

COUNTY OF BOTETOURT, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2007

Prepared By:
Department of Financial Services

COUNTY OF BOTETOURT, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2007

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INTRODUCTORY SECTION



Botetourt County, Virginia

Office of the County Administrator

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

December 21, 2007

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

Board of Supervisors

Wanda C. Wingo
Chairman

Don A. Assaid
Vice Chairman

Terry L. Austin

Stephen P. Clinton

Donald L. Meredith

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2007. Botetourt County was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officer's Association (GFOA) for its Comprehensive Annual Financial Report for the previous two fiscal years.

The comprehensive annual report is presented in four sections: introductory, financial, statistical, and compliance. The introductory section includes the transmittal letter, the County's organizational chart, and a list of principal officials. The financial section includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), the basic financial statements and notes, required supplemental information, and supporting schedules. The statistical section includes selected financial and demographic data, generally presented on a multi-year basis.

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

Robinson, Farmer, Cox Associates, PLLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the County of Botetourt's financial statements for the year ended June 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A compliments this letter of transmittal and should be read in conjunction with it. The County of Botetourt's MD&A can be found immediately following the report of the independent auditors.

Profile of Botetourt County

The County of Botetourt was founded in 1770 and named for Lord Botetourt, Governor of Virginia. After the Revolutionary War, the County's jurisdiction extended to the Mississippi River, encompassing what is now West Virginia, Kentucky, Ohio, Indiana, and part of Illinois. Today, Botetourt County is located along Interstate 81, 20 miles from Interstate 64, in the west central portion of

Virginia in the Roanoke Valley, between the Blue Ridge and Allegheny Mountains. It is 233 miles southwest of the nation's capital, Washington D.C., 176 miles west of the state capital, Richmond, and is close to the City of Roanoke. Botetourt County consists of 548 square miles and is part of the Roanoke Metropolitan Statistical Area (MSA). The County of Botetourt is a political subdivision of the Commonwealth of Virginia that is administered by a five member Board of Supervisors and has a County Administrator to oversee its general administration.

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

Local Economics and Demographics

Based upon a U. S. Census Bureau estimate, Botetourt County's 2006 population was 31,991, representing a 5% increase since the 2000 Census. Botetourt County enjoys a diverse economy, with the services sector accounting for 34% of the jobs in the County, manufacturing 23%, trade 16%, government 14%, construction 10%, and all others 3%. The civilian labor force totals approximately 17,500, with 16% working for the County's top ten employers. Unemployment remains well below the State average.

With respect to demographics relating to economic factors, Botetourt County seemingly appeals to higher income residents, as evidenced by a median household income figure of \$48,731, which is above the state average and ranks first in a comparison of six surrounding localities. This ranking also holds true for the home ownership rate, which stands at 88%, which is well above the state's average of 68%. Yet again, the median housing value in the County (\$130,500) places first as compared locally, and is above a state average of \$125,400. These figures are as of the 2000 U.S. Census.

Botetourt County compares favorably to most Virginia localities economically in the area of fiscal stress, as reported by the Virginia Commission on Local Government. This agency has developed a composite fiscal stress index, which takes into consideration each locality's revenue capacity per capita, the revenue effort, and the magnitude of median adjusted gross income for individuals and married couples. The County's composite index falls into the classification "Below Average Stress" and within a short reach of "Low Stress" for the most recent period reported (2004/2005). The County's ranking was 107 out of 134 localities, placing Botetourt in the lower 20% range. This is an indication that on a comparable basis, Botetourt County and its residents are experiencing a relatively low level of fiscal strain, which adds to quality of life in the County for its citizens, and indicates responsible management of the County's financial activities.

While FY07 construction starts were less than in recent previous years, Botetourt County continues to experience economic growth in its residential, commercial, and manufacturing segments. The County's Comprehensive Plan was updated in 2004 (this process will begin again in 2008) and provides the framework for managing growth, along with proper zoning and subdivision ordinances. Residential construction starts include expansions in existing subdivisions as well as development plans for new subdivisions. The dollar value of residential starts in the County for FY07 represents a 35% decrease over the average annual dollar value for the previous three fiscal years. Despite this decrease and the recent country-wide downturn in housing activity, new subdivision development plans and other typical permit activity are in progress, as builders continue to recognize the value of investing in Botetourt County.

Manufacturing growth has recently been primarily in the form of strategic expansions for several of the County's key manufacturing concerns. Expansions in the last few years have resulted in significant investment on their part as well as new jobs, yielding an increased tax base for the County. As was the case for most areas, nonresidential permit activity decreased in FY07, despite a \$ 3 million expansion in the manufacturing sector. With respect to the existing manufacturing base, foreign-owned companies are continuing to invest in Botetourt County; manufacturing jobs are being created as opposed to being transplanted to other countries. This trend continues, as an Australian manufacturing company recently initiated operations in the County with a planned \$35 million investment. Along with applying its own resources to its recruiting efforts, the County is a member of regional alliance and economic development agencies seeking to attract quality organizations, and has strong ties to state economic development resources.

With respect to future commercial growth, the Daleville Town Center project is currently in its preconstruction phase. This is in the form of a "traditional neighborhood district", which will include residential, commercial, retail, and office space. This \$120 million project equates to the largest commercial development ever in Botetourt County, and will result in a ten (10) year phase-in, allowing the opportunity for the County to properly plan for the providing of required future services. This is a prime example of responsible planned growth, which will enhance the County's economic base. It is anticipated that this development project will become a catalyst for additional commercial growth in this area of the County.

In summary, although there was a slowing of construction activity in FY07, local economic activity and a recent real estate tax reassessment have resulted in local revenue growth. Botetourt County made major investments in public safety and recreational resources and services in FY07, and will continue to do so. These additional resources for its citizens serve to add value for residents, which in turn will provide a foundation for future consistent economic growth in the County.

Public School System

The Botetourt County School System is composed of seven elementary schools serving students in grades kindergarten through fifth grade; two middle schools serving grades six through eight; two high schools serving grades nine through twelve; and a vocational technical school. One of the high schools is nearing completion of a major (\$17 million) renovation. All schools are accredited by the Virginia State Board of Education and the Southern Association of Colleges and Schools. Admission over the last three years has averaged 4,823, with steady increases over the last seven

consecutive years. The results of the most recent "No Child Left Behind" testing showed all County Schools as making adequate yearly progress. The County's School Board places a high value on continuing education and use of management practices to increase the skill level and teaching proficiency of its professional teaching base.

Higher Education

Two community colleges offer a wide spectrum of education for numerous degrees, as well as adult education programs. In addition, the community colleges operate an in-County education and training center, which supports workforce training for businesses and residents. There are also numerous four-year colleges in the near vicinity of Botetourt County including Virginia Tech.

Major Initiatives and Goals

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

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

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

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

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

Future Initiatives

The County has developed a comprehensive recreation park development plan in consideration of meeting citizens' needs throughout the County. Three existing parks have recently seen enhancements and/ or expansions, and will be joined by a fourth park to form a system of convenient recreational facilities. Additionally, construction is now complete for the Botetourt Sports Complex, which has already attracted regional softball and baseball tournaments. Spring 2008 will begin the first full season for events at the complex, and coupled with a strong emphasis in tourism, the County anticipates an increased attraction for visitors. The County also utilizes an award-winning Recreation Incentive Program, which applies matching County funds to public-initiated recreation projects. This cooperative program is a continuing success story with a large number of

project accomplishments. The County's recreation efforts have recently earned national recognition.

The largest project in progress is construction of a regional public safety facility. This building will also house Sheriff and Magistrate offices, Emergency Services personnel, and a new Jail. The construction substantial completion point has been recently reached, with an estimated completion date of December, 2007.

A major renovation is nearing completion for one of the County's high schools, which will increase its utility in several areas. James River High School's enhancements will include a new gym and library, and updates to labs, kitchen and cafeteria, locker rooms, and the auditorium, as well as classroom and administrative additions. A new entrance area will also be included in this project, which is scheduled to be completed in FY08.

The County is nearing a decision to move toward discontinuing landfill operations and consider utilizing the transfer station of a nearby locality, an agreement which will provide significant savings by avoiding the construction of a new transfer station in the County. The resulting agreement will address near-term solid waste disposal needs, and provides an opportunity for addressing long-term needs as well. Resolution of this issue will take place in FY08.

A new branch library in the northern part of the County will be in its preliminary planning and construction phases in FY08. This library will serve an area of the County this it expected to realize noticeable growth.

With respect to enterprise activity, the County has recently purchased four (4) private water systems in the County, which has significantly expanded the customer base. The County continues to effect water and wastewater improvements in accordance with the County's master plan. An independent study is currently in progress, which will update the County's water and sewer needs over the next twenty years.

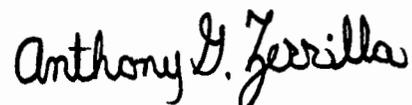
Acknowledgements

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

Respectfully submitted,



Gerald A. Burgess
County Administrator



Anthony G. Zerilla
Financial Services Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Botetourt
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



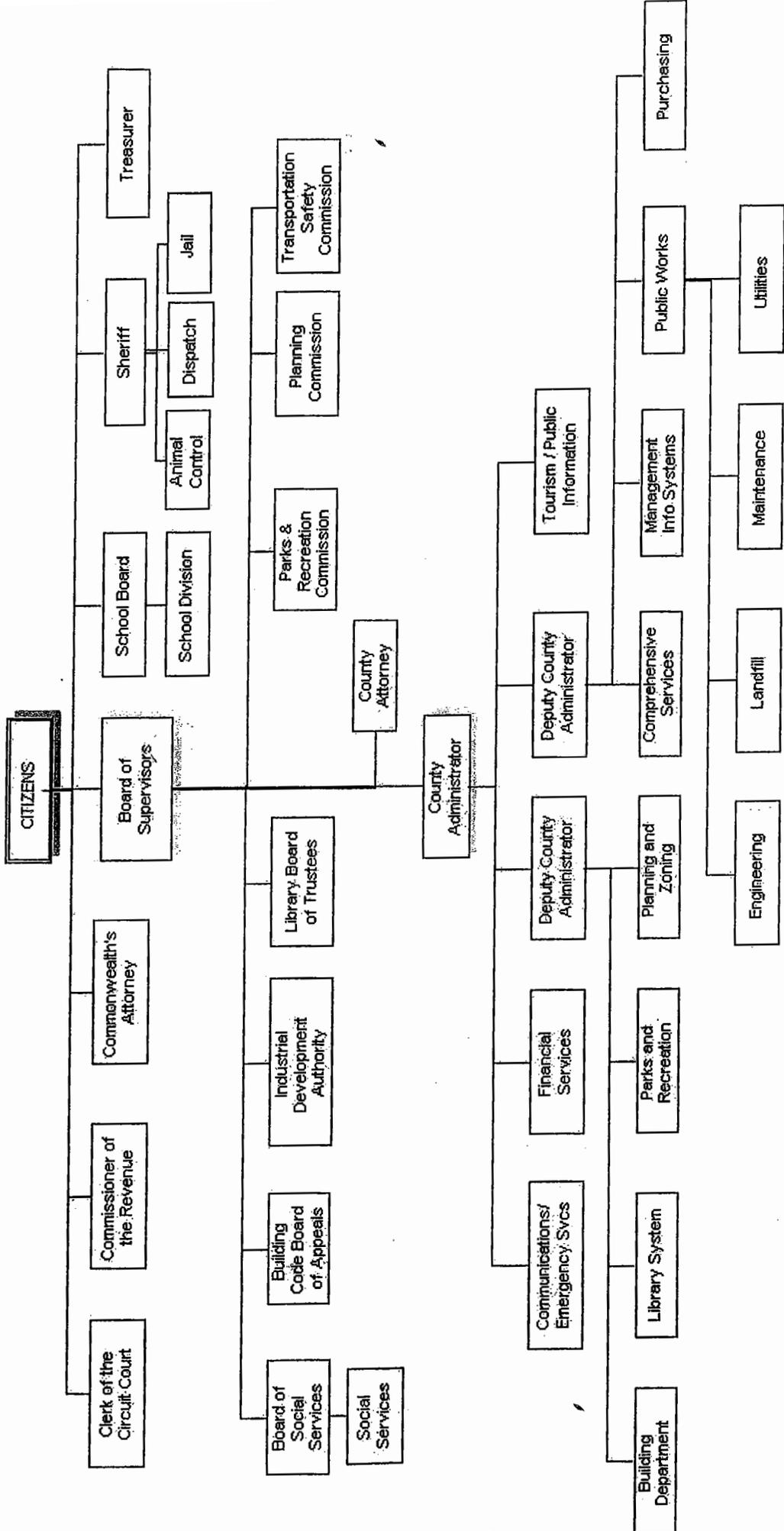
Oliver S. Cox

President

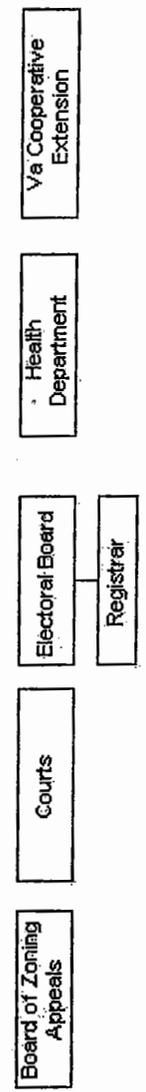
Jeffrey R. Emer

Executive Director

County of Botetourt, Virginia



Related Boards and Agencies



COUNTY OF BOTETOURT, VIRGINIA

BOARD OF SUPERVISORS

Don A. Assaid, Vice Chair Stephen P. Clinton	Wanda C. Wingo, Chair	Terry L. Austin Don L. Meredith
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COUNTY SCHOOL BOARD

James R. Ruhland Kathy Sullivan	Jack Leffel, Jr., Chair	Ruth Wallace, Vice Chair Michael W. Beahm
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SOCIAL SERVICES BOARD

Eugene Trammel Don Meredith	Sandra Johnson-Harris, Chair	Kathy Terry Nancy Pauley
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OTHER OFFICIALS

Judge of the Circuit Court	Malfourd Trumbo
Clerk of the Circuit Court	Tommy L. Moore
Judge of the General District Court	Louis Campbell, Jr.
Judge of the Juvenile & Domestic Relations Court.....	Paul Tucker
Commonwealth's Attorney	Joel R. Branscom
Commissioner of the Revenue	John L. Etzler, V
Treasurer	C. Benton Bolton
Sheriff	Ronald N. Sprinkle
Superintendent of Schools	Anthony S. Brads
Director of Social Services	Mary Lou Mullis
County Administrator	Gerald A. Burgess
County Attorney	William L. Heartwell, III

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF BOTETOURT, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Botetourt, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Botetourt, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Botetourt, Virginia, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2007, on our consideration of the County of Botetourt, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the budgetary comparison information and the Schedule of Funding Progress Defined Benefit Plan as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the County of Botetourt, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Botetourt, Virginia. The combining and individual fund financial statements, the budgetary comparison schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Co. Associate

Christiansburg, Virginia
November 14, 2007

Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the County of Botetourt, Virginia for the fiscal year ended June 30, 2007. This narrative is included to provide insights as to financial results of operation for the above-mentioned fiscal year, and, in certain cases, provide comparative comments as they relate to the two most recent fiscal years. In addition, comments are included which address the economic factors considered in developing Botetourt County's budget for the fiscal year ending June 30, 2008.

