



Fiscal Year Ended
June 30, 2017

Comprehensive Annual Financial Report

Botetourt County,
Virginia



COUNTY OF BOTETOURT, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

Prepared By:
Department of Financial Services

COUNTY OF BOTETOURT, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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INTRODUCTORY SECTION



Botetourt County, Virginia *Board of Supervisors*

1 West Main Street, No. 1
Fincastle Virginia 24090
Phone (540) 928-2006
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Board of Supervisors

I. W. Ieffel, Jr.
Chairman

Todd L. Dodson
Vice Chairman

Billy W. Martin Sr.

Donald M. Scothorn

John B. Williamson, III

December 15, 2017

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

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2017.

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, 2016. This was the twelfth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must establish an easily readable and efficiently organized comprehensive annual report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Robinson, Farmer, Cox Associates, LLC, Certified Public Accountants, have issued an unmodified ("clean") opinion on the County of Botetourt's financial statements for the year ended June 30, 2017. 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 same.

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.

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

Local Economics and Demographics

Based upon the U. S. Census Bureau's 2010 census, Botetourt County's population was 33,148, representing a 9% increase since the 2000 Census. Botetourt County enjoys a diverse economy, with the services sector accounting for 40% of the jobs in the County, manufacturing 17%, trade 19%, government 15%, construction 7%, and all others 2%. The civilian labor force totals approximately 17,913 (June 2017). With regard to the County domiciled workforce, roughly 25% work for the County's top twenty employers. Unemployment remains below the State average.

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

Botetourt County compares favorably to most Virginia counties economically in the area of fiscal stress. The Virginia Auditor of Public Accounts (APA) proposed the use of a new fiscal stress measurement – Financial Assessment Model (FAM), which uses factors such as reserves as a ratio to liabilities, and locality reserves relative to General Fund revenues. For FY16, Botetourt County ranked 32nd out of 95 counties (upper one-third) as its FAM score was 15% greater than the median score. The County's FAM score was 4 times greater than the threshold which indicates the need for intervention on the part of the APA. The County's FAM score is indicative of 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 FY17. With respect to building activity, FY17 building permit activity for residential and commercial construction exceeded FY16 results in terms of number of permits (+ 12%). In terms of total dollar value, FY17's total figure of \$37.3 million was 5% greater than FY16's figure, and FY17's permit dollar value was 12% greater than the 3 year average value from FY14 to FY16.

With respect to residential building construction, FY17's average permit value (\$251,000) increased 18% vs. FY16 and the average value exceeded (20%) the previous three year average. This was the fifth consecutive year that average residential permit values exceeded \$200,000.

Regarding commercial construction, FY17's number of permits (93) was 22% greater than FY16 permits (76). However, the average value was 27% less than for FY16, as FY16 commercial building construction included a \$4.9 million project (nursing home/assisted living facility). Total FY17 commercial permit value (\$13.1 million) approximated the previous three year average.

Economic Development

Economic development activity for Botetourt County during FY17 and leading into FY18 continued the growth and momentum trend in the community. Specifically:

- There was a groundbreaking ceremony in October 2017 for the Botetourt Family YMCA in Daleville Town Center. This 45,000 square foot project will include swimming and therapeutic pools, exercise studios, a basketball court, state-of-the art wellness equipment and amenities that will enhance community health and wellness. The \$10 million facility, which was supported by a successful fund raising drive, is expected to open in December, 2018.
- Arkay Packaging, also located in EastPark, announced in February 2016 a \$15 million investment in equipment and will add fifty (50) jobs within 5 years.
- Headquartered in Italy, ELDOR Corporation, an ignition coil and automotive component manufacturer, announced in March 2016 the location of their first North America manufacturing center in Botetourt Center at Greenfield. The announcement involves a new private investment of \$75.2 million and the creation of 350 jobs in phase 1. During summer 2017, construction commenced on the 250,000 square foot facility, which is slated to be substantially complete by January 2018 with full production beginning during the second quarter of 2018.

- In May 2016, San Diego-based Ballast Point Brewing and Spirits announced its decision to locate its first East Coast production facility in Botetourt County at Greenfield. The announcement involves new private investment of \$47.8 million and the creation of 178 jobs as well as purchasing an existing building and placing it back into manufacturing vs. distribution use. The restaurant opened in June 2017, and the brewing process has been initiated.

- The Virginia Community College System (VCCS) announced in July 2016 its decision to locate a shared services center in Botetourt County at the former Lumos headquarters building. While the announcement does not involve new private taxable investment, the project will bring 190 jobs to the community. VCCS is currently making strides in adding to its employment base.

- In December 2016, Canadian-headquartered Canatal Steel USA, manufacturer of steel structures, announced an expansion of 38 jobs and an investment of \$1.5 million. The company relies heavily on welders and fitters, two positions supplied by the Botetourt Technical Education Center's American Welding Society (AWS) welding lab.

With respect to business activity at Botetourt Center at Greenfield, the Botetourt County Board of Supervisors approved an option and performance agreement for a planned expansion of Altec Industries. Altec, which is a provider of products and services primarily to utility and communication businesses, announced a \$4 million business expansion in 2014/2015 and the creation of 100 jobs (by December 2016) at above-average wages. Altec has undergone a number of expansions and the company continues to be one of the largest employers in the County. In September 2015, Altec exercised an option to purchase 30 acres in Greenfield as they work on the next phase of their master plan. In October 2017, Altec announced its plans for a fifth expansion (\$30 million investment, 65,000 square feet) that would create 180 new jobs.

The Botetourt Center at Greenfield successfully competed with all localities in the Roanoke Valley and was chosen by the Greater Roanoke Valley Development Foundation (GRVDF), in conjunction with the Roanoke Regional Partnership, for a public-private shell building project. The County worked closely with the Foundation to design the shell building. Phase 1 will be 100,000 square feet, expandable to 200,000 square feet. Both aspects of the project will result in increased product and development opportunities at Botetourt Center at Greenfield. Construction of the initial 100,000 square foot shell building commenced October 2016 and is substantially complete. Several companies have visited the building and conversations are on-going.

Dynax America Corporation, a subsidiary of Dynax Corporation of Hokkaido, Japan, invested \$32.6 million (as announced by Virginia Governor McAuliffe in October 2014) to expand its automotive components manufacturing operation. Botetourt County successfully competed against China for this project which will create 75 new advanced manufacturing jobs at an average wage of \$40,683. Dynax will receive benefits from the Port of Virginia Economic and Infrastructure Development Grant Program, as well as employee training activities through the Virginia Jobs Investment Program. Dynax currently employs 600 workers in Botetourt County. Dynax America Corporation is a manufacturer of automatic transmission components, friction disks, mating plates and assemblies.

Early in 2016, the Board of Supervisors gave zoning approval to Apex Clean Energy to construct a utility-scale wind energy project in the northern section of the County. The project involves the construction of up to twenty-five wind turbines that are projected to generate as much as 75 megawatts of electricity. The process has included a public forum on a proposed ordinance as proposed regulations and Zoning Ordinance text amendments were shared with citizens and interested parties. The Virginia Department of Environmental Quality has approved permitting for this Rocky Forge Wind project.

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. September 30th enrollment over the last three years has averaged 4,701 but has been on a consistent decline since FY2011-2012. With respect to academic achievement, the Virginia Department of Education released its listing of public schools that are fully accredited based on achievement results during 2016-2017. All of Botetourt County's public schools comprising its school division were fully accredited. Another notable achievement was the 2016-2017 on-time graduation rates. This rate measures how many students earn a Virginia Board of Education diploma in four years. Botetourt County's on-time graduation rate of 93.5% was exceptional and well above the state average of 91.1%.

The County's CTE (Career and Technical Education) Program is a flourishing career-oriented program that begins its foundation with the use of an Academic Career Plan, which receives updates and follows the students through their middle school years. This is a credentialing initiative for high school students that has grown significantly, including workplace readiness skills that focus on personal, professional, and technology knowledge and skills. The County's two high schools were recognized as Blue Star schools based on qualifications for economics and personal finance. A Mechatronic Program offering makes BTEC the first secondary school to offer a mechatronic engineering program for high school students.

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

Finally, the school system began an effort during the 2015-2016 school year to create the area's only American Welding Society-accredited testing facility at the Botetourt Technical Education Center. This facility opened the 2016-2017 school year, with a welding course, and when passed, allows for the student to sit for the certified exam for the American Welding Society.

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

Higher Education

Two community colleges offer a wide spectrum of education for numerous degrees, as well as adult education programs. In addition, the community colleges operate an in-County education and training center, which supports workforce training for businesses and residents. The County, along with five other regional localities, participates in a CCAP (Community College Access Program) initiative through Virginia Western Community College (VWCC). This program makes attending college a reality for a selected, qualified group of public school students that have financial challenges. Also, Virginia Western Community recently held a groundbreaking ceremony (July 25, 2017) for its \$30+ million investment in the form of a STEM facility. The building will exceed 72,000 square feet, and will be the largest building on campus. It will house engineering fabrication, mechatronics, computer, organic chemistry and microbiology labs and other features promoting STEM learning. VWCC recently (October 7, 2017) held the 10th annual STEM-H Summit and Career Fair, with more than 50 STEM-H based organizations and businesses in attendance.

Dabney S. Lancaster Community College (DSLCC) also plays a role in preparing students for career jobs in Botetourt County, as its Promise Program helps to strengthen the local workforce by providing tuition assistance to as many students as possible, based on need and available funding. DSLCC also has a welding certificate program (an 80 hour Flux Core Arc Welding course), and this offering and the resulting certified students assist in meeting the job market requirements for those specific skills required by County businesses.

These community colleges are presenting viable alternatives to four-year institutions and continue to experience increases in attendance. There are also numerous four-year colleges in the near vicinity of Botetourt County including Virginia Tech.

Long-Term Financial Planning and Policies

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

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

Major Initiatives and Goals

In 2014, the Botetourt County Board of Supervisors made a decision to enhance their long-term planning outlook with a strategic planning process. In November 2014, key historical and current data for the Board's areas of interest was presented to the Board by County staff. In December 2014, a facilitator led the Board through a visioning session and the Board adopted a Vision Statement projected to the year 2040. The Vision statement is sub-titled "Honoring Our History, Enjoying the Present, and Shaping the Future." Key elements contained in the Vision statement are as follows:

Thriving Business Environment
Botetourt Cool Experience
Ample & Reliable Infrastructure & Facilities
Lifelong Learning Excellence

The Gateway Center (Exit 150)
Responsible Governance
Responsive Government
Strategic Land Use

In January 2015, work plans were developed to begin implementing the goals identified for each of the 8 key elements. Several of the goals have already been completed, and while some of the goals have a multi-year timeline. The Strategic Plan was a driving component of the County's FY18 budget process. The Board of Supervisors received an update to the Strategic Plan from senior staff in December 2016. The update revised the data to include the most recent years and highlighted the progress made on the Board's priorities since the original plan.

Current and Future Initiatives

The Virginia Department of Transportation has continued its work on the Interstate 81, Exit 150 and Gateway Crossing project. In December 2016, Gateway Crossing opened, completing Phase 1 of the project. Throughout 2017, construction continued on Phase 2 and the roundabout interchange. The roundabout opened in September 2017, allowing VDOT to move forward to the final phase of the project. It is anticipated that construction will be substantially complete by the end of 2017 and final clean-up will be done by mid-2018.

VDOT has also begun work on improving US 220 north of Eagle Rock. The multi-year project will provide safety enhancements and bridge replacements along the stretch of road between Eagle Rock and Iron Gate.

Internally, with respect to the Exit 150 project, the Department of Community Development continues to identify opportunities to promote and enhance the growth and development of the area around the interchange. In November 2016, the Board of Supervisors established the Urban Development Areas (UDAs) at Exit 150 and in Daleville in order to assist with the planning efforts of those areas. Staff have continued to work with consultants in order to formalize the development guidelines of the UDAs.

Recognizing that the recent job announcements will present further opportunities for growth in Botetourt County, Botetourt County held a county-wide housing summit in March 2017. Attendance included local developers, economic development partners, and public and private funding agencies, with an objective to identify and address the County's shortage of workforce housing availability. A direct outcome of the meeting involves the County creating an additional residential zoning district (R-4) to allow for construction of greater density housing in Botetourt County.

With respect to planned capital improvement projects (CIP), the FY18 County budget is heavily invested in Community and Economic Development projects, as this largest component is 38% (\$675,000) of the total CIP budget of \$1,810,000. There is also \$370,000 set aside for Maintenance projects, including support for County buildings and related equipment. Public Safety projects funding (\$319,000) include Fire and EMS equipment replacement programs for portable and mobile radios. There is also support for General Services projects (\$243,000) which includes funding for a solid waste disposal study and plan. The balance of funding is spread among Technology Services, Libraries, and Parks, Recreation, and Cultural investments.

The County's Recreation & Facilities Department plays a significant role in making Botetourt County a cool place to visit and live. The Department connects people to scenic rivers, hiking and wine trails, youth sports, NCAA Softball, and many other activities for people of all ages.

FY17 recreation highlights included:

- The entire 45-mile stretch of the James River now has the Scenic River Destination, subject to action by the Virginia General Assembly. The County is seeking additional boat access sites along the river.
- Botetourt County was accepted into the Roanoke Valley Greenway Commission in FY16 and is actively planning future greenway routes including Daleville and Tinker Creek.
- Participation in active and passive recreation programs continues to increase. The highly acclaimed Greenfield Disc Golf Course is meeting the needs of local residents and through tournaments and everyday play is bringing people to Botetourt County from other localities and states. The course has been designated a Virginia Treasure by the Virginia Secretary of Nature.
- The Botetourt Sports Complex continues to represent the County as a first-class destination site for regional and national softball tournaments. The County has just completed its eleventh year of operations. Twenty-six events were scheduled at the Complex for 2017.

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

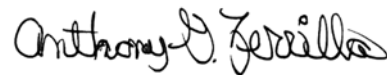
Acknowledgements

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

Respectfully submitted,



Gary Larowe
County Administrator



Anthony G. Zerrilla
Director of Finance



Government Finance Officers Association

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

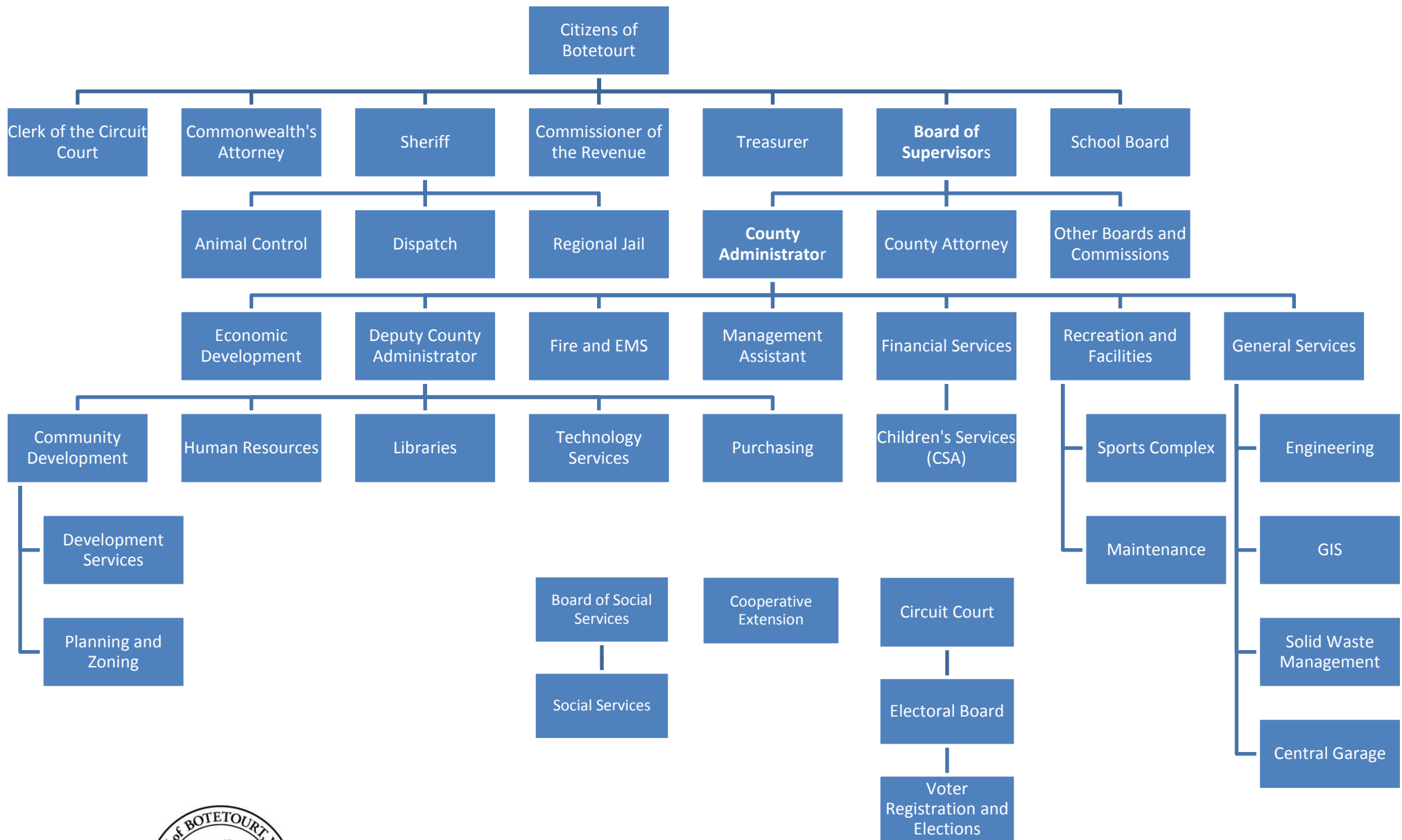
Presented to

**County of Botetourt
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



Botetourt County Organization Chart

Updated August 2017

COUNTY OF BOTETOURT, VIRGINIA

BOARD OF SUPERVISORS

Todd L. Dodson, Vice Chair	L. W. "Jack" Leffel, Chair	Billy W. Martin, Sr.
Donald M. "Mac" Scothorn		John B. Williamson

COUNTY SCHOOL BOARD

Michael Beahm, Vice Chair	Ruth E. Wallace, Chair	John Alderson
Michelle Crook		Scott Swortzel

SOCIAL SERVICES BOARD

Joseph Obenshain, Vice Chair	William Burleson, Chair	Jan E. Smith
Billy W. Martin, Sr.		Betty Painter

OTHER OFFICIALS

Judge of the Circuit Court	Malfourd Trumbo
Clerk of the Circuit Court	Tommy L. Moore
Judge of the General District Court	William Harrison Cleaveland
Judge of the Juvenile & Domestic Relations Court	Paul A. Tucker
Commonwealth's Attorney	Joel R. Branscom
Commissioner of the Revenue	Rodney Spickard
Treasurer	William P. Arney
Sheriff	Ronald N. Sprinkle
Superintendent of Schools	John Busher
Director of Social Services	Susan Goad
County Administrator	Gary Larrowe
County Attorney	Michael W. S. Lockaby

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Botetourt, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County'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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 16-32, 103-106, and 107-112 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, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Information (continued)

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 December 15, 2017, 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 the County of Botetourt, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 15, 2017

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, 2017. This narrative is included to provide insights as to financial results of operations 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, 2018.

Financial Highlights

Government-wide Financial Statements

The assets and deferred outflows of the County of Botetourt, Virginia exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$48,490,809 (net position). Of this amount, \$13,976,126 is unrestricted and may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net position was a deficit of \$24,558,579 (See Exhibit 1); due primarily to the prior year recording of a net pension liability in accordance with Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The amount of the net pension liability recorded in FY16 for the School Board was \$46,118,284, which increased to \$50,213,107 for FY17 (see Note 11).

The Government's net position for governmental activities decreased by \$2,535,410, as expenses exceeded revenues by 4%. While General Revenues increased \$3.7 million (8%), net expenses increased \$7.8 million (14%). General revenues increased primarily due to a \$3.5 million (10%) revenue growth for General Property Taxes. Net Expenses increased primarily due to a \$4.6 million (19%) increase in Education expenses, which is related to a \$4 million transfer of net assets from the County to the School Board.

The School Board's net position was a deficit of \$24,558,579, (See Exhibit 2), which was a deficit decrease of \$3.7 million (13%) compared to FY16. Revenues exceeded net expenses primarily due to a \$4.6 million (19%) increase in unrestricted grants and contributions.

Fund Financial Statements

At the end of the current fiscal year, fund balance for the general fund was \$23,258,472 or 37% of total general fund expenditures (See Exhibit 5). This amount includes taxes and accounts receivable reflected in the fiscal year 2017 budget as well as funds allocated to the School Board and County capital improvement projects for fiscal year 2017.

As of the close of the current fiscal year, the County's governmental fund reported an ending fund balance of \$23,258,472, which is an increase of \$883,737 (4%) versus ending fund balance for fiscal year ended June 30, 2016. The FY17 Budget was a balanced budget, assisted by tax increases for real estate and personal property. The additional increase (\$883,737) in FY17 fund balance was assisted by revenue growth in general property taxes and interest income. The unassigned portion of fund balance is \$22,988,746, which is 99% of total fund balance at 6/30/17. (See Exhibit 3). This represents a \$1.1 million (5%) increase in unassigned fund balance vs. FY16.

