

COUNTY OF BUCHANAN, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

COUNTY OF BUCHANAN, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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COUNTY OF BUCHANAN, VIRGINIA

BOARD OF SUPERVISORS

James Branham	Trey Adkins, Chairman	Buddy Fuller
William Harris		Earl Scott
Gary Rife		Craig Stiltner

COUNTY SCHOOL BOARD

Robert Bevins	Heath Harrison, Chairman	Wayne Deskins
Clarence Brown, Jr.		Willie Sullivan
Austin Crumpton		Scotty Owens
	Patricia Rowe, Clerk	

OTHER OFFICIALS

Judge of the Circuit Court	Patrick Johnson
Clerk of the Circuit Court.....	Beverly Tiller
Judge of the General District Court.....	Henry Barringer
Judge of the Juvenile & Domestic Relations Court	Michael J. Bush
Commonwealth's Attorney	Gerald Arrington
Commissioner of the Revenue	Ruth Horn
Treasurer	Billy J. Keene
Sheriff.....	Ray Foster
Superintendent of Schools	Larry Ashby
Director of Social Services	Christopher Austin
County Administrator.....	Robert Craig Horn
County Attorney	Lee Moise

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of
The Board of Supervisors
County of Buchanan, 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 Buchanan, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Component Unit Industrial Development Authority.

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 did not audit the financial statements of the discretely presented Component Unit Industrial Development Authority. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Buchanan County Industrial Development Authority, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, 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 Buchanan, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 21 to the financial statements, there is currently a federal investigation underway and the County's escrow agent has declined to advance funds under the County and School Board's energy savings lease agreement dated November 3, 2014.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of pension and OPEB funding progress on pages 55-57 and 58 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Buchanan, Virginia's basic financial statements. The introductory section, other supplementary information, and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Other Information (continued)

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

The introductory section and other statistical information 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 February 17, 2015, on our consideration of the County of Buchanan, 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 Buchanan, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
February 17, 2015,
Except for note 21, as to which the date is
April 16, 2015

County of Buchanan, Virginia
Statement of Net Position
June 30, 2014

	Primary Government Activities	Component Unit School Board	Component Unit Public Service Authority	Component Unit Industrial Development Authority
ASSETS				
Cash and cash equivalents	\$ 28,407,730	\$ 247,562	\$ 3,979,754	\$ 3,052,719
Receivables (net of allowance for uncollectibles):				
Taxes receivable	24,733,907	-	-	-
Accounts receivable	4,154,878	4,025	401,613	-
Due from component unit	2,047,480	-	-	-
Due from other governmental units	2,012,392	842,537	594,168	-
Prepaid items	120,750	2,047,480	113,107	-
Restricted assets:				
Cash and cash equivalents	23,878,609	-	622,894	333,696
Capital assets (net of accumulated depreciation):				
Land	1,977,391	2,491,725	105,000	23,972,790
Buildings and improvements	10,427,845	6,729,970	-	7,806,861
Machinery and equipment	2,196,105	324,521	-	-
Utility plant and equipment	-	-	69,197,947	-
Infrastructure				16,782,296
Construction in progress	1,121,990	4,306	20,785,794	-
Total assets	<u>\$ 101,079,077</u>	<u>\$ 12,692,126</u>	<u>\$ 95,800,277</u>	<u>\$ 51,948,362</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding of debt	\$ -	\$ -	\$ 105,737	\$ -
LIABILITIES				
Accounts payable	\$ 3,180,461	\$ 430,358	\$ 1,304,631	\$ 937,954
Accrued wages	-	4,271,298	73,196	-
Accrued interest payable	138,281	-	126,811	-
Due to primary government	-	2,047,480	148,136	-
Long-term liabilities:				
Due within one year	1,566,399	751,747	1,060,509	32,770
Due in more than one year	7,790,363	928,381	13,475,637	940,809
Total liabilities	<u>\$ 12,675,504</u>	<u>\$ 8,429,264</u>	<u>\$ 16,188,920</u>	<u>\$ 1,911,533</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 21,284,901	\$ -	\$ -	\$ -
Total deferred inflows of resources	<u>\$ 21,284,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 8,169,565	\$ 9,550,522	\$ 75,800,449	\$ 47,588,368
Restricted	27,320,177	124,721	622,894	333,696
Unrestricted (deficit)	31,628,930	(5,412,381)	3,293,751	2,114,765
Total net position	<u>\$ 67,118,672</u>	<u>\$ 4,262,862</u>	<u>\$ 79,717,094</u>	<u>\$ 50,036,829</u>

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

County of Buchanan, Virginia
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Activities	School Board	Component Units Public Service Authority Industrial Development Authority
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 3,004,076	\$ 19,634	\$ 363,136	\$ -	\$ (2,621,306)	\$ -	\$ -
Judicial administration	1,634,452	22,275	703,496	-	(908,681)	-	-
Public safety	6,855,341	138,542	2,076,306	-	(4,640,493)	-	-
Public works	10,418,098	745,513	8,757	-	(9,663,828)	-	-
Health and welfare	9,669,758	-	6,768,188	-	(2,901,570)	-	-
Education	11,666,828	-	-	-	(11,666,828)	-	-
Parks, recreation, and cultural	1,104,072	104,004	108,749	-	(891,319)	-	-
Community development	13,053,565	-	-	-	(7,711,092)	-	-
Interest on long-term debt	378,338	-	-	5,342,473	(378,338)	-	-
Total governmental activities	\$ 57,784,528	\$ 1,029,968	\$ 10,028,632	\$ 5,342,473	\$ (41,383,455)	\$ -	\$ -
Total primary government	\$ 57,784,528	\$ 1,029,968	\$ 10,028,632	\$ 5,342,473	\$ (41,383,455)	\$ -	\$ -
COMPONENT UNITS:							
School Board	35,021,060	\$ 835,238	\$ 21,928,299	\$ -	-	(12,257,523)	\$ -
Public Service Authority	9,017,308	5,380,089	3,500,000	6,599,176	-	-	6,461,957
Industrial Development Authority	737,314	397,543	1,866,070	2,762,570	-	-	-
Total component units	\$ 44,775,682	\$ 6,612,870	\$ 27,294,369	\$ 9,361,746	\$ -	(12,257,523)	\$ 6,461,957
							\$ 4,288,869
General revenues:							
General property taxes					\$ 20,134,556	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					1,634,642	-	-
Consumers' utility taxes					388,934	-	-
Mineral license tax					8,206,375	-	-
Methane gas tax					1,061,164	-	-
Coal road taxes					8,265,743	-	-
Other local taxes					573,356	-	-
Unrestricted revenues from use of money and property					82,263	6,284	171
Miscellaneous					232,331	161,382	176,878
Contributions from Buchanan County					-	10,168,177	-
Grants and contributions not restricted to specific programs					2,766,625	-	-
Total general revenues					\$ 43,345,989	\$ 10,335,643	\$ 177,049
Change in net position					1,962,534	(1,921,680)	6,639,006
Net position - beginning					65,156,138	6,184,542	73,078,088
Net position - ending					\$ 67,118,672	\$ 4,262,862	\$ 79,717,094
							\$ 50,036,829

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

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

	<u>General</u>	<u>Coal Road</u>	<u>Disaster Relief</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 26,311,909	\$ -	\$ 184,390	\$ 26,496,299
Receivables (net of allowance for uncollectibles):				
for uncollectibles:				
Taxes receivable	23,772,412	961,495	-	24,733,907
Accounts receivable	4,154,878	-	-	4,154,878
Due from other funds	-	100,000	-	100,000
Due from component unit	2,047,480	-	-	2,047,480
Due from other governmental units	2,012,392	-	-	2,012,392
Prepaid items	120,750	-	-	120,750
Restricted assets:				
Cash and cash equivalents	10,696,361	13,182,248	-	23,878,609
Total assets	<u>\$ 69,116,182</u>	<u>\$ 14,243,743</u>	<u>\$ 184,390</u>	<u>\$ 83,544,315</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,509,048	\$ 655,823	\$ 92,575	\$ 2,257,446
Due to other funds	-	-	100,000	100,000
Total liabilities	<u>\$ 1,509,048</u>	<u>\$ 655,823</u>	<u>\$ 192,575</u>	<u>\$ 2,357,446</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	\$ 23,624,393	\$ -	\$ -	\$ 23,624,393
Unavailable revenue - tax settlement	2,700,000	-	-	2,700,000
Total deferred inflows of resources	<u>\$ 26,324,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,324,393</u>
Fund balances:				
Nonspendable	\$ 120,750	-	-	\$ 120,750
Restricted (Note 15)	12,743,841	13,587,920	-	26,331,761
Assigned (Note 15)	3,848,833	-	(8,185)	3,840,648
Unassigned	24,569,317	-	-	24,569,317
Total fund balances	<u>\$ 41,282,741</u>	<u>\$ 13,587,920</u>	<u>\$ (8,185)</u>	<u>\$ 54,862,476</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 69,116,182</u>	<u>\$ 14,243,743</u>	<u>\$ 184,390</u>	<u>\$ 83,544,315</u>

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

County of Buchanan, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	54,862,476
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	1,977,391
Buildings and improvements		10,427,845
Machinery and equipment		2,196,105
Construction in progress		1,121,990
		<u>15,723,331</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unearned revenues	\$	2,339,492
Deferred inflows - lawsuit		2,700,000
		<u>5,039,492</u>
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.		988,416
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 and capital lease	\$	(7,553,766)
Accrued interest payable		(138,281)
Accrued landfill closure/postclosure monitoring costs		(25,738)
Compensated absences		(598,876)
Net OPEB obligation		(1,178,382)
		<u>(9,495,043)</u>
Net position of governmental activities	\$	<u><u>67,118,672</u></u>

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

County of Buchanan, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General</u>	<u>Coal Road</u>	<u>Disaster Relief</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 20,346,636	\$ -	\$ -	\$ 20,346,636
Other local taxes	11,864,471	8,265,743	-	20,130,214
Permits, privilege fees, and regulatory licenses	57,013	-	-	57,013
Fines and forfeitures	9,693	-	-	9,693
Revenue from the use of money and property	64,283	17,980	-	82,263
Charges for services	963,112	150	-	963,262
Miscellaneous	2,732,331	-	-	2,732,331
Recovered costs	431,581	-	-	431,581
Intergovernmental:				
Commonwealth	8,177,908	-	-	8,177,908
Federal	9,959,822	-	-	9,959,822
Total revenues	<u>\$ 54,606,850</u>	<u>\$ 8,283,873</u>	<u>\$ -</u>	<u>\$ 62,890,723</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,983,450	\$ -	\$ -	\$ 2,983,450
Judicial administration	1,627,515	-	-	1,627,515
Public safety	6,710,279	-	-	6,710,279
Public works	5,366,449	5,569,927	-	10,936,376
Health and welfare	9,626,913	-	92,575	9,719,488
Education	10,317,224	-	-	10,317,224
Parks, recreation, and cultural	1,326,676	-	-	1,326,676
Community development	9,473,789	3,570,762	-	13,044,551
Capital projects	1,145,991	-	-	1,145,991
Debt service:				
Principal retirement	992,028	-	-	992,028
Interest and other fiscal charges	391,786	-	-	391,786
Total expenditures	<u>\$ 49,962,100</u>	<u>\$ 9,140,689</u>	<u>\$ 92,575</u>	<u>\$ 59,195,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,644,750</u>	<u>\$ (856,816)</u>	<u>\$ (92,575)</u>	<u>\$ 3,695,359</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 245,000	\$ -	\$ -	\$ 245,000
Transfers out	-	(245,000)	-	(245,000)
Total other financing sources (uses)	<u>\$ 245,000</u>	<u>\$ (245,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 4,889,750	\$ (1,101,816)	\$ (92,575)	\$ 3,695,359
Fund balances - beginning	36,392,991	14,689,736	84,390	51,167,117
Fund balances - ending	<u>\$ 41,282,741</u>	<u>\$ 13,587,920</u>	<u>\$ (8,185)</u>	<u>\$ 54,862,476</u>

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

County of Buchanan, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$	3,695,359
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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 the capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 1,963,872	
Depreciation expenses	<u>(1,795,288)</u>	168,584

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(7,500)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount consists of a decrease in property taxes receivable of (\$212,080) and a decrease in receivables related to a settlement with CNX of (\$2,500,000).		(2,712,080)
--	--	-------------

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.

Principal repayments:		
General obligation bonds	\$ 863,207	
Capital lease	128,821	
Increase in landfill accrued closure and post-closure monitoring costs	<u>(355)</u>	991,673

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Decrease (increase) in compensated absences	\$ 15,997	
Decrease (increase) in net OPEB obligation	(248,040)	
Decrease (increase) in accrued interest payable	<u>13,448</u>	(218,595)

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.