Financial Highlights

Government-wide Financial Statements

The assets of the County of Botetourt, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$38,833,056 (net assets). Of this amount, \$20,068,496 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net assets were \$25,988,531; a significant amount (92%) of these net assets are invested in capital assets. (See Exhibit 1).

The Government's net assets for governmental activities increased by \$7,124,590 while the School Board's net assets increased by \$82,071. (See Exhibit 2)

Fund Financial Statements

At the end of the current fiscal year, unreserved fund balance for the general fund was \$17,669,312 or 23 percent of total general fund expenditures (See Exhibit 3). This amount includes taxes, and accounts receivable reflected in the fiscal year 2007 budget as well as funds allocated to the School Board and County Capital Improvement Projects for fiscal year 2007.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$23,995,454, which is a decrease of \$24,914,099 as the County utilized approximately \$33 million of proceeds of bonds for two construction projects for FY07. Since FY05, the County's governmental fund balance (excluding capital projects fund activity) has increased by \$6.2 million. Of the total fund balance amount, \$17,669,312 is unrestricted and available for spending at the government's discretion (unreserved fund balance). (See Exhibit 3.)

Overview of the Financial Statements

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

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

Management's Discussion and Analysis

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Management's Discussion and Analysis

Governmental funds

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

Proprietary funds

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

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

Fiduciary funds

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

Notes to the financial statements

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

Management's Discussion and Analysis

Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. For the County of Botetourt, assets exceeded liabilities by \$38,833,056 at the end of the fiscal year. The County's net assets are divided into three categories: (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted.

County of Botetourt's Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 34,929,902	\$ 59,452,748	\$ 635,425	\$ 1,787,613	\$ 35,565,327	\$ 61,240,361
Capital assets	72,329,667	41,770,344	18,731,674	17,596,608	91,061,341	59,366,952
Total assets	<u>\$ 107,259,569</u>	<u>\$ 101,223,092</u>	<u>\$ 19,367,099</u>	<u>\$ 19,384,221</u>	<u>\$ 126,626,668</u>	<u>\$ 120,607,313</u>
Long-term liabilities	\$ 64,329,636	\$ 65,216,752	\$ 8,792,110	\$ 8,717,468	\$ 73,121,746	\$ 73,934,220
Other liabilities	4,096,877	4,297,874	247,989	355,988	4,344,866	4,653,862
Total liabilities	<u>\$ 68,426,513</u>	<u>\$ 69,514,626</u>	<u>\$ 9,040,099</u>	<u>\$ 9,073,456</u>	<u>\$ 77,466,612</u>	<u>\$ 78,588,082</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 18,097,591	\$ 12,273,356	\$ 10,031,502	\$ 8,909,696	\$ 28,129,093	\$ 21,183,052
Restricted	666,969	676,265	0	0	666,969	676,265
Unrestricted	20,068,496	18,758,845	295,498	1,401,069	20,363,994	20,159,914
Total net assets	<u>\$ 38,833,056</u>	<u>\$ 31,708,466</u>	<u>\$ 10,327,000</u>	<u>\$ 10,310,765</u>	<u>\$ 49,160,056</u>	<u>\$ 42,019,231</u>

For the County's governmental activities, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 46 percent of total net assets. The County uses these capital assets to provide services to citizens; therefore, the assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. For governmental activities, these assets represent 2% of total net assets.

The remaining balance of unrestricted net assets, which is \$20,068,496 or 51 % of total net assets, may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year, the government's net assets increased by \$7,124,590. With respect to capital assets, construction in progress increased from FY06 due primarily to three large construction projects: a regional public safety building, a major renovation of a County high school, and construction of a sports complex. All of these construction projects will be completed in FY08.

Management's Discussion and Analysis

Changes in Net Assets:

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

County of Botetourt's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 2,203,957	\$ 1,847,514	\$ 1,965,855	\$ 1,903,624	\$ 4,169,812	\$ 3,751,138
Operating grants & contributions	5,813,858	5,382,681	14,270	184,415	5,828,128	5,567,096
Capital grants and contributions	833,052	5,341,327	0	0	833,052	5,341,327
General revenues:						
General property taxes	26,540,984	22,943,504	0	0	26,540,984	22,943,504
Other local taxes	7,153,384	7,074,824	0	0	7,153,384	7,074,824
Use of money and property	2,661,235	1,247,708	61,541	61,439	2,722,776	1,309,147
Other	334,911	628,389	0	0	334,911	628,389
Grants and contributions not restricted to specific programs	3,990,504	3,832,586	0	0	3,990,504	3,832,586
Total revenues	\$ 49,531,885	\$ 48,298,533	\$ 2,041,666	\$ 2,149,478	\$ 51,573,551	\$ 50,448,011

County of Botetourt's Changes in Net Assets (continued)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Expenses:						
General government	\$ 2,474,879	\$ 2,623,963	\$ 0	\$ 0	\$ 2,474,879	\$ 2,623,963
Judicial administration	1,247,810	1,007,505	0	0	1,247,810	1,007,505
Public safety	9,005,396	7,541,698	0	0	9,005,396	7,541,698
Public works	2,094,816	(342,596)	0	0	2,094,816	(342,596)
Health and welfare	3,155,210	3,078,876	0	0	3,155,210	3,078,876
Education	18,891,746	19,071,338	0	0	18,891,746	19,071,338
Parks, recreation and cultural	2,172,778	1,756,571	0	0	2,172,778	1,756,571
Community development	582,609	564,789	0	0	582,609	564,789
Interest on long-term debt	2,712,171	1,081,456	0	0	2,712,171	1,081,456
Water and sewer	0	0	2,095,311	2,035,296	2,095,311	2,035,296
Total expense	\$ 42,337,415	\$ 36,383,600	\$ 2,095,311	\$ 2,035,296	\$ 44,432,726	\$ 38,418,896
Excess (deficiency) of revenues over (under) expenditures	\$ 7,194,470	\$ 11,914,933	\$ (53,645)	\$ 114,182	\$ 7,140,825	\$ 12,029,115
Transfers in (out)	\$ (69,880)	\$ (14,489)	\$ 69,880	\$ 14,489	\$ 0	\$ 0
Increase in net assets	\$ 7,124,590	\$ 11,900,444	\$ 16,235	\$ 128,671	\$ 7,140,825	\$ 12,029,115
Net assets, July 1, 2006	31,708,466	19,808,022	10,310,765	10,182,094	42,019,231	29,990,116
Net assets, June 30, 2007	\$ 38,833,056	\$ 31,708,466	\$ 10,327,000	\$ 10,310,765	\$ 49,160,056	\$ 42,019,231

Management's Discussion and Analysis

Governmental Activities

Governmental activities increased the County's net assets by \$7,124,590. Key elements of this increase are as follows:

- Revenues: Charges for Services increased 19% due primarily to revenues from landfill operations. Operating Grants and Contributions includes the first full year of funding from the County's Emergency Services Cost Recovery Program, which generated approximately \$500,000 in revenues for FY07.
- Revenues: While Other Local Taxes only increased an aggregate 1%, the combination of a) local sales and use taxes, b) restaurant food taxes, and c) lodging taxes increased approximately \$200,000 (5%).
- Revenues: General Property Taxes increased \$ 3.6 million (16%) due to a) receipts from the most recent (2006) real estate tax reassessment, and b) increased personal property tax revenues.
- Revenues: Revenues for Use of Money and Property more than doubled, increasing approximately \$1.4 million vs. FY06 due primarily to A) an increase in investment funds and B) an increase in rates of return.
- Revenues: Capital Grants and Contributions reflect program revenues of \$833,052 as a result of a receivable associated with a regional jail reimbursement grant from the Commonwealth of Virginia. In FY06, \$5,341,327 of this grant was recognized as program revenues.
- Total expenditures for Governmental Activities increased 16% vs. FY06. Interest on new permanent debt for the regional jail and the James River High School renovation was \$1.8 million. In addition, a \$ 2 million decrease in the accrual for landfill closure and post closure costs estimate in the prior fiscal year reduced Public Works expenditures for FY06 substantially. Excluding the impact of these two items, expenditures for governmental activities increased approximately 5%.
- Public Safety costs increased approximately \$ 1.5 million (19%) vs. FY06. The majority of this increase is reflected in additional support for volunteer fire & rescue departments, which is subsidized in part by the emergency services cost recovery program. Also, additional personnel resources (paramedics) were added to the supplemental rescue department.
- Parks, Recreation, and Cultural expenditures increased by approximately \$ 416,000 (24%). Startup-year expenses for the Botetourt Sports Complex, a first full year of Tourism department expenses, parks and recreation programs and project expenses, and additional administrative resources are responsible for this increase.
- Judicial administration costs increased \$240,000 (24%) due in large part to the hiring of additional full-time personnel in the Commonwealth Attorney and Circuit Court Clerk's offices. These additional expenses are partially offset by wage and fringe benefit reimbursements from the State Compensation Board.

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Management's Discussion and Analysis

Business-type Activities

Business-type activities increased the County's net assets by \$16,235. This activity is comprised of Water and Sewer revenues and expenditures. Key elements of FY07 water and sewer activity are as follows:

- Total charges for services increased slightly (3%) vs. the prior year due to a 15% increase in water revenues. A reduction in capital contributions and construction grants vs. the previous year served to reflect a net \$108,000 reduction in overall revenues.
- Total operating expenses increased \$ 121,000 (7%) vs. the prior year, as increased activity led to additional water purchases and sewage treatment costs.
- Net assets for FY07 increased \$ 16,235 vs. \$ 128,671 for FY06 due to the net impact of capital contributions and transfers, as results excluding these two items were comparable for FY06 and FY07.

Financial Analysis of the Government's Funds

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

Governmental funds

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

Exhibit #5 includes a column titled "Capital Projects Fund", and this column is also reflected on Exhibit # 3. This column accounts for activity relating to the major renovation of James River High School, and provides greater insight as to the components of the change in fund balances for FY07.

In comparing unreserved fund balances as a percentage of governmental fund expenditures, it can be noted that FY07's figure of 23% reflects a reduction vs. FY06's figure of 32%. This is primarily due to the \$ 20.7 million increase in capital project costs. In addition, associated interest costs (a \$ 1.4 million increase vs. FY06) is also a factor in the increase in total expenditures, serving to increase governmental expenditures and drive down the unreserved fund balance percentage to governmental expenditures.

At the end of the fiscal year, the County's governmental funds reported an ending fund balance of \$23,995,454, a decrease of \$ 24,914,099 over the prior year. The FY06 ending fund balance of \$ 48,909,553 included approximately \$ 31.6 million of net remaining proceeds from bonds for two major construction projects (the public safety building and the high school renovation). When the impact of these net proceeds is excluded for both FY06 and FY07, County operations resulted in an increase of approximately \$1 million in the fund balance, which can be considered favorable in a year which included \$ 3.9 million in progress payments for a pay-as-you-go capital project (Botetourt Sports Complex). The unreserved portion (\$17,669,312) of the ending fund balance provides significant flexibility with respect to future discretionary spending.

In summary, when the impact of bond proceeds activity is excluded, the County added approximately \$ 1 million to the General Fund balance. Fiscal Year 2007 Operational highlights include the following:

Management's Discussion and Analysis

- Revenues: (A) Steady growth in the general property tax base, coupled with the impact of the most recent real estate tax assessment. B) Revenues generated from personal property taxes. (C) Revenues from investment earnings. (D) Increased landfill charges, with the impact of a full year of increased user rates, as opposed to a one-half year of rate increase impact in FY06. (E) A \$ 200,000 state Recreation grant and a \$ 103,000 federal COPS Fast grant. These items generated approximately \$ 6.4 million in incremental revenues.
- Expenditures: Small decreases in spending for general government and education, and small increases in spending for health & welfare and community development. Significant increases in public safety and parks and recreation were supported as deemed necessary.
- Use of Funding: The County utilized construction funding for two major projects: the regional public safety building, and the James River High School renovation. Payments for construction of the Botetourt Sports Complex was on a pay-as-you-go basis.

Proprietary funds

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

Unrestricted net assets of the County's Water and Sewer Enterprise Fund at the end of the year were \$295,498. Other factors concerning the finances of this fund were discussed in the County's business-type activities section of this letter.