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, deferred outflows, liabilities, and deferred inflows 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, deferred outflows, liabilities, deferred inflows and net position. The difference between assets and deferred outflows and liabilities and deferred inflows 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. Effective July 1, 2015 (FY16) the County sold its interest in the Water and Sewer Enterprise Fund, which in previous years showed 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 Economic Development Authority of Botetourt County. 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.

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.

Management's Discussion and Analysis

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 position may serve as a useful indicator of a government's financial position. For the County of Botetourt, assets and deferred outflows exceeded liabilities and deferred inflows by \$48,490,809 at the end of the fiscal year. The County's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

County of Botetourt's Net Position

	Governmental activities	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 28,732,102	\$ 25,589,899
Capital assets	60,977,723	67,123,709
Total assets	<u>89,709,825</u>	<u>92,713,608</u>
Deferred outflows of resources	\$ 2,976,520	\$ 2,138,884
Long-term liabilities	\$ 39,370,805	\$ 40,020,887
Other liabilities	3,894,326	2,124,771
Total liabilities	<u>\$ 43,265,131</u>	<u>\$ 42,145,658</u>
Deferred inflows of resources	\$ 930,405	\$ 1,680,615
Net position:		
Net investment in capital assets	\$ 34,392,020	\$ 38,247,104
Restricted	122,663	276,250
Unrestricted	13,976,126	12,502,865
Total net position	<u>\$ 48,490,809</u>	<u>\$ 51,026,219</u>

For the County's governmental activities, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 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 assets represent less than 1% of total net position. The remaining balance of unrestricted net position, which is \$13,976,126 or 29% of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

Management's Discussion and Analysis

During the current fiscal year, the government's net position decreased \$2,535,410 (5%). Total assets and deferred outflows decreased \$2,166,147 (2%) due to a \$6.1 million (9%) reduction in capital assets. This was due to a transfer of \$8.4 million (gross) of assets to the School Board that was related to retired debt service. Excluding this transfer, total assets and deferred outflows increased \$6.2 million (7%), with the largest component increase in current and other assets, as cash and cash equivalents increased \$3.7 million (17%).

With respect to total liabilities and deferred inflows, there was a \$369,263 (0.1%) increase due to a \$1.8 million (83%) increase in other liabilities. This was primarily due to \$2.6 million of unearned revenue relating to the receipt of \$2.6 million of Virginia's Commonwealth Opportunity Funds (C.O.F.). These economic development incentive funds are being held by the County per the C.O.F. agreement until economic targets are met for new businesses. Deferred inflows reflect a \$750,000 (45%) reduction due to a reduction of inflows of resources relating to pension expense. The County's estimated landfill closure / post-closure liability increased \$227,000 (4%) (Note 17). Capital assets net of related debt decreased approximately \$3.9 million (10%) which is related to the aforementioned transfer of assets to the School Board. Including this transfer, net capital assets have increased \$5 million (19%) since FY10.

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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.

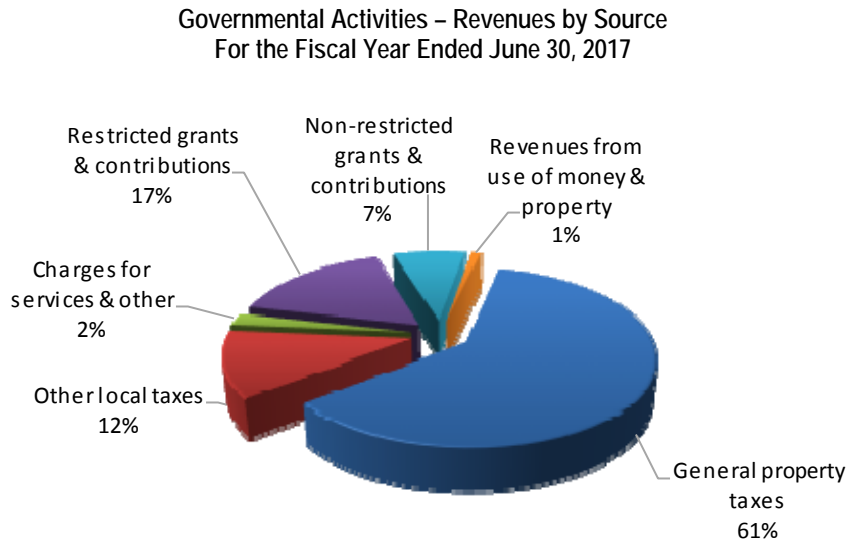
	County of Botetourt's Changes in Net Position					
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,141,443	\$ 1,311,376	\$ -	\$ -	\$ 1,141,443	\$ 1,311,376
Operating grants & contributions	10,392,900	8,642,874	-	-	10,392,900	8,642,874
General revenues:						
General property taxes	38,120,606	34,668,727	-	-	38,120,606	34,668,727
Other local taxes	7,433,479	7,344,360	-	-	7,433,479	7,344,360
Use of money and property	584,924	425,030	-	-	584,924	425,030
Other	236,602	236,630	-	-	236,602	236,630
Grants and contributions not restricted to specific programs	4,647,481	4,655,097	-	-	4,647,481	4,655,097
Total revenues	<u>\$ 62,557,435</u>	<u>\$ 57,284,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,557,435</u>	<u>\$ 57,284,094</u>
Expenses:						
General government	\$ 3,262,898	\$ 3,568,952	\$ -	\$ -	\$ 3,262,898	\$ 3,568,952
Judicial administration	1,447,717	1,375,872	-	-	1,447,717	1,375,872
Public safety	15,488,180	14,128,003	-	-	15,488,180	14,128,003
Public works	3,037,535	2,120,535	-	-	3,037,535	2,120,535
Health and welfare	3,670,110	3,518,667	-	-	3,670,110	3,518,667
Education	28,951,576	24,384,045	-	-	28,951,576	24,384,045
Parks, recreation and cultural	2,908,049	3,586,367	-	-	2,908,049	3,586,367
Community development	5,287,116	3,449,920	-	-	5,287,116	3,449,920
Interest on long-term debt	1,039,664	1,134,705	-	-	1,039,664	1,134,705
Loss on transfer of business	-	-	-	11,073,566	-	11,073,566
Total expense	<u>\$ 65,092,845</u>	<u>\$ 57,267,066</u>	<u>\$ -</u>	<u>\$ 11,073,566</u>	<u>\$ 65,092,845</u>	<u>\$ 68,340,632</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (2,535,410)</u>	<u>\$ 17,028</u>	<u>\$ -</u>	<u>\$ (11,073,566)</u>	<u>\$ (2,535,410)</u>	<u>\$ (11,056,538)</u>
Transfers in (out)	<u>\$ -</u>	<u>\$ 9,999</u>	<u>\$ -</u>	<u>\$ (9,999)</u>	<u>\$ -</u>	<u>\$ -</u>
Increase (decrease) in net position	<u>\$ (2,535,410)</u>	<u>\$ 27,027</u>	<u>\$ -</u>	<u>\$ (11,083,565)</u>	<u>\$ (2,535,410)</u>	<u>\$ (11,056,538)</u>
Net position, beginning	<u>51,026,219</u>	<u>50,999,192</u>	<u>-</u>	<u>11,083,565</u>	<u>51,026,219</u>	<u>62,082,757</u>
Net position, ending	<u>\$ 48,490,809</u>	<u>\$ 51,026,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,490,809</u>	<u>\$ 51,026,219</u>

Management's Discussion and Analysis

Governmental Activities

Governmental activities decreased the County's net position by \$2,535,410. Key elements relating to FY17 activities as compared to the prior year (FY16) will be discussed below.

The following chart provides a breakdown of the various FY17 revenue components. The largest source is general property taxes (\$38.1 million), which accounts for 61% of total governmental revenues (\$62.6 million).

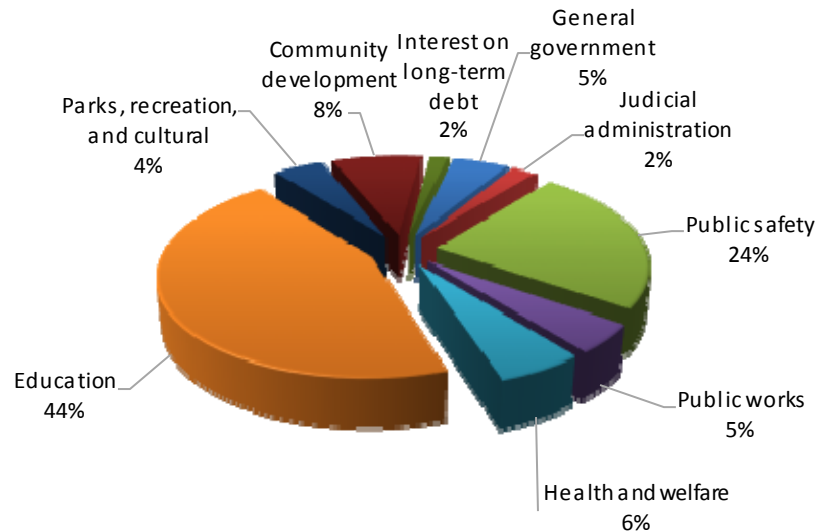


- Revenues: General property taxes increased \$3.5 million (10%). The largest contributor to this increase was Real Property taxes, which increased \$2.2 million (9%) due to a 10% increase in the tax rate. Personal Property taxes increased \$644,000 (12%) as a result of growth and a 3% increase in the tax rate. Public Service Corporations taxes increased \$513,000 (29%) due to continued progress and increased reported values for a multi-year electric utility project.
- Revenues: Revenues from the use of money and property increased \$160,000 (38%) due primarily to increased investment balances and improving rates of return on funds invested.
- Revenues: Operating Grants and Contributions increased \$1,750,000 (20%) due primarily to a) a \$1.3 million (74%) increase in Governor's Opportunity Funds, and b) a \$385,000 (143%) increase in General Government Administrative grants, which included state revenue sharing and water program grants.
- Revenues: All other revenue categories totaling \$13.5 million decreased \$88,000, or less than 1%.
- Overall, revenues for governmental activities increased \$5.3 million (9%).

Management's Discussion and Analysis

The following chart reflects the distribution of FY17 governmental expenses. As shown, education expenditures account for 44% of total expenditures, and when combined with public safety, expenditures for these two categories are 68% of total expenditures of \$65.1 million.

Governmental Activities – Expenses by Function
For the Fiscal Year Ended June 30, 2017



- Expenses: General Government Administration expenses totaling \$3,263,000 decreased \$306,000 (9%) vs. FY16. On a departmental basis, County Administration decreased \$60,000 due primarily to non-recurring FY16 transitional cost stemming from a personnel change. The Registrar's department for FY16 included purchases of voting machines and peripheral equipment costing \$120,000, which did not recur. FY16 costs totaling \$147,000 for Assessor and Board of Equalization costs for the real estate tax assessment did not recur as well.
- Expenses: Public Safety expenses increased \$1,360,000 (10%). On a departmental basis, Volunteer Fire & Rescue Services increased \$76,000 (7%) for non-capital items due primarily to additional operation and equipment support costs. Sheriff's Department non-capital expenses increased \$124,000 (3%) due primarily to costs associated with wages, fringe benefits, as an additional road deputy was hired. Fire & EMS non-capital expenses increased \$300,000 (11%) due primarily to an increase in wages and benefit costs, which included the hiring of an additional 24x7 crew. There was a \$415,000 reduction in the amount of Development Services department cost that were reflected in Public Safety; the FY17 cost is a more proper allocation of the inspection costs that should be regarded as Public Safety. Finally, when compared to FY16, the accounting for capital-related items for Public Safety resulted in an increase of \$796,000.

Management's Discussion and Analysis

- Expenses: Public Works expenses increased \$917,000 (43%). Maintenance department costs increased \$156,000 (20%) in the areas of repairs and contracted costs and building project work. wages, fringe benefits, maintenance and repairs, contracted services, and utility costs. The primary reason for the increase in cost is due to two large dollar capital improvement projects that exceeded FY16's total project costs by \$804,000. These projects were allocated to Public Works.
- Expenses: Community Development costs increased \$1,837,000 (53%). This was primarily due to a \$1.2 million increase in Contributions to the Economic Development Authority of Botetourt County. In addition, economic development expenses in prior years were included in General Government Administration. A distinct Economic Development department was established in FY17, and these costs of \$451,000 are now included in the Community Development function. This results in a net increase in economic development costs for FY17 of \$226,000, as FY16 Community Development function costs contained an economic development incentive payment of \$225,000. Finally, community development departmental expenses were reflected as public safety expenses in FY6. For FY17, the Community Development department is reflected in the Community Development function; these costs were \$472,000 in FY17.
- Expenses: Interest on Long-Term Debt decreased \$95,000 (8%) due to a) retirement of a Virginia Public School Authority (VPSA) debt instrument and b) interest expense reductions in debt service payments for ongoing debt.
- Expenses: Health & Welfare expenses increased \$151,000 (5%). This was due to a) an \$85,000 (6%) increase in Children's Services Act (CSA) activity and b) an \$86,000 (22%) increase in Tax Relief for the Elderly.
- Expenses: Parks, Recreation and Cultural expenses decreased \$678,000 (19%). This was primarily due to FY16 nonrecurring costs of \$333,000 relating to the stabilization and relocation of two historic structures at the Greenfield complex. In addition, Tourism costs of \$249,000 for FY16 were included this function, while FY17 costs for Tourism were included in the Economic Development department. Finally, Parks & Recreation departmental costs were decreased by approximately \$94,000 (7%) in FY17.
- Expenses: Education expenses increased \$4.6 million (19%) vs. FY16 results. This increase was primarily due a \$4 million transfer of assets from the County to the School Board relating to the retirement of debt service which supported those assets.
- Overall, for reasons cited above, expenses for governmental activities increased \$7.8 million (14%). When the \$4 million transfer of assets is excluded, FY17 expenses reflect a \$3.8 million (7%) increase.

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.

Management's Discussion and Analysis

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 FY17's figure of 36% is consistent with FY16's figure of 36%. This percentage remained the same despite a 3% increase in governmental fund expenditures.

At the end of the fiscal year, the County's governmental funds reported an ending fund balance of \$23,258,472, an increase of \$883,737 (4%) versus the prior year. FY17 revenues increased \$5.4 million (8%), while FY17 expenditures were \$2.1 million (3%) greater than FY16 expenditures (Exhibit 5). When compared to FY16, the FY17 unassigned portion (\$22,988,746) of ending fund balance represents a \$1.1 million (5%) increase. Unassigned fund balance provides significant flexibility with respect to future discretionary spending.

As previously stated, the County's FY17 governmental fund balance increased \$883,737. Fiscal Year 2017 operational highlights include the following:

Revenues: Total FY17 revenues for the Primary Government increased \$5.4 million (9%). Approximately \$3.4 million (62%) of the total revenue increase was reflected in General Property Taxes, while another \$1.7 million (32%) of the total revenue increase was reflected in Intergovernmental revenues.

- Local Revenues: (A) General property taxes increased \$3.4 million (10%). Real property taxes increased \$2.2 million (9%) due to a 10% increase in the real estate tax rate. Public Service Corporations taxes increased \$513,000 (29%) due to a multi-year utility project. Personal property taxes increased \$644,000 (12%) due to a) an increase in reported values and b) a 3% increase in the tax rate. (B) Revenue from Use of Money and Property increased \$160,000 (38%) due to an increase in available funds, and slightly increasing interest rates. (C) Recovered costs increased \$267,000 (17%) due primarily to a) a \$84,000 (8%) increase in the Emergency Services Cost Recovery program and b) a \$240,000 increase in other recovered costs, due primarily to increases in expenditure reimbursements and insurance settlements. Total local revenues of \$49.2 million increased \$3.7 million (8%).
- State Revenues: FY17 revenues of \$14.1 million from the State increased \$1.8 million (14%) due primarily to a) \$1.3 million in additional Governor's Opportunity Funds, b) a \$254,000 VDOT grant, and c) a \$250,000 Virginia Department of Housing grant. All of these increases are reflected in Other Categorical Aid.
- Federal Revenues: totaled \$922,000, which represented a \$21,000 (2%) decrease. This decrease was due to the non-recurrence of additional FY16 funds received for Payments In Lieu of Taxes (PILT).
- These subject revenues are shown in Schedule 1.

Management's Discussion and Analysis

Expenditures: Total expenditures for the Primary Government for FY17 increased \$2.1 million (3%). Approximately \$1.9 million of the increase occurred in one functional area (Community Development). Also, wages and benefits were impacted by a) a 2% raise effective 9/1/16 at an estimated cost of \$250,000, and b) salary compression adjustments (Phase 2), for Sheriff's Department employees totaling approximately \$15,000. The raise impact will be reflected in all departments containing County and Constitutional employees. Explanations of cost variances as compared to FY16 are as follows:

- General Government Administration's costs for FY17 decreased \$447,000 (12%). Approximately \$100,000 of the decrease is due to the FY16 non-recurrence of employee transition costs regarding the County Administrator position. FY16 expenses included \$147,000 of Assessor and Equalization Board costs relating to the completion of the 2016 real estate tax reassessment. Also, FY16 Electoral Board / Registrar area included nonrecurring costs of \$120,000 for voting machines and peripheral equipment. Smaller decreases were realized in Deputy Administrator and Management Information Systems departments.
- Public Safety costs were \$372,000 (2%) more than FY16. Sheriff's Department's expenses were \$189,000 (4%) greater than FY16 due to increased wages and benefits and equipment purchases. Volunteer Fire & Rescue costs for FY17 were \$561,000 (41%) greater than FY16 due to a) a \$381,000 increase in vehicle purchases due to a fire truck purchase, b) a \$58,000 increase in instruction and training costs, c) a \$36,000 in fire insurance costs, and d) a \$40,000 increase in other capital purchases. Emergency Services costs for FY17 increased \$227,000 (7%) due to a \$269,000 (11%) increase in wages and fringe benefits, as an additional 24x7 crew was added to the employee base. A reduction in capital outlay purchases served to partially offset the labor cost increase. Building Inspection costs decreased \$415,000 (58%), as the planning and zoning portion of these costs are now reflected in Community Development. Dispatch costs decreased \$164,000 (17%) principally due to the non-recurrence of a use of a \$150,000 E-911 grant. Correction & Detention costs for FY17 were \$78,000 (2%) less than FY16 due to a reduction in machinery and equipment purchases. Finally, Emergency Communications expenses were \$45,000 (12%) greater than FY16 due to increased machinery & equipment costs.
- Public Works costs of \$1,955,000 were \$140,000 (8%) greater than FY16 costs. General Properties cost increased \$156,000 (20%), due to a) increased building repair costs and b) an increase in maintenance project costs. A small (\$23,000) decrease in Public Works cost assisted in offsetting a portion of the General Properties increase for this category.
- Parks, Recreation, and Cultural expenses were \$766,000 (22%) less than FY16. This was primarily due to the nonrecurring costs of \$333,000 relating to the stabilization and relocation of two historic structures in the Greenfield complex. In addition, FY16 Tourism costs of \$248,000 were included in this category last year but were included in Community Development in FY17. Parks & Recreation costs were \$94,000 (7%) below FY16 costs due to a) the non-recurrence of the FY16 purchase of two vehicles, and b) a reduction in building repairs. Finally, Sports Complex costs were \$58,000 (13%) less than FY16 due to a reduction in overall operating costs.

Management's Discussion and Analysis

- Health and Welfare costs of \$3,739,000 were \$132,000 (4%) greater than in FY16. Comprehensive Services Act expenses increased \$85,000 (6%) due to an increase in costs for the providing of mandated youth services. Also, there was a \$86,000 (22%) increase in Tax Relief for the Elderly, as this program was financially enhanced for its users. The total increase for this category was partially offset by reduced costs in Welfare Services.
- Judicial administration costs of \$1,508,000 were approximately \$72,000 (5%) greater than costs incurred in FY16. Approximately \$50,000 of this increase is reflected in Commonwealth's Attorney department due to the renovation of a leasehold building. The majority of the balance of the increase is due to the 2% wage adjustment that was effective 9/1/16 for all County and Constitutional departments.
- Community Development costs totaling \$5,274,000 increased \$1,857,000 (54%) due primarily to a) incremental contributions of \$1.1 million to the Economic Development Authority and b) Economic Development costs in excess of economic-related costs for FY16 in the amount of \$226,000. Also, Community Development department costs of \$472,000 are now reflected in this category; these costs were included in Public Safety in FY16. Finally, the County increased (\$73,000) its support to Virginia's Blue Ridge, a regional economic development organization in order to achieve full membership representation.
- Education expense of \$24,053,000 resulted in a \$794,000 (3%) increase primarily due to increased contributions to the County School Board.
- Debt Service costs decreased \$530,000 (14%), due primarily to \$437,000 of reduced principal retirements, as a 1995 school bond issuance was retired.
- Capital Projects – Spending (\$1,036,000) for capital projects was significantly more (\$441,000, 74%) than last year. This was due to FY17 additional spending of \$518,000 for a VDOT revenue sharing project.
- Expenditure categorization and activity is reflected in Schedule 2.

General Fund Budgetary Highlights

Differences between the original budgeted expenditures and the final budgeted expenditures for the General Fund totaled \$8,942,493. This difference was primarily due to supplemental appropriations. Major components of this difference are as follows:

- Appropriations of \$4,786,949 for contributions to the Economic Development Authority of Botetourt County.
- Appropriations of budgeted carryover funds from the fiscal year ended June 20, 2016 for programs and capital projects in the amount of \$2,227,383.
- Appropriations of \$554,925 for CIP capital project activity.