45,093

Change in net position of governmental activities	\$	<u><u>1,962,534</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Buchanan, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2014

	Internal Service <u>Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,911,431
Total assets	<u>\$ 1,911,431</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 923,015
Total liabilities	<u>\$ 923,015</u>
NET POSITION	
Restricted for health insurance claims	\$ 988,416
Total net position	<u><u>\$ 988,416</u></u>

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

County of Buchanan, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2014

	Internal Service <u>Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 9,338,397
Total operating revenues	<u>\$ 9,338,397</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 9,295,894
Total operating expenses	<u>\$ 9,295,894</u>
Operating income (loss)	<u>\$ 42,503</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 2,590
Total nonoperating revenues (expenses)	<u>\$ 2,590</u>
Change in net position	\$ 45,093
Total net position - beginning	943,323
Total net position - ending	<u><u>\$ 988,416</u></u>

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

County of Buchanan, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2014

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 9,338,397
Payments for premiums	(8,857,503)
Net cash provided by (used for) operating activities	<u>\$ 480,894</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 2,590
Net cash provided by (used for) investing activities	<u>\$ 2,590</u>
Net increase (decrease) in cash and cash equivalents	\$ 483,484
Cash and cash equivalents - beginning	1,427,947
Cash and cash equivalents - ending	<u><u>\$ 1,911,431</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 42,503
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Increase (decrease) in health claims payable	\$ 438,391
Total adjustments	<u>\$ 438,391</u>
Net cash provided by (used for) operating activities	<u><u>\$ 480,894</u></u>

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

County of Buchanan, Virginia
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014

	Special Welfare <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 54,578
Total assets	<u>\$ 54,578</u>
LIABILITIES	
Amounts held for Social Services clients	\$ 54,578
Total liabilities	<u>\$ 54,578</u>

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

COUNTY OF BUCHANAN, VIRGINIA

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity:

The County of Buchanan, Virginia (government) is a municipal corporation governed by an elected seven-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 Buchanan County School Board operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type and does not issue a separate financial report.

The Buchanan County Public Service Authority provides water and sewer service to the County. The Public Service Authority board members are appointed by the Board of Supervisors. In addition, the County provides operational support. The complete financial report for the Authority may be obtained directly from the Authority.

The Buchanan County Industrial Development Authority (IDA) encourages and provides financing for industrial development in the County. The Industrial Development Authority board members are appointed by the Board of Supervisors. The Industrial Development Authority is fiscally dependent upon the County because the County provides significant funding and approves all debt issuances. In addition, the IDA does not have separate taxing powers. The Industrial Development Authority is presented as an enterprise fund type. Complete financial statements for the Industrial Development Authority may be obtained at the County's administrative offices in the Buchanan County Courthouse, Grundy, Virginia 24614.

Related Organizations – The County has no related organizations.

Jointly Governed Organizations - The County participates in the Cumberland Mountain Regional Community Services Board. Contributions for the year ended June 30, 2014 were \$20,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital position 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. 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)

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

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

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

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of numerous funds merged for financial reporting purposes only. Fund balances of merged funds are either designated or restricted in the balance sheet.

The *coal road fund* is a major special revenue fund, which accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for the specified purpose of improvements to roads used in conjunction with coal mining.

The *disaster relief fund* is a major special revenue fund, which accounts for and reports the proceeds of specific revenue sources from the state and federal governments that are restricted or committed to expenditure for the specified purpose of natural disasters.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 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 Special Welfare fund.

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

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

D. 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 does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Under the 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 30 and taxes levied during the fiscal year but due after June 30th. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, taxes levied during the fiscal year but due after June 30th and amounts prepaid on those installments are reported as deferred inflows of resources.

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

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

1. Cash and cash equivalents

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

2. Investments

Investments for the government, as well as for its component units, are reported at fair value.

3. Receivables and payables

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

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

4. Property taxes

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

5. Allowance for uncollectible accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$2,732,606 at June 30, 2014 and is comprised solely of delinquent property 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

7. Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

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

Assets	Years
Buildings	40
Building improvements	20 - 40
Structures, lines, and accessories	20 - 40
Machinery and equipment	5 - 12

8. 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)

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

9. Long-term obligations

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

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

10. Fund equity

The County of Buchanan, Virginia follows provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; 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 of Buchanan, Virginia's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

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

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

10. Fund equity (Continued)

The County of Buchanan, Virginia establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

11. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted—consist of assets that are restricted by the County's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

12. Net Position Flow Assumption

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

Note 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

A. Budgetary information: (Continued)

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 function level. Only the Board of Supervisors can revise the appropriation for each department or category. 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 system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds (except the School Operating Fund). The School Operating Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
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:

In the year ended June 30, 2014, the County's expenditures did not exceed its appropriations for any fund.

C. Deficit fund equity:

At June 30, 2014, the disaster relief fund and the Component-unit School Fund had deficit fund 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 3-Deposits and Investments: (Continued)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 and its Discretely Presented Component Units had no investments at June 30, 2014.

Note 4-Due from Other Governmental Units:

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

	Primary Government	Component Unit School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 215,808	\$ -
State sales tax	-	538,405
Categorical aid	486,297	43,991
Non-categorical aid	370,173	-
Comprehensive Services Act	106,302	-
<u>Federal Government:</u>		
Virginia public assistance funds	323,914	-
Abandoned Mine Land Reclamation	394,165	-
Community Development Block Grant	115,733	
Categorical aid		
School grants	-	260,141
Totals	\$ 2,012,392	\$ 842,537

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5-Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness:

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

	Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
General obligation bonds	\$ 8,106,088	\$ -	\$ (863,207)	\$ 7,242,881
Capital leases	439,706	-	(128,821)	310,885
Landfill closure and post closure liability	25,383	355	-	25,738
Compensated absences	614,873	445,158	(461,155)	598,876
Net OPEB obligation	930,342	285,600	(37,560)	1,178,382
Total	<u>\$ 10,116,392</u>	<u>\$ 731,113</u>	<u>\$ (1,490,743)</u>	<u>\$ 9,356,762</u>

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2015	\$ 1,010,854	\$ 284,202
2016	1,024,684	240,696
2017	1,039,063	196,267
2018	1,054,017	151,263
2019	1,069,572	105,534
2020-2022	<u>2,044,691</u>	<u>82,395</u>
Totals	<u>\$ 7,242,881</u>	<u>\$ 1,060,357</u>

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COUNTY OF BUCHANAN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds:</u>		
\$4,000,000 school bonds series 1999A, issued April 5, 1999 with interest payable semiannually at rates varying from 4.35% to 5.225% and annual principal installments of \$200,000 due through 2020	\$ 1,200,000	\$ 200,000
\$1,000,000 school bonds series 1998B, issued October 5, 1998 with interest payable semiannually at rates varying from 3.6% to 5.1% and annual principal installments of \$50,000 due through 2019	250,000	50,000
\$3,500,000 school bonds series 2000A, issued May 18, 2000 with interest payable semiannually at rates varying from 5.10% to 6.35% and annual principal installments of \$175,000 due through 2021	1,225,000	175,000
\$5,740,370 school bonds series 2000B, issued October 10, 2000 with interest payable semiannually at rates varying from 4.975% to 5.85% and annual principal amounts varying from \$234,625 to \$369,332 due through July 15, 2020	2,371,501	310,727
\$2,332,000 Department of Mines, Mineral, and Energy loan, issued April 23, 2012 with quarterly interest payable at an annual interest rate of 1.90% and annual principal amounts varying from \$135,620 to \$308,266 due through October 30, 2021		
	<u>2,196,380</u>	<u>275,127</u>
Total General Obligation Bonds	<u>\$ 7,242,881</u>	<u>\$ 1,010,854</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness: (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Other Obligations:		
Capital leases (See Note 12)	\$ 310,885	\$ 106,388
Landfill closure and post closure monitoring liability	25,738	-
Compensated absences	598,876	449,157
Net OPEB obligation	<u>1,178,382</u>	<u>-</u>
 Total Other Obligations	 <u>\$ 2,113,881</u>	 <u>\$ 555,545</u>
 Total Long-Term Obligations	 <u>\$ 9,356,762</u>	 <u>\$ 1,566,399</u>

Note 6-Long-Term Obligations-Component Units:

Discretely Presented Component Unit-School Board-Indebtedness:

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

	<u>Balance July 1, 2013</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2014</u>
Net OPEB obligation	\$ 636,400	\$ 1,472,718	\$ (1,431,319)	\$ 677,799
Compensated Absences	<u>827,857</u>	<u>795,365</u>	<u>(620,893)</u>	<u>1,002,329</u>
 Total	 <u>\$ 1,464,257</u>	 <u>\$ 2,268,083</u>	 <u>\$ (2,052,212)</u>	 <u>\$ 1,680,128</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6-Long-Term Obligations-Component Units: (continued)

Discretely Presented Component Unit-School Board-Indebtedness: (continued)

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Net OPEB obligation	\$ 677,799	\$ -
Compensated Absences	1,002,329	751,747
Total Long-Term Obligations	<u>\$ 1,680,128</u>	<u>\$ 751,747</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan:

A. Plan Description

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

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

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

VRS – PLAN 1

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

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

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

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

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (Continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (Continued)

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (Continued)

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

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

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

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

VRS – PLAN 2

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

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

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

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

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (Continued)

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

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

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (Continued)

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

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

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

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

HYBRID RETIREMENT PLAN

- 1. Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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

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

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

5. Creditable Service

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

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

6. Vesting

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

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

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

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

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

Distribution is not required by law until age 70½.

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

7. Calculating the Benefit

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

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

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

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

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

10. Normal Retirement Age

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

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

11. Earliest Unreduced Retirement Eligibility

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

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

12. Earliest Reduced Retirement Eligibility

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

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

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

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

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

Defined Contribution Component – Not Applicable.

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

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

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

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

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

17. Purchase of Prior Service

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

Defined Contribution Component – Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

Note 7-Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's contribution rates for the fiscal year ended 2014 were 12.60% and 21.91% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,743,262, \$2,097,458, and \$1,016,983, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012, respectively and these contributions represented 11.66%, 11.66%, and 6.33% for 2014, 2013, and 2012, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the County's annual pension cost of \$1,339,847 was equal to the required and actual contributions for the County. For fiscal year 2014, the School Board's annual pension cost of \$486,675 was equal to the required and actual contributions for the School Board non-professional employees.

Three-Year Trend Information for County of Buchanan

	Fiscal Year Ending	Annual Pension Cost (APC) ⁽¹⁾	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2014	\$ 1,339,847	100.00%	\$ -
	6/30/2013	1,259,443	100.00%	-
	6/30/2012	1,108,099	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2014	\$ 486,675	100.00%	\$ -
	6/30/2013	566,862	100.00%	-
	6/30/2012	470,697	100.00%	-

¹ Employer portion only

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 64.47% funded. The actuarial accrued liability for benefits was \$47,268,969, and the actuarial value of assets was \$30,472,833, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,796,136. The covered payroll (annual payroll of active employees covered by the plan) was \$10,263,135 and ratio of the UAAL to the covered payroll was 163.66%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 56.10% funded. The actuarial accrued liability for benefits was \$18,019,791, and the actuarial value of assets was \$10,108,807, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,910,984. The covered payroll (annual payroll of active employees covered by the plan) was \$2,448,787 and ratio of the UAAL to the covered payroll was 323.06%.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 8-Unavailable/Unearned Revenue:

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. Unavailable revenue totaling \$26,324,393 is comprised of the following:

Unavailable Property Taxes – property tax revenue representing uncollected tax billings not available for funding of current expenditures totaled \$23,608,684.

Unavailable Revenue – tax settlement – represents an uncollected settlement from CNX Gas Company totaling \$2,700,000.