General Fund Budgetary Highlights

Differences between the original budgeted expenditures and the final budgeted expenditures for the General Fund totaled \$19,140,751. This difference was primarily due to supplemental appropriations. Major components of this difference were as follows:

- Appropriation of budgeted carryover funds from the fiscal year ended June 30, 2006 for programs and capital projects in the amount of \$2,960,672.
- Appropriation in the amount of \$130,000, which represents the supplemental allocation of funds requested for payment of mandated Comprehensive Service Act expenditures exceeding the initial pool allocation provided by the State Office of Comprehensive Services.
- Appropriation of \$328,111 of funds received in the form of state and federal grants and other monies used specifically to provide for expenses relating to these grants and related public safety operations.
- Appropriation of \$201,994 of funds received from the Commonwealth for support of expenditures incurred by Constitutional departments.
- An appropriation of \$15,151,331 received as expenditure reimbursements for financing construction costs associated with the new regional public safety building.
- Appropriation of \$140,673 to provide for adequate coverage of extraordinary operational costs.

Management's Discussion and Analysis

The above-mentioned appropriations for amended budget expenditures total \$18,912,781 or 99% of the difference between the original budgeted appropriation and the amended budget. The residual portion consists of appropriations due to unforeseen events, which could not have been anticipated at the time of the development of the FY07 budget. With respect to Capital Project Fund activity \$15,101,882 was appropriated as an FY06 budget carryover.

With respect to FY07 amended budget vs. actual results, general fund revenues for the primary government were approximately 8% over budget for the year. This was principally due to a 10% positive variance in local revenues due in large part to strong results for investment income, as well as favorable variances vs. budget for general property and other local taxes. With respect to non-local revenues, state revenues were 3% over budget due to compensation board reimbursements exceeding budget. Revenue results for the Component-unit School Board yielded a 1% positive variance.

Amended budget vs. actual results for general fund primary government expenditures for FY07 reflected an 8% (\$6.5 million) positive variance due to significant savings in several categories. Most notably, spending was deferred to the next fiscal year for capital project and capital project fund items totaling \$4.4 million. Other significant expenditure savings vs. budget were experienced in fire and rescue, public safety, health and welfare, education, and parks and recreation categories.

When the impact of budget vs. actual expenditure results for the Component-unit School Board is included, governmental fund activity resulted in a 6% positive variance for FY07.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2007 is \$72,329,667 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, machinery and equipment, and construction in progress. The total represents a 73% increase, with dramatic increases in building assets and construction in progress.

Major capital asset events for governmental activities during the current fiscal year were construction in progress items, which included the following:

- Construction in progress of \$22,549,873 for the regional public safety building.
- Construction in progress of \$173,636 for the Circuit Courthouse Complex.
- Construction in progress of \$544,223 for the Buchanan Recreation Park.

Management's Discussion and Analysis

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

	Governmental activities		Business-type activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 11,979,101	\$ 11,929,848	\$ 43,010	\$ 43,010	\$ 12,022,111	\$ 11,972,858
Buildings	34,466,360	17,981,521	0	0	34,466,360	17,981,521
Machinery and equipment	2,491,437	2,542,024	0	5,416	2,491,437	2,547,440
Utility plant / equipment	0	0	15,181,831	14,315,218	15,181,831	14,315,218
Construction in progress	23,392,769	9,316,951	3,506,833	3,232,964	26,899,602	12,549,915
Total	<u>\$ 72,329,667</u>	<u>\$ 41,770,344</u>	<u>\$ 18,731,674</u>	<u>\$ 17,596,608</u>	<u>\$ 91,061,341</u>	<u>\$ 59,366,952</u>

The majority (\$14 million of the \$16.5 million) of the increase in Buildings is for the James River High School renovations. Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-term debt

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

County of Botetourt's Outstanding Debt

	Governmental activities		Business-type activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 43,993,111	\$ 45,137,311	\$ 0	\$ 0	\$ 43,993,111	\$ 45,137,311
Literary Loans	9,049,323	9,822,453	0	0	9,049,323	9,822,453
Revenue Bonds	0	0	8,758,931	8,686,912	8,758,931	8,686,912
Grant						
Anticipation Note	7,000,000	6,166,948	0	0	7,000,000	6,166,948
Landfill closure / post-closure	3,805,147	3,639,067	0	0	3,805,147	3,639,067
Compensated absences	482,055	450,973	33,179	30,556	515,234	481,529
Total	<u>\$ 64,329,636</u>	<u>\$ 65,216,752</u>	<u>\$ 8,792,110</u>	<u>\$ 8,717,468</u>	<u>\$ 73,121,746</u>	<u>\$ 73,934,220</u>

Legislation enacted in fiscal year ended June 30, 2002 requires that debt historically reported by the School Board has been assumed by the Primary Government. The legislation affects the reporting of local school capital assets as well.

Botetourt County's FY07 outstanding debt for governmental activities decreased \$887,116 due primarily to principal payments for general obligation and literary fund debt. Additional grant anticipation bonds were issued in the amount of \$833,052 that was used to pay construction costs for the public safety building, which will be paid from a reimbursement grant from the Commonwealth when received. With respect to landfill obligations, cost estimates provided by an independent consulting firm resulted in a 5% increase in the liability. For

Management's Discussion and Analysis

business-type activities, outstanding debt increased by \$74,642 due to principal payments due for financing relating to the County's participation in a regional wastewater treatment plant upgrade project.

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

- Net bonded debt-per-capita, limit \$2,000, actual \$1,641.
- Net bonded debt to assessed value, limit 4%, actual (1.54%).
- Ratio of debt service to general governmental expenditures, limit 10%, actual 4.08%.

Additional information on the County's capital asset activity and long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 2.5 percent, which is an increase from the rate of 2.3 percent a year ago. This compares favorably to the state's average unemployment rate of 2.7 percent and the national average rate of 4.1 percent.
- Funding from the Commonwealth of Virginia for the Component-unit School Board is expected to increase by approximately \$642,000 (3%) in the next fiscal year. The FY08 budget includes additional funding for the Component-unit School Board from the County in the amount of \$1.5 million.
- General fund revenues for FY08 are expected to increase \$10.4 million, due in large part to the budgeted \$ 7.3 million jail reimbursement grant from the Commonwealth. Of the remaining increase (\$ 3.1 million), \$ 2.6 million is in the form of local revenues, with gains anticipated in general property taxes, other local taxes, investment earnings, and charges for services. The Botetourt Sports Complex, which opened in the summer of 2007 will have a full season of events which is expected to enhance the local economy.
- General fund expenditures (excluding education funding, mentioned above) are budgeted to increase \$ 9.4 million; \$ 7 million of the increase is due to a payoff of short-term debt for preliminary and early construction costs for the new public safety building. Of the remaining \$ 2.4 million increase, \$ 2 million is due to a) the impact of the new jail and associated incremental costs, and b) additional resources provided for in rescue services. The general fund balance for the County (excluding the funding impact of FY06 / FY07 proceeds and use of general obligation bonds) has increased seven consecutive years, which places the County in a favorable position to absorb the aforementioned incremental costs for the new jail; the FY08 budget anticipates a general fund balance reduction of \$ 2.8 million.
- For business-type activities, water and sewer revenues are anticipated to increase 24% from FY07 to FY08. This is due to a) water revenues generated from the purchase of private water systems, and b) known facility and connection fees from a traditional neighborhood district project.
- Construction will be completed for the new regional public safety building, which will also house the Sheriff, Magistrate, G.I.S., and Emergency Services operations for the County. Completion of this project is targeted for December, 2007.
- Construction will be completed for the new Botetourt Sports Complex, which contains four softball fields and is expected to attract tournaments on a national basis. This \$ 4 million project was eligible for

Management's Discussion and Analysis

\$200,000 in State funding, which has been received.

Construction will also be completed on a \$ 16 million renovation of one of the County's high schools (James River High School). This renovation will greatly enhance the utility of the school in several areas.

All of these factors were considered in preparing the County's budget for the 2008 fiscal year.

Contacting the County's Financial Management

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

BASIC FINANCIAL STATEMENTS

County of Botetourt, Virginia
Statement of Net Assets
June 30, 2007

	Primary Government			Component Unit School Board	Component Unit IDA
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Cash and cash equivalents	\$ 17,507,889	\$ 355,866	\$ 17,863,755	\$ 4,490,589	\$ -
Cash in custody of others	-	-	-	-	1,129
Receivables (net of allowance for uncollectibles):					
Taxes receivable	734,357	-	734,357	-	-
Accounts receivable	269,591	220,800	490,391	28,632	-
Due from component unit	130,473	-	130,473	-	-
Due from other governmental units	8,595,491	-	8,595,491	1,199,777	-
Prepaid expenses	-	-	-	1,077,742	-
Deferred charges	151,185	58,759	209,944	-	-
Restricted assets:					
Temporarily restricted:					
Investments (in custody of others)	6,873,947	-	6,873,947	-	590,643
Cash and cash equivalents	666,969	-	666,969	104,195	-
Capital assets (net of accumulated depreciation):					
Land	11,979,101	43,010	12,022,111	1,455,729	-
Buildings and improvements	34,466,360	-	34,466,360	20,409,647	4,605,263
Machinery and equipment	2,491,437	-	2,491,437	2,171,386	-
Infrastructure	-	15,181,831	15,181,831	-	-
Construction in progress	23,392,769	3,506,833	26,899,602	-	-
Total assets	<u>\$ 107,259,569</u>	<u>\$ 19,367,099</u>	<u>\$ 126,626,668</u>	<u>\$ 30,937,697</u>	<u>\$ 5,197,035</u>
LIABILITIES					
Accounts payable	\$ 1,859,286	\$ 144,087	\$ 2,003,373	\$ 453,773	\$ -
Contracts payable	-	-	-	3,599,511	-
Customers' deposits	-	27,373	27,373	-	-
Accrued interest payable	938,470	76,529	1,014,999	-	-
Due to primary government	-	-	-	130,473	-
Unearned revenue	84,347	-	84,347	-	28,750
Long-term liabilities:					
Due within one year	2,739,232	467,205	3,206,437	574,057	283,499
Due in more than one year	61,590,404	8,324,905	69,915,309	191,352	3,504,724
Liabilities payable from restricted assets	1,214,774	-	1,214,774	-	95,733
Total liabilities	<u>\$ 68,426,513</u>	<u>\$ 9,040,099</u>	<u>\$ 77,466,612</u>	<u>\$ 4,949,166</u>	<u>\$ 3,912,706</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 18,097,591	\$ 10,031,502	\$ 28,129,093	\$ 24,036,762	\$ 817,040
Restricted for:					
Law library	33,081	-	33,081	-	-
Emergency 911	10,933	-	10,933	-	-
Cafeteria operations	-	-	-	104,195	-
Property seizure	596,924	-	596,924	-	-
Debt service	-	-	-	-	394,429
Van program	26,031	-	26,031	-	-
Unrestricted	20,068,496	295,498	20,363,994	1,847,574	72,860
Total net assets	<u>\$ 38,833,056</u>	<u>\$ 10,327,000</u>	<u>\$ 49,160,056</u>	<u>\$ 25,988,531</u>	<u>\$ 1,284,329</u>

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

County of Botetourt, Virginia
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities	Total	Component Unit	
			Operating Grants and Contributions	Capital Grants and Contributions				School Board	IDA
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 2,474,879	\$ 1,090	\$ 344,513	\$ -	\$ (2,129,276)	\$ -	\$ (2,129,276)	\$ -	\$ -
Judicial administration	1,247,810	304,025	688,842	-	(254,943)	-	(254,943)	-	-
Public safety	9,005,396	541,492	2,544,387	833,052	(5,086,465)	-	(5,086,465)	-	-
Public works	2,094,816	1,255,980	-	-	(838,836)	-	(838,836)	-	-
Health and welfare	3,155,210	-	1,881,874	-	(1,273,336)	-	(1,273,336)	-	-
Education	18,891,746	-	-	-	(18,891,746)	-	(18,891,746)	-	-
Parks, recreation, and cultural	2,172,778	61,788	354,242	-	(1,756,748)	-	(1,756,748)	-	-
Community development	582,609	39,582	-	-	(543,027)	-	(543,027)	-	-
Interest on long-term debt	2,712,171	-	-	-	(2,712,171)	-	(2,712,171)	-	-
Total governmental activities	\$ 42,337,415	\$ 2,203,957	\$ 5,813,858	\$ 833,052	\$ (33,486,548)	\$ -	\$ (33,486,548)	\$ -	\$ -
Business-type activities:									
Water and sewer	\$ 2,095,311	\$ 1,965,855	\$ -	\$ 14,270	\$ -	\$ (115,186)	\$ (115,186)	\$ -	\$ -
Total primary government	\$ 44,432,726	\$ 4,169,812	\$ 5,813,858	\$ 847,322	\$ (33,486,548)	\$ (115,186)	\$ (33,601,734)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 47,495,587	\$ 1,621,065	\$ 26,830,553	\$ -	\$ -	\$ -	\$ (19,043,969)	\$ -	\$ 29,913
Industrial Development Authority	315,087	345,000	-	-	-	-	-	-	-
Total component units	\$ 47,810,674	\$ 1,966,065	\$ 26,830,553	\$ -	\$ -	\$ -	\$ (19,043,969)	\$ -	\$ 29,913
General revenues:									
General property taxes					\$ 26,540,984	\$ -	\$ 26,540,984	\$ -	\$ -
Other local taxes:									
Local sales and use taxes					2,120,627	-	2,120,627	-	-
Consumers' utility taxes					946,172	-	946,172	-	-
Business license taxes					780,498	-	780,498	-	-
Motor vehicle taxes					718,797	-	718,797	-	-
Restaurant food taxes					1,074,307	-	1,074,307	-	-
Other local taxes					1,512,983	-	1,512,983	-	-
Unrestricted revenues from the use of money and property					2,661,235	61,541	2,722,776	135,348	33,707
Miscellaneous					334,911	-	334,911	103,676	-
Grants and contributions not restricted to specific programs					3,990,504	-	3,990,504	18,887,016	250
Transfers					(69,880)	69,880	-	-	-
Total general revenues					\$ 40,611,138	\$ 131,421	\$ 40,742,559	\$ 19,126,040	\$ 33,957
Change in net assets					\$ 7,124,590	\$ 16,235	\$ 7,140,825	\$ 82,071	\$ 63,870
Net assets - beginning, as restated					\$ 31,708,466	\$ 10,310,765	\$ 42,019,231	\$ 25,906,460	\$ 1,220,459
Net assets - ending					\$ 38,833,056	\$ 10,327,000	\$ 49,160,056	\$ 25,988,531	\$ 1,284,329