Management's Discussion and Analysis

- Appropriation of \$485,000 from revenues for tax relief for the elderly.
- Additional appropriation of \$354,772 for fire & rescue programs.
- Appropriations of \$289,593 for Children's Services (CSA) activity.
- Appropriations of \$91,524 for Sheriff's department activity.

The above-mentioned appropriations for amended budget expenditures total \$8,790,146, or 98% of the difference between the original budget appropriation and the amended budget.

With respect to FY17 amended budget vs. actual results, general fund revenues for the primary government were approximately \$4,171,000 (7%) over budget for the year. Results for revenues from local sources accounted for a \$542,000 (1%) positive variance, due primarily to results vs. budget for general property taxes. State revenues were approximately \$3.6 million (34%) over budget due to the Governor's Opportunity Fund grant funds, and Federal revenues were approximately \$40,000 (5%) over budget primarily due to a supplemental PPTRA payment.

Amended budget vs. actual results for general fund government expenditures for FY17 reflected an 8% (\$5.2 million) positive variance due to significant savings in several categories. Most notably, there were significant positive variances vs. budget in the areas of Public Safety, Community Development, Capital Projects, General Government Administration, and Parks, Recreation, and Cultural categories. When combined, these categories account for \$4.7 million (89%) of the total \$5.2 million positive variance. Public Safety budget savings represented approximately \$1.4 million, or 27% of budget savings.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2017 is \$60,977,723 (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 \$6.1 million (1%) decrease from the prior year.

Major capital asset transactions included the following for FY17:

A net \$6 million decrease in values for buildings & improvements, as a net \$4 million of assets were transferred to the School Board, and there was \$2 million in FY17 depreciation on existing assets.

A \$97,000 (2%) decrease in net machinery & equipment assets. Construction in progress activity yielded a \$41,000 (4%) decrease.

Management's Discussion and Analysis

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

		Governmental activities	
		<u>2017</u>	<u>2016</u>
Land	\$	11,014,465	\$ 11,014,465
Buildings		44,933,684	50,941,762
Machinery and equipment		3,948,609	4,045,688
Construction in progress		<u>1,080,965</u>	<u>1,121,794</u>
Total	\$	<u><u>60,977,723</u></u>	<u><u>\$ 67,123,709</u></u>

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	
		<u>2017</u>	<u>2016</u>
General obligation bonds	\$	24,845,517	\$ 26,423,079
Literary Loans		2,161,580	2,813,510
Capital Leases		353,964	465,397
Landfill closure / post-closure		5,783,581	5,556,893
Compensated absences		711,883	777,438
Net pension liability		<u>5,514,280</u>	<u>3,984,570</u>
Total	\$	<u><u>39,370,805</u></u>	<u><u>\$ 40,020,887</u></u>

Botetourt County's FY17 outstanding debt for governmental activities decreased \$650,000 (2%). This was primarily due to a \$2.3 million (7%) reduction in combined general obligations, unamortized premium, literary fund, and capital lease debt. All of these debt instruments were paid down in FY17 with no new issuances. With respect to landfill obligations, cost estimates provided by an independent consulting firm resulted in a \$227,000 (4%) increase in the liability. Net pension liability increased \$1.5 million (38%) (Please see Note 7).

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 \$814
- Net bonded debt to assessed value, limit 4%, actual 0.64%
- Ratio of debt service to total general governmental expenditures, limit 10%, actual 5.32%.

Additional information on the County's capital asset activity (Note 13) and long-term debt (Notes 7, 8, 9, and 10) can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

As has been the case since the most recent recession, the FY18 budget process was challenging. Tax rate increases for real estate and personal property taxes were approved in FY17, so the goal for the Botetourt County Board of Supervisors was to balance the budget without consideration of a tax increase. After several rounds of revenue estimates and forecasts, a County revenue budget was developed, which included a \$2.4 million (4%) revenue increase. Approximately \$2.3 million of the total increase was reflected in local revenues, with the largest impact shown in Public Service Corporations Tax, as a large multi-year utility project is expected to yield incremental revenues of \$900,000 for FY18. Personal property taxes, other local taxes, and recovered costs budget elements also contribute to the increase in local revenues. State and Federal revenues are expected to be relatively flat for FY18.

The expenditure portion of the County FY18 budget only reflected a \$54,000 (0.2%) increase in operational costs, which included a 1.5% wage increase for employees earning less than \$38,000 per year, and a 1.3% increase for employees earning more than \$35,000 per year. The wage increases were effective 9/1/17 for both County and Constitutional employees. There were reductions in approximately 50% of the departments / areas which assisted in providing for a nearly flat operational budget. The budget also included \$1.8 million for capital improvement projects (CIP), an increase of \$317,000 (21%), and was heavily invested in community and economic development projects, which accounted for 38% of the total CIP budget.

Botetourt County has an economic development authority (EDA) which relies heavily on county funding. With a continuing increase in economic development activity, and the need to provide for local incentives in addition to providing for future projects, \$1.85 million was included in the budget as a contribution to the Botetourt County EDA.

The Debt Service portion of the FY18 budget reflected a \$152,000 (5%) reduction, due to continued pay down of existing debt.

The School portion of the FY18 budget called for level funding of \$24.2 million.

The total FY18 budget of \$95 million (3% increase) was approved in April 2017.

Factors and finer points regarding the FY18 Budget are as follows:

- The most recent unemployment rate published (September, 2017) for the County is 3.4%, which is a decrease from the rate of 3.6 percent from the same month a year ago. This compares favorably to the State's September 2017 unemployment rate of 3.6 percent and the current national rate of 4.1 percent. In terms of a positive trend, the September 2016 unemployment rate for Botetourt County is below the FY17 average monthly unemployment rate of 3.6%.

Management's Discussion and Analysis

- The School Board preliminary budget identified approximately \$1.5 million in new needs. The School budget eliminated eleven (11) positions from their classified plan, and targeted \$1 million in decreases to individual operating budgets and implemented other cross-department savings. The School Board provided for step pay increases for administrative personnel, and ongoing step corrections for another 350 personnel. Also, lease purchasing was utilized to purchase six (6) new buses as part of a multi-year replacement plan. All of these budget components resulted in a flat contribution of \$24.2 million for the county.
- FY18 County revenues from the State are budgeted to increase \$103,000 (1%), while Federal revenues budgeted for FY18 reflect a \$2,800 (0.3%) increase. With nearly no appreciable increase in state and federal revenues, it is evident that the county relies heavily on incremental local revenues to increase the revenue base.
- In terms of personnel additions, three (3) county departments are budget for additional resources. The Sheriff's Correction and Detention department is to receive a nurse. Fire & EMS is budgeted for the net impact of three (3) ALS (Advanced Life Support) employees. The Fire & EMS area will utilize part-time and overtime wage reductions as a means of covering nearly all of the costs for the three positions. Finally, the Economic Development department is expected to add an Agriculture Development Officer. These additions carry a total wage and benefit net impact of \$200,000.
- The total General Fund FY18 capital project (CIP) budget of \$1,810,000 represents a \$317,000 (21%) increase in relation to capital project dollars budgeted for FY17. The budget includes \$675,000 for Community and Economic development areas, with the largest component being \$475,000 for economic development and incentives. There is \$370,000 included in the budget for maintenance projects, which will address County building and equipment needs. General Services has \$243,000 in CIP projects, which include funding for a solid waste disposal study and plan. Public Safety will receive \$319,000 of the total CIP budget to cover radio replacement programs, as the county works toward a new emergency communications system. Finally, \$100,000 is set aside in Parks, Recreation and Cultural are for development of the county's greenway project.
- During the budget process, measures were taken to seek opportunities for cost reduction and minimization at the departmental level. As a result, at the administrative recommendation stage and before compensation and final add-on items, when compared to the FY17 budget, of the 40 departments, 25 departments / agencies reflected decreases, 7 departments showing less than a 1% increase, and 2 departments show less than a 2% increase. Therefore, 34 of the 40 departments / agencies experienced decreases or only up to a 2% increase. Cost reductions and cost maintenance assisted in supporting those departments that required cost increases exceeding 3%.
- As has been detailed, there are many initiatives incorporated into the FY18 Budget, including an overall increase in capital improvement projects, strategic public safety and economic development spending initiatives, increased hospital and medical costs, a flat contribution to the School Board, employee raises and other compensation considerations. At the end of the process, the FY18 Budget was balanced, with no requirement to supplement the budget with fund balance.

Management's Discussion and Analysis

All of these factors were considered in preparation, development, and approval of Botetourt County's budget for the 2018 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 Economic Development Authority (EDA) issues separate financial statements, while the Component-unit School Board does not. The EDA'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.co.botetourt.va.us

Basic Financial Statements

County of Botetourt, Virginia
Statement of Net Position
June 30, 2017

	Primary Government		Component Units	
	Governmental			
	Activities	School Board	EDA	
ASSETS				
Cash and cash equivalents	\$ 25,479,956	\$ 6,983,675	\$ 110,379	
Receivables (net of allowance for uncollectibles):				
Taxes receivable	886,251	-	-	
Accounts receivable	611,907	2,790	-	
Due from primary government	-	-	3,721	
Due from other governmental units	1,484,262	1,312,656	-	
Inventories	-	44,434	-	
Prepaid items	147,063	-	-	
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	122,663	97,079	-	
Capital assets (net of accumulated depreciation):				
Land	11,014,465	2,115,631	541,796	
Buildings and improvements	44,933,684	17,077,742	2,708,978	
Machinery and equipment	3,948,609	1,636,979	-	
Construction in progress	1,080,965	-	-	
Total assets	\$ 89,709,825	\$ 29,270,986	\$ 3,364,874	
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	\$ 775,358	\$ -	\$ -	
Pension contributions subsequent to measurement date	1,115,124	4,154,989	-	
Items related to measurement of net pension liability	1,086,038	3,841,581	-	
Total deferred outflows of resources	\$ 2,976,520	\$ 7,996,570	\$ -	
LIABILITIES				
Accounts payable	\$ 466,150	\$ 1,023,564	\$ 3,585	
Accrued wages and health claims	418,573	4,323,443	-	
Accrued interest payable	405,882	2,797	4,982	
Due to component unit	3,721	-	-	
Unearned revenue	2,600,000	-	28,750	
Long-term liabilities:				
Due within one year	2,733,855	558,489	313,419	
Due in more than one year	36,636,950	52,213,997	650,455	
Total liabilities	\$ 43,265,131	\$ 58,122,290	\$ 1,001,191	
DEFERRED INFLOWS OF RESOURCES				
Property taxes paid in advance	\$ 199,283	\$ -	\$ -	
Items related to measurement of net pension liability	731,122	3,703,845	-	
Total deferred inflows of resources	\$ 930,405	\$ 3,703,845	\$ -	
NET POSITION				
Net investment in capital assets	\$ 34,392,020	\$ 20,429,361	\$ 2,286,900	
Restricted:				
Law library	1,862	-	-	
Cafeteria operations	-	97,079	-	
Property seizure	74,436	-	-	
Van program	13,512	-	-	
E-Summons	32,853	-	-	
Unrestricted	13,976,126	(45,085,019)	76,783	
Total net position	\$ 48,490,809	\$ (24,558,579)	\$ 2,363,683	

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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		
					Governmental Activities	School Board	EDA	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 3,262,898	\$ 68,472	\$ 653,770	\$ -	\$ (2,540,656)	\$ -	\$ -	
Judicial administration	1,447,717	180,704	734,572	-	(532,441)	-	-	
Public safety	15,488,180	547,878	3,916,259	-	(11,024,043)	-	-	
Public works	3,037,535	184,054	-	-	(2,853,481)	-	-	
Health and welfare	3,670,110	-	1,929,663	-	(1,740,447)	-	-	
Education	28,951,576	-	-	-	(28,951,576)	-	-	
Parks, recreation, and cultural	2,908,049	160,335	151,636	-	(2,596,078)	-	-	
Community development	5,287,116	-	3,007,000	-	(2,280,116)	-	-	
Interest on long-term debt	1,039,664	-	-	-	(1,039,664)	-	-	
Total governmental activities	\$ 65,092,845	\$ 1,141,443	\$ 10,392,900	\$ -	\$ (53,558,502)	\$ -	\$ -	
COMPONENT UNITS:								
School Board	\$ 54,403,219	\$ 1,099,246	\$ 27,114,118	\$ -	\$ -	\$ (26,189,855)	\$ -	
Economic Development Authority	4,165,253	351,021	3,999,716	-	-	-	185,484	
Total component units	\$ 58,568,472	\$ 1,450,267	\$ 31,113,834	\$ -	\$ -	\$ (26,189,855)	\$ 185,484	
General revenues:								
General property taxes					\$ 38,120,606	\$ -	\$ -	
Other local taxes:								
Local sales and use taxes					2,835,846	-	-	
Consumers' utility taxes					568,681	-	-	
Business license taxes					813,572	-	-	
Motor vehicle taxes					666,327	-	-	
Restaurant food taxes					1,302,205	-	-	
Other local taxes					1,246,848	-	-	
Unrestricted revenues from the use of money and property					584,924	23,797	856	
Miscellaneous					236,602	905,364	-	
Grants and contributions not restricted to specific programs					4,647,481	28,914,436	-	
Total general revenues					\$ 51,023,092	\$ 29,843,597	\$ 856	
Change in net position					\$ (2,535,410)	\$ 3,653,742	\$ 186,340	
Net position - beginning					51,026,219	(28,212,321)	2,177,343	
Net position - ending					\$ 48,490,809	\$ (24,558,579)	\$ 2,363,683	

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

County of Botetourt, Virginia
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 24,076,167
Receivables (net of allowance for uncollectibles):	
Taxes receivable	886,251
Accounts receivable	595,581
Due from other governmental units	1,484,262
Prepaid items	147,063
Restricted assets:	
Cash and cash equivalents	122,663
Total assets	<u>\$ 27,311,987</u>
LIABILITIES	
Accounts payable	\$ 466,150
Due to component unit	3,721
Unearned revenue	2,600,000
Total liabilities	<u>\$ 3,069,871</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	\$ 784,360
Property taxes paid in advance	199,284
Total deferred inflows of resources	<u>\$ 983,644</u>
FUND BALANCES	
Nonspendable	
Prepaid items	\$ 147,063
Restricted	
Law library	1,862
Property seizure	74,436
Van program	13,512
E-Summons	32,853
Unassigned	22,988,746
Total fund balances	<u>\$ 23,258,472</u>
Total liabilities, deferred outflows of resources, and fund balances	<u>\$ 27,311,987</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, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 23,258,472
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 11,014,465	
Buildings and improvements	44,933,684	
Machinery and equipment	3,948,609	
Construction in progress	<u>1,080,965</u>	60,977,723
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes		784,361
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.		1,001,542
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		1,115,124
Items related to measurement of the net pension liability are considered deferred outflows or deferred inflows and will be amortized and recognized in pension expense over future years.		
Deferred outflows of resources	\$ 1,086,038	
Deferred inflows of resources	<u>(731,122)</u>	354,916
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds/refunding bonds/literary fund loans	\$ (25,500,023)	
Deferred charges on refunding (to be amortized as interest expense)	775,358	
Bond premium (to be amortized over life of debt)	(1,507,074)	
Capital leases	(353,964)	
Accrued interest payable	(405,882)	
Landfill postclosure liability	(5,783,581)	
Compensated absences	(711,883)	
Net pension liability	<u>(5,514,280)</u>	(39,001,329)
Net position of governmental activities		<u><u>\$ 48,490,809</u></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, 2017

	<u>General</u>
REVENUES	
General property taxes	\$ 38,014,898
Other local taxes	7,433,479
Permits, privilege fees, and regulatory licenses	384,983
Fines and forfeitures	112,769
Revenue from the use of money and property	584,924
Charges for services	643,691
Miscellaneous	236,602
Recovered costs	1,813,036
Intergovernmental	15,040,381
Total revenues	<u>\$ 64,264,763</u>
EXPENDITURES	
Current:	
General government administration	\$ 3,430,318
Judicial administration	1,508,125
Public safety	16,283,139
Public works	1,995,355
Health and welfare	3,739,064
Education	24,052,579
Parks, recreation, and cultural	2,690,794
Community development	5,274,157
Capital projects	1,035,549
Debt service:	
Principal retirement	2,150,758
Interest and other fiscal charges	1,218,669
Total expenditures	<u>\$ 63,378,507</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 886,256</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	\$ (2,519)
Total other financing sources (uses)	<u>\$ (2,519)</u>
Net change in fund balances	\$ 883,737
Fund balances - beginning	22,374,735
Fund balances - ending	<u>\$ 23,258,472</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, 2017

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

Net change in fund balances - total governmental funds	\$	883,737
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 1,103,423	
Transfer of asset from County to Component Unit-School Board	(3,983,052)	
Depreciation expenses	<u>(3,266,357)</u>	(6,145,986)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ 105,708	
Change in deferred inflows related to the measurement of the net pension liability	<u>769,641</u>	875,349

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:		
Increase in accrued landfill closure/postclosure liability	\$ (226,688)	
Principal repayments:		
General obligation bonds/literary loans/capital leases	<u>2,150,758</u>	1,924,070

Pension contribution subsequent to the measurement date will be an decrease in the net pension liability in the next fiscal year and therefore, are not reported in the funds.		(198,379)
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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.

Change in compensated absences	\$ 65,555	
Change in accrued interest payable	38,861	
Change in net pension liability	(1,529,710)	
Change in deferred outflows related to the measurement of the net pension liability	1,086,038	
Amortization of bond premium	190,167	
Amortization of deferred charge on refunding	<u>(50,023)</u>	(199,112)

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.

324,911

Change in net position of governmental activities	<u>\$</u>	<u>(2,535,410)</u>
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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, 2017

	Internal Service <u>Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,403,789
Accounts receivable, net of allowance for uncollectibles	16,326
Total assets	<u>\$ 1,420,115</u>
LIABILITIES	
Current liabilities:	
Accrued health claims	\$ 418,573
Total liabilities	<u>\$ 418,573</u>
NET POSITION	
Unrestricted	\$ 1,001,542
Total net position	<u><u>\$ 1,001,542</u></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, 2017

	Internal Service <u>Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 3,307,246
Total operating revenues	<u>\$ 3,307,246</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 2,984,854
Total operating expenses	<u>\$ 2,984,854</u>
Operating income (loss)	<u>\$ 322,392</u>
Income before transfers	\$ 322,392
Transfers in	<u>2,519</u>
Change in net position	\$ 324,911
Total net position - beginning	676,631
Total net position - ending	<u><u>\$ 1,001,542</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, 2017

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 3,290,920
Payments for health claims	(3,056,277)
Net cash provided by (used for) operating activities	<u>\$ 234,643</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>\$ 2,519</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ 2,519</u>
Net increase (decrease) in cash and cash equivalents	\$ 237,162
Cash and cash equivalents - beginning	<u>1,166,627</u>
Cash and cash equivalents - ending	<u><u>\$ 1,403,789</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 322,392</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in accounts receivable	\$ (16,326)
Increase (decrease) in health claims payable	(71,423)
Total adjustments	<u>\$ (87,749)</u>
Net cash provided by (used for) operating activities	<u><u>\$ 234,643</u></u>

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, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,200,083
Total assets	<u>\$ 1,200,083</u>
LIABILITIES	
Amounts held for social services clients	\$ 36,426
Amounts held for employees	3,582
Amounts held for other agencies	985,672
Amounts held for performance bond	88,060
Amounts held for inmates	86,343
Total liabilities	<u>\$ 1,200,083</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, 2017

Note 1-Summary of Significant Accounting Policies:

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

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

Jointly Governed Organizations - The County, in conjunction with other localities, participates in supporting the Blue Ridge Community Services Board and the Roanoke Center for Animal Control and Protection (Pound). The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$38,743 to the Blue Ridge Community Services Board and \$218,343 to the Pound.

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 (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide statement of net position and will report depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reported as unavailable revenues.

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

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

The government reports the following major governmental fund:

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 *nonoperating* 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 proprietary fund are charges to customers for insurance premiums. Operating expenses for proprietary funds include insurance claims and expenses. All revenues and expenses not meeting this definition are reported as nonoperating 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

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost in accordance with GASB 79. All other 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). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). 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 November 1st. Personal property taxes are due and collectible annually on November 1st. 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 \$26,391 at June 30, 2017 consisting of delinquent taxes.

6. Use of Estimates

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

7. Compensated Absences

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

Note 1-Summary of Significant Accounting Policies: (Continued)**D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance
(Continued)****8. Capital assets**

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

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	10-20*
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

* up to the remaining life of the building

9. Pensions

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

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

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

10. Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

11. 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, 2017 and classified fund balance into the following five categories:

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

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

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

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

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

11. Fund equity (Continued)

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

12. 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.

13. 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.

14. 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.

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

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

15. Restricted Assets

Restricted assets consist of cash and cash equivalents that are legally restricted for use by enabling state legislation, grant awards or lease agreements.

16. 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.

17. Self-Insurance

The County was self-insured for health insurance beginning with the fiscal year ending June 30, 2012. The School Board was self-insured for health insurance beginning with the fiscal year ending June 30, 2015. Estimates for the accrued liability at the end of the year have been recorded.