Prepaid Property Taxes – property tax revenue representing paid prior to June 30, 2014 but not due until December 5, 2014 totaling \$15,709.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9-Capital Assets:

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,637,391	\$ 340,000	\$ -	\$ 1,977,391
Construction in progress	119,229	1,010,261	(7,500)	1,121,990
Total capital assets not being depreciated	<u>\$ 1,756,620</u>	<u>\$ 1,350,261</u>	<u>\$ (7,500)</u>	<u>\$ 3,099,381</u>
Capital assets, being depreciated:				
Buildings	\$ 25,001,172	\$ 75,098	\$ -	\$ 25,076,270
Machinery and equipment	7,264,906	538,513	(139,139)	7,664,280
Total capital assets, being depreciated	<u>\$ 32,266,078</u>	<u>\$ 613,611</u>	<u>\$ (139,139)</u>	<u>\$ 32,740,550</u>
Accumulated depreciation:				
Buildings	\$ (13,503,962)	\$ (1,144,463)	\$ -	\$ (14,648,425)
Machinery and equipment	(4,956,489)	(650,825)	139,139	(5,468,175)
Total accumulated depreciation	<u>\$ (18,460,451)</u>	<u>\$ (1,795,288)</u>	<u>\$ 139,139</u>	<u>\$ (20,116,600)</u>
Total capital assets being depreciated, net	<u>\$ 13,805,627</u>	<u>\$ (1,181,677)</u>	<u>\$ -</u>	<u>\$ 12,623,950</u>
Governmental activities capital assets, net	<u>\$ 15,562,247</u>	<u>\$ 168,584</u>	<u>\$ (7,500)</u>	<u>\$ 15,723,331</u>

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Note 9-Capital Assets: (Continued)

Primary Government: (Continued)

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

Governmental activities:	
General government administration	\$ 160,578
Judicial administration	15,491
Public safety	299,204
Public works	231,901
Health and welfare	64,036
Education	759,056
Parks, recreation, and cultural	257,046
Community development	<u>7,976</u>
Total depreciation expense-governmental activities	<u>\$ 1,795,288</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9-Capital Assets: (Continued)

Capital asset activity for the Component Unit – School Board for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,491,725	\$ -	\$ -	\$ 2,491,725
Construction in progress	4,306	-	-	4,306
Total capital assets not being depreciated	<u>\$ 2,496,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,496,031</u>
Capital assets, being depreciated:				
Buildings	\$ 31,879,829	\$ 20,900	\$ -	\$ 31,900,729
Machinery and equipment	3,564,575	76,042	-	3,640,617
Total capital assets being depreciated	<u>\$ 35,444,404</u>	<u>\$ 96,942</u>	<u>\$ -</u>	<u>\$ 35,541,346</u>
Accumulated depreciation:				
Buildings	\$ (24,438,112)	\$ (732,647)	\$ -	\$ (25,170,759)
Machinery and equipment	(3,143,799)	(172,297)	-	(3,316,096)
Total accumulated depreciation	<u>\$ (27,581,911)</u>	<u>\$ (904,944)</u>	<u>\$ -</u>	<u>\$ (28,486,855)</u>
Total capital assets being depreciated, net	<u>\$ 7,862,493</u>	<u>\$ (808,002)</u>	<u>\$ -</u>	<u>\$ 7,054,491</u>
Governmental activities capital assets, net	<u>\$ 10,358,524</u>	<u>\$ (808,002)</u>	<u>\$ -</u>	<u>\$ 9,550,522</u>

Depreciation expense in the amount of \$904,944 was charged to the education function.

Note 10-Capital Leases:

The County has entered into a lease agreement to finance the acquisition of vehicles and computer equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments at the date of inception.

The cost and accumulated depreciation associated with the asset acquired through capital lease is as follows:

	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Machinery & Equipment	\$ 597,472	\$ 41,631	\$ 639,103
Accumulated Depreciation	<u>(223,129)</u>	<u>(28,537)</u>	<u>(251,666)</u>
Total	<u>\$ 374,343</u>	<u>\$ 13,094</u>	<u>\$ 387,437</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 10-Capital Leases: (Continued)

Annual requirements to amortize lease agreements and related interest are as follows:

Fiscal Year Ended	Vehicles	Equipment	Total
2015	\$ 104,756	\$ 13,294	\$ 118,050
2016	104,782	6,127	110,909
2017	104,782	-	104,782
<hr/>			
Total minimum lease payments			333,741
Less: amount representing interest			(22,856)
Present value of minimum lease payments			<u>\$ 310,885</u>

Note 11-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 and School Board participate with other organizations in a public entity risk pool for their coverage of general liability, crime, and auto insurance with the Virginia Association of Counties Risk Pool. Each member of each of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and School Board pay the Pool contributions and assessments based upon classification 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 the loss deficit, or depletion of all available excess insurance, the pool may assess all members in the proportion in 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 12-Contingencies:

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

A local private school filed suit against the County claiming that its real estate had been erroneously assessed for the 2000 tax year. The claim for the 2000 tax year is approximately \$20,000, however if the suit is successful the County may incur similar claims for all tax years since 2000. The County maintains that the property in question has been properly assessed and therefore no liability has been recorded in the financial statements as the loss, if any, cannot be reasonably estimated.

COUNTY OF BUCHANAN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 13-Surety Bonds:

Primary Government:

Virginia Association of Counties Group Self Insurance Risk Pool - Surety:

All public officials \$250,000 per occurrence

Travelers Casualty and Surety Company of America:

Treasurer	\$ 400,000
Clerk of the Court	450,000
Commissioner of the Revenue	3,000
Sheriff	30,000

Component Unit – School Board:

Virginia Association of Counties (VACO) Risk Management Program

Larry Ashby, Superintendent of Schools	
Patricia Rowe, Clerk of the School Board	\$ 250,000
Willie Sullivan, Chairman, School Board	per
Nancy Sykes, Textbook/Payable Clerk	occurrence
Patty Lester, Deputy Clerk	
All School Board employees	

Note 14-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 for at least thirty years after closure or leachate ceases to exist. The County has closed its landfill. \$25,738 is reported as landfill post closure care liability at June 30, 2014. This represents what it would cost to perform closure and post closure care in 2014. Actual costs for post closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill 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 with Section 9VA C20-70 of the Virginia Administrative Code.

COUNTY OF BUCHANAN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 15- Restricted Net Position and Committed/Assigned Fund Balances:

Governmental Activities:	Governmental	Governmental/Internal Service Funds		
	<u>Activities</u>	<u>Coal Road</u>	<u>General Fund</u>	<u>Self Insurance</u>
Restricted:				
Coal road expenditures	\$ 13,587,920	\$ 13,587,920	\$ -	\$ -
Law enforcement activities	263,637	-	263,637	-
Law library funds	32,794	-	32,794	-
Capital items (CNX Funds)	10,399,930	-	10,399,930	-
School construction	2,047,480	-	2,047,480	-
Health claims	988,416	-	-	988,416
Total restricted balances	\$ 27,320,177	\$ 13,587,920	\$ 12,743,841	\$ 988,416
Governmental Funds:				
Assigned funds:			<u>General Fund</u>	<u>Disaster Fund</u>
Dog tax funds			\$ 21,165	\$ -
E-911 system			3,827,595	-
Debt service			73	-
Disaster relief			-	(8,185)
Total assigned funds			\$ 3,848,833	\$ (8,185)

Note 16 – Construction Commitments:

The School Board was involved in major construction projects during the fiscal year as presented below:

Project	Contract Amount	Contract Amount Outstanding at June 30, 2014
Energy Savings Project	\$ 7,000,140	\$ 6,786,444

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 17 – Settlement Receivable:

On December 23, 2009, the County of Buchanan entered into a settlement agreement and release with CNX Gas Company, LLC, Consolidation Coal Company and the Commissioner of Revenue of Buchanan County, Virginia. Terms of the agreement require CNX to make cash payments totaling \$15 million dollars into a special account held by the County. These funds are limited to use for capital, special projects and other County expenditures as authorized by law, at the discretion of the Board of Supervisors. The following table presents remaining payment amounts and due dates in accordance with terms of the agreement.

<u>Payment due</u>	<u>Amount</u>
December 31, 2014	\$ 2,700,000
Total	\$ 2,700,000

As a result of this agreement, the County has recognized a receivable as offset by a deferred revenue in the accompanying governmental fund financial statements. Revenue will be recognized as funds become available for use. The entire settlement has been recognized in the governmental activities (full accrual) financial statements as a receivable.

Note 18-Other Postemployment Benefits (OPEB) – Health Insurance:**A. Plan Description****Primary Government – Department of Social Services:**

The County of Buchanan Department of Social Services (DSS) administers a single-employer healthcare plan (“the Plan”). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to employees of the DSS. The Plan will provide retiring employees and their dependents the option to continue health insurance offered by the DSS. To be eligible, the employee must meet the age and service criteria for immediate retirement benefits under VRS and must be 55 years of age or older. In addition, the retiree must have served at least five (5) years of employment with the DSS. The retiree may retain coverage through DSS for a period of 10 years or until they become eligible for Medicare, whichever occurs first. The benefits, employee contributions, and the employer contributions are governed by the DSS and can be amended through DSS Board action. The Plan does not issue a publicly available financial report.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

A. Plan Description (continued)

Discretely Presented Component Unit – School Board:

The School Board administers a single-employer healthcare plan (“the Plan”). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to employees. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. To be eligible, the employee must meet the age and service criteria for full-time retirement benefits under VRS, which requires that the employee be age 50 with 30 years of service. The employee may continue coverage until they become eligible for Medicare. 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

Primary Government – Department of Social Services:

The Department of Social Services currently pays for post-retirement health care benefits on a pay-as-you-go basis. The County’s Department of Social Services has 53 active employees who are eligible for the program. The Department pays 100% of the retirees’ insurance premiums. The monthly rates were as follows at June 30, 2013, the date of the most recent actuarial valuation report:

Participants	Department of Social Services
Employee	\$ 562
Employee/Spouse	842
Employee/Child	1,264
Family	1,635

Discretely Presented Component Unit – School Board:

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 511 active employees who are eligible for the program. In addition, for retirees of the School Board, 100 percent of the premiums are the responsibility of the retiree. The rates were as follows at June 30, 2013, the date of the most recent actuarial valuation report:

Participants	School Board
Employee	\$ 944
Employee / Spouse	2,124

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

C. Annual OPEB Cost and Net OPEB Obligation

The County is required to contribute 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.

Primary Government – Department of Social Services:

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the County's net OPEB obligation:

	Department of Social Services
Annual required contribution	\$ 258,255
Interest on net OPEB obligation	37,214
Adjustment to annual required contribution	(9,869)
Annual OPEB cost (expense)	\$ 285,600
Contributions made	(37,560)
Increase in net OPEB obligation	\$ 248,040
Net OPEB obligation - beginning of year	930,342
Net OPEB obligation - ending of year	\$ 1,178,382

Primary Government – Department of Social Services:

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Department of Social Services	6/30/2014	\$ 285,600	13%	\$ 1,178,382
	6/30/2013	257,579	10%	930,342
	6/30/2012	195,947	3%	697,345

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

Discretely Presented Component Unit – School Board:

The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the School Board's net OPEB obligation:

	School Board
Annual required contribution	\$ 1,473,759
Interest on net OPEB obligation	25,456
Adjustment to annual required contribution	(26,497)
Annual OPEB cost (expense)	\$ 1,472,718
Contributions made	(1,431,319)
Increase in net OPEB obligation	\$ 41,399
Net OPEB obligation - beginning of year	636,400
Net OPEB obligation - ending of year	\$ 677,799

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
School Board	6/30/2014	\$ 1,472,718	97%	\$ 677,799
	6/30/2013	1,447,375	96%	636,400
	6/30/2012	1,633,500	92%	582,702

D. Funded Status and Funding Progress

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, 2014

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

D. Funded Status and Funding Progress (continued)

Primary Government – Department of Social Services:

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

	Department of Social Services
Actuarial accrued liability (AAL)	\$ 2,667,396
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 2,667,396
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 1,948,639
UAAL as a percentage of covered payroll	136.89%

Discretely Presented Component Unit – School Board:

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

	School Board
Actuarial accrued liability (AAL)	\$ 19,698,091
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 19,698,091
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 20,575,715
UAAL as a percentage of covered payroll	95.73%

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

E. Actuarial Methods and Assumptions (continued)

Primary Government – Department of Social Services:

In the June 30, 2013 the 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 for the Department of Social Services included: inflation at 3.00%, an investment rate of return at 4.00%, and a healthcare trend rate of ranging from 2.9% to 6.0% in the first ten years and graded to 5.8% thereafter. The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2013, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

Discretely Presented Component Unit – School Board:

In the June 30, 2013 the 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 for the School Board included: inflation at 2.50%, an investment rate of return at 4.00%, and a health care trend rate of 8.0% graded to 5.00% over 4 years. The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2013, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

Note 19-Self Health Insurance:

The County of Buchanan, Virginia (including component units) established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and component units and are available to pay claims, and administrative costs of the program. During the fiscal year 2014, a total of \$8,857,503 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. Incurred but not reported claims of \$923,015 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability for the current and prior fiscal year are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2013-14	\$ 484,624	\$ 9,295,894	\$ (8,857,503)	\$ 923,015
2012-13	-	7,020,311	(6,535,687)	484,624

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 20-Upcoming Pronouncements:

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

Note 21-Subsequent Events:

Lease Agreement

On November 3, 2014, the County and Component-unit School Board entered into a lease agreement for the purchase and installation of energy savings equipment (at School Facilities) in the amount of \$4,844,746. Repayment terms of the lease agreement require quarterly payments ranging from \$91,294 to \$226,464 from November 3, 2015 through August 30, 2030. Pursuant to terms of the lease agreement, funds were deposited into an escrow account and may be drawn by the School Board as needed for the Energy Savings Project.