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

County of Botetourt, Virginia
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 18,174,858	\$ -	\$ 18,174,858
Receivables (net of allowance for uncollectibles):			
Taxes receivable	734,357	-	734,357
Accounts receivable	269,591	-	269,591
Due from component unit	130,473	-	130,473
Due from other governmental units	8,595,491	-	8,595,491
Restricted assets:			
Temporarily restricted:			
Investments	4,217,366	2,656,581	6,873,947
Total assets	<u>\$ 32,122,136</u>	<u>\$ 2,656,581</u>	<u>\$ 34,778,717</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,859,286	\$ -	\$ 1,859,286
Unearned revenue	709,203	-	709,203
Grant anticipation notes	7,000,000	-	7,000,000
Liabilities payable from restricted assets	-	1,214,774	1,214,774
Total liabilities	<u>\$ 9,568,489</u>	<u>\$ 1,214,774</u>	<u>\$ 10,783,263</u>
Fund balances:			
Reserved for:			
Law library	\$ 33,081	\$ -	\$ 33,081
Emergency 911	10,933	-	10,933
Construction	4,217,366	1,441,807	5,659,173
Property seizure	596,924	-	596,924
Van program	26,031	-	26,031
Unreserved, reported in:			
General fund	17,669,312	-	17,669,312
Total fund balances	<u>\$ 22,553,647</u>	<u>\$ 1,441,807</u>	<u>\$ 23,995,454</u>
Total liabilities and fund balances	<u>\$ 32,122,136</u>	<u>\$ 2,656,581</u>	<u>\$ 34,778,717</u>

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

County of Botetourt, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2007

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 23,995,454
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	72,329,667
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. The assets are as follows:	624,856
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(58,116,921)
Net assets of governmental activities	<u>\$ 38,833,056</u>

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

County of Botetourt, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 26,407,115	\$ -	\$ 26,407,115
Other local taxes	7,153,384	-	7,153,384
Permits, privilege fees, and regulatory licenses	410,932	-	410,932
Fines and forfeitures	132,611	-	132,611
Revenue from the use of money and property	2,284,726	376,509	2,661,235
Charges for services	1,660,415	-	1,660,415
Miscellaneous	334,911	-	334,911
Recovered costs	1,328,471	-	1,328,471
Intergovernmental revenues:			
Commonwealth	9,677,832	-	9,677,832
Federal	959,582	-	959,582
Total revenues	<u>\$ 50,349,979</u>	<u>\$ 376,509</u>	<u>\$ 50,726,488</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,666,089	\$ -	\$ 2,666,089
Judicial administration	1,253,243	-	1,253,243
Public safety	9,814,152	-	9,814,152
Public works	1,724,833	-	1,724,833
Health and welfare	3,219,915	-	3,219,915
Education	18,248,597	-	18,248,597
Parks, recreation, and cultural	2,268,455	-	2,268,455
Community development	603,682	-	603,682
Capital projects	18,886,538	12,630,373	31,516,911
Debt service:			
Principal retirement	1,898,887	-	1,898,887
Interest and other fiscal charges	2,355,943	-	2,355,943
Total expenditures	<u>\$ 62,940,334</u>	<u>\$ 12,630,373</u>	<u>\$ 75,570,707</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (12,590,355)</u>	<u>\$ (12,253,864)</u>	<u>\$ (24,844,219)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ (69,880)	\$ -	\$ (69,880)
Total other financing sources (uses)	<u>\$ (69,880)</u>	<u>\$ -</u>	<u>\$ (69,880)</u>
Net change in fund balances	\$ (12,660,235)	\$ (12,253,864)	\$ (24,914,099)
Fund balances - beginning	35,213,882	13,695,671	48,909,553
Fund balances - ending	<u>\$ 22,553,647</u>	<u>\$ 1,441,807</u>	<u>\$ 23,995,454</u>

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

County of Botetourt, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2007

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

Net change in fund balances - total governmental funds	\$ (24,914,099)
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.	30,559,324
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	133,869
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,732,807
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.	(387,311)
Change in net assets of governmental activities	<u>\$ 7,124,590</u>

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

County of Botetourt, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Enterprise Fund <u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 355,866
Accounts receivable, net of allowances for uncollectibles	220,800
Total current assets	<u>\$ 576,666</u>
Noncurrent assets:	
Other assets:	
Unamortized bond issue costs	\$ 58,759
Capital assets:	
Land	43,010
Utility plant in service	22,050,107
Machinery and equipment	35,062
Construction in progress	3,506,833
Less accumulated depreciation	(6,903,338)
Total capital assets	<u>\$ 18,731,674</u>
Total noncurrent assets	<u>\$ 18,790,433</u>
Total assets	<u>\$ 19,367,099</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 144,087
Customers' deposits	27,373
Accrued interest payable	76,529
Compensated absences - current portion	24,884
Bonds payable - current portion	442,321
Total current liabilities	<u>\$ 715,194</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 8,295
Bonds payable - net of current portion	8,316,610
Total noncurrent liabilities	<u>\$ 8,324,905</u>
Total liabilities	<u>\$ 9,040,099</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 10,031,502
Unrestricted	295,498
Total net assets	<u>\$ 10,327,000</u>

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

County of Botetourt, Virginia
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Enterprise Fund
	Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water revenues pledged as security for revenue bonds	\$ 550,840
Sewer revenues pledged as security for revenue bonds	1,246,152
Tap fees	153,442
Other revenues	15,421
Total operating revenues	\$ 1,965,855
OPERATING EXPENSES	
Personnel services	\$ 278,169
Contractual services	88,667
Utilities and office expense	742,494
Repair and maintenance	165,218
Depreciation	557,121
Total operating expenses	\$ 1,831,669
Operating income (loss)	\$ 134,186
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 61,541
Interest expense	(263,642)
Total nonoperating revenues (expenses)	\$ (202,101)
Income before contributions and transfers	\$ (67,915)
Capital contributions and construction grants	\$ 14,270
Transfers in	228,575
Transfers out	(158,695)
Change in net assets	\$ 16,235
Total net assets - beginning	10,310,765
Total net assets - ending	\$ 10,327,000

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

County of Botetourt, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Enterprise Fund <u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,887,363
Payments to suppliers	(1,052,386)
Payments to employees	(275,546)
Net cash provided (used) by operating activities	<u>\$ 559,431</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 228,575
Transfers to other funds	(158,695)
Net cash provided (used) by noncapital financing activities	<u>\$ 69,880</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (1,692,187)
Principal payments on bonds	(308,340)
Contributions in aid of construction	14,270
Proceeds from indebtedness	364,838
Interest payments	(297,595)
Net cash provided (used) by capital and related financing activities	<u>\$ (1,919,014)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 61,541
Net cash provided (used) by investing activities	<u>\$ 61,541</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,228,162)
Cash and cash equivalents - beginning	1,584,028
Cash and cash equivalents - ending	<u>\$ 355,866</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 134,186
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 557,121
(Increase) decrease in accounts receivable	(82,387)
Increase (decrease) in customer deposits	3,895
Increase (decrease) in operating payables	(56,007)
Increase (decrease) accrued leave	2,623
Total adjustments	<u>\$ 425,245</u>
Net cash provided (used) by operating activities	<u>\$ 559,431</u>

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

County of Botetourt, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,164,108
Total assets	<u>\$ 1,164,108</u>
 LIABILITIES	
Amounts held for social services clients	\$ 28,271
Amounts held for employees	27,953
Amounts held for the Roanoke Valley Regional Board	970,111
Amounts held for performance bond	82,982
Amounts held for inmates	54,791
Total liabilities	<u>\$ 1,164,108</u>

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

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

Note 1-Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the County.

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

The Botetourt County Industrial Development Authority 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. The Industrial Development Authority is presented as an enterprise fund type. Complete financial statements for the Industrial Development Authority may be obtained at the County's administrative offices: 1 West Main Street, Fincastle, VA 24090.

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

Jointly Governed Organizations - The County, in conjunction with other localities, participates in supporting the Blue Ridge Library and the Blue Ridge Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$214,392 for operations to the Blue Ridge Library, and \$35,803 to the Blue Ridge Community Services Board. The County does not have any ongoing financial responsibilities for these organizations.

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

B. Government-wide and fund financial statements

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

The statement of 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.

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.

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

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

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

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

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

The government reports the following major governmental funds:

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

The *capital projects fund* accounts for the acquisition and/or construction of debt financed school assets for which the primary government will hold legal title.

The government reports the following major proprietary funds:

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

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 Roanoke Valley Regional Board, Special Welfare, Cafeteria Plan, Flexible Benefits Plan, Jail Inmate, and Escrow Funds.

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

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

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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.

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

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

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

2. Receivables and payables

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

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

3. 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.

4. 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 \$179,954 at June 30, 2007. The allowance consists of delinquent taxes in the amount of \$54,336 and delinquent water and sewer bills of \$125,618.

5. 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.

6. 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.

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

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

6. Capital assets (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives 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. The total interest expense incurred by the Water and Sewer Fund during the current fiscal year was \$263,642. Of this amount, \$86,962 was included as part of the cost of capital assets under construction in connection with the wastewater treatment facility construction project.

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

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

7. Compensated Absences

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

8. Long-term obligations

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

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

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

8. Long-term obligations (Continued)

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

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Net Assets

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

11. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

12. Restricted Assets

Unspent bond proceeds in the amount of \$6,873,947 are reported as temporarily restricted assets as their use is limited by the applicable financing agreements.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these \$(58,116,921) and \$(765,409) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Bonds and notes payable	\$ (43,032,759)	\$ -
Premium on bond issuance	(960,352)	-
Less: Bond issuance costs	151,185	-
Literary loans payable	(9,049,323)	-
Accrued interest payable	(938,470)	-
Landfill accrued closure and post-closure monitoring costs	(3,805,147)	-
Compensated absences	(482,055)	(765,409)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (58,116,921)</u>	<u>\$ (765,409)</u>

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$30,559,324 and (\$182,140) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 32,178,375	\$ 1,122,906
Loss on sale of capital asset	(48,624)	(8,995)
Depreciation expense	<u>(1,570,427)</u>	<u>(1,296,051)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 30,559,324</u>	<u>\$ (182,140)</u>

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

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

Another element of that reconciliation states “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,732,807 difference in the primary government are as follows:

Increase in estimated liability		
Accrued landfill closure/postclosure	\$	(166,080)
Principal repayments:		
General obligation debt		1,125,757
Literary loans		<u>773,130</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	<u>1,732,807</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of these (\$387,311) and (\$285,465) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
(Increase) decrease in compensated absences	\$ (31,082)	\$ (285,465)
(Increase) decrease in accrued interest	(368,459)	-
Amortization of bond issuance costs	(6,213)	-
Amortization of premium	<u>18,443</u>	<u>-</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (387,311)</u>	<u>\$ (285,465)</u>

Note 3-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

B. Excess of expenditures over appropriations

There were no expenditures exceeding appropriations for the year ended June 30, 2007.

C. Deficit fund equity

At June 30, 2007, there were no funds with deficit fund equity.

Note 4-Deposits and Investments:

Deposits:

All cash of the County of Botetourt, Virginia and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments:

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

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2007 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>	
	<u>AAA</u>	<u>AAAm</u>
LGIP	\$ -	\$ 18,163,761
SNAP	-	6,873,947
U.S. Agencies	3,429,225	-

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Note 4-Deposits and Investments: (Continued)

Terms of Investments Subject to Interest Rate Risk

Investment Type	Fair Value	Maturity Date	Call Options
Government Bonds (U.S. Agencies):			
FHLB	\$ 987,500	12/30/2008	9/30/07 @100%
FHLMC	2,441,725	12/15/2010	6/15/04 @100%

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The Local Government Investment Pool (LGIP) is not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7. The fair value of the positions in the external investment pools (LGIP and SNAP) is the same as the value of the pool shares.

Note 5-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	\$ 391,830	\$ -
Categorical aid-State sales tax	-	787,386
Categorical aid-Other	711,010	-
Non-categorical aid	199,958	-
Categorical aid-Jail Construction Grant	7,000,000	-
Categorical aid-Virginia Public Assistance	35,919	-
Categorical aid-Comprehensive Services Act	194,330	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	62,444	-
Categorical aid-Other	-	412,391
Totals	\$ 8,595,491	\$ 1,199,777

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 6-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ -	\$ 130,473
Component Unit - School Board:		
School Fund	\$ 130,473	\$ -

Note 7-Interfund Transfers/Component Unit Contributions:

Interfund transfers for the year ended June 30, 2007, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 69,880
Water and Sewer Fund	69,880	-
Total	<u>\$ 69,880</u>	<u>\$ 69,880</u>

Primary government contributions to component units for the year ended June 30, 2007, consisted of the following:

Component Unit:	
School Board	\$ 18,243,867

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007

Note 8-Long-Term Debt:

Primary Government - Governmental Activity Indebtedness:

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

Year Ending June 30,	General Obligation Bonds		Literary Fund Loans		Grant Anticipation Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 1,604,561	\$ 2,059,528	\$ 773,130	\$ 271,480	\$ -	\$ 294,000
2009	2,003,860	1,971,887	758,530	248,286	7,000,000	49,000
2010	2,048,682	1,877,149	749,342	225,530	-	-
2011	2,089,059	1,779,703	695,161	203,050	-	-
2012	2,145,019	1,675,712	651,930	182,195	-	-
2013-2017	9,671,578	6,823,870	3,259,650	617,605	-	-
2018-2022	7,640,000	4,811,104	2,134,650	151,159	-	-
2023-2027	9,525,000	2,764,998	26,930	806	-	-
2028-2032	5,115,000	958,509	-	-	-	-
2033	1,190,000	29,670	-	-	-	-
Totals	\$ 43,032,759	\$ 24,752,130	\$ 9,049,323	\$ 1,900,111	\$ 7,000,000	\$ 343,000

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2007.