18. 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. The County only has two items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. It is also comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

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

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

18. Deferred Outflows/Inflows of Resources (Continued)

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 two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30th and property taxes paid in advance, which are deferred and recognized as an inflow of resources in the period that the amounts become available. Under the accrual basis, amounts prepaid on property taxes are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or fund level (School Board). Only the Board of Supervisors can revise the appropriation for each department or fund. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund is integrated only at the level of legal adoption.

Note 2-Stewardship, Compliance, and Accountability: (Continued)

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, 2017, expenditures did not exceed appropriations in any departments.

C. Deficit fund equity

At June 30, 2017, there were no funds with negative equity.

Note 3-Deposits and Investments:

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

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

The County did not hold any investments during the year.

Interest Rate Risk

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

Custodial Credit Risk

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 4-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	\$ 476,870	\$ -
Categorical aid-State sales tax	-	1,001,869
Categorical aid-Other	638,381	-
Non-categorical aid	148,189	-
Categorical aid-Virginia Public Assistance	33,894	-
Categorical aid-Comprehensive Services Act	122,453	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	64,475	-
Categorical aid-Other	-	310,787
Totals	<u>\$ 1,484,262</u>	<u>\$ 1,312,656</u>

Note 5-Interfund/Component-Unit Obligations:

At year end, there were no interfund obligations.

Component-unit obligations at June 30, 2017, consisted of the following:

Fund	Due to Component Unit	Due from Primary Government
Primary Government:		
Governmental Activities	\$ 3,721	\$ -
Component Unit		
EDA	-	3,721
Total	<u>\$ 3,721</u>	<u>\$ 3,721</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 6-Interfund Transfers/Component Unit Contributions:**

Primary government contributions to component units for the year ended June 30, 2017, consisted of the following:

Component Unit:	
School Board	\$ 24,015,439
EDA	3,999,716
Total	<u>\$ 28,015,155</u>

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.

Note 7-Long-Term Obligations:**Primary Government - Governmental Activities Obligations:**

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2017.

	Balance July 1, 2016	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017
General Obligation				
Bonds	\$ 24,725,838	\$ -	\$ (1,387,395)	\$ 23,338,443
Unamortized Premium	1,697,241	-	(190,167)	1,507,074
Literary Fund Loans	2,813,510	-	(651,930)	2,161,580
Capital leases	465,397	-	(111,433)	353,964
Landfill closure/ post-closure liability	5,556,893	226,688	-	5,783,581
Compensated absences	777,438	517,524	(583,079)	711,883
Net pension liability	3,984,570	4,589,225	(3,059,515)	5,514,280
Total	<u>\$ 40,020,887</u>	<u>\$ 5,333,437</u>	<u>\$ (5,983,519)</u>	<u>\$ 39,370,805</u>

For governmental activities, compensated absences, landfill closure/post-closure liability, and net pension liabilities are generally liquidated in the General Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 7-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Obligations: (Continued)

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
2018	\$ 1,433,365	\$ 1,050,670	\$ 651,930	\$ 64,847
2019	1,504,378	977,646	651,930	45,290
2020	1,510,434	902,758	401,930	25,732
2021	1,576,537	826,132	401,930	13,674
2022	1,657,687	747,753	53,860	2,424
2023-2027	9,592,506	2,433,485	-	-
2028-2032	4,953,538	708,136	-	-
2033	1,109,998	20,669	-	-
Totals	<u>\$ 23,338,443</u>	<u>\$ 7,667,249</u>	<u>\$ 2,161,580</u>	<u>\$ 151,967</u>

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:						
School construction	4.1% - 5.225%	4/30/1998	2019	1,545,000	\$ 150,000	\$ 75,000
School construction	4.1% - 5.1%	5/11/2006	2026	15,890,000	9,880,000	785,000
Fire Truck Loan	4.25%	8/6/2013	2029	446,372	323,443	23,365
Jail Construction Refunding Bond	2.011%-5.125%	8/14/2014	2033	13,150,000	12,985,000	550,000
Total General Obligation Bonds					<u>\$ 23,338,443</u>	<u>\$ 1,433,365</u>
Add:						
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	1,507,074	-
Net General Obligation Bonds					<u>\$ 24,845,517</u>	<u>\$ 1,433,365</u>
Literary Fund Loans:						
School construction	3.00%	12/1/2000	2021	\$ 7,500,000	\$ 1,500,000	\$ 375,000
School construction	3.00%	2/1/1999	2019	5,000,000	500,000	250,000
School construction	3.00%	1/15/2003	2023	538,600	161,580	26,930
Total Literary Fund Loans					<u>\$ 2,161,580</u>	<u>\$ 651,930</u>
Capital Leases:						
Equipment		5/29/2015		\$ 473,288	\$ 289,299	\$ 93,715
Equipment		6/30/2015		53,016	32,336	10,468
Equipment		7/31/2015		53,130	32,329	10,465
Total Capital Leases					<u>\$ 353,964</u>	<u>\$ 114,648</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 711,883	\$ 533,912
Landfill closure/post-closure liability	n/a	n/a	n/a	n/a	5,783,581	-
Net pension liability	n/a	n/a	n/a	n/a	5,514,280	-
Total Other Obligations					<u>\$ 12,009,744</u>	<u>\$ 533,912</u>
Total Long-term obligations					<u>\$ 39,370,805</u>	<u>\$ 2,733,855</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 8-Long-Term Obligations-Component Unit: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, 2017.

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital lease	\$ -	\$ 505,586	\$ (104,595)	\$ 400,991
Net OPEB obligation	1,302,000	406,000	(164,000)	1,544,000
Compensated absences	634,427	455,781	(475,820)	614,388
Net pension liability	46,118,284	13,398,454	(9,303,631)	50,213,107
Total	<u>\$ 48,054,711</u>	<u>\$ 14,765,821</u>	<u>\$ (10,048,046)</u>	<u>\$ 52,772,486</u>

Note 8-Long-Term Obligations-Component Unit: (Continued)Discretely Presented Component Unit – School Board Obligations: (Continued)Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Capital Lease		2/2/2017		\$ 505,586	\$ 400,991	\$ 97,698
Other Obligations:						
Net OPEB Obligation	n/a	n/a	n/a	n/a	1,544,000	-
Compensated Absences	n/a	n/a	n/a	n/a	614,388	460,791
Net Pension Liability	n/a	n/a	n/a	n/a	50,213,107	-
Total long-term obligations					<u>\$ 52,772,486</u>	<u>\$ 558,489</u>

Compensated absences, pension liabilities, and net OPEB obligations of the Component Unit - School Board are liquidated by the School Operating Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 9-Capital Leases:**

The County has entered into three capital leases for the purchase of County-wide communications equipment. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date.

Total capital assets acquired through capital leases are as follows:

County-wide communication equipment	\$ 579,434
Total capital assets	<u>\$ 579,434</u>
Accumulated Depreciation	<u>(226,376)</u>
Net Book Value of Capital Assets	<u><u>\$ 353,058</u></u>

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2018	\$ 124,281
2019	124,281
2020	124,281
Total minimum lease payments	\$ 372,843
Less: amount representing interest	(18,879)
Present value of future minimum lease payments	<u><u>\$ 353,964</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 10-Capital Lease-Component Unit:****Discretely Presented Component Unit – School Board Capital Lease:**

The School Board has entered into a capital lease for the purchase of school buses. This lease agreements qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of future minimum lease payments as of the inception date.

Total capital assets acquired through capital leases are as follows:

School buses	\$ 505,586
Total capital assets	<u>\$ 505,586</u>
Accumulated Depreciation	<u>(18,611)</u>
Net Book Value of Capital Assets	<u><u>\$ 486,975</u></u>

Present value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2018	\$ 104,595
2019	104,595
2020	104,595
2021	<u>104,595</u>
Total minimum lease payments	\$ 418,380
Less: amount representing interest	<u>(17,389)</u>
Present value of future minimum lease payments	<u><u>\$ 400,991</u></u>

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Note 11-Pension Plan:***Plan Description***

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 11-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Note 11-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 11-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

Note 11-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

Note 11-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component:</u> (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

Note 11-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.

Note 11-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

Note 11-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

Note 11-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

Note 11-Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. •Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 11-Pension Plan:** (Continued)*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	104	152
Inactive members:		
Vested inactive members	37	44
Non-vested inactive members	66	64
Inactive members active elsewhere in VRS	64	26
Total inactive members	167	134
Active members	275	127
Total covered employees	546	413

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

The County's contractually required contribution rate for the year ended June 30, 2017 was 9.78% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 11-Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,115,124 and \$1,310,669 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit-School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 9.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit-School Board's nonprofessional employees were \$231,795 and \$280,851 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The County's and Component Unit-School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit-School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Note 11-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
 - Decrease in rates of disability retirement
 - Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Note 11-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Note 11-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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Note 11-Pension Plan: (Continued)***Long-Term Expected Rate of Return***

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 11-Pension Plan: (Continued)*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County and Component Unit-School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 44,585,222	\$ 40,600,652	\$ 3,984,570
Changes for the year:			
Service cost	\$ 1,506,669	\$ -	\$ 1,506,669
Interest	3,057,284	-	3,057,284
Differences between expected and actual experience	(476,335)	-	(476,335)
Contributions - employer	-	1,310,669	(1,310,669)
Contributions - employee	-	553,564	(553,564)
Net investment income	-	718,947	(718,947)
Benefit payments, including refunds of employee contributions	(1,819,459)	(1,819,459)	-
Administrative expenses	-	(24,969)	24,969
Other changes	-	(303)	303
Net changes	\$ 2,268,159	\$ 738,449	\$ 1,529,710
Balances at June 30, 2016	\$ 46,853,381	\$ 41,339,101	\$ 5,514,280

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 11-Pension Plan: (Continued)*Changes in Net Pension Liability (Continued)*

	Component Unit-School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 12,609,719	\$ 10,717,435	\$ 1,892,284
Changes for the year:			
Service cost	\$ 246,453	\$ -	\$ 246,453
Interest	856,146	-	856,146
Differences between expected and actual experience	(497,217)	-	(497,217)
Contributions - employer	-	280,851	(280,851)
Contributions - employee	-	115,418	(115,418)
Net investment income	-	179,145	(179,145)
Benefit payments, including refunds of employee contributions	(758,111)	(758,111)	-
Administrative expenses	-	(6,778)	6,778
Other changes	-	(77)	77
Net changes	\$ (152,729)	\$ (189,552)	\$ 36,823
Balances at June 30, 2016	\$ 12,456,990	\$ 10,527,883	\$ 1,929,107

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Note 11-Pension Plan: (Continued)*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the County and Component Unit-School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County's and Component Unit-School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	11,763,660	5,514,280	337,131
Component Unit School Board (nonprofessional)			
Net Pension Liability	3,270,971	1,929,107	791,367

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 11-Pension Plan: (Continued)*****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2017, the County and Component Unit-School Board (nonprofessional) recognized pension expense of \$984,700 and \$35,219, respectively. At June 30, 2017, the County and Component Unit-School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit-School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 731,122	\$ 9,839	\$ 249,845
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	1,086,038	-	273,742	-
Employer contributions subsequent to the measurement date	1,115,124	-	231,795	-
Total	\$ 2,201,162	\$ 731,122	\$ 515,376	\$ 249,845

\$1,115,124 and \$231,795 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit-School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2018	\$ (208,232)	\$ (237,552)
2019	(208,232)	(2,493)
2020	411,437	162,146
2021	359,943	111,635
Thereafter	-	-

Note 11-Pension Plan: (Continued)

Component Unit-School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$3,923,194 and \$3,678,209 for the years ended June 30, 2017 and June 30, 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the school division reported a liability of \$48,284,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.34454% as compared to 0.35138% at June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 11-Pension Plan: (Continued)Component Unit-School Board (professional) (Continued)*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

For the year ended June 30, 2017, the school division recognized pension expense of \$3,918,456. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,564,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	2,758,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	800,000	1,890,000
Employer contributions subsequent to the measurement date	<u>3,923,194</u>	<u>-</u>
Total	\$ <u>7,481,194</u>	\$ <u>3,454,000</u>

\$3,923,194 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in fiscal the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2018	\$ (523,000)
2019	(523,000)
2020	871,000
2021	454,000
Thereafter	(175,000)

Note 11-Pension Plan: (Continued)Component Unit-School Board (professional) (Continued)*Net Pension Liability*

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	44,182,326
Plan Fiduciary Net Position		30,168,211
Employers' Net Pension Liability (Asset)	\$	<u>14,014,115</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		68.28%

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

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Note 11-Pension Plan: (Continued)

Component Unit-School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Note 11-Pension Plan: (Continued)Component Unit-School Board (professional) (Continued)*Long-Term Expected Rate of Return*

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Note 11-Pension Plan: (Continued)**Component Unit-School Board (professional) (Continued)*****Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability	68,829,000	48,284,000	31,360,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12-Unearned and Deferred/Unavailable Revenue:

Unearned and deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis of accounting, assessment for future periods are deferred.

Primary Government:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$784,360 at June 30, 2017.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2017 but paid in advance by the taxpayers totaled \$199,284.

Unearned Grant Revenue - The County received Governor's Opportunity Funds during the year. At June 30, 2017, they had \$2,600,000 in funds they had not spent.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 13-Capital Assets:**

Capital asset activity for the year ended June 30, 2017 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 11,014,465	\$ -	\$ -	\$ 11,014,465
Construction in progress	1,121,794	196,129	(236,958)	1,080,965
Total capital assets not being depreciated	<u>\$ 12,136,259</u>	<u>\$ 196,129</u>	<u>\$ (236,958)</u>	<u>\$ 12,095,430</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 79,442,999	\$ 25,970	\$ (8,385,372)	\$ 71,083,597
Machinery and equipment	13,206,728	1,118,282	(59,496)	14,265,514
Total capital assets being depreciated	<u>\$ 92,649,727</u>	<u>\$ 1,144,252</u>	<u>\$ (8,444,868)</u>	<u>\$ 85,349,111</u>
Accumulated depreciation:				
Buildings and improvements	\$ (28,501,237)	\$ (2,050,996)	\$ 4,402,320	\$ (26,149,913)
Machinery and equipment	(9,161,040)	(1,215,361)	59,496	(10,316,905)
Total accumulated depreciation	<u>\$ (37,662,277)</u>	<u>\$ (3,266,357)</u>	<u>\$ 4,461,816</u>	<u>\$ (36,466,818)</u>
Total capital assets being depreciated, net	<u>\$ 54,987,450</u>	<u>\$ (2,122,105)</u>	<u>\$ (3,983,052)</u>	<u>\$ 48,882,293</u>
Governmental activities capital assets, net	<u>\$ 67,123,709</u>	<u>\$ (1,925,976)</u>	<u>\$ (4,220,010)</u>	<u>\$ 60,977,723</u>

Assets with a net book value of \$3,983,052 were transferred to the Component-unit School Board during the fiscal year.

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Note 13-Capital Assets: (Continued)

Primary Government: (Continued)

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

Governmental activities:	
General government administration	\$ 202,333
Judicial administration	10,927
Public safety	1,682,221
Public works	106,781
Health and welfare	490
Education	915,945
Parks, recreation, and culture	342,690
Community development	<u>4,970</u>
Total depreciation expense-governmental activities	<u>\$ 3,266,357</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 13-Capital Assets: (Continued)**

Capital asset activity for the School Board for the year ended June 30, 2017 was as follows:

Discretely Presented Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,925,631	\$ 190,000	\$ -	\$ 2,115,631
Total capital assets not being depreciated	<u>\$ 1,925,631</u>	<u>\$ 190,000</u>	<u>\$ -</u>	<u>\$ 2,115,631</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 36,878,280	\$ 9,004,955	\$ -	\$ 45,883,235
Machinery and equipment	8,346,952	552,313	-	8,899,265
Total capital assets being depreciated	<u>\$ 45,225,232</u>	<u>\$ 9,557,268</u>	<u>\$ -</u>	<u>\$ 54,782,500</u>
Accumulated depreciation:				
Buildings and improvements	\$ (23,149,627)	\$ (5,655,866)	\$ -	\$ (28,805,493)
Machinery and equipment	(6,802,347)	(459,939)	-	(7,262,286)
Total accumulated depreciation	<u>\$ (29,951,974)</u>	<u>\$ (6,115,805)</u>	<u>\$ -</u>	<u>\$ (36,067,779)</u>
Total capital assets being depreciated, net	<u>\$ 15,273,258</u>	<u>\$ 3,441,463</u>	<u>\$ -</u>	<u>\$ 18,714,721</u>
School Board capital assets, net	<u>\$ 17,198,889</u>	<u>\$ 3,631,463</u>	<u>\$ -</u>	<u>\$ 20,830,352</u>

Assets with a net book value of \$3,983,052 (gross \$8,385,372 net of accumulated depreciation of \$4,402,320) were transferred from the primary government during the fiscal year.

Note 14-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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 14-Risk Management: (Continued)

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

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

Note 15-Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*. 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 16-Surety Bonds:

Primary Government:

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

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Note 16-Surety Bonds: (Continued)

Selective Insurance Company of America:

Gary Larrowe, County Administrator	\$ 250,000
David Moorman, Deputy County Administrator	150,000
Anthony Zerrilla, Finance Manager	150,000
Karen Dunbar, Bookkeeper	150,000
Veronica Ramsey, Bookkeeper	150,000
All administrative employees	50,000
All Social Services employees: blanket bond	100,000

United States Fidelity and Guaranty Company-Surety:

Board of Supervisors:

John B. Williamson	\$ 1,000
L.W. (Jack) Leffel	1,000
Dr. Donald M. (Mac) Scothorn	1,000
Billy W. Martin, Sr.	1,000
Todd L. Dodson	1,000

Component Unit - School Board:

The Continental Insurance Company:

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

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Note 17-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 97% of its estimated capacity. Total closure and post-closure care cost have been estimated to be \$5,953,823 based on 100% usage of the facility. This represents what it would cost to perform all closure and post-closure care in 2017. Landfill closure and post-closure care costs are allocated based on landfill capacity to date. As such, approximately 97% of the aforementioned amount has been recognized as a liability in the financial statements (\$5,783,581). The remaining amount to be recognized, \$170,242, 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, 2017, the landfill's remaining life is estimated to be seven 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 18 - Arbitrage Rebate Compliance:

As of June 30, 2017 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 19 - Contingencies and Commitments:

After year end, a company filed an appeal of their machinery and tools taxes requesting a refund of approximately \$250,000. The County anticipates that the bulk of this claim will not stand and therefore no allowance has been made for same in the accompanying financial statements. In a similar event, a second company has indicated that they will file for a refund of a portion of their machinery and tools taxes; however, to date the amount of any request has not been received and therefore no allowance has been recorded in these financial statements.

The County had no significant commitments at year end.

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Note 20-Other Postemployment Benefits - Health Insurance:**Component Unit: School Board****A. Plan Description**

The 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 669 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 October 1, 2016:

<u>Participants</u>	Pre-65 Coverage	Post-65 Coverage
	<u>Total Premium</u>	<u>Total Premium</u>
Employee	\$ 584.78	\$ 517.12
Employee / Spouse	846.25	N/A
Employee / Child	1,165.81	N/A
Family	1,467.94	N/A

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 20-Other Postemployment Benefits - Health Insurance: (Continued)Component Unit: School Board (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

For 2017, the Board's annual contribution of \$164,000 did not equal the annual OPEB cost of \$406,000. The obligation calculation is as follows:

Annual required contribution	\$ 408,000
Interest on net OPEB obligation	52,000
Adjustment to annual required contribution	(54,000)
Annual OPEB cost (expense)	\$ 406,000
Contributions made	164,000
Increase in net OPEB obligation	\$ 242,000
Net OPEB obligation - beginning of year	1,302,000
Net OPEB obligation - ending of year	\$ 1,544,000

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
6/30/2017	\$ 406,000	60%	\$ 1,544,000
6/30/2016	381,000	62%	1,302,000
6/30/2015	372,000	56%	1,158,000

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2016 (date of the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 4,973,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 4,973,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 27,543,000
UAAL as a percentage of covered payroll	18.06%

Note 20-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 July 1, 2016, most recent actuarial valuation, the entry age normal cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, and investment rate of return at 4.00%, and a health care trend rate of 7% graded to 5% decreasing 0.5% per year. The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at July 1, 2016, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

Note 21-Other Postemployment Benefits - VRS Health Insurance Credit:

Professional Employees - Component Unit School Board

A. Plan Description

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

Note 21- 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 11.

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 0.65%, 0.57%, and 0.57%, of annual covered payroll for the years ending June 30, 2017, 2016, and 2015, respectively. The School Board's contributions to VRS for the years ending June 30, 2017, 2016, and 2015 were \$16,062, \$13,398, and \$13,248, respectively, and equaled the required contributions for each year.

C. Annual OPEB Cost and Net OPEB Obligation

For 2017, the Board's annual contribution of \$16,602 equaled the annual required contribution (OPEB cost). The obligation calculation is as follows:

Annual required contribution	\$ 16,602
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>\$ 16,602</u>
Contributions made	<u>16,602</u>
Increase in net OPEB obligation	<u>\$ -</u>
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - ending of year	<u><u>\$ -</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 21-Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)****C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

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

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 16,602	100%	\$ -
6/30/2016	13,398	100%	\$ -
6/30/2015	13,248	100%	-

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2016 (date of the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 220,567
Actuarial value of plan assets	\$ 49,516
Unfunded actuarial accrued liability (UAAL)	\$ 171,051
Funded ratio (actuarial value of plan assets/AAL)	22.45%
Covered payroll (active plan members)	\$ 2,359,017
UAAL as a percentage of covered payroll	7.25%

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, 2017**Note 21-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, 2016, most recent actuarial valuation, the entry age normal cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.50%, payroll growth rate of 3.00% and investment rate of return at 7.00%. The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2016, was 18-27 years. Amortizations are open ended in that they begin anew at each valuation date.