Escrow Draws

On April 13, 2015, the escrow agent for the above mentioned lease declined to provide requested funding for the School Board under their escrow agreement. The escrow agent cited a multi-million dollar budget deficit in the School Board's budget (2014/15 fiscal year) and an ongoing federal investigation as the reasons for withholding the requested funds.

Federal Investigation

Several County and School Board employees have been served subpoenas in relation to a federal investigation. The full scope and nature of this investigation has not been disclosed. As the financial outcome of this investigation cannot be reasonably estimated, no adjustments to the financial statements have been recorded for same.

Tax Refund

The County entered into a settlement agreement with a Corporation to refund certain severance taxes in the amount of \$262,825.40 on August 11, 2014. The refund was due to the Corporation's overpayment of such taxes. The County has recorded a payable in the accompanying financial statements to reflect this liability at year end.

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 17,537,500	\$ 17,537,500	\$ 20,346,636	\$ 2,809,136
Other local taxes	12,890,000	12,918,104	11,864,471	(1,053,633)
Permits, privilege fees, and regulatory licenses	46,860	46,860	57,013	10,153
Fines and forfeitures	9,185	14,576	9,693	(4,883)
Revenue from the use of money and property	69,070	69,070	64,283	(4,787)
Charges for services	917,400	917,400	963,112	45,712
Miscellaneous	2,803,590	2,874,493	2,732,331	(142,162)
Recovered costs	300,000	300,000	431,581	131,581
Intergovernmental:				
Commonwealth	11,394,270	11,933,436	8,177,908	(3,755,528)
Federal	4,893,700	4,907,336	9,959,822	5,052,486
Total revenues	<u>\$ 50,861,575</u>	<u>\$ 51,518,775</u>	<u>\$ 54,606,850</u>	<u>\$ 3,088,075</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,497,267	\$ 3,443,238	\$ 2,983,450	\$ 459,788
Judicial administration	1,766,659	1,799,204	1,627,515	171,689
Public safety	7,681,044	8,847,166	6,710,279	2,136,887
Public works	5,513,681	6,037,958	5,366,449	671,509
Health and welfare	13,518,592	13,705,845	9,626,913	4,078,932
Education	10,219,047	10,387,224	10,317,224	70,000
Parks, recreation, and cultural	1,145,539	1,731,499	1,326,676	404,823
Community development	6,264,665	10,380,854	9,473,789	907,065
Capital projects	824,548	1,112,475	1,145,991	(33,516)
Debt service:				
Principal retirement	727,587	992,028	992,028	-
Interest and other fiscal charges	285,988	399,983	391,786	8,197
Total expenditures	<u>\$ 51,444,617</u>	<u>\$ 58,837,474</u>	<u>\$ 49,962,100</u>	<u>\$ 8,875,374</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (583,042)</u>	<u>\$ (7,318,699)</u>	<u>\$ 4,644,750</u>	<u>\$ 11,963,449</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 246,371	\$ 245,000	\$ (1,371)
Transfers out	(1,200,000)	-	-	-
Total other financing sources (uses)	<u>\$ (1,200,000)</u>	<u>\$ 246,371</u>	<u>\$ 245,000</u>	<u>\$ (1,371)</u>
Net change in fund balances	\$ (1,783,042)	\$ (7,072,328)	\$ 4,889,750	\$ 11,962,078
Fund balances - beginning	1,783,042	7,072,328	36,392,991	29,320,663
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,282,741</u>	<u>\$ 41,282,741</u>

County of Buchanan, Virginia
Special Revenue Fund - Coal Road Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</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				
Other local taxes	\$ 10,000,000	\$ 10,000,000	\$ 8,265,743	\$ (1,734,257)
Revenue from the use of money and property	25,000	25,000	17,980	(7,020)
Charges for services	-	-	150	150
Miscellaneous	1,500	1,500	-	(1,500)
Total revenues	<u>\$ 10,026,500</u>	<u>\$ 10,026,500</u>	<u>\$ 8,283,873</u>	<u>\$ (1,742,627)</u>
EXPENDITURES				
Current:				
Public works	\$ 13,587,081	\$ 10,423,660	\$ 5,569,927	\$ 4,853,733
Community development	2,500,000	2,500,000	3,570,762	(1,070,762)
Total expenditures	<u>\$ 16,087,081</u>	<u>\$ 12,923,660</u>	<u>\$ 9,140,689</u>	<u>\$ 3,782,971</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,060,581)</u>	<u>\$ (2,897,160)</u>	<u>\$ (856,816)</u>	<u>\$ 2,040,344</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (350,000)	\$ (350,000)	\$ (245,000)	\$ 105,000
Total other financing sources (uses)	<u>\$ (350,000)</u>	<u>\$ (350,000)</u>	<u>\$ (245,000)</u>	<u>\$ 105,000</u>
Net change in fund balances	\$ (6,410,581)	\$ (3,247,160)	\$ (1,101,816)	\$ 2,145,344
Fund balances - beginning	6,410,581	3,247,160	14,689,736	11,442,576
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,587,920</u>	<u>\$ 13,587,920</u>

County of Buchanan, Virginia
Special Revenue Fund - Disaster Relief Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</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				
Current:				
Health and welfare	\$ 350,000	\$ 350,000	\$ 92,575	\$ 257,425
Total expenditures	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 92,575</u>	<u>\$ 257,425</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (350,000)	\$ (350,000)	\$ (92,575)	\$ 257,425
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 350,000	\$ 350,000	\$ -	\$ (350,000)
Total other financing sources (uses)	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ (350,000)</u>
Net change in fund balances	\$ -	\$ -	\$ (92,575)	\$ (92,575)
Fund balances - beginning	-	-	84,390	84,390
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,185)</u>	<u>\$ (8,185)</u>

County of Buchanan, Virginia

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

Primary Government:

County Retirement Plan:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 30,472,833	\$ 47,268,969	\$ 16,796,136	64.47%	\$ 10,263,135	163.66%
June 30, 2012	29,332,206	45,086,416	15,754,210	65.06%	9,749,492	161.59%
June 30, 2011	29,525,865	43,124,456	13,598,591	68.47%	9,734,348	139.70%

County OPEB Healthcare Plan:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	-	\$ 2,667,396	\$ 2,667,396	0.00%	\$ 1,948,639	136.89%
June 30, 2012	-	1,854,220	1,854,220	0.00%	1,937,032	95.72%
June 30, 2011	-	1,973,297	1,973,297	0.00%	1,936,019	101.93%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 10,108,807	\$ 18,019,791	\$ 7,910,984	56.10%	\$ 2,448,787	323.06%
June 30, 2012	10,151,682	18,447,219	8,295,537	55.03%	2,493,114	332.74%
June 30, 2011	10,538,943	17,877,518	7,338,575	58.95%	2,295,389	319.71%

School Board OPEB Healthcare Plan:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ -	\$ 19,698,091	\$ 19,698,091	0.00%	\$ 20,575,715	95.73%
June 30, 2011	-	21,682,586	21,682,586	0.00%	19,909,432	108.91%
June 30, 2009	-	19,637,861	19,637,861	0.00%	21,779,370	90.17%

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

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

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 247,562
Receivables (net of allowance for uncollectibles):	
for uncollectibles:	
Accounts receivable	4,025
Due from other governmental units	842,537
Prepaid items	2,047,480
Total assets	<u>\$ 3,141,604</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 430,358
Accrued liabilities	4,271,298
Due to primary government	2,047,480
Total liabilities	<u>\$ 6,749,136</u>
Fund balances:	
Restricted	
Cafeteria Funds	\$ 124,721
Unassigned	(3,732,253)
Total fund balances	<u>\$ (3,607,532)</u>
Total liabilities and fund balances	<u>\$ 3,141,604</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ (3,607,532)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 2,491,725
Buildings and improvements	6,729,970
Machinery and equipment	324,521
Construction in progress	<u>4,306</u>
	9,550,522
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (1,002,329)
Net OPEB obligation	<u>(677,799)</u>
	(1,680,128)
Net position of governmental activities	<u>\$ 4,262,862</u>

County of Buchanan, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 6,284
Charges for services	835,238
Miscellaneous	161,382
Recovered costs	427,746
Intergovernmental:	
Local government	10,168,177
Commonwealth	18,418,685
Federal	3,509,614
Total revenues	<u>\$ 33,527,126</u>
EXPENDITURES	
Current:	
Education	\$ 34,266,912
Capital projects	158,021
Total expenditures	<u>\$ 34,424,933</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (897,807)</u>
Net change in fund balances	\$ (897,807)
Fund balances - beginning	(2,709,725)
Fund balances - ending	<u><u>\$ (3,607,532)</u></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	\$ (897,807)
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	\$ 96,942
Depreciation expenses	<u>(904,944)</u>
	(808,002)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
Decrease (increase) in compensated absences	\$ (174,472)
Decrease (increase) in net OPEB obligation	<u>(41,399)</u>
	(215,871)
Change in net position of governmental activities	<u><u>\$ (1,921,680)</u></u>

County of Buchanan, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,400	\$ 1,400	\$ 6,284	\$ 4,884
Charges for services	764,046	764,046	835,238	71,192
Miscellaneous	298,862	298,862	161,382	(137,480)
Recovered costs	271,793	271,793	427,746	155,953
Intergovernmental:				
Local government	9,836,053	10,336,053	10,168,177	(167,876)
Commonwealth	18,749,745	18,749,745	18,418,685	(331,060)
Federal	4,235,611	4,235,611	3,509,614	(725,997)
Total revenues	\$ 34,157,510	\$ 34,657,510	\$ 33,527,126	\$ (1,130,384)
EXPENDITURES				
Current:				
Education	\$ 34,322,510	\$ 34,822,510	\$ 34,266,912	\$ 555,598
Capital projects	2,350,362	2,350,362	158,021	2,192,341
Total expenditures	\$ 36,672,872	\$ 37,172,872	\$ 34,424,933	\$ 2,747,939
Excess (deficiency) of revenues over (under) expenditures	\$ (2,515,362)	\$ (2,515,362)	\$ (897,807)	\$ 1,617,555
Net change in fund balances	\$ (2,515,362)	\$ (2,515,362)	\$ (897,807)	\$ 1,617,555
Fund balances - beginning	2,515,362	2,515,362	(2,709,725)	(5,225,087)
Fund balances - ending	\$ -	\$ -	\$ (3,607,532)	\$ (3,607,532)

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

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<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	\$ 6,913,500	\$ 6,913,500	\$ 7,187,656	\$ 274,156
Real and personal public service corporation taxes	435,000	435,000	428,822	(6,178)
Personal property taxes	2,550,000	2,550,000	3,011,202	461,202
Mobile home taxes	80,000	80,000	81,556	1,556
Machinery and tools taxes	5,750,000	5,750,000	7,051,923	1,301,923
Mineral taxes	1,439,000	1,439,000	2,123,150	684,150
Merchant's capital taxes	80,000	80,000	92,229	12,229
Penalties	90,000	90,000	99,020	9,020
Interest	200,000	200,000	271,078	71,078
Total general property taxes	<u>\$ 17,537,500</u>	<u>\$ 17,537,500</u>	<u>\$ 20,346,636</u>	<u>\$ 2,809,136</u>
Other local taxes:				
Local sales and use taxes	\$ 1,635,000	\$ 1,635,000	\$ 1,634,642	\$ (358)
Consumers' utility taxes	350,000	350,000	388,934	38,934
Consumption taxes	200,000	200,000	254,414	54,414
Mineral license tax	10,000,000	10,000,000	8,206,375	(1,793,625)
Methane gas tax	517,000	545,104	1,061,164	516,060
Utility license taxes	48,000	48,000	57,911	9,911
Bank stock taxes	100,000	100,000	102,780	2,780
Taxes on recordation and wills	-	-	7,586	7,586
Hotel and motel room taxes	40,000	40,000	32,892	(7,108)
Local tax on deeds	-	-	117,773	117,773
Total other local taxes	<u>\$ 12,890,000</u>	<u>\$ 12,918,104</u>	<u>\$ 11,864,471</u>	<u>\$ (1,053,633)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses and fees	\$ -	\$ -	\$ 13,134	\$ 13,134
Land use application fees	650	650	3,400	2,750
Transfer fees	5,000	5,000	768	(4,232)
Building permits	-	-	38,221	38,221
Other permits and licenses	41,210	41,210	1,490	(39,720)
Total permits, privilege fees, and regulatory licenses	<u>\$ 46,860</u>	<u>\$ 46,860</u>	<u>\$ 57,013</u>	<u>\$ 10,153</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 9,185	\$ 14,576	\$ 9,693	\$ (4,883)
Total fines and forfeitures	<u>\$ 9,185</u>	<u>\$ 14,576</u>	<u>\$ 9,693</u>	<u>\$ (4,883)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 52,170	\$ 52,170	\$ 49,977	\$ (2,193)
Revenue from use of property	16,900	16,900	14,306	(2,594)
Total revenue from use of money and property	<u>\$ 69,070</u>	<u>\$ 69,070</u>	<u>\$ 64,283</u>	<u>\$ (4,787)</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 78,500	\$ 78,500	\$ 52,581	\$ (25,919)
Charges for courthouse maintenance	8,500	8,500	9,689	1,189
Charges for Courthouse security	35,000	35,000	32,410	(2,590)
Charges for Commonwealth's Attorney	3,200	3,200	3,916	716
Miscellaneous jail and inmate fees	500	500	401	(99)
Law library fees	-	-	7,898	7,898
Charges for Animal Control	-	-	305	305
Charges for Copies	1,000	1,000	884	(116)
Charges for sanitation and waste removal	720,000	720,000	735,674	15,674