	Balance July 1, 2006	Issuances	Retirements	Balance June 30, 2007
General Obligation				
Bonds	\$ 44,158,516	\$ -	\$ (1,125,757)	\$ 43,032,759
Unamortized Premium	978,795	-	(18,443)	960,352
Literary Loans	9,822,453	-	(773,130)	9,049,323
Grant anticipation note	6,166,948	833,052	-	7,000,000
Landfill closure/ postclosure liability	3,639,067	166,080	-	3,805,147
Compensated absences	450,973	338,230	(307,148)	482,055
Total	\$ 65,216,752	\$ 1,337,362	\$ (2,224,478)	\$ 64,329,636

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

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 8-Long-Term Debt: (Continued)

Primary Government - Governmental Activity Indebtedness: (Continued)

Details of long-term indebtedness:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:						
General projects	3.65% - 5%	3/1/1998	2015	\$ 6,660,000	\$ 4,140,000	\$ 540,000
General projects	5.1% - 6.1%	12/21/1995	2016	\$ 8,385,372	\$ 4,133,238	\$ 427,609
School construction	4.1% - 5.225%	4/30/1998	2019	\$ 1,545,000	\$ 905,000	\$ 80,000
School construction	4.85% - 6.6%	Aug. 1991	2012	\$ 1,267,416	\$ 384,521	\$ 71,952
School construction	6.075% - 7.0875%	12/15/1993	2008	\$ 320,000	\$ 10,000	\$ 10,000
School construction	4.1% - 5.1%	5/11/2006	2026	\$ 15,890,000	\$ 15,890,000	\$ 475,000
Jail Construction	3.6325% - 4.9866%	6/8/2006	2032	\$ 17,570,000	\$ 17,570,000	\$ -
Total GO Bonds					\$ 43,032,759	\$ 1,604,561
Add:						
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	\$ 960,352	\$ -
Net GO Bonds					\$ 43,993,111	\$ 1,604,561
Other Long-term Debt: (Literary Fund Loans)						
School construction	3.00%	12/1/1989	2010	\$ 180,064	\$ 27,064	\$ 9,000
School construction	3.00%	12/1/1989	2010	\$ 121,883	\$ 18,183	\$ 6,100
School construction	3.00%	3/1/1990	2010	\$ 300,000	\$ 45,000	\$ 15,000
School construction	3.00%	12/1/1990	2011	\$ 97,255	\$ 17,255	\$ 5,000
School construction	3.00%	7/15/1990	2011	\$ 1,180,976	\$ 220,976	\$ 60,000
School construction	3.00%	5/1/1990	2010	\$ 220,865	\$ 25,365	\$ 11,500
School construction	3.00%	12/1/2000	2021	\$ 7,500,000	\$ 5,250,000	\$ 375,000
School construction	3.00%	2/1/1999	2019	\$ 5,000,000	\$ 3,000,000	\$ 250,000
School construction	3.00%	1/15/2003	2023	\$ 538,600	\$ 430,880	\$ 26,930
School construction	3.00%	1/15/2003	2008	\$ 73,000	\$ 14,600	\$ 14,600
Total Literary Fund Loans					\$ 9,049,323	\$ 773,130
Grant Anticipation Note						
Jail Construction	4.200%	5/17/2005	2009	\$ 6,166,948	\$ 7,000,000	\$ -
Other Obligations:						
Comp. Absences	n/a	n/a	n/a	n/a	\$ 482,055	\$ 361,541
Landfill closure/post-closure monitoring	n/a	n/a	n/a	n/a	\$ 3,805,147	\$ -
Total Other Obligations					\$ 4,287,202	\$ 361,541
Total Long-term debt					\$ 64,329,636	\$ 2,739,232

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 8-Long-Term Debt: (Continued)

Primary Government - Enterprise Activity Indebtedness:

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2008	\$ 442,321	\$ 321,276
2009	455,963	306,366
2010	469,905	290,527
2011	484,157	274,041
2012	503,731	257,058
2013-2017	2,789,299	994,125
2018-2022	2,725,760	426,367
2023-2026	1,030,002	50,634
Totals	\$ 8,901,138	\$ 2,920,394

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2007.

	Balance July 1, 2006	Issuances	Retirements	Balance June 30, 2007
Revenue Bonds	\$ 8,844,640	\$ 364,838	\$ (308,340)	\$ 8,901,138
Unamortized Premium	54,619	-	(5,375)	49,244
Deferred amount on refunding	(212,347)	-	20,896	(191,451)
Compensated absences	30,556	22,925	(20,302)	33,179
Total	\$ 8,717,468	\$ 387,763	\$ (313,121)	\$ 8,792,110

For business-type activities, compensated absences are generally liquidated in the Proprietary Fund.

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007

Note 8-Long-Term Debt: (Continued)

Primary Government - Enterprise Activity Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Revenue Bonds:						
VRA Refunding Bond	3.1% - 4.9269%	5/17/2005	2023	\$ 4,250,000	\$ 4,005,000	\$ 190,000
VRA Bond	4.75%	7/31/1997	2019	\$ 8,385,372	\$ 1,976,917	\$ 133,198
VRA Bond	3.10%	8/1/2004	2027	\$ 4,032,975	\$ 2,919,221	\$ 119,123
Total Revenue Bonds					\$ 8,901,138	\$ 442,321
Add:						
Unamortized premium					\$ 49,244	\$ -
Deferred amount on refunding					\$ (191,451)	\$ -
Net Revenue Bonds					\$ 8,758,931	\$ 442,321
Other Obligations:						
Comp. Absences	n/a	n/a	n/a	n/a	\$ 33,179	\$ 24,884
Total Long-term debt					\$ 8,792,110	\$ 467,205

Note 9-Long-Term Debt-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, 2007.

	Balance July 1, 2006	Issuances	Retirements	Balance June 30, 2007
Compensated absences	\$ 479,944	\$ 645,423	\$ (359,958)	\$ 765,409

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:						
Comp. Absences	n/a	n/a	n/a	n/a	\$ 765,409	\$ 574,057

Compensated absences of the Component Unit - School Board are liquidated by the School Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

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

Discretely Presented Component Unit - Industrial Development Authority Indebtedness:

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

Year Ending June 30,	Lease Revenue Bond	
	Principal	Interest
2008	283,499	259,402
2009	200,228	161,706
2010	209,709	152,225
2011	219,638	142,296
2012	230,037	131,897
2013-2017	1,324,250	485,421
2018-2020	1,320,862	131,104
Totals	<u>\$ 3,788,223</u>	<u>\$ 1,464,051</u>

The following is a summary of long-term debt transactions of the Component Unit-Industrial Development Authority for the year ended June 30, 2007.

	Balance	Issuances	Retirements	Balance
	July 1, 2006			June 30, 2007
Lease Revenue Bond	<u>\$ 3,878,435</u>	<u>\$ -</u>	<u>\$ (90,212)</u>	<u>\$ 3,788,223</u>
Total	<u>\$ 3,878,435</u>	<u>\$ -</u>	<u>\$ (90,212)</u>	<u>\$ 3,788,223</u>

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Lease Revenue Bonds:						
Lease Revenue Bond	4.68%	5/1/1999	2020	\$ 4,812,833	<u>\$ 3,788,223</u>	<u>\$ 283,499</u>

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Note 10-Employee Retirement System and Pension Plans:

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/2006AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's required contribution rate for the fiscal year ended June 30, 2007 was 14.3% of annual covered payroll, not including the 5% member contribution.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's required contribution rate for the fiscal year ended June 30, 2007 was 9.98% of the annual covered payroll, not including the 5% member contribution.

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

C. Annual Pension Cost

	Primary Government	Discretely Presented Component Unit
	County Retirement Plan	School Board Non-Professional Retirement Plan
Contribution rates for fiscal year ended 6/30/07:		
Employer	14.30%	9.98%
Plan members ¹	5.00%	5.00%
Annual pension cost (required)	\$1,149,510	\$292,828
Contributions made	\$1,149,510	\$292,828
Actuarial valuation date	6/30/2005	6/30/2005
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent, Open	Level Percent, Open
Payroll growth rate	2.50%	2.50%
Remaining amortization period (open)	20 Years	20 Years
Asset valuation method	Modified Market	Modified Market
Actuarial assumptions:		
Investment rate of return ²	7.50%	7.50%
Projected salary increases ²		
Non-LEO employees	3.75% to 5.60%	3.75% to 5.60%
LEO employees	3.50% to 4.75%	3.50% to 4.75%
Cost-of-living adjustments	2.50%	2.50%

¹ This member contribution has been assumed by the employer.

² Includes inflation at 2.50%.

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

C. Annual Pension Cost (Continued)

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2007	\$ 1,149,510	100.00%	\$ -
	6/30/2006	609,406	100.00%	-
	6/30/2005	342,124	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2007	\$ 292,828	100.00%	\$ -
	6/30/2006	180,670	100.00%	-
	6/30/2005	169,828	100.00%	-

D. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Botetourt County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/2006AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees, not including the 5% member contribution, was \$2,181,288, \$1,465,628, and \$1,250,174 for the fiscal years ended 2007, 2006, and 2005, respectively. Required employer contributions represented 9.20%, 6.62%, and 6.03% of covered payroll for the fiscal years ended 2007, 2006, and 2005, respectively.

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 11-Deferred (Unearned) Revenue:

Deferred (unearned) revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue totaling \$84,347 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2007, but paid in advance by the taxpayers totaled \$84,347 at June 30, 2007.

Note 12-Capital Assets:

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 11,929,848	\$ 49,253	\$ -	\$ 11,979,101
Construction in progress	9,316,951	14,943,408	(867,590)	23,392,769
Total capital assets not being depreciated	<u>\$ 21,246,799</u>	<u>\$ 14,992,661</u>	<u>\$ (867,590)</u>	<u>\$ 35,371,870</u>
Capital assets, being depreciated:				
Buildings	\$ 25,767,995	\$ 17,436,520	\$ -	\$ 43,204,515
Machinery and equipment	6,168,439	616,784	(219,084)	6,566,139
Total capital assets being depreciated	<u>\$ 31,936,434</u>	<u>\$ 18,053,304</u>	<u>\$ (219,084)</u>	<u>\$ 49,770,654</u>
Less: accumulated depreciation for:				
Buildings	\$ (7,786,475)	\$ (951,680)	\$ -	\$ (8,738,155)
Machinery and equipment	(3,626,415)	(618,747)	170,460	(4,074,702)
Total accumulated depreciation	<u>\$ (11,412,890)</u>	<u>\$ (1,570,427)</u>	<u>\$ 170,460</u>	<u>\$ (12,812,857)</u>
Total capital assets being depreciated, net	<u>\$ 20,523,544</u>	<u>\$ 16,482,877</u>	<u>\$ (48,624)</u>	<u>\$ 36,957,797</u>
Governmental activities capital assets, net	<u>\$ 41,770,343</u>	<u>\$ 31,475,538</u>	<u>\$ (916,214)</u>	<u>\$ 72,329,667</u>

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 12-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 43,010	\$ -	\$ -	\$ 43,010
Construction in progress	3,232,964	415,879	(142,010)	3,506,833
Total capital assets not being depreciated	\$ 3,275,974	\$ 415,879	\$ (142,010)	\$ 3,549,843
Capital assets, being depreciated:				
Utility plant and equipment	\$ 20,631,789	\$ 1,418,318	\$ -	\$ 22,050,107
Machinery and equipment	35,062	-	-	35,062
Total capital assets being depreciated	20,666,851	1,418,318	-	22,085,169
Less: accumulated depreciation for:				
Utility plant and equipment	\$ (6,316,571)	\$ (551,705)	\$ -	\$ (6,868,276)
Machinery and equipment	(29,646)	(5,416)	-	(35,062)
Total accumulated depreciation	(6,346,217)	(557,121)	-	(6,903,338)
Total capital assets being depreciated, net	\$ 14,320,634	\$ 861,197	\$ -	\$ 15,181,831
Business-type activities capital assets, net	\$ 17,596,608	\$ 1,277,076	\$ (142,010)	\$ 18,731,674

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

Governmental activities:	
General government	\$ 148,084
Judicial administration	21,132
Public safety	414,074
Public works	256,468
Education	643,148
Parks, recreation, and culture	83,073
Community development	4,448
Total depreciation expense-governmental activities	\$ 1,570,427
Business-type activities:	
Service authority	\$ 557,121

COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 12-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2007 was as follows:

Discretely Presented Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,455,729	\$ -	\$ -	\$ 1,455,729
Capital assets, being depreciated:				
Buildings	\$ 33,699,449	\$ 854,832	\$ -	\$ 34,554,281
Machinery and equipment	5,270,906	268,074	(246,000)	5,292,980
Total capital assets being depreciated	<u>\$ 38,970,355</u>	<u>\$ 1,122,906</u>	<u>\$ (246,000)</u>	<u>\$ 39,847,261</u>
Less: accumulated depreciation for:				
Buildings	\$ (13,325,292)	\$ (819,342)	\$ -	\$ (14,144,634)
Machinery and equipment	(2,881,890)	(476,709)	237,005	(3,121,594)
Total accumulated depreciation	<u>\$ (16,207,182)</u>	<u>\$ (1,296,051)</u>	<u>\$ 237,005</u>	<u>\$ (17,266,228)</u>
Total capital assets being depreciated, net	<u>\$ 22,763,173</u>	<u>\$ (173,145)</u>	<u>\$ (8,995)</u>	<u>\$ 22,581,033</u>
Governmental activities capital assets, net	<u>\$ 24,218,902</u>	<u>\$ (173,145)</u>	<u>\$ (8,995)</u>	<u>\$ 24,036,762</u>

Note 13-Risk Management:

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

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

Note 13-Risk Management: (Continued)

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

Note 14-Contingent Liabilities:

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

Note 15-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Tommy Moore, Clerk of the Circuit Court	\$ 270,000
Benton Bolton, Treasurer	500,000
John L. Etzler, Commissioner of the Revenue	3,000
Ronald N. Sprinkle, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000

Selective Insurance Company of America:

Gerald A. Burgess, County Administrator	\$ 250,000
David Moorman, Deputy County Administrator	150,000
Ned McElwaine, Deputy County Administrator	150,000
Anthony Zerrilla, Finance Manager	150,000
Barbara Ennis, Bookkeeper	150,000
Veronica Ramsey, Bookkeeper Technician	150,000
All administrative employees	50,000
All Social Services employees: blanket bond	100,000

United States Fidelity and Guaranty Company-Surety:

<u>Board of Supervisors:</u>	\$ 1,000
Terry Austin	1,000
Don Assaid	1,000
Don Meredith	1,000
Wanda Wingo	1,000
Stephen P. Clinton	1,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 15-Surety Bonds: (Continued)

Component Unit - School Board:

The Continental Insurance Company:

Susan Kidd, Clerk of the School Board	\$	10,000
All School Board employees: blanket bond		10,000

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

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The County's landfill has reached approximately 90% of its estimated capacity. Total closure and post-closure care cost have been estimated to be \$4,240,021 based on 100% usage of the facility. This represents what it would cost to perform all closure and post-closure care in 2007. Landfill closure and post-closure care costs are allocated based on landfill capacity to date. As such, approximately 90% of the aforementioned amount has been recognized as a liability in the financial statements (\$3,805,147). The remaining amount to be recognized, \$434,874, will be recognized over the landfill's remaining life based on usage. As of June 30, 2007, the landfill's remaining life is estimated to be 1.7 years. Actual costs for closure and post-closure monitoring may change due to inflation, deflation, changes in technology or changes in applicable laws or regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and post-closure costs.