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

Note 22-Self Health Insurance:

The County 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 2017, a total of \$3,056,277 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 \$418,573 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 two fiscal years 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>
2016-17	\$ 489,996	\$ 2,984,854	\$ (3,056,277)	\$ 418,573
2015-16	414,999	3,345,725	(3,270,728)	489,996
2014-15	369,938	3,243,796	(3,198,735)	414,999

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 22-Self Health Insurance: (Continued)Component Unit: School Board

The School Board established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the School Board and are available to pay claims, and administrative costs of the program. During the fiscal year 2017, a total of \$6,255,452 was paid in benefits and administrative costs. The risk assumed by the School Board 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 \$620,018 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Activity of the School Board self-insurance program is reported within the School Operating Fund. 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>
2016-17	\$ 1,020,241	\$ 5,855,229	\$ (6,255,452)	\$ 620,018
2015-16	436,900	5,874,910	(5,291,569)	1,020,241
2014-15	-	3,968,047	(3,531,147)	436,900

Note 23-Litigation:

At June 30, 2017, 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 24-Upcoming Pronouncements:

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, Irrevocable Split-Interest Agreements, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Note 24-Upcoming Pronouncements: (Continued)

Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 37,369,500	\$ 37,812,811	\$ 38,014,898	\$ 202,087
Other local taxes	7,493,000	7,493,000	7,433,479	(59,521)
Permits, privilege fees, and regulatory licenses	339,950	335,950	384,983	49,033
Fines and forfeitures	110,000	110,000	112,769	2,769
Revenue from the use of money and property	415,900	415,900	584,924	169,024
Charges for services	700,806	700,806	643,691	(57,115)
Miscellaneous	43,200	43,200	236,602	193,402
Recovered costs	1,771,041	1,771,041	1,813,036	41,995
Intergovernmental	11,410,634	11,410,634	15,040,381	3,629,747
Total revenues	<u>\$ 59,654,031</u>	<u>\$ 60,093,342</u>	<u>\$ 64,264,763</u>	<u>\$ 4,171,421</u>
EXPENDITURES				
General government administration:				
Board of supervisors	\$ 225,661	\$ 238,411	\$ 228,697	\$ 9,714
County administrator	432,299	447,914	379,444	68,470
Deputy administrators	342,937	391,163	310,669	80,494
Central garage	85,036	73,037	63,909	9,128
Commissioner of revenue	402,961	403,211	378,214	24,997
Central purchasing	94,645	96,927	94,326	2,601
Treasurer	475,608	475,607	462,715	12,892
Management information systems	913,277	989,074	878,881	110,193
Financial services	351,250	352,463	328,591	23,872
Nondepartmental	232,217	190,217	-	190,217
Electoral board/registrar	317,357	327,279	304,872	22,407
Total general government administration	<u>\$ 3,873,248</u>	<u>\$ 3,985,303</u>	<u>\$ 3,430,318</u>	<u>\$ 554,985</u>
Judicial administration:				
Circuit court	\$ 67,796	\$ 71,396	\$ 70,001	\$ 1,395
General district court	31,123	36,723	29,106	7,617
Magistrate	997	996	899	97
Clerk of the circuit court	640,364	651,237	620,775	30,462
Commonwealth's attorney	763,158	790,658	787,344	3,314
Total judicial administration	<u>\$ 1,503,438</u>	<u>\$ 1,551,010</u>	<u>\$ 1,508,125</u>	<u>\$ 42,885</u>
Public safety:				
Sheriff	\$ 4,839,149	\$ 5,004,060	\$ 4,753,867	\$ 250,193
Fire departments and rescue squads	1,286,756	2,359,557	1,946,723	412,834
Emergency communications	296,371	501,371	410,806	90,565

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
EXPENDITURES (Continued)				
Public safety: (Continued)				
County operated institutions - jail	\$ 4,102,823	\$ 4,221,301	\$ 4,068,506	\$ 152,795
Probation office	4,352	4,352	4,241	111
Juvenile detention	90,000.00	111,650	107,450	4,200
Building inspections	324,480	343,401	301,811	41,590
Animal control	546,441	563,382	506,621	56,761
Emergency services	3,530,459	3,709,952	3,377,325	332,627
Dispatch	841,023	851,137	805,789	45,348
Total public safety	\$ 15,861,854	\$ 17,670,163	\$ 16,283,139	\$ 1,387,024
Public works:				
Refuse collection and disposal	\$ 733,827	\$ 760,825	\$ 757,480	\$ 3,345
Public works	337,105	302,643	291,788	10,855
General properties	858,093	1,070,560	946,087	124,473
Total public works	\$ 1,929,025	\$ 2,134,028	\$ 1,995,355	\$ 138,673
Health and welfare:				
Supplement of local health department	\$ 329,252	\$ 329,252	\$ 322,117	\$ 7,135
Mental health contribution	38,743	38,743	38,743	-
Welfare administration and programs	1,407,084	1,407,084	1,297,606	109,478
Comprehensive services act	1,243,890	1,533,461	1,508,265	25,196
Senior van program	73,292	72,469	61,369	11,100
Tax relief for the elderly	-	485,000	483,464	1,536
Other welfare programs	27,500	27,500	27,500	-
Total health and welfare	\$ 3,119,761	\$ 3,893,509	\$ 3,739,064	\$ 154,445
Education:				
Contribution to Community Colleges	\$ 37,140	\$ 37,140	\$ 37,140	\$ -
Contribution to County School Board	24,199,282	24,199,282	24,015,439	183,843
Total education	\$ 24,236,422	\$ 24,236,422	\$ 24,052,579	\$ 183,843
Parks, recreation, and cultural:				
Supervision of parks and recreation	\$ 1,302,835	\$ 1,353,077	\$ 1,159,681	\$ 193,396
Sports complex	485,162	500,857	403,032	97,825
Tourism	-	-	-	-
Contributions to cultural organizations	23,000	28,000	28,000	-
Greenfield Historical Resources	-	38,169	34,370	3,799
Library expenses	1,132,065	1,126,041	1,065,711	60,330
YMCA support	100,000	100,000	-	100,000
Total parks, recreation, and cultural	\$ 3,043,062	\$ 3,146,144	\$ 2,690,794	\$ 455,350

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
EXPENDITURES (Continued)				
Community development:				
Economic Development Partnership	\$ 289,623	\$ 290,543	\$ 289,022	\$ 1,521
Contribution to Economic Development Authority	-	4,786,949	3,999,716	787,233
Industrial development	142,000	133,712	7,405	126,307
Community development	507,521	537,114	472,064	65,050
Economic development	497,234	642,592	450,775	191,817
Extension office	62,641	62,641	55,175	7,466
Total community development	\$ 1,499,019	\$ 6,453,551	\$ 5,274,157	\$ 1,179,394
Capital projects:				
VDOT revenue sharing	\$ -	\$ 522,866	\$ 523,440	\$ (574)
Website design	40,000	64,953	1,613	63,340
Emergency operations center	12,000	12,000	4,238	7,762
Dale court water	-	355,902	285,749	70,153
Greenfield education and training	20,000	18,620	-	18,620
Greenway project	-	72,000	43,803	28,197
Community recreation incentive program	35,000	22,119	-	22,119
Library incentive fund	10,000	7,978	-	7,978
Economic development program	350,000	305,488	45,554	259,934
Circuit courthouse complex	100,000	6,584	-	6,584
PC/laptop replacement	59,000	36	-	36
Enterprise-wide software	400,000	683,021	129,489	553,532
Solid waste disposal study	-	-	1,663	(1,663)
Daleville to Greenfield water	25,000	37,000	-	37,000
Library system-program study	20,000	20,000	-	20,000
Mobile radio replacement	80,000	-	-	-
Emergency communications project	100,000	-	-	-
Total capital projects	\$ 1,251,000	\$ 2,128,567	\$ 1,035,549	\$ 1,093,018
Debt service:				
Principal retirement	\$ 2,118,502	\$ 2,179,127	\$ 2,150,758	\$ 28,369
Interest and other fiscal charges	1,218,700	1,218,700	1,218,669	31
Total debt service	\$ 3,337,202	\$ 3,397,827	\$ 3,369,427	\$ 28,400
Total expenditures	\$ 59,654,031	\$ 68,596,524	\$ 63,378,507	\$ 5,218,017
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (8,503,182)	\$ 886,256	\$ 9,389,438

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (2,519)	\$ (2,519)
Total other financing sources (uses)	\$ -	\$ -	\$ (2,519)	\$ (2,519)
Net change in fund balances	\$ -	\$ (8,503,182)	\$ 883,737	\$ 9,386,919
Fund balances - beginning	-	8,503,182	22,374,735	13,871,553
Fund balances - ending	\$ -	\$ -	\$ 23,258,472	\$ 23,258,472

Note 1: GAAP serves as the budgetary basis of accounting

County of Botetourt, Virginia
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2017

School Board Health Insurance Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2016	\$ -	\$ 4,973,000	\$ 4,973,000	0.00%	\$ 27,543,000	18.06%
July 1, 2014	-	4,753,000	4,753,000	0.00%	28,175,000	16.87%
July 1, 2012	-	3,812,000	3,812,000	0.00%	27,173,000	14.03%

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, 2016	\$ 49,516	\$ 220,567	\$ 171,051	22.45%	\$ 2,359,017	7.25%
June 30, 2015	47,877	199,127	151,250	24.04%	2,279,371	6.64%
June 30, 2014	43,065	195,134	152,069	22.07%	2,652,368	5.73%

County of Botetourt, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 1,506,669	\$ 1,473,286	\$ 1,439,117
Interest	3,057,284	2,912,687	2,727,789
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(476,335)	(620,659)	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(1,819,459)	(1,579,811)	(1,471,211)
Net change in total pension liability	\$ 2,268,159	\$ 2,185,503	\$ 2,695,695
Total pension liability - beginning	44,585,222	42,399,719	39,704,024
Total pension liability - ending (a)	\$ 46,853,381	\$ 44,585,222	\$ 42,399,719
 Plan fiduciary net position			
Contributions - employer	\$ 1,310,669	\$ 1,332,674	\$ 1,404,239
Contributions - employee	553,564	571,538	572,060
Net investment income	718,947	1,785,372	5,227,639
Benefit payments, including refunds of employee contributions	(1,819,459)	(1,579,811)	(1,471,211)
Administrative expense	(24,969)	(23,760)	(27,445)
Other	(303)	(377)	276
Net change in plan fiduciary net position	\$ 738,449	\$ 2,085,636	\$ 5,705,558
Plan fiduciary net position - beginning	40,600,652	38,515,016	32,809,458
Plan fiduciary net position - ending (b)	\$ 41,339,101	\$ 40,600,652	\$ 38,515,016
 County's net pension liability - ending (a) - (b)	\$ 5,514,280	\$ 3,984,570	\$ 3,884,703
 Plan fiduciary net position as a percentage of the total pension liability	88.23%	91.06%	90.84%
 Covered payroll	\$ 11,220,923	\$ 11,360,693	\$ 11,165,026
 County's net pension liability as a percentage of covered payroll	49.14%	35.07%	34.79%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Botetourt, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit-School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 246,453	\$ 297,919	\$ 301,655
Interest	856,146	825,985	800,682
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(497,217)	61,619	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(758,111)	(751,171)	(730,570)
Net change in total pension liability	\$ (152,729)	\$ 434,352	\$ 371,767
Total pension liability - beginning	12,609,719	12,175,367	11,803,600
Total pension liability - ending (a)	\$ 12,456,990	\$ 12,609,719	\$ 12,175,367
 Plan fiduciary net position			
Contributions - employer	\$ 280,851	\$ 279,259	\$ 360,472
Contributions - employee	115,418	114,370	136,232
Net investment income	179,145	477,032	1,459,455
Benefit payments, including refunds of employee contributions	(758,111)	(751,171)	(730,570)
Administrative expense	(6,778)	(6,794)	(8,002)
Other	(77)	(99)	77
Net change in plan fiduciary net position	\$ (189,552)	\$ 112,597	\$ 1,217,664
Plan fiduciary net position - beginning	10,717,435	10,604,838	9,387,174
Plan fiduciary net position - ending (b)	\$ 10,527,883	\$ 10,717,435	\$ 10,604,838
 School Division's net pension liability - ending (a) - (b)	\$ 1,929,107	\$ 1,892,284	\$ 1,570,529
 Plan fiduciary net position as a percentage of the total pension liability	84.51%	84.99%	87.10%
 Covered payroll	\$ 2,351,533	\$ 2,324,240	\$ 2,681,851
 School Division's net pension liability as a percentage of covered payroll	82.04%	81.42%	58.56%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Botetourt, Virginia
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.34454%	0.35138%	0.36427%
Employer's Proportionate Share of the Net Pension Liability	\$ 48,284,000	\$ 44,226,000	\$ 44,021,000
Employer's Covered Payroll	26,267,105	26,125,137	26,639,465
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	183.82%	169.29%	165.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Botetourt, Virginia
Schedule of Employer Contributions
For the Years Ended June 30, 2008 through June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2017	\$ 1,115,124	\$ 1,115,124	\$ -	\$ 11,583,919	9.63%
2016	1,310,669	1,310,669	-	11,220,923	11.68%
2015	1,332,674	1,332,674	-	11,362,485	11.73%
2014	1,404,239	1,404,239	-	11,163,709	12.58%
2013	1,366,312	1,366,312	-	10,835,144	12.61%
2012	1,045,282	1,045,282	-	10,431,955	10.02%
2011	989,908	989,908	-	9,879,318	10.02%
2010	1,048,824	1,048,824	-	10,104,280	10.38%
2009	1,059,569	1,059,569	-	10,207,798	10.38%
2008	1,387,272	1,387,272	-	9,640,526	14.39%
Component Unit School Board (nonprofessional)					
2017	\$ 231,795	\$ 231,795	\$ -	\$ 2,471,143	9.38%
2016	280,851	280,851	-	2,351,533	11.94%
2015	279,258	279,258	-	2,324,240	12.02%
2014	360,607	360,607	-	2,681,093	13.45%
2013	344,690	344,690	-	2,562,753	13.45%
2012	254,719	254,719	-	2,593,879	9.82%
2011	255,585	255,585	-	2,602,700	9.82%
2010	304,470	304,470	-	2,772,955	10.98%
2009	327,866	327,866	-	2,986,033	10.98%
2008	297,666	297,666	-	2,982,625	9.98%
Component Unit School Board (professional)					
2017	\$ 3,923,194	\$ 3,923,194	\$ -	\$ 26,920,153	14.57%
2016	3,678,209	3,678,209	-	26,267,105	14.00%
2015	3,775,000	3,775,000	-	26,125,137	14.45%
2014	3,106,162	3,106,162	-	26,639,468	11.66%
2013	2,942,672	2,942,672	-	25,237,324	11.66%
2012	1,616,386	1,616,386	-	25,535,324	6.33%
2011	973,244	973,244	-	24,764,478	3.93%
2010	2,230,089	2,230,089	-	25,313,156	8.81%
2009	2,283,774	2,283,774	-	25,922,520	8.81%
2008	2,547,921	2,547,921	-	24,737,097	10.30%

County of Botetourt, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Other Information - Annual money-weighted rates of return for all plans administered by the VRS may be obtained from VRS at the address listed in Note 10 to the financial statements.

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, 2017

	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	\$ 36,426	\$ -	\$ 86,343	\$ 3,582	\$ 88,060	\$ 985,672	\$ 1,200,083
Total assets	<u>\$ 36,426</u>	<u>\$ -</u>	<u>\$ 86,343</u>	<u>\$ 3,582</u>	<u>\$ 88,060</u>	<u>\$ 985,672</u>	<u>\$ 1,200,083</u>
LIABILITIES							
Amounts held for social services clients	\$ 36,426	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,426
Amounts held for employees	-	-	-	3,582	-	-	3,582
Amounts held for other agencies	-	-	-	-	-	985,672	985,672
Amounts held for performance bond	-	-	-	-	88,060	-	88,060
Amounts held for inmates	-	-	86,343	-	-	-	86,343
Total liabilities	<u>\$ 36,426</u>	<u>\$ -</u>	<u>\$ 86,343</u>	<u>\$ 3,582</u>	<u>\$ 88,060</u>	<u>\$ 985,672</u>	<u>\$ 1,200,083</u>

County of Botetourt, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 30,898	\$ 37,479	\$ (31,951)	\$ 36,426
Liabilities:				
Amounts held for social services clients	\$ 30,898	\$ 37,479	\$ (31,951)	\$ 36,426
Flexible Benefits Fund:				
Assets:				
Cash and cash equivalents	\$ 24,360	\$ 96,748	\$ (121,108)	\$ -
Liabilities:				
Amounts held for employees	\$ 24,360	\$ 96,748	\$ (121,108)	\$ -
Inmate Trust and Canteen Fund:				
Assets:				
Cash and cash equivalents	\$ 77,139	\$ 267,831	\$ (258,627)	\$ 86,343
Liabilities:				
Amounts held for inmates	\$ 77,139	\$ 267,831	\$ (258,627)	\$ 86,343
Cafeteria Plan Fund:				
Assets:				
Cash and cash equivalents	\$ 9,640	\$ 48,016	\$ (54,074)	\$ 3,582
Liabilities:				
Amounts held for employees	\$ 9,640	\$ 48,016	\$ (54,074)	\$ 3,582
Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ 74,860	\$ 13,200	\$ -	\$ 88,060
Liabilities:				
Amounts held for performance bond	\$ 74,860	\$ 13,200	\$ -	\$ 88,060
Roanoke Valley Regional Board Fund:				
Assets:				
Cash and cash equivalents	\$ 787,454	\$ 8,667,259	\$ (8,469,041)	\$ 985,672
Liabilities:				
Amounts held for other agencies	\$ 787,454	\$ 8,667,259	\$ (8,469,041)	\$ 985,672
Totals				
Total Assets:				
Cash and cash equivalents	\$ 1,004,351	\$ 9,130,533	\$ (8,934,801)	\$ 1,200,083
Total Liabilities:				
Amounts held for others	\$ 1,004,351	\$ 9,130,533	\$ (8,934,801)	\$ 1,200,083

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD**

MAJOR GOVERNMENTAL FUNDS

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

County of Botetourt, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2017

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 7,080,754
Receivables (net of allowance for uncollectibles):	
Accounts receivable	2,790
Due from other governmental units	1,312,656
Inventories	44,434
Total assets	<u>\$ 8,440,634</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 1,023,564
Accrued wages and health claims	4,323,443
Total liabilities	<u>\$ 5,347,007</u>
Fund balances:	
Nonspendable	
Inventories	\$ 44,434
Restricted	
School cafeterias	97,079
Unassigned	2,952,114
Total fund balances	<u>\$ 3,093,627</u>
Total liabilities and fund balances	<u>\$ 8,440,634</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 3,093,627
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	2,115,631
Buildings and improvements	17,077,742
Machinery and equipment	1,636,979
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	4,154,989
Items related to measurement of the net pension liability are considered deferred outflows or deferred inflows and will be amortized and recognized in pension expense over future years.	
Deferred outflows of resources	3,841,581
Deferred inflows of resources	(3,703,845)
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Capital leases	(400,991)
Accrued interest payable	(2,797)
Compensated absences	(614,388)
Net OPEB obligation	(1,544,000)
Net pension liability	(50,213,107)
Net position of governmental activities	<u>\$ (24,558,579)</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, 2017

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 23,797
Charges for services	1,099,246
Miscellaneous	905,364
Recovered costs	50,316
Intergovernmental	51,129,557
Total revenues	<u>\$ 53,208,280</u>
EXPENDITURES	
Education	\$ 53,110,783
Debt service:	
Principal retirement	104,595
Total expenditures	<u>\$ 53,215,378</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (7,098)</u>
OTHER FINANCING SOURCES (USES)	
Issuance of capital leases	<u>\$ 505,586</u>
Net change in fund balances	\$ 498,488
Fund balances - beginning	2,595,139
Fund balances - ending	<u>\$ 3,093,627</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	\$ 498,488
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	
Capital outlays	1,361,896
Transfer of asset from County	3,983,052
Depreciation expenses	(1,713,485)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred inflows related to the measurement of the net pension liability	1,359,603
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Debt issued or incurred:	
Issuance of capital lease	(505,586)
Principal repayments:	
Capital leases	104,595
Pension contribution subsequent to the measurement date will be an decrease in the net pension liability in the next fiscal year and therefore, are not reported in the funds.	
	195,929
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.	
Change in compensated absences	20,039
Change in accrued interest payable	(2,797)
Change in net OPEB obligation	(242,000)
Change in net pension liability	(4,094,823)
Change in deferred outflows related to pensions	2,688,831
Change in net position of governmental activities	<u>\$ 3,653,742</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, 2017