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

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<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: (Continued)				
Charges for parks and recreation	\$ 52,700	\$ 52,700	\$ 92,386	\$ 39,686
Charges for library	8,000	8,000	11,618	3,618
Other Charges for Services	10,000	10,000	15,350	5,350
Total charges for services	\$ 917,400	\$ 917,400	\$ 963,112	\$ 45,712
Miscellaneous revenue:				
Confiscated property sale	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)
CNX settlement payments	2,700,000	2,700,000	2,500,000	(200,000)
Miscellaneous	73,590	144,493	183,441	38,948
Donations	10,000	10,000	48,890	38,890
Total miscellaneous revenue	\$ 2,803,590	\$ 2,874,493	\$ 2,732,331	\$ (142,162)
Recovered costs:				
Health Department	\$ -	\$ -	\$ 94,774	\$ 94,774
Rebates and refunds	230,000	230,000	121,558	(108,442)
VPA refunds	50,000	50,000	158,625	108,625
Other recovered costs	20,000	20,000	56,624	36,624
Total recovered costs	\$ 300,000	\$ 300,000	\$ 431,581	\$ 131,581
Total revenue from local sources	\$ 34,573,605	\$ 34,678,003	\$ 36,469,120	\$ 1,791,117
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 85,000	\$ 85,000	\$ 89,268	\$ 4,268
Motor vehicle rental tax	1,500	1,500	1,659	159
Rolling stock tax	180,000	180,000	181,176	1,176
Telecommunications taxes	844,063	844,063	849,447	5,384
State recordation tax	-	-	46,967	46,967
Personal property tax relief funds	1,600,000	1,600,000	1,598,108	(1,892)
Total noncategorical aid	\$ 2,710,563	\$ 2,710,563	\$ 2,766,625	\$ 56,062
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 350,000	\$ 350,000	\$ 405,374	\$ 55,374
Sheriff	1,363,962	1,363,962	1,349,265	(14,697)
Commissioner of revenue	134,419	134,419	130,263	(4,156)
Treasurer	117,924	117,924	121,693	3,769
Registrar/electoral board	58,000	58,000	39,812	(18,188)
Clerk's fringes	286,449	286,449	298,122	11,673
Total shared expenses	\$ 2,310,754	\$ 2,310,754	\$ 2,344,529	\$ 33,775
Other categorical aid:				
Litter control grant	\$ 8,500	\$ 8,500	\$ 8,757	\$ 257
Library grant	105,000	105,000	108,749	3,749
Public assistance and welfare administration	4,481,143	4,896,143	1,900,130	(2,996,013)
Victim-witness grant	46,221	46,221	46,221	-
Performing arts grant	5,000	5,000	-	(5,000)

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

Schedule 1
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<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 Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Fire Program Funds	\$ 50,000	\$ 174,166	\$ 135,124	\$ (39,042)
Asset Forfeiture	102,890	102,890	31,545	(71,345)
Office of justice programs	5,000	5,000	-	(5,000)
Violence against women	-	-	37,303	37,303
Two for Life Program	-	-	23,159	23,159
VA housing development authority	47,000	47,000	41,066	(5,934)
E-911 technology grant	30,000	30,000	39,488	9,488
Comprehensive services act program	1,122,000	1,122,000	609,265	(512,735)
Emergency management preparedness grant	-	-	14,579	14,579
Other State Funds	370,199	370,199	71,368	(298,831)
Total other categorical aid	<u>\$ 6,372,953</u>	<u>\$ 6,912,119</u>	<u>\$ 3,066,754</u>	<u>\$ (3,845,365)</u>
Total categorical aid	<u>\$ 8,683,707</u>	<u>\$ 9,222,873</u>	<u>\$ 5,411,283</u>	<u>\$ (3,811,590)</u>
Total revenue from the Commonwealth	<u>\$ 11,394,270</u>	<u>\$ 11,933,436</u>	<u>\$ 8,177,908</u>	<u>\$ (3,755,528)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ -	\$ 3,017,849	\$ 3,017,849
Child and adult care food program	-	-	59,623	59,623
Emergency management preparedness grant	5,000	5,000	54,702	49,702
Community development block grant	3,055,000	3,055,000	850,053	(2,204,947)
State and community highway safety	19,000	32,636	19,920	(12,716)
Headstart programs	1,814,700	1,814,700	1,140,255	(674,445)
OAG Grant	-	-	325,000	325,000
AML/DMME	-	-	4,492,420	4,492,420
Total categorical aid	<u>\$ 4,893,700</u>	<u>\$ 4,907,336</u>	<u>\$ 9,959,822</u>	<u>\$ 5,052,486</u>
Total revenue from the federal government	<u>\$ 4,893,700</u>	<u>\$ 4,907,336</u>	<u>\$ 9,959,822</u>	<u>\$ 5,052,486</u>
Total General Fund	<u>\$ 50,861,575</u>	<u>\$ 51,518,775</u>	<u>\$ 54,606,850</u>	<u>\$ 3,088,075</u>
Special Revenue Funds:				
Coal Road Fund:				
Revenue from local sources:				
Other local taxes:				
Coal road taxes	\$ 10,000,000	\$ 10,000,000	\$ 8,265,743	\$ (1,734,257)
Total other local taxes	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 8,265,743</u>	<u>\$ (1,734,257)</u>
Revenue from use of money and property:				
Revenue from the use of money	\$ 25,000	\$ 25,000	\$ 17,980	\$ (7,020)
Total revenue from use of money and property	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 17,980</u>	<u>\$ (7,020)</u>
Charges for services:				
Charges for copies	\$ -	\$ -	\$ 150	\$ 150
Total charges for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150</u>	<u>\$ 150</u>

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

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<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>
Special Revenue Funds: (Continued)				
Coal Road Fund: (Continued)				
Miscellaneous revenue:				
Other miscellaneous	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
Total miscellaneous revenue	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
Total revenue from local sources	\$ 10,026,500	\$ 10,026,500	\$ 8,283,873	\$ (1,742,627)
Total Coal Road Fund	\$ 10,026,500	\$ 10,026,500	\$ 8,283,873	\$ (1,742,627)
Total Primary Government	\$ 60,888,075	\$ 61,545,275	\$ 62,890,723	\$ 1,345,448
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,400	\$ 1,400	\$ 6,284	\$ 4,884
Total revenue from use of money and property	\$ 1,400	\$ 1,400	\$ 6,284	\$ 4,884
Charges for services:				
Charges for adult/GED testing	\$ 7,540	\$ 7,540	\$ 1,138	\$ (6,402)
Charges for cafeteria sales	756,506	756,506	834,100	77,594
Total charges for services	\$ 764,046	\$ 764,046	\$ 835,238	\$ 71,192
Miscellaneous revenue:				
Miscellaneous	\$ 298,862	\$ 298,862	\$ 161,382	\$ (137,480)
Total miscellaneous revenue	\$ 298,862	\$ 298,862	\$ 161,382	\$ (137,480)
Recovered costs:				
Rebates and refunds	\$ -	\$ -	\$ 26,049	\$ 26,049
Insurance adjustments	5,000	5,000	7,812	2,812
JROTC payments	25,000	25,000	45,530	20,530
E-rate reimbursement	241,793	241,793	348,355	106,562
Total recovered costs	\$ 271,793	\$ 271,793	\$ 427,746	\$ 155,953
Total revenue from local sources	\$ 1,336,101	\$ 1,336,101	\$ 1,430,650	\$ 94,549
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Buchanan, Virginia	\$ 9,836,053	\$ 10,336,053	\$ 10,168,177	\$ (167,876)
Total revenues from local governments	\$ 9,836,053	\$ 10,336,053	\$ 10,168,177	\$ (167,876)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,123,315	\$ 3,123,315	\$ 3,025,824	\$ (97,491)
Basic school aid	9,321,386	9,321,386	9,252,616	(68,770)
Gifted and talented	96,418	96,418	95,304	(1,114)
Remedial education	486,865	486,865	467,584	(19,281)
Special education	1,013,246	1,013,246	982,047	(31,199)
Textbook payment	80,764	80,764	172,405	91,641
Vocational SOQ payments	65,846	65,846	-	(65,846)

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

Schedule 1
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<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)				
Social security fringe benefits	\$ 616,238	\$ 616,238	\$ 609,118	\$ (7,120)
Retirement fringe benefits	1,066,889	1,066,889	1,054,561	(12,328)
Mentor teacher grant	2,453	2,453	3,635	1,182
Early reading intervention	75,721	75,721	67,307	(8,414)
Additional teachers	-	-	42,618	42,618
Alternative education	23,576	23,576	23,576	-
K3 initiative	568,803	568,803	557,254	(11,549)
Salary Supplements	233,146	233,146	-	(233,146)
Vocation education	722,073	722,073	768,881	46,808
Preschool initiative	-	-	44,464	44,464
Special education - foster children	50,573	50,573	67,311	16,738
At risk payments	549,233	549,233	542,931	(6,302)
School food	26,483	26,483	-	(26,483)
Technology	362,000	362,000	370,427	8,427
Standards of Learning algebra readiness	56,088	56,088	53,784	(2,304)
At risk four-year olds	207,826	207,826	162,632	(45,194)
Lottery proceeds	-	-	13,500	13,500
Other state funds	803	803	40,906	40,103
Total categorical aid	\$ 18,749,745	\$ 18,749,745	\$ 18,418,685	\$ (331,060)
Total revenue from the Commonwealth	\$ 18,749,745	\$ 18,749,745	\$ 18,418,685	\$ (331,060)
Revenue from the federal government:				
Categorical aid:				
Adult literacy	\$ -	\$ -	\$ 2,228	\$ 2,228
Title I	1,371,406	1,371,406	1,154,192	(217,214)
Title VI-B, flow-through	832,666	832,666	823,681	(8,985)
Title VI-B, preschool	35,295	35,295	36,004	709
Vocational education	80,240	80,240	50,528	(29,712)
Improving teacher quality	288,665	288,665	321,280	32,615
Technology grant	-	-	10,631	10,631
21st Century grant	-	-	13,166	13,166
School lunch program	1,569,150	1,569,150	998,718	(570,432)
Rural and low income schools	58,189	58,189	99,186	40,997
Total categorical aid	\$ 4,235,611	\$ 4,235,611	\$ 3,509,614	\$ (725,997)
Total revenue from the federal government	\$ 4,235,611	\$ 4,235,611	\$ 3,509,614	\$ (725,997)
Total School Operating Fund	\$ 34,157,510	\$ 34,657,510	\$ 33,527,126	\$ (1,130,384)
Total Discretely Presented Component Unit - School Board	\$ 34,157,510	\$ 34,657,510	\$ 33,527,126	\$ (1,130,384)

