3,582	3,494	3,219	2,697	2,330	2,698	3,232	2,951	2,560
Civil papers	8,244	7,906	7,770	6,905	7,298	7,301	7,187	6,955	6,813	6,750
Fire and rescue:										
Number of calls answered	4,673	4,186	4,582	4,956	4,965	5,131	4,615	4,057	4,730	4,719
Building inspections:										
Permits issued (same as Planning)	789	627	740	667	598	462	475	424	378	395
Animal control:										
Number of calls answered	2,507	3,079	3,118	3,484	4,965	6,872	6,082	6,035	6,100	5,210
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	3	3	3	3	3	3
Landfill:										
Refuse collected (tons/day)	95	99	107	110	33	6.5	6.8	7.1	5.6	6.4
Recycling (tons/day)	n/a	29	33	21	17	8.1	9.7	9.5	8.3	10.3
Health and welfare										
Department of Social Services:										
Caseload	1,786	2,300	2,585	2,389	2,448	2,702	3,493	4,125	4,152	4,479
Culture and recreation										
Parks and recreation:										
Recreation permits issued	n/a	70	71	78	69	85	86	93	97	129
After-school program participants	-	-	-	-	-	-	-	-	-	-
Youth sports participants	2,924	2,717	2,953	3,311	3,511	3,594	3,863	3,960	3,931	4,197
Community development										
Planning:										
Zoning permits issued	789	627	740	667	598	462	475	424	378	395
Component Unit - School Board										
Education:										
School age population (per census)		6,224	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of teachers	376	375	387	400	401	409	405	405	414	408
Local expenditures per pupil	3,573	3,601	3,788	3,885	4,075	4,369	4,222	4,344	4,304	4,721

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

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

Table 20

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Administration buildings	3	3	3	3	4	4	4	4	4	4
Vehicles	3	3	4	4	4	5	7	7	4	3
Public safety										
Sheriffs department:										
Patrol units	48	48	48	49	51	51	50	51	51	51
Other vehicles	12	10	12	12	13	14	15	16	15	16
Development Services / Building inspections:										
Vehicles	4	4	4	4	3	4	4	4	7	6
Animal control:										
Vehicles	3	3	3	3	3	4	4	4	4	4
Public works										
General maintenance:										
Trucks/vehicles	8	9	10	12	14	15	14	17	19	22
Landfill:										
Vehicles	12	12	12	11	11	11	8	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	-	-	-	-	-	-	-	-	-	-
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	2	1
Vehicles - Parks & Recreation, Library	14	14	14	15	16	17	19	19	20	21
Parks acreage	20	20	158	158	158	158	158	158	158	158
Swimming pools	-	-	-	-	-	-	-	-	-	-
Tennis courts	2	2	2	2	4	4	4	4	4	4
Community development										
Planning:	2	2	2	2	2	2	1	2	0	0
Vehicles										
Component Unit - School Board										
Education:										
Schools	12	12	12	12	12	12	12	12	12	12
School buses	74	79	77	82	85	89	93	94	96	95

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

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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*

To the 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 the County of Botetourt, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Botetourt, Virginia's basic financial statements, and have issued our report thereon dated October 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the County of Botetourt, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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, Turner, Co. Associates

Blacksburg, Virginia

October 25, 2013

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Botetourt, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Botetourt, Virginia's major federal programs for the year ended June 30, 2013. The 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 the 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 the County of Botetourt, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Botetourt, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2013.

Report on Internal Control Over Compliance

Management of the 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 the 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 the County of Botetourt, Virginia's internal control over compliance.

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

Blacksburg, Virginia
October 25, 2013

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

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	\$ 137,944
<i>Department of Education:</i>			
Schools and Roads - Grants to States	10.665	43841	55,164
School Breakfast Program (Child Nutrition Cluster)	10.553	40591	97,401
<i>State Department of Agriculture:</i>			
Food Distribution-Schools (Note C) (Child Nutrition Cluster)	10.555	NA	\$ 117,217
<i>Department of Education:</i>			
National School Lunch Program (Child Nutrition Cluster)	10.555	40623	455,644
Total Department of Agriculture			<u>\$ 863,370</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	\$ 12,426
Temporary Assistance for Needy Families	93.558	0400111	126,589
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110/0500111	448
Low Income Home Energy Assistance	93.568	0600410/0600411	11,840
Social Services Block Grant	93.667	1000110/1000111	104,564
Chafee Foster Care Independence Program	93.674	9150110/9150111	2,699
Children's Health Insurance Program	93.767	0540110/0540111	3,320
Medical Assistance Program	93.778	1200110/1200111	83,013
Chafee Education and Training Vouchers Program	93.599	9160110	7,330
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110/0900111	727
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111	20,307
Foster Care - Title IV E	93.658	1100110/1100111	131,535
Adoption Assistance	93.659	1120110/1120111	60,196
Total Department of Health and Human Services			<u>\$ 564,994</u>
DEPARTMENT OF ENERGY:			
Pass through payments from:			
<i>State Department of Mines, Minerals and Energy</i>			
Energy Efficiency and Conservation Block Grant Program	81.128	NA	<u>\$ 13,294</u>
DEPARTMENT OF HOMELAND SECURITY:			
Direct payments:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	Not applicable	<u>\$ 427,743</u>
Pass through payments from:			
<i>Department of Emergency Management:</i>			
Emergency Management Performance Grants	97.042	158	52,737
Total U. S. Department of Homeland Security			<u>\$ 480,480</u>
DEPARTMENT OF TRANSPORTATION:			
Pass through payments from:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	50326	<u>\$ 20,743</u>

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
NATIONAL ENDOWMENT FOR ART:			
Pass through payments from:			
<i>Virginia Commission for the Arts</i>			
Promotion of the Arts Partnership Agreements	45.025	13-0346	5,000
DEPARTMENT OF EDUCATION:			
Pass through payments from:			
<i>Department of Education:</i>			
Career and Technical Education -- Basic Grants to States	84.048	61095	\$ 51,660
Adult Education - Basic Grants to States	84.002	42801	29,327
Improving Teacher Quality State Grants	84.367	61480	181,239
Education Jobs Fund, Recovery Act	84.410	62700	6,374
English Language Acquisition State Grants	84.365	NA	2,015
<i>Title I, Part A Cluster:</i>			
Title I Grants to Local Educational Agencies (Title I - Part A Cluster)	84.010	42901	455,489
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States	84.027	73071	987,855
Special Education - Preschool Grants	84.173	62521	26,801
Total Department of Education			<u>\$ 1,740,760</u>
Total Expenditures of Federal Awards			<u>\$ 3,688,641</u>

Note A--Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Botetourt, Virginia under programs of the federal government for the year ended June 30, 2013. 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	\$ 1,373,777
Less: Payment in Lieu of Taxes	\$ (151,322)
Component Unit Schools:	
School Operating Fund	<u>\$ 2,466,186</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 3,688,641</u>

County of Botetourt, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

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>
84.027/84.173	Special Education Cluster (IDEA)
97.083	Staffing for Adequate Fire and Emergency Response

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

County of Botetourt, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013 (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 and Questioned Costs

There were no prior audit findings related to federal awards.