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 120,500	\$ 120,500	\$ 23,797	\$ (96,703)
Charges for services	1,362,202	1,362,202	1,099,246	(262,956)
Miscellaneous	1,296,033	1,296,033	905,364	(390,669)
Recovered costs	63,103	63,103	50,316	(12,787)
Intergovernmental	52,514,478	52,514,478	51,129,557	(1,384,921)
Total revenues	<u>\$ 55,356,316</u>	<u>\$ 55,356,316</u>	<u>\$ 53,208,280</u>	<u>\$ (2,148,036)</u>
EXPENDITURES				
Education	\$ 56,977,064	\$ 56,977,064	\$ 53,110,783	\$ 3,866,281
Debt service:				
Principal retirement	736,335	736,335	104,595	631,740
Total expenditures	<u>\$ 57,713,399</u>	<u>\$ 57,713,399</u>	<u>\$ 53,215,378</u>	<u>\$ 4,498,021</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,357,083)</u>	<u>\$ (2,357,083)</u>	<u>\$ (7,098)</u>	<u>\$ 2,349,985</u>
OTHER FINANCING SOURCES (USES)				
Issuance of capital leases	\$ -	\$ -	\$ 505,586	\$ 505,586
Net change in fund balances	<u>\$ (2,357,083)</u>	<u>\$ (2,357,083)</u>	<u>\$ 498,488</u>	<u>\$ 2,855,571</u>
Fund balances - beginning	2,357,083	2,357,083	2,595,139	238,056
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,093,627</u>	<u>\$ 3,093,627</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<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	\$ 25,638,000	\$ 26,081,311	\$ 26,043,562	\$ (37,749)
Real and personal public service corporation taxes	2,113,500	2,113,500	2,292,021	178,521
Personal property taxes	5,725,000	5,725,000	5,882,069	157,069
Mobile home taxes	56,000	56,000	44,327	(11,673)
Machinery and tools taxes	3,550,000	3,550,000	3,432,452	(117,548)
Penalties	175,000	175,000	198,445	23,445
Interest	112,000	112,000	122,022	10,022
Total general property taxes	\$ 37,369,500	\$ 37,812,811	\$ 38,014,898	\$ 202,087
Other local taxes:				
Local sales and use taxes	\$ 2,810,000	\$ 2,810,000	\$ 2,835,846	\$ 25,846
Consumers' utility taxes	562,000	562,000	568,681	6,681
Local consumption tax	149,500	149,500	146,113	(3,387)
Business license taxes	807,000	807,000	813,572	6,572
Franchise license tax	95,000	95,000	70,185	(24,815)
Motor vehicle licenses	698,000	698,000	666,327	(31,673)
Bank stock taxes	165,000	165,000	116,848	(48,152)
Taxes on recordation and wills	318,500	318,500	381,730	63,230
Hotel and motel room taxes	558,000	558,000	531,972	(26,028)
Restaurant food taxes	1,330,000	1,330,000	1,302,205	(27,795)
Total other local taxes	\$ 7,493,000	\$ 7,493,000	\$ 7,433,479	\$ (59,521)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 24,000	\$ 24,000	\$ 18,177	\$ (5,823)
Land use application fees	500	500	351	(149)
Transfer fees	1,000	1,000	1,346	346
Building permits and other licenses	220,450	220,450	211,108	(9,342)
Zoning fees	18,000	18,000	24,746	6,746
E-summons fees	4,000	-	60,933	60,933
Other permits, fees and licenses	72,000	72,000	68,322	(3,678)
Total permits, privilege fees, and regulatory licenses	\$ 339,950	\$ 335,950	\$ 384,983	\$ 49,033
Fines and forfeitures:				
Court fines and forfeitures	\$ 110,000	\$ 110,000	\$ 112,769	\$ 2,769
Revenue from use of money and property:				
Revenue from use of money	\$ 140,700	\$ 140,700	\$ 299,146	\$ 158,446
Revenue from use of property	275,200	275,200	285,778	10,578
Total revenue from use of money and property	\$ 415,900	\$ 415,900	\$ 584,924	\$ 169,024

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for law enforcement and traffic control	\$ 49,806	\$ 49,806	\$ 58,839	\$ 9,033
Charges for courthouse maintenance	26,000	26,000	23,795	(2,205)
Charges for courtroom security	132,000	132,000	124,137	(7,863)
Court appointed attorneys	500	500	469	(31)
Miscellaneous jail and inmate fees	20,000	20,000	17,536	(2,464)
Jail processing fees	5,600	5,600	5,387	(213)
Charges for Commonwealth's Attorney	114,800	114,800	62,221	(52,579)
Charges for board and care of animals	2,500	2,500	3,220	720
Charges for sanitation and waste removal	165,000	165,000	177,613	12,613
Charges for parks and recreation	145,000	145,000	127,975	(17,025)
Charges for engineering reviews	8,200	8,200	6,090	(2,110)
Other charges for services	400	400	150	(250)
Charges for law library	-	-	3,899	3,899
Charges for library	31,000	31,000	32,360	1,360
Total charges for services	\$ 700,806	\$ 700,806	\$ 643,691	\$ (57,115)
Miscellaneous:				
Miscellaneous	\$ 1,200	\$ 1,200	\$ 97,796	\$ 96,596
Sale of salvage	8,000	8,000	60,327	52,327
Sponsorships	5,000	5,000	10,024	5,024
Telephone commissions	27,000	27,000	36,357	9,357
Donations	2,000	2,000	32,098	30,098
Total miscellaneous	\$ 43,200	\$ 43,200	\$ 236,602	\$ 193,402
Recovered costs:				
Local jails	\$ 262,000	\$ 262,000	\$ 225,568	\$ (36,432)
ES cost recoveries	930,000	930,000	1,142,389	212,389
Health Department	500	500	8,504	8,004
Regional jail	104,416	104,416	104,416	-
Medical co-pay	12,000	12,000	22,083	10,083
CSA refunds	2,500	2,500	2,503	3
Social services refunds	6,000	6,000	3,316	(2,684)
Town of Buchanan	22,000	22,000	20,000	(2,000)
Tourism	3,000	3,000	951	(2,049)
Other recovered costs	428,625	428,625	283,306	(145,319)
Total recovered costs	\$ 1,771,041	\$ 1,771,041	\$ 1,813,036	\$ 41,995
Total revenue from local sources	\$ 48,243,397	\$ 48,682,708	\$ 49,224,382	\$ 541,674

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling Stock Tax	\$ 168,000	\$ 168,000	\$ 145,902	\$ (22,098)
Communications sales and use taxes	705,000	705,000	675,252	(29,748)
Motor vehicle carriers' tax	2,500	2,500	6,008	3,508
Mobile home titling tax	15,000	15,000	118,933	103,933
Grantor's tax	155,000	155,000	-	(155,000)
Recordation refund	-	-	109,082	109,082
Personal property tax relief funds	3,418,137	3,418,137	3,418,137	-
Total noncategorical aid	\$ 4,463,637	\$ 4,463,637	\$ 4,473,314	\$ 9,677
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 429,000	\$ 429,000	\$ 424,862	\$ (4,138)
Sheriff	3,447,800	3,447,800	3,351,715	(96,085)
Commissioner of revenue	113,000	113,000	111,278	(1,722)
Treasurer	112,000	112,000	110,123	(1,877)
Registrar/electoral board	40,000	40,000	41,896	1,896
Clerk of the Circuit Court	312,000	312,000	309,710	(2,290)
Total shared expenses	\$ 4,453,800	\$ 4,453,800	\$ 4,349,584	\$ (104,216)
Other categorical aid:				
Public assistance and welfare administration	\$ 393,000	\$ 393,000	\$ 359,358	\$ (33,642)
Comprehensive services act	749,997	749,997	850,197	100,200
Library grant	146,800	146,800	151,636	4,836
Property seizure	-	-	4,780	4,780
Governors opportunity funds	-	-	3,000,000	3,000,000
Fire program	100,000	100,000	166,603	66,603
Wireless E-911	65,000	65,000	64,418	(582)
Four for life	36,000	36,000	36,989	989
VDOT grants	-	-	264,112	264,112
Economic development grant	-	-	7,000	7,000
DMV grants	20,000	20,000	-	(20,000)
Other categorical aid	100,900	100,900	390,473	289,573
Total other categorical aid	\$ 1,611,697	\$ 1,611,697	\$ 5,295,566	\$ 3,683,869
Total categorical aid	\$ 6,065,497	\$ 6,065,497	\$ 9,645,150	\$ 3,579,653
Total revenue from the Commonwealth	\$ 10,529,134	\$ 10,529,134	\$ 14,118,464	\$ 3,589,330

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<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: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 153,500	\$ 153,500	\$ 174,167	\$ 20,667
Categorical aid:				
Public assistance and welfare administration	\$ 728,000	\$ 728,000	\$ 720,108	\$ (7,892)
Emergency management grant	-	-	7,500	7,500
Child support enforcement	-	-	200	200
State and community highway safety	-	-	19,942	19,942
Total categorical aid	\$ 728,000	\$ 728,000	\$ 747,750	\$ 19,750
Total revenue from the federal government	\$ 881,500	\$ 881,500	\$ 921,917	\$ 40,417
Total General Fund	\$ 59,654,031	\$ 60,093,342	\$ 64,264,763	\$ 4,171,421
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	\$ 500	\$ 500	\$ 1,317	\$ 817
Revenue from the use of property	120,000	120,000	22,480	(97,520)
Total revenue from use of money and property	\$ 120,500	\$ 120,500	\$ 23,797	\$ (96,703)
Charges for services:				
Cafeteria sales	\$ 1,141,702	\$ 1,141,702	\$ 922,916	\$ (218,786)
Transportation of pupils	37,000	37,000	51,009	14,009
Tuition and payments from other divisions	183,500	183,500	125,321	(58,179)
Total charges for services	\$ 1,362,202	\$ 1,362,202	\$ 1,099,246	\$ (262,956)

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 1,296,033	\$ 1,296,033	\$ 905,364	\$ (390,669)
Total miscellaneous	\$ 1,296,033	\$ 1,296,033	\$ 905,364	\$ (390,669)
Recovered costs:				
Other recovered costs	\$ 63,103	\$ 63,103	\$ 50,316	\$ (12,787)
Total revenue from local sources	\$ 2,841,838	\$ 2,841,838	\$ 2,078,723	\$ (763,115)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Botetourt, Virginia	\$ 25,144,902	\$ 25,144,902	\$ 24,015,439	\$ (1,129,463)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,685,732	\$ 5,685,732	\$ 5,562,012	\$ (123,720)
Basic school aid	12,703,563	12,703,563	12,618,495	(85,068)
Remedial summer education	34,980	34,980	20,926	(14,054)
Regular foster care	26,963	26,963	23,739	(3,224)
Adult secondary education	7,859	7,859	8,418	559
Gifted and talented	137,647	137,647	136,226	(1,421)
Remedial education	177,794	177,794	175,959	(1,835)
School food	19,000	19,000	19,528	528
Special education	1,763,721	1,763,721	1,811,090	47,369
Textbook payment	262,446	262,446	58,264	(204,182)
Standards of Learning algebra readiness	31,417	31,417	29,271	(2,146)
Vocational education SOQ payments	321,176	321,176	317,861	(3,315)
Social security fringe benefits	794,336	794,336	786,139	(8,197)
Share of fringe benefits	1,640,290	1,640,290	1,623,363	(16,927)
Group life insurance instructional	54,485	54,485	53,923	(562)
State lottery payments	52,363	52,363	402,465	350,102
Early reading intervention	42,746	42,746	59,030	16,284
Homebound education	27,874	27,874	20,928	(6,946)
Vocational education	63,665	63,665	99,824	36,159
Special education - foster children	100,450	100,450	69,438	(31,012)
At risk payments	88,877	88,877	88,047	(830)
Mentor teacher program	1,807	1,807	2,106	299
Reduced K-3	58,161	58,161	52,768	(5,393)
At risk four-year olds	114,550	114,550	99,276	(15,274)

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
English as a second language	\$ 33,059	\$ 33,059	\$ 41,929	\$ 8,870
VPSA technology grant	336,000	336,000	336,000	-
Small school division enrollment loss	150,322	150,322	153,580	3,258
Other state funds	22,500	22,500	30,290	7,790
Total categorical aid	<u>\$ 24,753,783</u>	<u>\$ 24,753,783</u>	<u>\$ 24,700,895</u>	<u>\$ (52,888)</u>
Total revenue from the Commonwealth	<u>\$ 24,753,783</u>	<u>\$ 24,753,783</u>	<u>\$ 24,700,895</u>	<u>\$ (52,888)</u>
Revenue from the federal government:				
Categorical aid:				
Schools and Roads Grant	\$ 40,000	\$ 40,000	\$ 12,108	\$ (27,892)
School breakfast and lunch program	545,829	545,829	616,012	70,183
School food distribution	-	-	112,892	112,892
Title I	465,024	465,024	408,230	(56,794)
Title VI-B, Special education flow-through	1,363,359	1,363,359	1,133,031	(230,328)
Vocational education	50,655	50,655	47,214	(3,441)
Adult basic education	40,000	40,000	26,084	(13,916)
Language acquisition grant	9,792	9,792	7,469	(2,323)
Improving teacher quality	101,134	101,134	50,183	(50,951)
Total categorical aid	<u>\$ 2,615,793</u>	<u>\$ 2,615,793</u>	<u>\$ 2,413,223</u>	<u>\$ (202,570)</u>
Total revenue from the federal government	<u>\$ 2,615,793</u>	<u>\$ 2,615,793</u>	<u>\$ 2,413,223</u>	<u>\$ (202,570)</u>
Total School Operating Fund	<u>\$ 55,356,316</u>	<u>\$ 55,356,316</u>	<u>\$ 53,208,280</u>	<u>\$ (2,148,036)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 55,356,316</u>	<u>\$ 55,356,316</u>	<u>\$ 53,208,280</u>	<u>\$ (2,148,036)</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<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	\$ 225,661	\$ 238,411	\$ 228,697	\$ 9,714
General and financial administration:				
County administrator	\$ 432,299	\$ 447,914	\$ 379,444	\$ 68,470
Deputy administrators	342,937	391,163	310,669	80,494
Central garage	85,036	73,037	63,909	9,128
Commissioner of revenue	402,961	403,211	378,214	24,997
Central purchasing	94,645	96,927	94,326	2,601
Treasurer	475,608	475,607	462,715	12,892
Management information systems	913,277	989,074	878,881	110,193
Financial services	351,250	352,463	328,591	23,872
Nondepartmental	232,217	190,217	-	190,217
Total general and financial administration	\$ 3,330,230	\$ 3,419,613	\$ 2,896,749	\$ 522,864
Board of elections:				
Electoral board/registrar	\$ 317,357	\$ 327,279	\$ 304,872	\$ 22,407
Total general government administration	\$ 3,873,248	\$ 3,985,303	\$ 3,430,318	\$ 554,985
Judicial administration:				
Courts:				
Circuit court	\$ 67,796	\$ 71,396	\$ 70,001	\$ 1,395
General district court	31,123	36,723	29,106	7,617
Magistrate	997	996	899	97
Clerk of the circuit court	640,364	651,237	620,775	30,462
Total courts	\$ 740,280	\$ 760,352	\$ 720,781	\$ 39,571
Commonwealth's attorney:				
Commonwealth's attorney	\$ 763,158	\$ 790,658	\$ 787,344	\$ 3,314
Total judicial administration	\$ 1,503,438	\$ 1,551,010	\$ 1,508,125	\$ 42,885
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,839,149	\$ 5,004,060	\$ 4,753,867	\$ 250,193
Fire and rescue services:				
Fire departments and rescue squads	\$ 1,286,756	\$ 2,359,557	\$ 1,946,723	\$ 412,834
Emergency communications	296,371	501,371	410,806	90,565
Total fire and rescue services	\$ 1,583,127	\$ 2,860,928	\$ 2,357,529	\$ 503,399

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
County operated institutions - jail	\$ 4,102,823	\$ 4,221,301	\$ 4,068,506	\$ 152,795
Juvenile detention	90,000	111,650	107,450	4,200
Probation office	4,352	4,352	4,241	111
Total correction and detention	\$ 4,197,175	\$ 4,337,303	\$ 4,180,197	\$ 157,106
Development services:				
Building, planning, zoning and engineering	\$ 324,480	\$ 343,401	\$ 301,811	\$ 41,590
Total inspections	\$ 324,480	\$ 343,401	\$ 301,811	\$ 41,590
Other protection:				
Animal control	\$ 546,441	\$ 563,382	\$ 506,621	\$ 56,761
Emergency services	3,530,459	3,709,952	3,377,325	332,627
Dispatch	841,023	851,137	805,789	45,348
Total other protection	\$ 4,917,923	\$ 5,124,471	\$ 4,689,735	\$ 434,736
Total public safety	\$ 15,861,854	\$ 17,670,163	\$ 16,283,139	\$ 1,387,024
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 733,827	\$ 760,825	\$ 757,480	\$ 3,345
Public works	337,105	302,643	291,788	10,855
Total sanitation and waste removal	\$ 1,070,932	\$ 1,063,468	\$ 1,049,268	\$ 14,200
Maintenance of general buildings and grounds:				
General properties	\$ 858,093	\$ 1,070,560	\$ 946,087	\$ 124,473
Total public works	\$ 1,929,025	\$ 2,134,028	\$ 1,995,355	\$ 138,673
Health and welfare:				
Health:				
Supplement of local health department	\$ 329,252	\$ 329,252	\$ 322,117	\$ 7,135
Mental health and mental retardation:				
Mental health contribution	\$ 38,743	\$ 38,743	\$ 38,743	\$ -

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<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)				
Welfare:				
Welfare administration and programs	\$ 1,407,084	\$ 1,407,084	\$ 1,297,606	\$ 109,478
Comprehensive services act	1,243,890	1,533,461	1,508,265	25,196
Senior van program	73,292	72,469	61,369	11,100
Tax relief for the elderly	-	485,000	483,464	1,536
Other welfare programs	27,500	27,500	27,500	-
Total welfare	\$ 2,751,766	\$ 3,525,514	\$ 3,378,204	\$ 147,310
Total health and welfare	\$ 3,119,761	\$ 3,893,509	\$ 3,739,064	\$ 154,445
Education:				
Other instructional costs:				
Contribution to Community Colleges	\$ 37,140	\$ 37,140	\$ 37,140	\$ -
Contribution to County School Board	24,199,282	24,199,282	24,015,439	183,843
Total education	\$ 24,236,422	\$ 24,236,422	\$ 24,052,579	\$ 183,843
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 1,302,835	\$ 1,353,077	\$ 1,159,681	\$ 193,396
Sports complex	485,162	500,857	403,032	97,825
YMCA support	100,000	100,000	-	100,000
Total parks and recreation	\$ 1,887,997	\$ 1,953,934	\$ 1,562,713	\$ 391,221
Cultural enrichment:				
Contributions to cultural organizations	\$ 23,000	\$ 28,000	\$ 28,000	\$ -
Greenfield Historical Resources	-	38,169	34,370	3,799
Total cultural enrichment	\$ 23,000	\$ 66,169	\$ 62,370	\$ 3,799
Library:				
Library expenses	\$ 1,132,065	\$ 1,126,041	\$ 1,065,711	\$ 60,330
Total parks, recreation, and cultural	\$ 3,043,062	\$ 3,146,144	\$ 2,690,794	\$ 455,350
Community development:				
Planning and community development:				
Economic Development Partnership	\$ 289,623	\$ 290,543	\$ 289,022	\$ 1,521.00
Industrial development	142,000	133,712	7,405	126,307
Community development	507,521	537,114	472,064	65,050
Economic development	497,234	642,592	450,775	191,817
Contribution to Economic Development Authority	-	4,786,949	3,999,716	787,233
Total planning and community development	\$ 1,436,378	\$ 6,390,910	\$ 5,218,982	\$ 1,171,928

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<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: (Continued)				
Cooperative extension program:				
Extension office	\$ 62,641	\$ 62,641	\$ 55,175	\$ 7,466
Total community development	\$ 1,499,019	\$ 6,453,551	\$ 5,274,157	\$ 1,179,394
Capital projects:				
VDOT revenue sharing	\$ -	\$ 522,866	\$ 523,440	\$ (574)
Website design	40,000	64,953	1,613	63,340
Emergency operations center	12,000	12,000	4,238	7,762
Dale court water	-	355,902	285,749	70,153
Greenfield education and training	20,000	18,620	-	18,620
Greenway project	-	72,000	43,803	28,197
Community recreation incentive program	35,000	22,119	-	22,119
Library incentive fund	10,000	7,978	-	7,978
Economic development program	350,000	305,488	45,554	259,934
Circuit courthouse complex	100,000	6,584	-	6,584
PC/laptop replacement	59,000	36	-	36
Enterprise-wide software	400,000	683,021	129,489	553,532
Solid waste disposal study	-	-	1,663	(1,663)
Daleville to Greenfield water	25,000	37,000	-	37,000
Library system-program study	20,000	20,000	-	20,000
Mobile radio replacement	80,000	-	-	-
Emergency communications project	100,000	-	-	-
Total capital projects	\$ 1,251,000	\$ 2,128,567	\$ 1,035,549	\$ 1,093,018
Debt service:				
Principal retirement	\$ 2,118,502	\$ 2,179,127	\$ 2,150,758	\$ 28,369
Interest and other fiscal charges	1,218,700	1,218,700	1,218,669	31
Total debt service	\$ 3,337,202	\$ 3,397,827	\$ 3,369,427	\$ 28,400
Total General Fund	\$ 59,654,031	\$ 68,596,524	\$ 63,378,507	\$ 5,218,017
Total Primary Government	\$ 59,654,031	\$ 68,596,524	\$ 63,378,507	\$ 5,218,017
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 3,198,451	\$ 3,198,451	\$ 2,284,161	\$ 914,290
Instruction costs:				
Instructional costs	\$ 41,143,545	\$ 41,143,545	\$ 38,512,105	\$ 2,631,440

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<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 (Continued)				
School Operating Fund: (Continued)				
Education: (Continued)				
Operating costs:				
Pupil transportation	\$ 3,646,777	\$ 3,646,777	\$ 3,559,308	\$ 87,469
Operation and maintenance of school plant	4,852,925	4,852,925	4,518,125	334,800
School food service	1,731,634	1,731,634	1,711,725	19,909
Facilities	50,000	50,000	633,960	(583,960)
Technology	2,353,732	2,353,732	1,891,399	462,333
Total operating costs	<u>\$ 12,635,068</u>	<u>\$ 12,635,068</u>	<u>\$ 12,314,517</u>	<u>\$ 320,551</u>
Total education	<u>\$ 56,977,064</u>	<u>\$ 56,977,064</u>	<u>\$ 53,110,783</u>	<u>\$ 3,866,281</u>
Debt service:				
Principal retirement	<u>\$ 736,335</u>	<u>\$ 736,335</u>	<u>\$ 104,595</u>	<u>\$ 631,740</u>
Total School Operating Fund	<u>\$ 57,713,399</u>	<u>\$ 57,713,399</u>	<u>\$ 53,215,378</u>	<u>\$ 4,498,021</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 57,713,399</u>	<u>\$ 57,713,399</u>	<u>\$ 53,215,378</u>	<u>\$ 4,498,021</u>

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

STATISTICAL SECTION

Statistical Section

The statistical section of the County's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the County's overall financial health. This information has not been audited by the independent auditor.