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

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<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	\$ 384,666	\$ 385,415	\$ 407,032	\$ (21,617)
General and financial administration:				
County administrator	\$ 443,476	\$ 443,476	\$ 418,565	\$ 24,911
County Attorney	150,371	150,371	138,457	11,914
Commissioner of revenue	409,153	411,608	341,522	70,086
Assessor	600,000	538,050	341,248	196,802
Central purchasing	139,000	139,000	52,825	86,175
Treasurer	554,769	555,742	522,336	33,406
Data processing	83,115	76,859	65,072	11,787
County garage	505,439	505,439	466,653	38,786
Total general and financial administration	\$ 2,885,323	\$ 2,820,545	\$ 2,346,678	\$ 473,867
Board of elections:				
Electoral board	\$ 42,700	\$ 46,200	\$ 42,866	\$ 3,334
Registrar	164,578	169,578	167,464	2,114
Voting buildings and machines	20,000	21,500	19,410	2,090
Total board of elections	\$ 227,278	\$ 237,278	\$ 229,740	\$ 7,538
Total general government administration	\$ 3,497,267	\$ 3,443,238	\$ 2,983,450	\$ 459,788
Judicial administration:				
Courts:				
Circuit court	\$ 229,318	\$ 232,607	\$ 222,943	\$ 9,664
Combined court	12,500	12,500	10,308	2,192
Juvenile court	13,500	13,500	10,124	3,376
Magistrates	17,150	17,150	7,240	9,910
Victim witness assistance program	73,888	73,888	70,453	3,435
Clerk of circuit court	655,027	664,705	557,940	106,765
Total courts	\$ 1,001,383	\$ 1,014,350	\$ 879,008	\$ 135,342
Commonwealth's attorney:				
Commonwealth's attorney	\$ 765,276	\$ 784,854	\$ 748,507	\$ 36,347
Total commonwealth's attorney	\$ 765,276	\$ 784,854	\$ 748,507	\$ 36,347
Total judicial administration	\$ 1,766,659	\$ 1,799,204	\$ 1,627,515	\$ 171,689
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,377,587	\$ 3,788,963	\$ 3,355,782	\$ 433,181
School resource officer	426,932	426,932	423,333	3,599
Total law enforcement and traffic control	\$ 3,804,519	\$ 4,215,895	\$ 3,779,115	\$ 436,780
Fire and rescue services:				
Fire department	\$ 336,000	\$ 902,129	\$ 320,439	\$ 581,690
Rescue squads	180,000	387,420	110,710	276,710
Total fire and rescue services	\$ 516,000	\$ 1,289,549	\$ 431,149	\$ 858,400
Correction and detention:				
Jail operation	\$ 1,800,725	\$ 1,800,725	\$ 1,399,715	\$ 401,010
Juvenile detention	71,964	71,964	71,964	-
Total correction and detention	\$ 1,872,689	\$ 1,872,689	\$ 1,471,679	\$ 401,010

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

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<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)				
Inspections:				
Building	\$ 178,623	\$ 148,623	\$ 143,644	\$ 4,979
Total inspections	\$ 178,623	\$ 148,623	\$ 143,644	\$ 4,979
Other protection:				
Animal control	\$ 366,524	\$ 366,974	\$ 290,158	\$ 76,816
Medical examiner	1,000	1,000	500	500
Emergency services	47,609	47,609	33,607	14,002
Forestry department	14,517	25,264	25,264	-
E-911	879,563	879,563	535,163	344,400
Total other protection	\$ 1,309,213	\$ 1,320,410	\$ 884,692	\$ 435,718
Total public safety	\$ 7,681,044	\$ 8,847,166	\$ 6,710,279	\$ 2,136,887
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 330,000	\$ 752,777	\$ 463,203	\$ 289,574
Total maintenance of highways, streets, bridges & sidewalks	\$ 330,000	\$ 752,777	\$ 463,203	\$ 289,574
Sanitation and waste removal:				
Sanitation officer	\$ 14,067	\$ 14,067	\$ 7,073	\$ 6,994
Waste authority	1,200,000	1,200,000	986,764	213,236
Landfill	2,282,517	2,285,393	2,260,522	24,871
Total sanitation and waste removal	\$ 3,496,584	\$ 3,499,460	\$ 3,254,359	\$ 245,101
Maintenance of general buildings and grounds:				
General properties	\$ 1,687,097	\$ 1,785,721	\$ 1,648,887	\$ 136,834
Total maintenance of general buildings and grounds	\$ 1,687,097	\$ 1,785,721	\$ 1,648,887	\$ 136,834
Total public works	\$ 5,513,681	\$ 6,037,958	\$ 5,366,449	\$ 671,509
Health and welfare:				
Health:				
Supplement of local health department	\$ 349,923	\$ 349,923	\$ 345,952	\$ 3,971
Total health	\$ 349,923	\$ 349,923	\$ 345,952	\$ 3,971
Welfare:				
Virginia housing development authority	\$ 128,713	\$ 128,713	\$ 119,493	\$ 9,220
Cumberland mountain community services	20,000	20,000	20,000	-
Disability Services Board	25,000	25,000	25,000	-
Senior citizens	81,993	176,869	48,708	128,161
Medical Assistance Services	28,577	34,797	30,045	4,752
Tri-county health clinic	6,000	6,000	6,000	-
Red Cross contributions	7,000	7,000	-	7,000
Food pantries	73,000	73,000	73,000	-
S V medical assistance	5,000	5,000	5,000	-
Social services	10,958,686	11,038,138	7,501,853	3,536,285
Head start	1,814,700	1,819,105	1,449,562	369,543
Other welfare	20,000	22,300	2,300	20,000
Total welfare	\$ 13,168,669	\$ 13,355,922	\$ 9,280,961	\$ 4,074,961
Total health and welfare	\$ 13,518,592	\$ 13,705,845	\$ 9,626,913	\$ 4,078,932

County of Buchanan, Virginia
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For the Year Ended June 30, 2014

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Education:				
Other instructional costs:				
Educational Contributions	\$ 81,047	\$ 81,047	\$ 81,047	\$ -
Bus transportation	68,000	68,000	68,000	-
Contribution to County School Board	10,070,000	10,238,177	10,168,177	70,000
Total education	<u>\$ 10,219,047</u>	<u>\$ 10,387,224</u>	<u>\$ 10,317,224</u>	<u>\$ 70,000</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 183,314	\$ 339,304	\$ 311,350	\$ 27,954
Park development	210,000	511,460	214,635	296,825
Community Events	16,500	16,500	9,500	7,000
Athletic programs	115,000	115,000	49,767	65,233
County fair	40,000	165,961	170,968	(5,007)
Total parks and recreation	<u>\$ 564,814</u>	<u>\$ 1,148,225</u>	<u>\$ 756,220</u>	<u>\$ 392,005</u>
Library:				
Contribution to county library	\$ 580,725	\$ 583,274	\$ 570,456	\$ 12,818
Total library	<u>\$ 580,725</u>	<u>\$ 583,274</u>	<u>\$ 570,456</u>	<u>\$ 12,818</u>
Total parks, recreation, and cultural	<u>\$ 1,145,539</u>	<u>\$ 1,731,499</u>	<u>\$ 1,326,676</u>	<u>\$ 404,823</u>
Community development:				
Planning and community development:				
Planning commission	\$ 8,500	\$ 8,500	\$ 4,926	\$ 3,574
Hurley Community Development	10,000	10,000	10,000	-
Contribution to industrial development authority	1,328,077	1,803,215	1,796,129	7,086
Tourism	5,000	5,000	4,137	863
Community arts council	15,000	15,000	-	15,000
Cumberland plateau planning district	35,000	35,000	35,000	-
Chamber of commerce	15,000	15,000	15,000	-
Peoples incorporated	10,000	10,000	2,000	8,000
Cumberland plateau regional housing	5,000	5,000	5,000	-
Neighbors united	10,000	10,000	10,000	-
Humane society	3,600	3,600	3,600	-
ATV project	14,500	14,770	14,492	278
Robotics team	10,000	10,000	10,000	-
Grundy Community Center	6,000	6,000	6,000	-
Contribution to public service authority	1,500,000	2,128,740	2,000,000	128,740
Capital contributions to the public service authority	2,500,000	5,654,056	5,342,473	311,583
Other planning and community development	607,530	453,458	69,271	384,187
Total planning and community development	<u>\$ 6,083,207</u>	<u>\$ 10,187,339</u>	<u>\$ 9,328,028</u>	<u>\$ 859,311</u>
Environmental management:				
Auto removal	\$ 5,000	\$ 5,000	\$ -	\$ 5,000
Environmental management	1,000	1,000	-	1,000
Litter control	122,008	133,265	91,251	42,014
Total environmental management	<u>\$ 128,008</u>	<u>\$ 139,265</u>	<u>\$ 91,251</u>	<u>\$ 48,014</u>
Cooperative extension program:				
Extension office	\$ 53,450	\$ 54,250	\$ 54,510	\$ (260)
Total cooperative extension program	<u>\$ 53,450</u>	<u>\$ 54,250</u>	<u>\$ 54,510</u>	<u>\$ (260)</u>
Total community development	<u>\$ 6,264,665</u>	<u>\$ 10,380,854</u>	<u>\$ 9,473,789</u>	<u>\$ 907,065</u>

County of Buchanan, Virginia
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<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)				
Capital projects:				
Poplar Gap Athletic Park	\$ 250,000	\$ 521,927	\$ 270,923	\$ 251,004
Hurley Gym	574,548	590,548	590,548	-
Debt Financed School Projects	-	-	284,520	(284,520)
Total capital projects	<u>\$ 824,548</u>	<u>\$ 1,112,475</u>	<u>\$ 1,145,991</u>	<u>\$ (33,516)</u>
Debt service:				
Principal retirement	\$ 727,587	\$ 992,028	\$ 992,028	\$ -
Interest and other fiscal charges	285,988	399,983	391,786	8,197
Total debt service	<u>\$ 1,013,575</u>	<u>\$ 1,392,011</u>	<u>\$ 1,383,814</u>	<u>\$ 8,197</u>
Total General Fund	<u>\$ 51,444,617</u>	<u>\$ 58,837,474</u>	<u>\$ 49,962,100</u>	<u>\$ 8,875,374</u>
Special Revenue Funds:				
Coal Road Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 13,102,279	\$ 9,907,858	\$ 5,075,150	\$ 4,832,708
Engineering	484,802	515,802	494,777	21,025
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 13,587,081</u>	<u>\$ 10,423,660</u>	<u>\$ 5,569,927</u>	<u>\$ 4,853,733</u>
Community development:				
Planning and community development:				
Virginia coalfield economic development authority	\$ 2,500,000	\$ 2,500,000	\$ 2,070,762	\$ 429,238
Contribution to Public Service Authority	-	-	1,500,000	(1,500,000)
Total planning and community development	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 3,570,762</u>	<u>\$ (1,070,762)</u>
Total Coal Road Fund	<u>\$ 16,087,081</u>	<u>\$ 12,923,660</u>	<u>\$ 9,140,689</u>	<u>\$ 3,782,971</u>
Disaster Relief Fund:				
Health and welfare:				
Welfare:				
Disaster relief	\$ 350,000	\$ 350,000	\$ 92,575	\$ 257,425
Total welfare	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 92,575</u>	<u>\$ 257,425</u>
Total health and welfare	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 92,575</u>	<u>\$ 257,425</u>
Total Disaster Relief Fund	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 92,575</u>	<u>\$ 257,425</u>
Total Primary Government	<u>\$ 67,881,698</u>	<u>\$ 72,111,134</u>	<u>\$ 59,195,364</u>	<u>\$ 12,915,770</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Instruction costs:				
Instruction	\$ 23,348,788	\$ 23,848,788	\$ 24,363,065	\$ (514,277)
Total instruction costs	<u>\$ 23,348,788</u>	<u>\$ 23,848,788</u>	<u>\$ 24,363,065</u>	<u>\$ (514,277)</u>
Operating costs:				
Administration and health services	\$ 1,663,649	\$ 1,663,649	\$ 1,754,659	\$ (91,010)
Pupil transportation	2,456,092	2,456,092	2,170,493	285,599
Operation and maintenance of school plant	4,501,642	4,501,642	4,121,220	380,422
Total operating costs	<u>\$ 8,621,383</u>	<u>\$ 8,621,383</u>	<u>\$ 8,046,372</u>	<u>\$ 575,011</u>

County of Buchanan, Virginia
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<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)				
School food services:				
Administration of school food program	\$ 2,352,339	\$ 2,352,339	\$ 1,857,475	\$ 494,864
Total education	\$ 34,322,510	\$ 34,822,510	\$ 34,266,912	\$ 555,598
Capital projects:				
School capital projects	\$ 2,350,362	\$ 2,350,362	\$ 158,021	\$ 2,192,341
Total capital projects	\$ 2,350,362	\$ 2,350,362	\$ 158,021	\$ 2,192,341
Total School Fund	\$ 36,672,872	\$ 37,172,872	\$ 34,424,933	\$ 2,747,939
Total Discretely Presented Component Unit - School Board	\$ 36,672,872	\$ 37,172,872	\$ 34,424,933	\$ 2,747,939