Note 17 - Commitments and Contingencies:

The County entered into several major construction projects during the fiscal year as presented below along with the anticipated funding source for each.

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount Outstanding at June 30, 2007</u>	<u>Funding Source</u>
Fincastle Waste Water Treatment Plant	2,265,665	5,476	Revenue bonds
James River High School - Improvements	15,516,033	1,699,613	GO bonds
Botetourt-Craig Public Safety Facility & Regional Jail	20,481,834	2,901,258	GO bonds/State Grant
Botetourt Sports Complex	3,989,720	265,567	General Fund

Note 18 - Arbitrage Rebate Compliance:

As of June 30, 2007 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 19-New Accounting Standards:

The Government Accounting Standards Board (GASB) has issued its Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other than Pensions*. The statement establishes standards for the measurement, recognition and display of OPEB expense and related liabilities in the financial statements. Management has not completed the process of evaluating the impact that will result from adoption of the standard, and is therefore unable to disclose the impact of adoption. The requirements of the Statement are effective in three phases based on the government's annual revenues, with the earliest effective date being for the year ended June 30, 2008.

The Government Accounting Standards Board (GASB) has issued its Statement No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings. The statement also includes disclosure requirements for future revenues that are pledged or sold. At the present time, Management has not identified any instances related to this statement that would affect the County's financial statements and as such feels that no significant impact will occur as a result of the adoption of this standard. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2006.

The Government Accounting Standards Board (GASB) has issued its Statement No. 49 *Accounting and Reporting for Pollution Remediation Obligations* which provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. Management has not completed the process of evaluating the impact that will result from adoption of the standard, and is therefore unable to disclose the impact of adoption. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2007.

Note 20-Restatement of Beginning Fund Balance/Net Assets:

Component Unit School Board:

School fund balance, as previously reported, July 1, 2006	\$ 1,170,125
Record prepaid expenditures and accounts receivable	<u>997,377</u>
School fund balance, as restated July 1, 2006	<u>\$ 2,167,502</u>

Component Unit School Board:

School net assets, as previously reported, July 1, 2006	\$ 24,909,083
Record prepaid expenditures and accounts receivable	<u>997,377</u>
School net assets, as restated July 1, 2006	<u>\$ 25,906,460</u>

REQUIRED SUPPLEMENTARY INFORMATION

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 25,569,345	\$ 25,544,354	\$ 26,407,115	\$ 862,761
Other local taxes	6,792,000	6,792,000	7,153,384	361,384
Permits, privilege fees, and regulatory licenses	497,850	497,850	410,932	(86,918)
Fines and forfeitures	125,000	125,000	132,611	7,611
Revenue from the use of money and property	608,000	608,000	2,284,726	1,676,726
Charges for services	1,393,500	1,393,500	1,660,415	266,915
Miscellaneous	51,000	51,000	334,911	283,911
Recovered costs	1,228,700	1,204,257	1,328,471	124,214
Intergovernmental revenues:				
Commonwealth	8,475,300	9,418,469	9,677,832	259,363
Federal	1,096,500	1,156,500	959,582	(196,918)
Total revenues	\$ 45,837,195	\$ 46,790,930	\$ 50,349,979	\$ 3,559,049
EXPENDITURES				
General government administration:				
Board of supervisors	\$ 178,396	\$ 287,272	\$ 287,272	\$ -
County administrator	313,570	311,930	283,900	28,030
Deputy administrators	338,386	338,038	336,995	1,043
Central garage	64,882	64,883	62,536	2,347
Commissioner of revenue	368,049	368,049	326,140	41,909
Central purchasing	142,042	146,404	142,289	4,115
Treasurer	421,928	421,908	382,276	39,632
Management information systems	448,871	448,786	436,710	12,076
Financial services	268,534	280,512	259,134	21,378
Total general and financial administration	2,366,262	2,380,510	2,229,980	150,530
Electoral board/registrar	158,440	169,618	148,837	20,781
Total board of elections	158,440	169,618	148,837	20,781
Total general government administration	\$ 2,703,098	\$ 2,837,400	\$ 2,666,089	\$ 171,311
Judicial administration:				
Circuit court	\$ 52,636	\$ 52,635	\$ 52,608	\$ 27
General district court	26,302	26,615	22,284	4,331
Magistrate	1,000	897	759	138
Clerk of the circuit court	573,605	603,397	570,158	33,239
Commonwealth's attorney	491,086	608,361	607,434	927
Total judicial administration	\$ 1,144,629	\$ 1,291,905	\$ 1,253,243	\$ 38,662
Public safety:				
Sheriff	\$ 3,815,722	\$ 4,000,869	\$ 3,941,560	\$ 59,309
GIS communications	155,694	155,644	142,841	12,803
Volunteer fire department	1,290,020	1,884,310	1,631,107	253,203
Supplemental rescue	444,741	445,248	439,365	5,883

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public safety: (continued)				
Western Virginia EMS	\$ 6,111	\$ 6,111	\$ 6,111	\$ -
County operated institutions - jail	1,606,507	1,656,900	1,656,900	-
Probation office	7,750	38,838	36,262	2,576
Building	352,093	356,488	291,810	64,678
Animal control	318,675	319,315	312,801	6,514
Emergency services	616,177	892,926	740,239	152,687
Dispatch	622,829	622,829	615,156	7,673
Total public safety	<u>\$ 9,236,319</u>	<u>\$ 10,379,478</u>	<u>\$ 9,814,152</u>	<u>\$ 565,326</u>
Public works:				
Refuse collection and disposal	\$ 737,804	\$ 826,081	\$ 698,544	\$ 127,537
County engineer	304,387	304,315	300,700	3,615
Public works	183,382	183,272	183,272	-
General properties	523,289	542,317	542,317	-
Total public works	<u>\$ 1,748,862</u>	<u>\$ 1,855,985</u>	<u>\$ 1,724,833</u>	<u>\$ 131,152</u>
Health and welfare:				
Supplement of local health department	\$ 315,740	\$ 315,740	\$ 315,740	\$ -
State and local hospitalization	13,500	13,500	10,076	3,424
Mental health contribution	35,803	35,803	35,803	-
Welfare administration and programs	1,707,790	1,707,790	1,390,484	317,306
Comprehensive services act	1,278,185	1,408,171	1,323,300	84,871
Senior van program	64,229	97,368	97,368	-
Other welfare programs	47,144	47,144	47,144	-
Total health and welfare	<u>\$ 3,462,391</u>	<u>\$ 3,625,516</u>	<u>\$ 3,219,915</u>	<u>\$ 405,601</u>
Education:				
Contributions to Community Colleges	\$ 4,730	\$ 4,730	\$ 4,730	\$ -
Contribution to County School Board	18,545,439	18,545,439	18,243,867	301,572
Total education	<u>\$ 18,550,169</u>	<u>\$ 18,550,169</u>	<u>\$ 18,248,597</u>	<u>\$ 301,572</u>
Parks, recreation, and cultural:				
Supervision of parks and recreation	\$ 1,274,891	\$ 1,350,053	\$ 1,133,512	\$ 216,541
Sports complex	136,961	136,948	123,819	13,129
North County Park	150,000	150,000	-	150,000
Tourism	123,041	123,016	120,611	2,405
Contributions to cultural organizations	56,943	61,943	61,943	-
Library expenses	623,804	626,214	614,178	12,036
Regional library	215,625	217,225	214,392	2,833
Total parks, recreation, and cultural	<u>\$ 2,581,265</u>	<u>\$ 2,665,399</u>	<u>\$ 2,268,455</u>	<u>\$ 396,944</u>
Community development:				
Planning and Zoning	\$ 262,886	\$ 269,439	\$ 265,132	\$ 4,307
Planning commission	21,980	21,980	21,980	-

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Community development: (Continued)				
Industrial development	186,627	219,303	219,303	-
Other environmental management	17,356	17,356	17,355	1
Extension office	82,906	82,906	79,912	2,994
Total community development	\$ 571,755	\$ 610,984	\$ 603,682	\$ 7,302
Capital projects:				
Courthouse improvements	\$ 300,000	\$ 346,600	\$ 173,636	\$ 172,964
North County Library	150,000	150,000	-	150,000
Emergency services vehicle storage	95,000	95,000	32,745	62,255
Botetourt county museum	45,000	45,000	43,904	1,096
Public safety building	-	15,151,331	14,525,228	626,103
Buchanan park	300,000	301,000	139,224	161,776
Solid waste transfer station	775,000	775,000	54,435	720,565
Industrial site development	50,000	50,000	49,253	747
Recreation facility (Greenfield park)	1,800,000	3,903,472	3,868,113	35,359
Total capital projects	\$ 3,515,000	\$ 20,817,403	\$ 18,886,538	\$ 1,930,865
Debt service:				
Principal retirement	\$ 1,898,887	\$ 1,898,887	\$ 1,898,887	\$ -
Interest and other fiscal charges	2,461,806	2,481,806	2,355,943	125,863
Total debt service	\$ 4,360,693	\$ 4,380,693	\$ 4,254,830	\$ 125,863
Total expenditures	\$ 47,874,181	\$ 67,014,932	\$ 62,940,334	\$ 4,074,598
Excess (deficiency) of revenues over (under) expenditures	\$ (2,036,986)	\$ (20,224,002)	\$ (12,590,355)	\$ 7,633,647
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (150,000)	\$ (430,892)	\$ (69,880)	\$ 361,012
Total other financing sources and uses	\$ (150,000)	\$ (430,892)	\$ (69,880)	\$ 361,012
Net change in fund balances	\$ (2,186,986)	\$ (20,654,894)	\$ (12,660,235)	\$ 7,994,659
Fund balances - beginning	2,186,986	20,654,894	35,213,882	14,558,988
Fund balances - ending	\$ -	\$ -	\$ 22,553,647	\$ 22,553,647

Note 1: GAAP serves as the budgetary basis of accounting

County of Botetourt, Virginia
Required Supplementary Information

Schedule of Funding Progress Defined Benefit Plan
For the Year Ended June 30, 2007

Primary Government: County Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2006	\$ 18,418,527	\$ 22,675,793	\$ 4,257,266	81.23%	\$ 7,562,235	56.30%
June 30, 2005	16,939,621	20,916,098	3,976,477	80.99%	6,944,688	57.26%
June 30, 2004	16,151,371	16,616,315	464,944	97.20%	6,550,681	7.10%
June 30, 2003	15,816,605	15,315,315	(501,290)	103.27%	5,687,721	-8.81%
June 30, 2002	15,516,976	14,276,389	(1,240,587)	108.69%	5,949,347	-20.85%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2006	\$ 7,497,798	\$ 8,930,283	\$ 1,432,485	83.96%	\$ 2,761,078	51.88%
June 30, 2005	7,103,263	9,019,673	1,916,410	78.75%	2,631,751	72.82%
June 30, 2004	6,972,140	7,751,080	778,940	89.95%	2,416,992	32.23%
June 30, 2003	6,946,309	7,125,109	178,800	97.49%	2,299,045	7.78%
June 30, 2002	7,006,806	6,776,950	(229,856)	103.39%	2,242,825	-10.25%

SUPPLEMENTARY FINANCIAL STATEMENTS

CAPITAL PROJECTS FUNDS

Capital Projects Fund - The Capital Projects Fund accounts for School Capital Projects that are financed, constructed and owned by the Primary Government.