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.

1 - 6

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

7 - 10

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.

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Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

16

Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.

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Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

Table 1

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 30,444,399	\$ 33,178,862	\$ 34,195,468	\$ 34,962,435	\$ 35,235,486	\$ 35,731,696	\$ 37,238,281	\$ 37,094,464	\$ 38,247,104	\$ 34,392,020
Restricted	243,247	260,324	184,574	198,529	186,710	187,390	285,943	249,392	276,250	122,663
Unrestricted	17,062,750	10,303,045	9,116,696	10,975,733	10,617,666	14,637,371	13,957,491	13,655,336	12,502,865	13,976,126
Total governmental activities net position	<u>\$ 47,750,396</u>	<u>\$ 43,742,231</u>	<u>\$ 43,496,738</u>	<u>\$ 46,136,697</u>	<u>\$ 46,039,862</u>	<u>\$ 50,556,457</u>	<u>\$ 51,481,715</u>	<u>\$ 50,999,192</u>	<u>\$ 51,026,219</u>	<u>\$ 48,490,809</u>
Business-type activities										
Net investment in capital assets	\$ 10,207,082	\$ 10,102,393	\$ 9,954,091	\$ 10,019,461	\$ 10,215,268	\$ 10,091,246	\$ 10,222,456	\$ 10,039,266	\$ -	\$ -
Unrestricted	888,109	2,022,825	2,354,249	2,511,990	2,615,419	3,520,581	3,773,638	1,044,299	-	-
Total business-type activities net position	<u>\$ 11,095,191</u>	<u>\$ 12,125,218</u>	<u>\$ 12,308,340</u>	<u>\$ 12,531,451</u>	<u>\$ 12,830,687</u>	<u>\$ 13,611,827</u>	<u>\$ 13,996,094</u>	<u>\$ 11,083,565</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government										
Net investment in capital assets	\$ 40,651,481	\$ 43,281,255	\$ 44,149,559	\$ 44,981,896	\$ 45,450,754	\$ 45,822,942	\$ 47,460,737	\$ 47,133,730	\$ 38,247,104	\$ 34,392,020
Restricted	243,247	260,324	184,574	198,529	186,710	187,390	285,943	249,392	276,250	122,663
Unrestricted	17,950,859	12,325,870	11,470,945	13,487,723	13,233,085	18,157,952	17,731,129	14,699,635	12,502,865	13,976,126
Total primary government net position	<u>\$ 58,845,587</u>	<u>\$ 55,867,449</u>	<u>\$ 55,805,078</u>	<u>\$ 58,668,148</u>	<u>\$ 58,870,549</u>	<u>\$ 64,168,284</u>	<u>\$ 65,477,809</u>	<u>\$ 62,082,757</u>	<u>\$ 51,026,219</u>	<u>\$ 48,490,809</u>

Source: County financial reports

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government administration	\$ 2,425,324	\$ 2,882,831	\$ 3,330,864	\$ 3,017,197	\$ 3,009,226	\$ 2,932,750	\$ 3,258,654	\$ 3,352,349	\$ 3,568,952	\$ 3,262,899
Judicial administration	1,315,699	1,307,844	1,289,818	1,251,798	1,284,630	1,317,267	1,421,543	1,359,135	1,375,872	1,447,717
Public safety	11,408,457	11,875,621	12,060,957	11,119,800	12,689,537	12,734,181	14,178,649	13,795,657	14,128,003	15,488,178
Public works	1,645,071	3,469,969	1,026,920	1,902,510	1,709,623	2,230,035	2,010,971	1,937,224	2,120,535	3,037,534
Health and welfare	3,522,298	3,359,650	3,717,605	3,572,226	3,427,728	3,249,941	3,415,997	3,343,542	3,518,667	3,670,109
Education	20,230,768	23,154,154	20,616,634	22,116,884	21,703,533	22,291,399	22,911,062	23,089,557	24,384,045	28,951,576
Parks, recreation and cultural	2,801,151	2,932,681	3,120,867	3,266,210	3,193,686	2,980,612	3,194,559	3,167,746	3,586,367	2,907,748
Community development	2,012,043	1,323,106	672,942	581,692	533,841	307,960	246,185	1,042,460	3,449,920	5,287,420
Interest on long-term debt	2,566,987	2,127,418	1,978,620	1,763,356	1,805,765	1,595,978	1,509,639	1,230,403	1,134,705	1,039,664
Total governmental activities expenses	\$ 47,927,798	\$ 52,433,274	\$ 47,815,227	\$ 48,591,673	\$ 49,357,569	\$ 49,640,123	\$ 52,147,259	\$ 52,318,073	\$ 57,267,066	\$ 65,092,845
Business-type activities:										
Water	\$ 2,382,201	\$ 2,705,663	\$ 2,822,893	\$ 2,616,243	\$ 2,664,729	\$ 2,819,888	\$ 2,883,325	\$ 2,789,595	\$ -	\$ -
Total primary government expenses	\$ 50,309,999	\$ 55,138,937	\$ 50,638,120	\$ 51,207,916	\$ 52,022,298	\$ 52,460,011	\$ 55,030,584	\$ 55,107,668	\$ 57,267,066	\$ 65,092,845
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	\$ 1,202	\$ 606	\$ 492	\$ 1,148	\$ 308	\$ 1,154	\$ 600	\$ 736	\$ 131,950	\$ 68,472
Judicial administration	293,937	79,072	154,962	183,408	223,594	240,931	276,141	263,000	217,156	180,704
Public safety	584,434	542,087	462,721	396,503	395,365	479,049	550,788	591,880	623,338	547,878
Public works	936,821	176,935	168,841	174,421	141,865	155,792	162,979	163,934	171,249	184,054
Parks, recreation and cultural	130,073	149,235	164,399	163,473	183,585	165,958	183,661	186,413	167,683	160,335
Community development	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	6,804,623	7,900,796	6,843,667	6,943,118	6,848,849	6,565,401	6,753,916	6,788,151	8,642,874	10,392,900
Capital grants and contributions	3,141,221	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	\$ 11,892,311	\$ 8,848,731	\$ 7,795,082	\$ 7,862,071	\$ 7,793,566	\$ 7,608,285	\$ 7,928,085	\$ 7,994,114	\$ 9,954,250	\$ 11,534,343
Business-type activities:										
Charges for services:										
Water	\$ 2,788,894	\$ 2,703,870	\$ 2,971,193	\$ 2,826,574	\$ 3,019,701	\$ 3,577,258	\$ 3,270,261	\$ 3,001,021	\$ -	\$ -
Capital grants and contributions	-	97,975	25,000	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ 2,788,894	\$ 2,801,845	\$ 2,996,193	\$ 2,826,574	\$ 3,019,701	\$ 3,577,258	\$ 3,270,261	\$ 3,001,021	\$ -	\$ -
Total primary government program revenues	\$ 14,681,205	\$ 11,650,576	\$ 10,791,275	\$ 10,688,645	\$ 10,813,267	\$ 11,185,543	\$ 11,198,346	\$ 10,995,135	\$ 9,954,250	\$ 11,534,343

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (expense) / revenue										
Governmental activities	\$ (36,035,487)	\$ (43,584,543)	\$ (40,020,145)	\$ (40,729,602)	\$ (41,564,003)	\$ (42,031,838)	\$ (44,219,174)	\$ (44,323,959)	\$ (47,312,816)	\$ (53,558,502)
Business-type activities	406,693	96,182	173,300	210,331	354,972	757,370	386,936	211,426	-	-
Total primary government net expense	\$ (35,628,794)	\$ (43,488,361)	\$ (39,846,845)	\$ (40,519,271)	\$ (41,209,031)	\$ (41,274,468)	\$ (43,832,238)	\$ (44,112,533)	\$ (47,312,816)	\$ (53,558,502)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 27,293,853	\$ 28,666,285	\$ 28,295,560	\$ 30,227,710	\$ 29,822,572	\$ 33,065,115	\$ 33,063,716	\$ 33,933,251	\$ 34,668,727	\$ 38,120,606
Local sales and use taxes	2,102,537	1,930,445	1,873,975	2,028,548	2,164,312	2,226,360	2,514,913	2,677,918	2,900,954	2,835,846
Taxes on recordation and wills	405,937	296,613	285,530	263,973	256,065	310,308	269,869	263,879	305,433	381,730
Motor vehicle licenses taxes	25,815	587,147	627,860	632,926	647,083	647,951	661,412	668,174	657,801	666,327
Consumers' utility taxes	694,547	694,849	694,260	699,959	695,430	702,303	710,204	712,242	709,924	714,794
Business licenses taxes	828,183	788,003	779,757	745,256	829,929	875,526	840,808	823,543	851,925	813,572
Other local taxes	2,437,859	2,329,120	1,537,984	1,703,421	1,689,951	1,689,435	1,821,605	1,804,665	1,918,323	2,021,210
Unrestricted grants and contributions	3,879,675	4,007,081	4,652,598	4,509,921	4,619,808	4,663,034	4,653,193	4,636,128	4,655,097	4,647,481
Unrestricted revenues from use of money and property	1,631,765	902,894	660,250	602,854	647,477	571,498	369,202	477,777	425,030	584,924
Miscellaneous	126,545	285,932	366,878	1,948,711	235,015	217,703	221,521	195,928	236,630	236,602
Gain (loss) on disposal of capital assets	-	-	-	-	-	1,582,755	-	-	-	-
Transfers	(343,649)	(911,991)	-	6,282	7,657	(3,555)	17,989	2,975,826	9,999	-
Total governmental activities	\$ 39,083,067	\$ 39,576,378	\$ 39,774,652	\$ 43,369,561	\$ 41,615,299	\$ 46,548,433	\$ 45,144,432	\$ 49,169,331	\$ 47,339,843	\$ 51,023,092
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 17,849	\$ 21,854	\$ 9,822	\$ 19,062	\$ 26,128	\$ 20,215	\$ 15,320	\$ 14,303	\$ -	\$ -
Special item - Loss on transfer of operations	-	-	-	-	-	-	-	-	(11,073,566)	-
Transfers	343,649	911,991	-	(6,282)	(7,657)	3,555	(17,989)	(2,975,826)	(9,999)	-
Total business-type activities	\$ 361,498	\$ 933,845	\$ 9,822	\$ 12,780	\$ 18,471	\$ 23,770	\$ (2,669)	\$ (2,961,523)	\$ (11,083,565)	\$ -
Total primary government	\$ 39,444,565	\$ 40,510,223	\$ 39,784,474	\$ 43,382,341	\$ 41,633,770	\$ 46,572,203	\$ 45,141,763	\$ 46,207,808	\$ 36,256,278	\$ 51,023,092
Change in Net Position										
Governmental activities	\$ 3,047,580	\$ (4,008,165)	\$ (245,493)	\$ 2,639,959	\$ 51,296	\$ 4,516,595	\$ 925,258	\$ 4,845,372	\$ 27,027	\$ (2,535,410)
Business-type activities	768,191	1,030,027	183,122	223,111	373,443	781,140	384,267	(2,750,097)	(11,083,565)	-
Total primary government	\$ 3,815,771	\$ (2,978,138)	\$ (62,371)	\$ 2,863,070	\$ 424,739	\$ 5,297,735	\$ 1,309,525	\$ 2,095,275	\$ (11,056,538)	\$ (2,535,410)

Source: County financial reports

Table 3

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumers' Utility Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Business License Tax	Restaurant Food Tax	Other Local Taxes	Total
2017	\$ 38,120,606	\$ 2,835,846	\$ 714,794	\$ 666,327	\$ 381,730	\$ 813,572	\$ 1,302,205	\$ 719,005	\$ 45,554,085
2016	34,668,727	2,900,954	709,924	657,801	305,433	851,925	1,294,246	624,077	42,013,087
2015	33,933,251	2,677,918	712,242	668,174	263,879	823,543	1,244,855	559,810	40,883,672
2014	33,063,716	2,514,913	710,204	661,412	269,869	840,808	1,209,735	611,870	39,882,527
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

Source: County financial reports

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

Table 4

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Reserved/Restricted	\$ 243,247	\$ 260,324	\$ 266,406	\$ 198,529	\$ 186,710	\$ 187,390	\$ 285,943	\$ 775,696	\$ 276,250	\$ 122,663
Assigned	-	-	-	-	-	1,643,315	992,671	1,300,957	-	-
Unreserved/Unassigned	21,465,706	16,164,020	14,054,127	15,900,561	15,545,586	18,164,705	18,289,310	22,478,701	21,862,769	22,988,746
Non-spendable	-	-	-	117,761	121,510	255,005	227,218	251,649	235,716	147,063
Total general fund	<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>	<u>\$ 19,795,142</u>	<u>\$ 24,807,003</u>	<u>\$ 22,374,735</u>	<u>\$ 23,258,472</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
General property taxes	\$ 27,365,128	\$ 28,472,840	\$ 28,265,340	\$ 30,156,224	\$ 29,814,950	\$ 33,052,057	\$ 33,167,127	\$ 34,032,340	\$ 34,656,986	\$ 38,014,898
Other local taxes	6,494,878	6,626,177	5,799,366	6,074,083	6,282,770	6,451,883	6,818,811	6,950,421	7,344,360	7,433,479
Permits, privilege fees and regulatory licenses	364,491	259,873	259,962	216,496	174,240	237,446	245,505	312,369	498,046	384,983
Fines and forfeitures	116,316	87,133	91,435	115,006	154,048	132,627	139,238	141,023	105,481	112,769
Revenue from use of money and property	1,631,765	902,894	660,250	602,854	647,477	571,498	369,202	477,777	425,030	584,924
Charges for services	1,465,660	600,929	600,018	587,451	616,429	672,811	789,426	752,571	707,849	643,691
Miscellaneous	126,545	285,932	366,878	1,948,711	235,015	217,703	221,521	195,928	236,630	236,602
Recovered costs	1,429,487	1,982,437	1,465,804	1,383,273	1,657,121	1,396,735	1,391,628	1,563,432	1,546,004	1,813,036
Intergovernmental:										
Commonwealth	12,947,156	9,827,831	10,278,579	10,151,813	9,961,769	9,854,658	10,229,724	10,507,516	12,355,099	14,118,464
Federal	878,363	2,080,046	1,217,686	1,301,226	1,506,888	1,373,777	1,177,385	916,763	942,872	921,917
Total revenues	\$ 52,819,789	\$ 51,126,092	\$ 49,005,318	\$ 52,537,137	\$ 51,050,707	\$ 53,961,195	\$ 54,549,567	\$ 55,850,140	\$ 58,818,357	\$ 64,264,763
Expenditures										
General government administration	\$ 2,896,922	\$ 3,133,423	\$ 3,217,633	\$ 2,946,149	\$ 3,163,761	\$ 2,865,931	\$ 3,443,109	\$ 3,630,519	\$ 3,877,689	\$ 3,430,318
Judicial administration	1,288,367	1,281,196	1,276,576	1,224,399	1,277,824	1,308,558	1,419,922	1,418,447	1,436,618	1,508,125
Public safety	11,782,509	12,709,074	12,621,652	11,570,131	13,447,745	13,406,454	15,094,607	14,972,418	15,911,380	16,283,139
Public works	1,625,801	1,699,314	1,729,418	1,670,355	1,727,239	1,666,210	1,739,422	1,735,611	1,855,518	1,995,355
Health and welfare	3,569,914	3,427,105	3,770,875	3,639,024	3,471,988	3,293,613	3,458,579	3,461,038	3,606,886	3,739,064
Education	19,060,764	21,712,253	19,021,824	20,401,136	20,577,954	21,165,820	21,785,483	21,963,977	23,258,465	24,052,579
Parks, recreation and cultural	2,812,653	2,986,515	2,972,332	2,850,141	2,908,001	2,687,058	3,030,846	2,963,364	3,456,445	2,690,490
Community development	1,778,813	496,566	625,127	600,861	289,055	304,429	242,770	211,088	3,417,586	5,274,461
Capital projects	4,916,928	3,067,114	1,014,166	1,016,336	261,819	92,247	776,212	122,404	594,223	1,035,549
Debt service										
Principal	2,377,691	2,762,390	2,798,024	2,784,220	2,838,515	2,787,190	2,881,768	3,055,330	2,587,313	2,150,758
Bond issuance cost	-	-	-	31,266	-	-	-	108,500	-	-
Interest and other fiscal charges	2,652,279	2,223,760	2,061,502	1,972,381	1,799,409	1,688,774	1,596,483	1,243,450	1,311,631	1,218,669
Total expenditures	\$ 54,762,641	\$ 55,498,710	\$ 51,109,129	\$ 50,706,399	\$ 51,763,310	\$ 51,266,284	\$ 55,469,201	\$ 54,886,146	\$ 61,313,754	\$ 63,378,507
Excess (deficiency) of revenues over (under) expenditures	\$ (1,942,852)	\$ (4,372,618)	\$ (2,103,811)	\$ 1,830,738	\$ (712,603)	\$ 2,694,911	\$ (919,634)	\$ 963,994	\$ (2,495,397)	\$ 886,256
Other financing sources (uses)										
Transfers in	\$ -	\$ -	\$ -	\$ 6,282	\$ 7,657	\$ -	\$ 17,989	\$ 3,175,826	\$ 9,999	\$ -
Transfers out	(343,649)	(911,991)	-	-	-	(3,555)	-	-	-	(2,519)
Proceeds from refunding bonds issued	-	-	-	2,074,298	-	-	-	14,985,611	-	-
Payments to refunded bonds escrow agent	-	-	-	(2,015,000)	-	-	-	(14,878,212)	-	-
Proceeds of general obligation bonds	-	-	-	-	-	-	446,372	-	-	-
Proceeds of capital lease	-	-	-	-	-	-	-	526,304	53,130	-
Sale of assets	-	-	-	-	341,901	1,705,253	-	238,338	-	-
Total other financing sources (uses)	\$ (343,649)	\$ (911,991)	\$ -	\$ 65,580	\$ 349,558	\$ 1,701,698	\$ 464,361	\$ 4,047,867	\$ 63,129	\$ (2,519)
Net change in fund balances	\$ (2,286,501)	\$ (5,284,609)	\$ (2,103,811)	\$ 1,896,318	\$ (363,045)	\$ 4,396,609	\$ (455,273)	\$ 5,011,861	\$ (2,432,268)	\$ 883,737
Debt service as a percentage of noncapital expenditures	10.18%	9.51%	9.70%	9.57%	9.15%	8.88%	8.40%	8.00%	6.61%	5.41%

Source: County financial reports

Table 6

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumers' Utility Tax	Motor Vehicle License Tax	Record-ation and Wills Tax	Business License Tax	Other Local Taxes	Total
2017	\$ 38,014,898	\$ 2,835,846	\$ 568,681	\$ 666,327	\$ 381,730	\$ 813,572	\$ 2,167,323	\$ 45,448,377
2016	34,656,986	2,900,954	565,368	657,801	305,433	851,925	2,062,879	42,001,346
2015	34,032,340	2,677,918	562,325	668,174	263,879	823,543	1,954,582	40,982,761
2014	33,167,127	2,514,913	558,366	661,412	269,869	840,808	1,973,443	39,985,938
2013	33,052,057	2,226,360	702,303	647,951	310,308	875,526	1,689,435	39,503,940
2012	29,814,950	2,164,312	695,430	647,083	256,065	829,929	1,689,951	36,097,720
2011	30,156,224	2,028,548	699,959	632,926	263,973	745,256	1,703,421	36,230,307
2010	28,265,340	1,873,975	694,260	627,860	285,530	779,757	1,537,984	34,064,706
2009	28,472,840	1,930,445	694,849	587,147	296,613	788,003	2,329,120	35,099,017
2008	27,365,128	2,102,537	694,547	25,815	405,937	828,183	2,437,859	33,860,006

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.