Table 1

County of Buchanan, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2013-14	\$ 3,004,076	\$ 1,634,452	\$ 6,855,341	\$ 10,418,098	\$ 9,669,758	\$ 11,666,828	\$ 1,104,072	\$ 13,053,565	\$ 378,338	\$ 57,784,528
2012-13	2,326,934	1,569,540	6,725,396	12,869,342	9,800,358	11,625,233	821,133	11,679,658	352,676	57,770,270
2011-12	2,818,130	1,568,188	6,744,323	13,353,221	9,692,455	11,303,923	1,605,149	16,244,692	455,633	63,785,714
2010-11	2,445,816	1,458,837	6,255,234	9,092,200	10,005,009	10,596,199	1,338,390	12,495,596	474,006	54,161,287
2009-10	2,526,597	1,503,610	7,238,733	12,220,224	9,854,812	10,950,125	1,110,865	10,889,281	488,371	56,782,618
2008-09	2,236,065	1,496,850	5,582,374	9,775,242	8,554,662	10,451,349	1,036,665	10,585,692	585,818	50,304,717
2007-08	2,415,817	1,485,216	5,491,098	8,988,974	9,933,146	13,348,257	1,050,250	10,808,368	622,369	54,143,495
2006-07	2,466,603	1,296,688	4,868,217	6,541,506	8,342,751	12,184,691	937,249	11,157,179	613,858	48,408,742
2005-06	2,410,870	942,450	4,983,187	6,564,721	6,732,564	9,732,168	898,027	7,191,068	794,410	40,249,465
2004-05	2,082,579	838,654	4,166,023	5,864,142	7,588,598	8,535,513	886,775	5,104,815	837,418	35,904,517

Table 2

County of Buchanan, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Special Items	
2013-14	\$ 1,029,968	\$ 10,028,632	\$ 5,342,473	\$	20,134,556	20,130,214	\$ -	\$ 82,263	\$ 232,331	\$ 2,766,625	-	\$ 59,747,062
2012-13	1,188,911	9,548,475	2,209,643		18,306,411	22,474,152	-	101,469	158,550	2,942,825	-	56,930,436
2011-12	1,207,732	9,307,174	3,951,232		18,104,724	31,622,190	-	118,174	264,758	2,755,390	-	67,331,374
2010-11	985,509	9,118,369	2,219,707		15,652,382	33,797,596	-	105,569	459,343	2,683,453	-	65,021,928
2009-10	732,911	9,827,820	1,182,479		15,424,011	24,251,463	-	248,058	255,339	2,774,371	-	54,696,452
2008-09	915,235	11,395,185	-		15,321,741	24,511,300	-	452,499	15,697,206	1,903,615	-	70,196,781
2007-08	606,650	11,227,768	-		15,419,492	22,636,326	-	711,623	102,962	1,879,667	-	52,584,488
2006-07	711,625	9,474,577	1,868,490		13,099,635	23,074,589	-	931,407	130,506	2,006,804	400,000	51,697,633
2005-06	448,277	8,613,131	-		13,402,559	21,185,234	-	735,990	181,269	1,995,410	-	46,561,870
2004-05	528,466	4,724,929	-		12,825,761	16,728,744	-	302,990	235,565	6,144,616	-	41,491,071

County of Buchanan, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
2013-14	\$ 2,983,450	\$ 1,627,515	\$ 6,710,279	\$ 10,936,376	\$ 9,719,488	\$ 34,415,959	\$ 1,326,676	\$ 13,044,551	\$ -	\$ 1,383,814	\$ 82,148,108
2012-13	2,887,435	1,606,134	6,860,562	13,178,521	9,832,464	38,854,582	1,253,938	11,668,890	-	2,443,717	88,586,243
2011-12	2,940,042	1,551,048	6,597,098	13,359,206	9,767,726	38,510,376	1,366,309	16,487,517	-	1,522,762	92,102,084
2010-11	2,523,105	1,441,724	6,350,355	9,391,015	9,928,023	35,026,718	1,206,455	12,503,481	-	1,450,786	79,821,662
2009-10	2,505,591	1,481,044	7,564,899	12,248,097	9,794,702	38,250,585	1,132,458	10,916,029	-	1,581,334	85,474,739
2008-09	2,502,236	1,475,155	5,472,036	9,725,018	8,951,879	40,198,777	1,231,734	10,572,371	-	1,758,416	81,887,622
2007-08	2,451,995	1,500,399	5,441,603	9,071,353	10,044,317	38,964,368	1,040,878	10,907,559	-	1,910,468	81,332,940
2006-07	2,565,689	1,279,479	5,126,279	6,759,197	8,424,530	38,537,045	1,087,284	11,162,124	-	2,039,813	76,981,440
2005-06	2,494,982	919,842	5,073,552	6,330,430	7,806,698	32,783,057	895,789	7,189,451	255,985	2,335,950	66,085,736
2004-05	2,011,248	821,352	4,364,022	6,004,325	7,784,179	32,587,167	891,419	5,102,398	-	2,387,671	61,953,781

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit - School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

County of Buchanan, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2013-14	\$ 20,346,636	\$ 20,130,214	\$ 57,013	\$ 9,693	\$ 88,547	\$ 1,798,500	\$ 2,893,713	\$ 859,327	\$ 40,066,029	\$ 86,249,672
2012-13	18,944,960	22,474,152	62,389	10,392	113,480	2,194,715	2,741,324	649,088	37,521,938	84,712,438
2011-12	17,523,639	31,622,190	64,360	1,873	131,824	2,194,608	2,522,943	752,872	41,409,940	96,224,249
2010-11	15,979,714	33,797,596	60,128	2,093	120,887	1,937,550	2,729,414	499,737	37,443,980	92,571,099
2009-10	15,669,518	24,251,463	56,514	3,150	299,638	1,843,880	3,494,636	610,602	41,759,387	87,988,788
2008-09	14,691,267	24,511,300	55,582	3,874	541,759	1,488,043	565,654	1,028,861	41,720,789	84,607,129
2007-08	14,022,812	22,636,326	55,490	2,429	796,631	1,159,344	264,730	949,086	39,636,532	79,523,380
2006-07	13,986,992	23,074,589	55,104	864	996,848	1,289,202	304,407	521,520	39,618,102	79,847,628
2005-06	13,290,980	21,185,234	61,261	1,584	816,624	1,056,123	271,820	1,378,136	34,945,542	73,007,304
2004-05	13,197,108	16,728,744	57,408	753	364,434	1,059,765	393,834	860,638	34,579,309	67,241,993

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit - School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

Table 5

County of Buchanan, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2013-14	\$ 20,199,537	\$ 19,458,083	96.33%	\$ 518,455	\$ 19,976,538	98.90%	\$ 4,759,841	23.56%
2012-13	18,347,580	17,491,799	95.34%	1,055,371	18,547,170	101.09%	4,004,450	21.83%
2011-12	17,497,786	16,582,159	94.77%	561,959	17,144,118	97.98%	5,022,496	28.70%
2010-11	15,773,431	14,928,378	94.64%	628,790	15,557,168	98.63%	4,826,997	30.60%
2009-10	17,017,825	16,287,430	95.71%	615,532	16,902,962	99.33%	4,871,095	28.62%
2008-09	16,555,917	15,470,562	93.44%	566,623	16,037,185	96.87%	3,822,322	23.09%
2007-08	15,566,179	14,985,550	96.27%	375,535	15,361,085	98.68%	4,596,088	29.53%
2006-07	15,661,517	14,863,934	94.91%	543,202	15,407,136	98.38%	4,526,971	28.91%
2005-06	14,907,300	13,849,976	92.91%	789,578	14,639,554	98.20%	4,572,310	30.67%
2004-05	14,599,476	13,720,416	93.98%	642,926	14,363,342	98.38%	4,726,542	32.37%

(1) Exclusive of penalties and interest.

Table 6

County of Buchanan, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)			Total
					Real Estate	Personal Property	Personal Property	
2013-14	\$ 2,182,637,360	\$ 273,535,357	\$ 363,102,846	\$ 4,738,581	\$ 99,344,750	\$ 84,076	\$	2,923,442,970
2012-13	2,033,790,897	263,312,445	310,190,160	4,756,721	104,988,298	39,009		2,717,077,530
2011-12	2,054,634,044	258,035,354	268,621,205	4,122,968	96,364,828	21,783		2,681,800,182
2010-11	1,901,488,554	246,368,041	200,965,971	3,612,117	98,131,122	73,428		2,450,639,233
2009-10	1,963,249,615	232,988,630	209,908,959	4,060,911	96,957,674	51,570		2,507,217,359
2008-09	1,844,570,316	249,653,108	193,314,185	4,060,298	95,546,061	30,968		2,387,174,936
2007-08	1,842,678,083	229,238,821	172,198,735	3,836,073	99,311,572	52,251		2,347,315,535
2006-07	1,605,010,004	218,811,037	173,485,869	3,792,787	78,080,272	54,625		2,079,234,594
2005-06	1,590,555,567	208,364,940	149,398,124	3,506,983	88,806,157	89,511		2,040,721,282
2004-05	1,544,112,200	187,214,311	171,139,602	3,303,137	108,472,197	85,048		2,014,326,495

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

Table 7

County of Buchanan, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital
2013-14	\$ 0.43	\$ 1.95	\$ 1.95	\$ 2.00
2012-13	0.43	1.95	1.95	2.00
2011-12	0.43	1.95	1.95	2.00
2010-11	0.43	1.95	1.95	2.00
2009-10	0.43	1.95	1.95	2.00
2008-09	0.43	1.95	1.95	2.00
2007-08	0.43	1.95	1.95	2.00
2006-07	0.49	1.95	1.95	2.00
2005-06	0.49	1.95	1.95	2.00
2004-05	0.49	1.95	2.00	1.95

(1) Per \$100 of assessed value.

Table 8

County of Buchanan, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2013-14	23,990	\$ 2,923,443	\$ 7,242,881	\$ 7,242,881	0.25%	302
2012-13	23,990	2,717,078	8,106,089	8,106,089	0.30%	338
2011-12	24,098	2,681,800	8,825,941	8,825,941	0.33%	366
2010-11	24,098	2,450,639	8,651,967	8,651,967	0.35%	359
2009-10	26,978	2,507,217	9,562,967	9,562,967	0.38%	354
2008-09	26,978	2,387,175	10,465,367	10,465,367	0.44%	388
2007-08	26,978	2,347,316	11,453,794	11,453,794	0.49%	425
2006-07	26,978	2,079,235	12,540,556	12,540,556	0.60%	465
2005-06	26,978	2,040,721	13,621,296	13,621,296	0.67%	505
2004-05	26,978	2,014,326	14,821,329	14,821,329	0.74%	549

(1) Center for Public Service at the University of Virginia.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.

Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Table 9

County of Buchanan, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2013-14	\$ 992,028	\$ 391,786	\$ 1,383,814	\$ 82,148,108	1.68%
2012-13	1,997,774	445,943	2,443,717	88,586,243	2.76%
2011-12	1,043,211	479,551	1,522,762	92,102,084	1.65%
2010-11	947,291	503,495	1,450,786	79,821,662	1.82%
2009-10	1,059,841	521,493	1,581,334	85,474,739	1.85%
2008-09	1,140,358	615,905	1,756,263	81,887,622	2.14%
2007-08	1,233,773	674,693	1,908,466	81,332,940	2.35%
2006-07	1,414,775	625,038	2,039,813	76,981,440	2.65%
2005-06	1,519,838	816,112	2,335,950	66,085,736	3.53%
2004-05	1,518,440	869,231	2,387,671	61,953,781	3.85%

(1) Includes General funds of the Primary Government and Special Revenue funds of the Discretely Presented Component Unit - School Board.

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*

To the Honorable Members of
The Board of Supervisors
County of Buchanan, 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 Buchanan, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County of Buchanan, Virginia's basic financial statements, and have issued our report thereon dated February 17, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses [see items 2014-001, and 2014-002].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Buchanan, 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 an instance of noncompliance or

other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-003.

County of Buchanan, Virginia's Response to Findings

The County of Buchanan, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Buchanan, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia
February 17, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Members of
The Board of Supervisors
County of Buchanan, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Buchanan, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Buchanan, Virginia's major federal programs for the year ended June 30, 2014. The County of Buchanan, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Buchanan, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Buchanan, 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 Buchanan, Virginia's compliance.