County of Botetourt, Virginia
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ 300,000	\$ 376,509	\$ 76,509
Total revenues	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 376,509</u>	<u>\$ 76,509</u>
EXPENDITURES				
Capital projects	\$ -	\$ 15,101,882	\$ 12,630,373	\$ 2,471,509
Total expenditures	<u>\$ -</u>	<u>\$ 15,101,882</u>	<u>\$ 12,630,373</u>	<u>\$ 2,471,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (14,801,882)</u>	<u>\$ (12,253,864)</u>	<u>\$ 2,548,018</u>
Net change in fund balances	\$ -	\$ (14,801,882)	\$ (12,253,864)	\$ 2,548,018
Fund balances - beginning	-	12,330,373	13,695,671	1,365,298
Fund balances - ending	<u>\$ -</u>	<u>\$ (2,471,509)</u>	<u>\$ 1,441,807</u>	<u>\$ 3,913,316</u>

FIDUCIARY FUNDS - AGENCY FUNDS

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

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

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

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

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

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

County of Botetourt, Virginia
 Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2007

	Agency Funds						<u>Total</u>
	<u>Special Welfare</u>	<u>Flexible Benefits</u>	<u>Inmate Trust and Canteen</u>	<u>Cafeteria Plan</u>	<u>Escrow</u>	<u>Roanoke Valley Regional Board</u>	
ASSETS							
Cash and cash equivalents	\$ 28,271	\$ 23,993	\$ 54,791	\$ 3,960	\$ 82,982	\$ 970,111	\$ 1,164,108
Total assets	<u>\$ 28,271</u>	<u>\$ 23,993</u>	<u>\$ 54,791</u>	<u>\$ 3,960</u>	<u>\$ 82,982</u>	<u>\$ 970,111</u>	<u>\$ 1,164,108</u>
LIABILITIES							
Amounts held for social services clients	\$ 28,271	-	-	-	-	-	\$ 28,271
Amounts held for employees	-	23,993	-	3,960	-	-	27,953
Amounts held for other agencies	-	-	-	-	-	970,111	970,111
Amounts held for performance bond	-	-	-	-	82,982	-	82,982
Amounts held for inmates	-	-	54,791	-	-	-	54,791
Total liabilities	<u>\$ 28,271</u>	<u>\$ 23,993</u>	<u>\$ 54,791</u>	<u>\$ 3,960</u>	<u>\$ 82,982</u>	<u>\$ 970,111</u>	<u>\$ 1,164,108</u>

County of Botetourt, Virginia
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
For the Year Ended June 30, 2007

	Agency Funds						
	<u>Special Welfare</u>	<u>Flexible Benefits</u>	<u>Inmate Trust and Canteen</u>	<u>Cafeteria Plan</u>	<u>Escrow</u>	<u>Roanoke Valley Regional Board</u>	<u>Total</u>
ASSETS							
Balance, June 30, 2006	\$ 26,764	\$ 34,324	\$ 44,077	\$ 4,815	\$ 41,989	\$ 577,670	\$ 729,639
Additions	74,278	155,862	164,768	32,026	40,993	3,519,148	3,987,075
Deductions	(72,771)	(166,193)	(154,054)	(32,881)	-	(3,126,707)	(3,552,606)
Balance, June 30, 2007	<u>\$ 28,271</u>	<u>\$ 23,993</u>	<u>\$ 54,791</u>	<u>\$ 3,960</u>	<u>\$ 82,982</u>	<u>\$ 970,111</u>	<u>\$ 1,164,108</u>
LIABILITIES							
Balance, June 30, 2006	\$ 26,764	\$ 34,324	\$ 44,077	\$ 4,815	\$ 41,989	\$ 577,670	\$ 729,639
Additions	74,278	155,862	164,768	32,026	40,993	3,519,148	3,987,075
Deductions	(72,771)	(166,193)	(154,054)	(32,881)	-	(3,126,707)	(3,552,606)
Balance, June 30, 2007	<u>\$ 28,271</u>	<u>\$ 23,993</u>	<u>\$ 54,791</u>	<u>\$ 3,960</u>	<u>\$ 82,982</u>	<u>\$ 970,111</u>	<u>\$ 1,164,108</u>

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD**

MAJOR GOVERNMENTAL FUNDS

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

County of Botetourt, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2007

	<u>School Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 4,594,784
Receivables (net of allowance for uncollectibles):	
Accounts receivable	28,632
Due from other governmental units	1,199,777
Prepaid items	1,077,742
Total assets	<u>\$ 6,900,935</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 453,773
Salaries payable	3,599,511
Due to primary government	130,473
Total liabilities	<u>\$ 4,183,757</u>
Fund balances:	
Reserved for:	
School cafeterias	\$ 104,195
Unreserved:	
Undesignated	2,612,983
Total fund balances	<u>\$ 2,717,178</u>
Total liabilities and fund balances	<u>\$ 6,900,935</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,717,178
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,036,762
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(765,409)
Net assets of governmental activities	<u>\$ 25,988,531</u>

County of Botetourt, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2007

	<u>Total Governmental Funds</u>
REVENUES	
Revenue from the use of money and property	\$ 135,348
Charges for services	1,621,065
Miscellaneous	103,676
Recovered costs	688,999
Intergovernmental revenues:	
Local government	18,243,867
Commonwealth	24,556,491
Federal	2,274,062
Total revenues	<u>\$ 47,623,508</u>
EXPENDITURES	
Current:	
Education	\$ 47,073,832
Total expenditures	<u>\$ 47,073,832</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 549,676</u>
Net change in fund balances	\$ 549,676
Fund balances - beginning, as restated	2,167,502
Fund balances - ending	<u>\$ 2,717,178</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	\$ 549,676
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.	(182,140)
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.	(285,465)
Change in net assets of governmental activities	<u>\$ 82,071</u>

County of Botetourt, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2007

	<u>School Operating Fund</u>			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 50,000	\$ 50,000	\$ 135,348	\$ 85,348
Charges for services	1,347,968	1,347,968	1,621,065	273,097
Miscellaneous	100,641	100,641	103,676	3,035
Recovered costs	827,677	827,677	688,999	(138,678)
Intergovernmental revenues:				
Local government	18,545,439	18,545,439	18,243,867	(301,572)
Commonwealth	24,329,763	24,329,763	24,556,491	226,728
Federal	1,814,741	1,814,741	2,274,062	459,321
Total revenues	<u>\$ 47,016,229</u>	<u>\$ 47,016,229</u>	<u>\$ 47,623,508</u>	<u>\$ 607,279</u>
EXPENDITURES				
Current:				
Education	\$ 47,070,759	\$ 47,073,832	\$ 47,073,832	\$ -
Total expenditures	<u>\$ 47,070,759</u>	<u>\$ 47,073,832</u>	<u>\$ 47,073,832</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (54,530)</u>	<u>\$ (57,603)</u>	<u>\$ 549,676</u>	<u>\$ 607,279</u>
Net change in fund balances	\$ (54,530)	\$ (57,603)	\$ 549,676	\$ 607,279
Fund balances - beginning, as restated	54,530	57,603	2,167,502	2,109,899
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,717,178</u>	<u>\$ 2,717,178</u>

SUPPORTING SCHEDULES

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

<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	\$ 17,814,345	\$ 17,789,354	\$ 17,971,069	\$ 181,715
Real and personal public service corporation taxes	982,000	982,000	1,105,397	123,397
Personal property taxes	3,550,000	3,550,000	4,325,217	775,217
Mobile home taxes	53,000	53,000	45,495	(7,505)
Machinery and tools taxes	2,925,000	2,925,000	2,741,514	(183,486)
Penalties	180,000	180,000	149,511	(30,489)
Interest	65,000	65,000	68,912	3,912
Total general property taxes	<u>\$ 25,569,345</u>	<u>\$ 25,544,354</u>	<u>\$ 26,407,115</u>	<u>\$ 862,761</u>
Other local taxes:				
Local sales and use taxes	\$ 2,075,000	\$ 2,075,000	\$ 2,120,627	\$ 45,627
Communications sales and use taxes	-	375,000	352,049	(22,951)
Consumers' utility taxes	963,000	751,500	787,430	35,930
Local consumption tax	162,000	162,000	158,742	(3,258)
E-911 telephone taxes	270,000	154,000	229,003	75,003
Business license taxes	717,500	717,500	780,498	62,998
Franchise license tax	137,500	90,000	93,263	3,263
Motor vehicle licenses	725,000	725,000	718,797	(6,203)
Bank stock taxes	100,000	100,000	105,414	5,414
Taxes on recordation and wills	357,000	357,000	453,586	96,586
Hotel and motel room taxes	285,000	285,000	279,668	(5,332)
Restaurant food taxes	1,000,000	1,000,000	1,074,307	74,307
Total other local taxes	<u>\$ 6,792,000</u>	<u>\$ 6,792,000</u>	<u>\$ 7,153,384</u>	<u>\$ 361,384</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 24,000	\$ 24,000	\$ 19,672	\$ (4,328)
Land use application fees	3,000	3,000	1,428	(1,572)
Transfer fees	1,700	1,700	1,413	(287)
Building permits and other licenses	424,650	424,650	348,837	(75,813)
Zoning fees	44,500	44,500	39,582	(4,918)
Total permits, privilege fees, and regulatory licenses	<u>\$ 497,850</u>	<u>\$ 497,850</u>	<u>\$ 410,932</u>	<u>\$ (86,918)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 125,000	\$ 125,000	\$ 132,611	\$ 7,611
Total fines and forfeitures	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 132,611</u>	<u>\$ 7,611</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 431,000	\$ 431,000	\$ 2,053,138	\$ 1,622,138
Revenue from use of property	177,000	177,000	231,588	54,588
Total revenue from use of money and property	<u>\$ 608,000</u>	<u>\$ 608,000</u>	<u>\$ 2,284,726</u>	<u>\$ 1,676,726</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Excess fees of clerk	\$ 70,000	\$ 70,000	\$ 77,922	\$ 7,922
Charges for law enforcement and traffic control	44,500	44,500	54,721	10,221
Charges for courthouse maintenance	25,000	25,000	24,465	(535)
Charges for courtroom security	62,500	62,500	65,196	2,696
Miscellaneous jail and inmate fees	35,000	35,000	30,266	(4,734)
Jail processing fees	7,000	7,000	7,269	269
Charges for Commonwealth's Attorney	76,500	76,500	87,422	10,922
Charges for board and care of animals	10,000	10,000	7,075	(2,925)
Charges for sanitation and waste removal	1,030,000	1,030,000	1,230,102	200,102
Charges for parks and recreation	17,500	17,500	44,988	27,488
Charges for building inspector	-	-	7,029	7,029
Charges for false alarms	1,500	1,500	-	(1,500)
Other charges for services	2,000	2,000	1,090	(910)
Charges for law library	-	-	6,070	6,070
Charges for library	12,000	12,000	16,800	4,800
Total charges for services	<u>\$ 1,393,500</u>	<u>\$ 1,393,500</u>	<u>\$ 1,660,415</u>	<u>\$ 266,915</u>
Miscellaneous revenue:				
Miscellaneous	\$ 7,000	\$ 7,000	\$ 266,666	\$ 259,666
Sale of salvage	7,500	7,500	1,233	(6,267)
Telephone commissions	28,000	28,000	24,188	(3,812)
Forfeiture funds	-	-	26,985	26,985
Donations	8,500	8,500	15,839	7,339
Total miscellaneous revenue	<u>\$ 51,000</u>	<u>\$ 51,000</u>	<u>\$ 334,911</u>	<u>\$ 283,911</u>
Recovered costs:				
Local jails	\$ 225,000	\$ 225,000	\$ 333,950	\$ 108,950
ES cost recoveries	500,000	500,000	501,052	1,052
Joint Library	52,500	52,500	48,074	(4,426)
Medical co-pay	5,000	5,000	5,382	382
CSA refunds	70,000	70,000	58,937	(11,063)
Revenue sharing payments	205,000	205,000	195,188	(9,812)
Social services refunds	6,500	6,500	4,755	(1,745)
Other recovered costs	164,700	140,257	181,133	40,876
Total recovered costs	<u>\$ 1,228,700</u>	<u>\$ 1,204,257</u>	<u>\$ 1,328,471</u>	<u>\$ 124,214</u>
Total revenue from local sources	<u>\$ 36,265,395</u>	<u>\$ 36,215,961</u>	<u>\$ 39,712,565</u>	<u>\$ 3,496,604</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 18,000	\$ 18,000	\$ 16,691	\$ (1,309)
Wine taxes	18,000	18,000	17,496	(504)
Rolling Stock Tax	150,000	150,000	132,749	(17,251)
Motor vehicle carriers' tax	7,000	7,000	3,978	(3,022)
Mobile home titling tax	55,000	55,000	58,249	3,249
Grantor's tax	195,000	195,000	218,642	23,642
Personal property tax relief funds	3,400,000	3,400,000	3,444,746	44,746
Total noncategorical aid	<u>\$ 3,843,000</u>	<u>\$ 3,843,000</u>	<u>\$ 3,892,551</u>	<u>\$ 49,551</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 267,000	\$ 370,549	\$ 378,725	\$ 8,176
Sheriff	2,152,000	2,152,000	2,286,839	134,839
Commissioner of revenue	118,000	118,000	121,923	3,923
Treasurer	124,000	124,000	133,354	9,354
Medical examiner	300	300	-	(300)
Registrar/electoral board	60,000	60,000	53,559	(6,441)
Clerk of the Circuit Court	260,000	278,175	289,744	11,569
Total shared expenses	<u>\$ 2,981,300</u>	<u>\$ 3,103,024</u>	<u>\$ 3,264,144</u>	<u>\$ 161,120</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 430,000	\$ 430,000	\$ 374,520	\$ (55,480)
Comprehensive services act	714,000	714,000	714,509	509
DMV grant	6,000	6,000	2,145	(3,855)
Emergency medical services	96,000	54,357	44,238	(10,119)
Library grant	145,000	145,000	154,242	9,242
Property seizure	-	-	20,373	20,373
VJCCCA grant	-	18,360	18,360	-
Bulletproof vest program	-	-	2,212	2,212
DEQ grant	-	-	1,503	1,503
Fire program	60,000	60,000	138,666	78,666
Records preservation grant	-	11,676	11,676	-
Recreation grant	200,000	200,000	200,000	-
Jail construction grant	-	833,052	833,052	-
Other categorical aid	-	-	5,641	5,641
Total other categorical aid	<u>\$ 1,651,000</u>	<u>\$ 2,472,445</u>	<u>\$ 2,521,137</u>	<u>\$ 48,692</u>
Total categorical aid	<u>\$ 4,632,300</u>	<u>\$ 5,575,469</u>	<u>\$ 5,785,281</u>	<u>\$ 209,812</u>
Total revenue from the Commonwealth	<u>\$ 8,475,300</u>	<u>\$ 9,418,469</u>	<u>\$ 9,677,832</u>	<u>\$ 259,363</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 97,500	\$ 97,500	\$ 97,953	\$ 453
Categorical aid:				
Public assistance and welfare administration	\$ 999,000	\$ 999,000	\$ 792,845	\$ (206,155)
State homeland security grant program	-	60,000	63,045	3,045
State and community highway safety	-	-	4,935	4,935
Local law enforcement	-	-	804	804
Total categorical aid	<u>\$ 999,000</u>	<u>\$ 1,059,000</u>	<u>\$ 861,629</u>	<u>\$ (197,371)</u>
Total revenue from the federal government	<u>\$ 1,096,500</u>	<u>\$ 1,156,500</u>	<u>\$ 959,582</u>	<u>\$ (196,918)</u>
Total General Fund	<u>\$ 45,837,195</u>	<u>\$ 46,790,930</u>	<u>\$ 50,349,979</u>	<u>\$ 3,559,049</u>
Capital Projects Fund:				
Capital Projects Fund				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 300,000	\$ 376,509	\$ 76,509
Total revenue from local sources	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 376,509</u>	<u>\$ 76,509</u>
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 376,509</u>	<u>\$ 76,509</u>
Total Primary Government	<u>\$ 45,837,195</u>	<u>\$ 47,090,930</u>	<u>\$ 50,726,488</u>	<u>\$ 3,635,558</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 14,788	\$ 14,788
Revenue from the use of property	50,000	50,000	120,560	70,560
Total revenue from use of money and property	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 135,348</u>	<u>\$ 85,348</u>
Charges for services:				
Cafeteria sales	\$ 1,143,925	\$ 1,143,925	\$ 1,415,562	\$ 271,637
Tuition and payments from other divisions	204,043	204,043	205,503	1,460
Total charges for services	<u>\$ 1,347,968</u>	<u>\$ 1,347,968</u>	<u>\$ 1,621,065</u>	<u>\$ 273,097</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