Source: County financial reports

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
2017	\$ 3,351,117,360	\$ 351,925,121	\$ 6,090,836	\$ 192,175,546	\$ n/a	\$ 285,856,059	\$ 0.998	\$ 4,187,164,922	\$ 4,187,164,922	\$ 100.00%
2016	3,307,696,135	332,372,947	6,992,559	191,005,313	n/a	246,481,530	0.926	4,084,548,484	4,084,548,484	100.00%
2015	3,287,828,902	318,709,760	7,060,247	186,676,796	n/a	220,905,260	0.922	4,021,180,965	4,021,180,965	100.00%
2014	3,257,599,002	314,360,176	7,134,407	175,191,835	n/a	218,475,707	0.919	3,972,761,127	3,972,761,127	100.00%
2013	3,242,699,650	311,958,061	6,950,130	182,418,399	n/a	208,049,845	0.921	3,952,076,085	3,952,076,085	100.00%
2012	3,218,025,862	310,059,737	6,997,205	173,908,916	n/a	194,395,467	0.870	3,903,387,187	3,903,387,187	100.00%
2011	3,235,788,546	300,246,831	7,491,117	194,707,052	n/a	198,118,207	0.852	3,936,351,753	3,936,351,753	100.00%
2010	2,988,312,115	283,659,315	7,399,339	193,749,235	n/a	174,383,239	0.859	3,647,503,243	3,647,503,243	100.00%
2009	2,959,128,712	333,396,867	7,345,446	192,402,843	n/a	163,592,256	0.884	3,655,866,124	3,655,866,124	100.00%
2008	2,895,743,670	308,999,319	7,808,357	172,799,915	n/a	156,941,049	0.872	3,542,292,310	3,542,292,310	100.00%

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
2017	\$ 0.79	\$ 2.71	\$ 0.79	\$ 1.80	n/a	\$ 0.998	\$ 0.19	\$ 0.32
2016	\$ 0.72	\$ 2.63	\$ 0.72	\$ 1.80	n/a	\$ 0.926	\$ 0.19	\$ 0.32
2015	0.72	2.63	0.72	1.80	n/a	0.922	0.19	0.32
2014	0.72	2.63	0.72	1.80	n/a	0.919	0.19	0.32
2013	0.72	2.63	0.72	1.80	n/a	0.921	0.19	0.32
2012	0.65	2.55	0.65	1.80	n/a	0.870	0.19	0.32
2011	0.65	2.55	0.65	1.80	n/a	0.852	0.19	0.32
2010	0.65	2.55	0.65	1.80	n/a	0.859	0.19	0.32
2009	0.65	2.55	0.65	1.80	n/a	0.884	0.19	0.32
2008	0.65	2.55	0.65	1.80	n/a	0.872	0.19	0.32
2007	0.65	2.55	0.65	1.80	n/a	0.873	0.19	0.32

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 2017		Fiscal Year 2008	
		2017 Assessed Valuation	% of Total Assessed Valuation	2008 Assessed Valuation	% of Total Assessed Valuation
American Electric Power	Utility	\$ 154.9	3.70%	\$ 65.8	1.86%
Roanoke Cement	Manufacturing	106.1	2.53%	91.2	2.57%
Metalsa Roanoke	Manufacturing	55.5	1.33%	26.0	0.73%
Dynax America Corporation	Manufacturing	50.7	1.21%	42.5	1.20%
Lumos Network / Telephone	Communications	23.2	0.55%	20.4	0.58%
CSX Transportation	Railroad	23.0	0.55%	8.7	0.25%
Lawrence Companies	Transportation / Holdings	21.3	0.51%	12.5	0.35%
Roanoke Gas	Utility	20.1	0.48%	12.6	0.36%
Arkay Packaging	Manufacturing	18.0	0.43%	12.5	0.35%
Altec Industries	Manufacturing	17.7	0.43%	10.3	0.29%
	Totals	\$ <u>490.5</u>	<u>11.71%</u>	\$ <u>302.5</u>	<u>8.54%</u>

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
2017	\$	37,390,629	\$ 36,987,678	98.92%	\$ -	\$ 36,987,678	98.92%
2016		37,499,953	37,031,300	98.75%	\$ 215,840	37,247,140	99.33%
2015		37,061,446	36,543,004	98.60%	341,970	36,884,974	99.52%
2014		36,509,897	35,922,088	98.39%	504,288	36,426,376	99.77%
2013		36,077,900	35,398,082	98.12%	639,012	36,037,094	99.89%
2012		33,191,396	32,560,205	98.10%	604,444	33,164,649	99.92%
2011		33,292,786	32,733,716	98.32%	531,789	33,265,505	99.92%
2010		31,190,720	30,634,370	98.22%	526,279	31,160,649	99.90%
2009		31,895,673	31,340,826	98.26%	502,362	31,843,188	99.84%
2008		30,514,781	30,086,812	98.60%	416,474	30,503,286	99.96%

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

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

Table 11

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

Fiscal Years	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases	Revenue Bonds	Capital Leases			
2017	\$ 24,845,517	\$ 2,161,580	\$ -	\$ 353,964	\$ -	\$ -	\$ 27,361,061	1.76%	\$ 825
2016	26,423,079	2,813,510	-	465,397	-	-	29,701,986	1.90%	887
2015	28,432,950	3,465,440	-	526,304	8,949,142	-	41,373,836	2.65%	1,234
2014	29,907,498	4,117,370	-	-	9,152,023	-	43,176,891	2.85%	1,292
2013	31,735,140	4,769,300	-	-	9,126,667	-	45,631,107	3.02%	1,371
2012	33,914,576	5,421,230	-	-	7,820,511	-	47,156,317	3.23%	1,412
2011	36,145,337	6,073,160	-	-	7,739,655	-	49,958,152	3.69%	1,504
2010	38,219,274	6,768,321	-	-	7,657,640	-	52,645,235	3.91%	1,588
2009	40,305,216	7,517,663	-	-	8,126,202	-	55,949,081	4.03%	1,676
2008	42,353,932	8,276,193	-	-	8,581,294	-	59,211,419	4.38%	1,785

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)
2017	\$ 27,007,097	\$ -	\$ 27,007,097	0.64%	\$ 814
2016	29,236,589	-	29,236,589	0.72%	873
2015	31,898,390	-	31,898,390	0.79%	952
2014	34,024,868	-	34,024,868	0.86%	1,018
2013	36,504,440	-	36,504,440	0.92%	1,096
2012	39,335,806	-	39,335,806	1.01%	1,178
2011	42,218,497	-	42,218,497	1.07%	1,271
2010	44,987,595	-	44,987,595	1.23%	1,357
2009	47,822,879	-	47,822,879	1.31%	1,433
2008	50,630,125	-	50,630,125	1.43%	1,526

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

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

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences. Bond indebtedness includes debt to be repaid with general government resources.

Source: County financial reports

Table 13

COUNTY OF BOTETOURT, VIRGINIA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2017

<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	\$ 303,840	100%	\$ 303,840
Subtotal, overlapping debt			<u>\$ 303,840</u>
County of Botetourt, direct debt			<u>\$ 27,361,061</u>
Total direct and overlapping debt			<u><u>\$ 27,664,901</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.

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

Table 14

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 354,229,231	\$ 365,586,612	\$ 364,750,324	\$ 393,635,175	\$ 390,338,719	\$ 395,207,609	\$ 397,276,113	\$ 402,118,097	\$ 408,454,848	\$ 418,716,492
Total net debt applicable to limit	50,630,125	47,822,879	44,987,595	42,218,497	39,335,806	36,504,440	34,024,868	31,898,390	29,236,589	27,007,097
Legal debt margin	\$ 303,599,106	\$ 317,763,733	\$ 319,762,729	\$ 351,416,678	\$ 351,002,913	\$ 358,703,169	\$ 363,251,245	\$ 370,219,707	\$ 379,218,259	\$ 391,709,395
Total net debt applicable to the limit as a percentage of debt limit	14.29%	13.08%	12.33%	10.73%	10.08%	9.24%	8.56%	7.93%	7.16%	6.45%

Legal Debt Margin Calculation for Fiscal Year 2017

Total assessed value	\$ 4,187,164,922
Debt limit (10% of total assessed value)	418,716,492
Net debt applicable to limit	27,007,097
Legal debt margin	\$ 391,709,395

Table 15

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

Fiscal Year	Water/Sewer Revenue Bonds						Special Assessment Bonds			
	Water/ Sewer Charges and Other(1)	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Special Assessment Collections	Principal	Interest	Coverage
				Principal	Interest					
2017	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2015 \$	3,015,324	\$ 1,559,272	\$ 1,456,052	\$ 675,725	\$ 290,208	1.51	n/a	n/a	n/a	n/a
2014	6,812,390	1,774,092	5,038,298	604,659	327,591	5.40	n/a	n/a	n/a	n/a
2013	7,136,660	1,736,393	5,400,267	527,590	268,949	6.78	n/a	n/a	n/a	n/a
2012	5,590,913	1,595,354	3,995,559	498,158	284,171	5.11	n/a	n/a	n/a	n/a
2011	5,647,072	1,546,418	4,100,654	478,632	288,574	5.34	n/a	n/a	n/a	n/a
2010	5,038,229	1,749,040	3,289,189	464,429	295,806	4.33	n/a	n/a	n/a	n/a
2009	4,623,658	1,637,099	2,986,559	450,580	311,427	3.92	n/a	n/a	n/a	n/a
2008	3,656,258	1,537,690	2,118,568	437,042	234,817	3.15	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.

Effective July 1, 2015, the County's water and sewer operations were transferred to the Western Virginia Water Authority; therefore, no activity occurs after this date.

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
2017	33,176	\$ 1,553,002	\$ 46,811	46.4	4,553	3.64%
2016	33,486	1,508,712	45,055	44.9	4,675	3.70%
2015	33,521	1,564,224	46,664	44.9	4,780	4.62%
2014	33,423	1,514,730	45,320	44.9	4,777	5.07%
2013	33,293	1,508,839	45,320	44.9	4,876	5.18%
2012	33,399	1,460,238	43,721	44.9	4,984	5.57%
2011	33,209	1,354,794	40,796	44.9	4,943	5.80%
2010	33,148	1,348,030	40,667	44.9	4,977	6.40%
2009	33,374	1,388,692	41,610	44.8	4,864	5.00%
2008	33,177	1,352,792	40,775	44.8	4,921	2.93%

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 2017			Fiscal Year 2008		
	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees
Botetourt County Public Schools	1	Local Government	500-999	1	Local Government	500-999
Altec Industries	2	Private	500-999	4	Private	100-249
Dynax America Corporation	3	Private	500-999	2	Private	250 - 499
County of Botetourt	4	Local Government	250 - 499	3	Local Government	250 - 499
Lawrence Transportation System	5	Private	100-249	9	Private	100-249
Metalsa Roanoke	6	Private	100-249	5	Private	100-249
The Glebe Inc. Dip	7	Private	100-249	12	Private	100-249
Arkay Packaging	8	Private	100-249	16	Private	100-249
Gala Industries	9	Private	100-249	8	Private	100-249
Virginia Truck Center	10	Private	100-249	15	Private	100-249
Roanoke Cement Company LLC	11	Private	100-249	11	Private	100-249
Kroger	12	Private	100-249	-	Private	100-249
Lanford Brothers Company	13	Private	100-249	10		
Kirby Vass Insulation	14	Private	100-249	20	Private	100-249
Cracker Barrel Old Country Store	15	Private	100-249	17	Private	100-249
Kissito Healthcare	16	Private	100-249	-	Private	100-249
Carrington Place Botetourt	17	Private	100-249	-	-	-
Pilot Travel Centers	18	Private	100-249	-	-	-
The Pepso Bottling Group	19	Private	50-99	18	-	-
Canatal Steel Usa Inc.	20	Private	50-99	-	-	-
Home Instead Senior Care				6	Private	100-249
Koyo Steering Systems, Inc.				7	Private	100-249
O'Neal Steel				13	Private	100-249
Tread Corporation				14	Private	100-249
Howell's Motor Freight				19	Private	100-249

Source: Virginia Employment Commission

Table 18

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

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government administration	29	30	31	31	30	29	30	31	31	31
Judicial administration	17	17	17	16	17	17	17	17	17	17
Public safety:										
Sheriffs department	116	115	108	109	114	113	115	115	115	116
Fire & rescue	14	15	17	25	29	30	34	34	34	40
Inspections (Development Services)	5	5	4	4	8	9	8	9	10	10
Animal control	3	4	4	4	4	4	4	4	4	4
GIS / Communications	2	3	0	0	0	0	0	0	0	0
Public works:										
Utilities/General Services	10	11	11	11	12	12	11	11	4	4
General maintenance	6	7	7	7	7	7	7	7	7	7
Waste Management	4	5	4	4	4	4	4	4	4	4
Engineering	4	4	4	4	0	0	0	0	0	0
Health and welfare:										
Department of social services	18	16	16	14	16	15	17	19	20	21
Comprehensive Services	1	1	1	1	1	1	1	1	1	1
Culture and recreation:										
Parks and recreation	18	17	16	15	14	14	13	13	13	13
Library	13	13	14	14	14	13	13	13	13	13
Tourism / Marketing	1	1	1	1	1	1	2	2	2	2
Community development:										
Planning	4	4	4	3	0	0	0	0	0	0
Totals	<u>265</u>	<u>268</u>	<u>259</u>	<u>263</u>	<u>271</u>	<u>269</u>	<u>276</u>	<u>280</u>	<u>275</u>	<u>283</u>

Source: Individual county departments

Note: GIS employees have been reallocated to General Government, then Public Works.

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

Note: Planning employees have been reallocated Development Services.

Table 19

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

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Sheriffs department:										
Physical arrests	2,422	1,768	1,845	2,402	2,290	2,302	2,051	2,417	2,448	2,375
Traffic violations	2,697	2,330	2,698	3,232	2,951	2,560	3,180	3,199	2,742	2,865
Civil papers	7,298	7,301	7,187	6,955	6,813	6,750	6,335	6,494	6,398	6,761
Fire and rescue:										
Number of calls answered	4,965	5,131	4,615	4,057	4,730	4,719	4,618	4,396	4,633	4,783
Building inspections:										
Permits issued (same as Planning)	598	462	475	424	378	395	411	421	399	446
Animal control:										
Number of calls answered	4,965	6,872	6,082	6,035	6,100	5,210	4,790	5,543	5,878	5,051
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	3	3	4	6	5	6
Landfill:										
Refuse collected (tons/day)	33	6.5	6.8	7.1	5.6	6.4	7.1	6.7	6.8	6.9
Recycling (tons/day)	17	8.1	9.7	9.5	8.3	10.3	10.7	10.0	10.9	9.3
Health and welfare										
Department of Social Services:										
Caseload	2,448	2,702	3,493	4,125	4,152	4,479	5,014	5,929	5,437	6,840
Culture and recreation										
Parks and recreation:										
Recreation permits issued	69	85	86	93	97	129	118	156	115	106
Youth sports participants	3,511	3,594	3,863	3,960	3,931	4,197	4,725	4,744	5,004	4,442
Community development										
Planning:										
Zoning permits issued	598	462	475	424	378	395	411	421	399	446
Component Unit - School Board										
Education:										
School age population (per census)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Number of teachers	401	409	405	405	414	408	398	393	399	390
Local expenditures per pupil	4,075	4,369	4,222	4,344	4,304	4,721	5,246	5,015	5,402	5,823

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

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

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

Note: Social Services caseload includes types of cases that will be repoerted in the future (not reported in prior years).

Table 20

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

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government administration										
Administration buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	4	5	7	7	4	3	5	4	4	4
Public safety										
Sheriffs department:										
Patrol units	51	51	50	51	51	51	51	51	51	51
Other vehicles	13	14	15	16	15	16	18	18	21	22
Development Services / Building inspections:										
Vehicles	3	4	4	4	7	6	8	8	9	8
Animal control:										
Vehicles	3	4	4	4	4	4	4	4	4	4
Public works										
General maintenance:										
Trucks/vehicles	14	15	14	17	19	22	19	20	12	12
Landfill:										
Vehicles	11	11	8	6	6	6	6	6	6	6
Equipment	9	9	9	9	9	9	9	9	9	9
Sites	2	2	2	2	2	2	2	2	2	2
Health and welfare										
Department of Social Services: Vehicles	-	-	-	-	-		2	2	3	3
County Van Program - Vehicles	2	2	2	2	2	2	2	2	3	4
Culture and recreation										
Parks and recreation:										
Community centers	2	2	2	2	2	1	1	1	1	1
Vehicles - Parks & Recreation, Library	16	17	19	19	20	21	21	20	21	21
Parks acreage	158	158	158	158	158	158	158	158	158	158
Tennis courts	4	4	4	4	4	4	4	4	4	4
Community development										
Planning:										
Vehicles	2	2	1	2	-	-	-	-	-	
Component Unit - School Board										
Education:										
Schools	12	12	12	12	12	12	13	13	13	13
School buses	85	89	93	94	96	95	94	95	96	98

Source: Individual county departments.

Beginning in FY12, Planning vehicles are combined into Development Services.

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Botetourt, Virginia, as of and for the year ended June 30, 2017, 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 December 15, 2017.

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, Farmer, Cox Associates

Blacksburg, Virginia
December 15, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the County of Botetourt, Virginia's compliance with the types of compliance requirements described in the *OMB 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 15, 2017

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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	0010117/0040117	\$	140,723
<i>Department of Education:</i>				
Schools and Roads - Grants to States	10.665	43841		12,108
Child Nutrition Cluster				
School Breakfast Program	10.553	40591	\$	112,670
<i>State Department of Agriculture:</i>				
Food Distribution-Schools (Note C)	10.555	Unknown	\$	112,892
<i>Department of Education:</i>				
National School Lunch Program	10.555	40623	503,342	616,234
Total Child Nutrition Cluster				728,904
Total Department of Agriculture			\$	881,735
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Pass through payments from:				
<i>Department of Social Services:</i>				
Promoting Safe and Stable Families	93.556	0950116	\$	5,678
Temporary Assistance for Needy Families	93.558	0400117		124,964
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117		445
Low Income Home Energy Assistance	93.568	0600417		15,424
Social Services Block Grant	93.667	1000117		101,931
Chafee Foster Care Independence Program	93.674	9150117		1,008
Children's Health Insurance Program	93.767	0540117		5,730
Medical Assistance Program	93.778	1200117		180,023
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116		221
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117		21,413
Foster Care - Title IV E	93.658	1100117		53,853
Adoption Assistance	93.659	1120117		63,152
Child Support Enforcement	93.563	Unknown		200
Adoption and Legal Guardianship Incentive Payments	93.603	1130114		5,543
Total Department of Health and Human Services			\$	579,585
DEPARTMENT OF HOMELAND SECURITY:				
Pass through payments from:				
<i>Department of Emergency Management:</i>				
Emergency Management Performance Grants	97.042	158	\$	7,500
Total Department of Homeland Security			\$	7,500
DEPARTMENT OF TRANSPORTATION:				
Pass through payments from:				
<i>Department of Motor Vehicles:</i>				
Highway Safety Cluster				
State and Community Highway Safety	20.600	50326	\$	2,078
National Priority Safety Programs	20.616	Unknown	2,696	\$ 4,774
Alcohol Open Container Requirements	20.607	154AL-2010		15,168
Total Department of Transportation			\$	19,942
DEPARTMENT OF EDUCATION:				
Pass through payments from:				
<i>Department of Education:</i>				
Career and Technical Education -- Basic Grants to States	84.048	61095	\$	47,214
Adult Education - Basic Grants to States	84.002	42801		26,084
Supporting Effective Instruction State Grant	84.367	61480		50,183
English Language Acquisition State Grants	84.365	Unknown		7,469
Title I Grants to Local Educational Agencies	84.010	42901		408,230

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**DEPARTMENT OF EDUCATION: (Continued)**

Pass through payments from: (Continued)

Department of Education: (Continued)

Special Education Cluster - IDEA				
Special Education - Grants to States	84.027	73071	\$ 1,102,834	
Special Education - Preschool Grants	84.173	62521	30,197	
Total Special Education Cluster - IDEA				1,133,031
Total Department of Education				<u>\$ 1,672,211</u>
Total Expenditures of Federal Awards				<u>\$ 3,160,973</u>

Notes to Schedule of Expenditures of Federal Awards**Note A--Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Botetourt, Virginia under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budgets Uniform Guidance. 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 Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

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

(3) The County did not elect the 10% de minimus indirect cost rate because they only request direct costs for reimbursement.

Note C--Food Distribution

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

NOTE D--Subrecipients

The County did not have any subrecipients for the year ended June 30, 2017.

Note E--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 - Intergovernmental	\$ 15,040,381
Less: Revenue from the Commonwealth	(14,118,464)
Less: Payment in Lieu of Taxes	(174,167)
Component Unit School Board:	
School Operating Fund - Intergovernmental	51,129,557
Less: Revenue from local governments	(24,015,439)
Less: Revenue from the Commonwealth	<u>(24,700,895)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 3,160,973</u>

County of Botetourt, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' 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 2 CFR section, 200.516 (a)?	No
Identification of major programs:	

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

County of Botetourt, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017 (Continued)

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings

There were no prior audit findings related to federal awards.