Basis for Qualified Opinion on Major Federal Programs

As described in the accompanying schedule of findings and questioned costs (item 2014-004), the County of Buchanan, Virginia did not comply with record retention requirements regarding CFDA 84.027/84.173 Special Education Cluster. As a result, we were unable to determine compliance with all applicable compliance requirements.

As described in the accompanying schedule of findings and questioned costs, the County of Buchanan, Virginia did not comply with requirements regarding CFDA 84.010 Title I as described in finding number 2014-005 for allowable costs.

As described in the accompanying schedule of finding and questioned costs, the County of Buchanan, Virginia did not comply with requirements regarding CFDA 84.041 State Energy Program as described in finding numbers 2014-006 for the Davis-Bacon act and 2014-007 for Special Tests and Provisions.

Compliance with such requirements identified in the three preceding paragraphs is necessary, in our opinion, for the County of Buchanan, Virginia to comply with the requirements applicable to the identified major federal programs.

Qualified Opinion on Major Federal Programs

In our opinion, except for the possible effects of the matters described in the first Basis for Qualified Opinion paragraph and except for the noncompliance described in the second and third Basis for Qualified Opinion paragraphs, the County of Buchanan, Virginia complied, in all material respects, with the types of compliance requirements referred to above that county have a direct and material effect on each of the major federal programs listed in the Basis for Qualified Opinion paragraphs for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County of Buchanan, 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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The County of Buchanan, Virginia's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County of Buchanan, Virginia's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

The County of Buchanan, 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 Buchanan, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Buchanan, Virginia's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-004, 2014-005, 2014-006, and 2014-007 to be material weaknesses.

The County of Buchanan, Virginia's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County of Buchanan, Virginia's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Robinson, Faimer, Cox Associates

Blacksburg, Virginia
February 17, 2015

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

<u>Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
DEPARTMENT OF AGRICULTURE:			
Direct Payments:			
Child and Adult Care Food Program	10.558	NA	\$ 59,623
Pass Through Payments:			
<i>Child Nutrition Cluster:</i>			
State Department of Agriculture:			
Food Distribution-Schools (Note C)	10.555	00070	\$ 74,975
Department of Education:			
National School Lunch Program	10.555	40623	678,370
School Breakfast Program	10.553	40591	243,624
Fresh Fruit and Vegetable Program	10.582	40599	1,749
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110, 0010111, 0040110, 0040111	556,967
Total Department of Agriculture			<u>\$ 1,615,308</u>
DEPARTMENT OF TREASURY:			
Pass Through Payments:			
Office of the Virginia Attorney General			
Equitable Sharing Program	21.000	Not available	\$ 325,000
Total Department of Treasury			<u>\$ 325,000</u>
DEPARTMENT OF TRANSPORTATION:			
Pass Through Payments:			
State Department of Motor Vehicles:			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	50298	\$ 19,920
Total Department of Transportation			<u>\$ 19,920</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct Payment:			
Head Start	93.600	NA	\$ 1,140,255
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950110, 0950111	8,221
Temporary Assistance for Needy Families (TANF)	93.558	0400110, 0400111	477,513
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110, 0500111	3,581
Chafee Education and Training Vouchers Program	93.599	9160110, 9160111	518
Low-Income Home Energy Assistance	93.568	0600410, 0600411	49,615
Chafee Foster Care Independence Program	93.674	9150110, 9150111	9,336
Children's Health Insurance Program	93.767	0540110, 0540111	17,077
Social Services Block Grant	93.667	1000110, 1000111	407,085
Medical Assistance Program	93.778	1200110, 1200111	495,226
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110, 0900111	3,660
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110, 0760111	73,251
Foster Care	93.658	1100110, 1100111	469,560
Adoption Assistance	93.659	1120110, 1120111	446,239
Total Department of Health and Human Services			<u>\$ 3,601,137</u>

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

Federal Grantor/ State Pass-Through Grantor/ <u>Program or Cluster Title</u>	<u>Federal CFDA Number</u>	Pass-through Entity Identifying <u>Number</u>	<u>Federal Expenditures</u>
DEPARTMENT OF HOMELAND SECURITY:			
Pass Through Payments:			
Department of Emergency Services:			
Emergency Management Performance Grant	97.042	52749	\$ 54,702
Total Department of Homeland Security			\$ 54,702
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass Through Payments:			
State Department of Housing and Community Development:			
Community Development Block Grant/States Program and Non- Entitlement Grants in Hawaii	14.228	50796/50799/50798	\$ 850,053
Total Department of Housing and Urban Development			\$ 850,053
DEPARTMENT OF INTERIOR:			
Pass Through Payments:			
<i>Department of Mines, Minerals, and Energy:</i>			
Abandoned Mine Land Reclamation Program	15.252	NA	\$ 4,492,420
Total Department of Interior			\$ 4,492,420
DEPARTMENT OF ENERGY:			
Pass Through Payments:			
<i>Department of Mines, Minerals, and Energy:</i>			
ARRA - State Energy Program	81.041	NA	\$ 284,520
Total Department of Energy			\$ 284,520
ENVIRONMENTAL PROTECTION AGENCY:			
Pass Through Payments:			
Virginia Resource Authority:			
Capitalization Grants for Drinking Water - State Revolving Funds	66.468	NA	\$ 6,427,669
Total Environmental Protection Agency			\$ 6,427,669
DEPARTMENT OF EDUCATION:			
Pass Through Payments:			
Department of Education:			
Adult Education-Basic Grants to States	84.002	NA	\$ 2,228
Career and Technical Education - Basic Grants to States	84.048	86647	50,528
Twenty-First Century Community Learning Centers	84.287	86784	13,166
Rural Education	84.358	86619	99,186
Improving Teacher Quality State Grants	84.367	86739	321,280
Title I Grants to Local Educational Agencies	84.010	86595	1,154,192
<i>Special Education Cluster (IDEA):</i>			
Special Education-Grants to States (Title VI-B)	84.027	87007A	823,681
Special Education-Preschool Grants	84.173	87063A	36,004
Enhancing Education Through Technology	84.318	86747B	10,631
Total Department of Education			\$ 2,510,896
Total Expenditures of Federal Awards			\$ 20,181,625

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF BUCHANAN, VIRGINIA
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

NOTE A--BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Buchanan, Virginia under programs of the federal government for the year ended June 30, 2014. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Buchanan, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Buchanan, Virginia.

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

NOTE C -- FOOD DONATION

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

NOTE D -- RELATIONSHIP TO THE FINANCIAL STATEMENTS:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 9,959,822
Reconciling Item - Loan proceeds received in prior year	284,520

Total primary government	<u>\$ 10,244,342</u>
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Component Units:

School Board	\$ 3,509,614
Public Service Authority	6,427,669

Total Component Units	<u>\$ 9,937,283</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 20,181,625</u></u>
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County of Buchanan, Virginia

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? No

Type of auditors' report issued on compliance for major programs: Modified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510 (a)?

Yes

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
14.228	Community Development Block Grants/State's Program
66.458	Capitalization Grants for Clean Water State Revolving Funds
81.041	State Energy Program (SEP) - ARRA
84.010	Title I, Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster
93.600	Head Start Program
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant

Dollar threshold used to distinguish between Type A
and Type B programs:

\$605,449

Auditee qualified as low-risk auditee?

Yes

County of Buchanan, Virginia

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

Section II - Financial Statement Findings

Finding 2014-001

Criteria: Organizations should monitor their performance against budgetary constraints and adjust spending accordingly to avoid the over-expenditure (over-commitment) of funds.

Condition: The School System ended the current and prior fiscal years with deficit balances, indicating a lack of fiscal control over the expenditure of funds relative to funding received. In addition, the School System has requested additional funds from the Board of Supervisors during the 2014/2015 fiscal year to meet anticipated deficits in that year.

Cause of Condition: The School System has noticed a decline in State and Federal funding largely due to a decrease in school enrollment and the loss of federal stimulus funding. The School System did not take steps to reduce expenditures accordingly.

Effect of Condition: The School System is facing a cash shortage and is not able to pay bills as they come due.

Recommendation: The School System should immediately prepare a cost study by location to identify inefficient schools and practices. The School System should institute expenditure cuts to bring disbursements in line with projected revenues.

Management's Response: The School System will prepare a fiscal plan to address the deficits described above.

Finding 2014-002

Criteria: Financial statements should be prepared and presented in a timely manner after fiscal year end.

Condition: The School System did not complete the closing process until January of 2015 and the audit could not be completed in a timely manner.

Cause of Condition: The School System has experienced significant turnover in key finance and accounting positions and did not maintain appropriate staffing levels.

Effect of Condition: The financial statements were submitted late for audit and missed key statutory reporting deadlines.

Recommendation: The School System should hire additional staff or hire consultants to assist in maintaining the Organization's books in a more timely manner

Management's Response: Management will implement the procedures recommended by the Auditor above.

County of Buchanan, Virginia

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

Finding 2014-003

Criteria: Energy Savings Contracts should comply with provisions of the *Code of Virginia, 1950 as amended*. Section 11-34.3 (D) of the *Code of Virginia, 1950 as amended* stipulates that the costs of an energy savings contract will not exceed the estimated energy savings from such contract.

Condition: The School System entered into a energy savings contract with an initial construction cost of \$7,000,140 plus performance management fees of \$274,754 for a total cost of \$7,274,894 (excluding interest incurred on borrowed funds). The total projected benefits for the project are estimated at \$6,516,948 in the School System's contract with the energy savings contractor. As such, the anticipated savings from the project do not exceed the anticipated costs of the project.

Cause of Condition: The School System did not have a process in place to ensure compliance with the *Code of Virginia, 1950 as amended*.

Effect of Condition: The School System did not comply with provisions of the *Code of Virginia, 1950 as amended*.

Recommendation: The School System should implement procedures to review contracts for compliance with provisions of the *Code of Virginia, 1950 as amended*.

Management's Response: Management will implement the procedures recommended by the Auditor above.

County of Buchanan, Virginia

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

Section III - Federal Award Findings and Questioned Costs

Finding 2014-004
Compliance Finding and
Material Weakness

Program	Special Education Cluster (84.027/84.173)
Criteria	Organizations receiving federal funds should maintain records to document compliance with federal requirements.
Condition	Substantially all files related to the Special Education Program were lost and could not be located for audit.
Questioned Costs	No questioned costs were identified.
Recommendation	The School System should abide by statutory record retention policies.
Management's Response	The School System inadvertently disposed of files that should have been maintained for audit. In the future, the School System will follow the proper record retention policies.

Finding 2014-005
Compliance Finding and
Material Weakness

Program	Title I Program (84.010)
Criteria	Reimbursement type grants require the grant recipient to expend funds prior to filing a request for reimbursement.
Condition	The School System requested reimbursements for the Title 1 Program before checks were released for the related expenditures.
Questioned Costs	No questioned costs as checks were eventually issued for allowable purposes.
Recommendation	The School System should refrain from requesting reimbursement type grants prior to the expenditure of funds.
Management's Response	The School System will amend it procedures relative to the request of grant funds.

County of Buchanan, Virginia

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

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 2014-006
Compliance Finding and
Material Weakness

Program	State Energy Program - ARRA (81.041)
Criteria	Grant recipients should require contractors to comply with the Davis-Bacon Act (if applicable) and should establish procedures to monitor their compliance.
Condition	The State Energy Program requires compliance with provisions of the Davis-Bacon Act. The School System's contract with Johnson Controls does not require the contractor to comply with requirements of the Davis-Bacon Act. In addition, the School System did not perform monitoring functions relative to same.
Questioned Costs	None
Recommendation	The School System should require contractors to comply with provisions of the Davis-Bacon Act and should develop procedures to monitor such compliance.
Management's Response	The School System was unaware of requirements related to the Davis-Bacon Act; however, in the future the School System will thoroughly review grant agreements and comply with same.

County of Buchanan, Virginia

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

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 2014-007
Compliance Finding and
Material Weakness

Program	State Energy Program - ARRA (81.041)
Criteria	Program funds received under the American Recovery and Reinvestment Act (ARRA) were awarded with certain "Buy American" provisions. Grant recipients were responsible to require contractors to purchase American made goods and to monitor compliance with requirements of the Act.
Condition	The School System's contract with Johnson Controls does not require the contractor to comply with requirements of ARRA "Buy American" provisions. In addition, the School System did not perform monitoring functions relative to same.
Questioned Costs	None
Recommendation	In the future, the School System should review conditions of grant awards and develop procedures to ensure and monitor compliance with award conditions.
Management's Response	The School System was unaware of requirements related to the "Buy American" provisions; however, in the future the School System will thoroughly review grant agreements and comply with same.

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no prior findings related to Federal programs.