<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)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous revenue	\$ 100,641	\$ 100,641	\$ 103,676	\$ 3,035
Recovered costs:				
Regional program	\$ 749,647	\$ 749,647	\$ 544,682	\$ (204,965)
Other recovered costs	78,030	78,030	144,317	66,287
Total recovered costs	<u>\$ 827,677</u>	<u>\$ 827,677</u>	<u>\$ 688,999</u>	<u>\$ (138,678)</u>
Total revenue from local sources	<u>\$ 2,326,286</u>	<u>\$ 2,326,286</u>	<u>\$ 2,549,088</u>	<u>\$ 222,802</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Botetourt, Virginia	\$ 18,545,439	\$ 18,545,439	\$ 18,243,867	\$ (301,572)
Total revenues from local governments	<u>\$ 18,545,439</u>	<u>\$ 18,545,439</u>	<u>\$ 18,243,867</u>	<u>\$ (301,572)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,303,898	\$ 5,303,898	\$ 4,956,103	\$ (347,795)
Basic school aid	12,592,022	12,592,022	13,114,260	522,238
Remedial summer education	26,889	26,889	30,624	3,735
Regular foster care	44,073	44,073	50,117	6,044
Adult secondary education	7,859	7,859	7,859	-
Gifted and talented	118,926	118,926	120,593	1,667
Remedial education	95,721	95,721	97,063	1,342
School construction	160,310	160,310	160,088	(222)
School food	-	-	1,065	1,065
Special education	1,673,669	1,673,669	1,697,130	23,461
Textbook payment	290,876	290,876	294,954	4,078
Standards of Learning algebra readiness	13,599	13,599	13,599	-
Vocational education SOQ payments	-	-	13,118	13,118
Social security fringe benefits	704,856	704,856	714,736	9,880
Share of fringe benefits	893,397	893,397	905,921	12,524
Group life insurance instructional	40,609	40,609	41,178	569
State lottery payments	702,767	702,767	681,823	(20,944)
Early reading intervention	38,165	38,165	34,846	(3,319)
Homebound education	21,351	21,351	12,577	(8,774)

County of Botetourt, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

<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)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Vocational education	\$ 487,308	\$ 487,308	\$ 539,703	\$ 52,395
Special education - foster children	78,352	78,352	33,203	(45,149)
Special education - regional programs	112,025	112,025	121,459	9,434
Industry certification	-	-	1,640	1,640
At risk payments	50,358	50,358	51,121	763
Maintenance supplement	330,673	330,673	335,308	4,635
Mentor teacher program	-	-	2,241	2,241
Reduced K-3	105,596	105,596	111,493	5,897
Technology	388,000	388,000	362,000	(26,000)
At risk four-year olds	38,485	38,485	41,334	2,849
English as a second language	9,979	9,979	9,335	(644)
Total categorical aid	<u>\$ 24,329,763</u>	<u>\$ 24,329,763</u>	<u>\$ 24,556,491</u>	<u>\$ 226,728</u>
Total revenue from the Commonwealth	<u>\$ 24,329,763</u>	<u>\$ 24,329,763</u>	<u>\$ 24,556,491</u>	<u>\$ 226,728</u>
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ 34,000	\$ 34,000	\$ 44,994	\$ 10,994
School lunch program	-	-	395,228	395,228
Title I	364,096	364,096	391,941	27,845
Title IV Part B Innovative programs	9,985	9,985	4,273	(5,712)
Title VI-B, special education flow-through	1,022,799	1,022,799	1,172,929	150,130
Vocational education	47,598	47,598	55,169	7,571
Title VI-B, special education pre-school	56,900	56,900	34,092	(22,808)
Drug free schools	18,125	18,125	16,700	(1,425)
Title III language acquisition	-	-	770	770
Adult basic education	17,500	17,500	15,786	(1,714)
Emergency impact aid	-	-	2,475	2,475
Title VI	106,110	106,110	754	(105,356)
Improving teacher quality	129,230	129,230	124,180	(5,050)
Technology literacy	8,398	8,398	14,771	6,373
Total categorical aid	<u>\$ 1,814,741</u>	<u>\$ 1,814,741</u>	<u>\$ 2,274,062</u>	<u>\$ 459,321</u>
Total revenue from the federal government	<u>\$ 1,814,741</u>	<u>\$ 1,814,741</u>	<u>\$ 2,274,062</u>	<u>\$ 459,321</u>
Total School Operating Fund	<u>\$ 47,016,229</u>	<u>\$ 47,016,229</u>	<u>\$ 47,623,508</u>	<u>\$ 607,279</u>
Total Component-Unit School Board	<u>\$ 47,016,229</u>	<u>\$ 47,016,229</u>	<u>\$ 47,623,508</u>	<u>\$ 607,279</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

<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	\$ 178,396	\$ 287,272	\$ 287,272	\$ -
General and financial administration:				
County administrator	\$ 313,570	\$ 311,930	\$ 283,900	\$ 28,030
Deputy administrators	338,386	338,038	336,995	1,043
Central garage	64,882	64,883	62,536	2,347
Commissioner of revenue	368,049	368,049	326,140	41,909
Central purchasing	142,042	146,404	142,289	4,115
Treasurer	421,928	421,908	382,276	39,632
Management information systems	448,871	448,786	436,710	12,076
Financial services	268,534	280,512	259,134	21,378
Total general and financial administration	<u>\$ 2,366,262</u>	<u>\$ 2,380,510</u>	<u>\$ 2,229,980</u>	<u>\$ 150,530</u>
Board of elections:				
Electoral board/registrar	\$ 158,440	\$ 169,618	\$ 148,837	\$ 20,781
Total general government administration	<u>\$ 2,703,098</u>	<u>\$ 2,837,400</u>	<u>\$ 2,666,089</u>	<u>\$ 171,311</u>
Judicial administration:				
Courts:				
Circuit court	\$ 52,636	\$ 52,635	\$ 52,608	\$ 27
General district court	26,302	26,615	22,284	4,331
Magistrate	1,000	897	759	138
Clerk of the circuit court	573,605	603,397	570,158	33,239
Total courts	<u>\$ 653,543</u>	<u>\$ 683,544</u>	<u>\$ 645,809</u>	<u>\$ 37,735</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 491,086	\$ 608,361	\$ 607,434	\$ 927
Total judicial administration	<u>\$ 1,144,629</u>	<u>\$ 1,291,905</u>	<u>\$ 1,253,243</u>	<u>\$ 38,662</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,815,722	\$ 4,000,869	\$ 3,941,560	\$ 59,309
GIS communications	155,694	155,644	142,841	12,803
Total law enforcement and traffic control	<u>\$ 3,971,416</u>	<u>\$ 4,156,513</u>	<u>\$ 4,084,401</u>	<u>\$ 72,112</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	\$ 1,290,020	\$ 1,884,310	\$ 1,631,107	\$ 253,203
Supplemental rescue	444,741	445,248	439,365	5,883
Western Virginia EMS	6,111	6,111	6,111	-
Total fire and rescue services	<u>\$ 1,740,872</u>	<u>\$ 2,335,669</u>	<u>\$ 2,076,583</u>	<u>\$ 259,086</u>
Correction and detention:				
County operated institutions - jail	\$ 1,606,507	\$ 1,656,900	\$ 1,656,900	\$ -
Probation office	7,750	38,838	36,262	2,576
Total correction and detention	<u>\$ 1,614,257</u>	<u>\$ 1,695,738</u>	<u>\$ 1,693,162</u>	<u>\$ 2,576</u>
Inspections:				
Building	\$ 352,093	\$ 356,488	\$ 291,810	\$ 64,678
Other protection:				
Animal control	\$ 318,675	\$ 319,315	\$ 312,801	\$ 6,514
Emergency services	616,177	892,926	740,239	152,687
Dispatch	622,829	622,829	615,156	7,673
Total other protection	<u>\$ 1,557,681</u>	<u>\$ 1,835,070</u>	<u>\$ 1,668,196</u>	<u>\$ 166,874</u>
Total public safety	<u>\$ 9,236,319</u>	<u>\$ 10,379,478</u>	<u>\$ 9,814,152</u>	<u>\$ 565,326</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 737,804	\$ 826,081	\$ 698,544	\$ 127,537
County engineer	304,387	304,315	300,700	3,615
Public works	183,382	183,272	183,272	-
Total sanitation and waste removal	<u>\$ 1,225,573</u>	<u>\$ 1,313,668</u>	<u>\$ 1,182,516</u>	<u>\$ 131,152</u>
Maintenance of general buildings and grounds:				
General properties	\$ 523,289	\$ 542,317	\$ 542,317	\$ -
Total public works	<u>\$ 1,748,862</u>	<u>\$ 1,855,985</u>	<u>\$ 1,724,833</u>	<u>\$ 131,152</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare:				
Health:				
Supplement of local health department	\$ 315,740	\$ 315,740	\$ 315,740	\$ -
Mental health and mental retardation:				
State and local hospitalization	\$ 13,500	\$ 13,500	\$ 10,076	\$ 3,424
Mental health contribution	35,803	35,803	35,803	-
Total mental health and mental retardation	<u>\$ 49,303</u>	<u>\$ 49,303</u>	<u>\$ 45,879</u>	<u>\$ 3,424</u>
Welfare:				
Welfare administration and programs	\$ 1,707,790	\$ 1,707,790	\$ 1,390,484	\$ 317,306
Comprehensive services act	1,278,185	1,408,171	1,323,300	84,871
Senior van program	64,229	97,368	97,368	-
Other welfare programs	47,144	47,144	47,144	-
Total welfare	<u>\$ 3,097,348</u>	<u>\$ 3,260,473</u>	<u>\$ 2,858,296</u>	<u>\$ 402,177</u>
Total health and welfare	<u>\$ 3,462,391</u>	<u>\$ 3,625,516</u>	<u>\$ 3,219,915</u>	<u>\$ 405,601</u>
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 4,730	\$ 4,730	\$ 4,730	\$ -
Contribution to County School Board	18,545,439	18,545,439	18,243,867	301,572
Total education	<u>\$ 18,550,169</u>	<u>\$ 18,550,169</u>	<u>\$ 18,248,597</u>	<u>\$ 301,572</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 1,274,891	\$ 1,350,053	\$ 1,133,512	\$ 216,541
Sports Complex	136,961	136,948	123,819	13,129
North County Park	150,000	150,000	-	150,000
Tourism	123,041	123,016	120,611	2,405
Total parks and recreation	<u>\$ 1,684,893</u>	<u>\$ 1,760,017</u>	<u>\$ 1,377,942</u>	<u>\$ 382,075</u>
Cultural enrichment:				
Contributions to cultural organizations	\$ 56,943	\$ 61,943	\$ 61,943	\$ -

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

<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)				
Parks, recreation, and cultural: (Continued)				
Library:				
Library expenses	\$ 623,804	\$ 626,214	\$ 614,178	\$ 12,036
Regional library	215,625	217,225	214,392	2,833
Total library	<u>\$ 839,429</u>	<u>\$ 843,439</u>	<u>\$ 828,570</u>	<u>\$ 14,869</u>
Total parks, recreation, and cultural	<u>\$ 2,581,265</u>	<u>\$ 2,665,399</u>	<u>\$ 2,268,455</u>	<u>\$ 396,944</u>
Community development:				
Planning and community development:				
Planning and Zoning	\$ 262,886	\$ 269,439	\$ 265,132	\$ 4,307
Planning commission	21,980	21,980	21,980	-
Industrial development	186,627	219,303	219,303	-
Total planning and community development	<u>\$ 471,493</u>	<u>\$ 510,722</u>	<u>\$ 506,415</u>	<u>\$ 4,307</u>
Environmental management:				
Other environmental management	\$ 17,356	\$ 17,356	\$ 17,355	\$ 1
Cooperative extension program:				
Extension office	\$ 82,906	\$ 82,906	\$ 79,912	\$ 2,994
Total community development	<u>\$ 571,755</u>	<u>\$ 610,984</u>	<u>\$ 603,682</u>	<u>\$ 7,302</u>
Capital projects:				
Emergency Services Vehicle Storage	\$ 95,000	\$ 95,000	\$ 32,745	\$ 62,255
Courthouse improvements	300,000	346,600	173,636	172,964
North County Library	150,000	150,000	-	150,000
Buchanan Park	300,000	301,000	139,224	161,776
Botetourt County Museum	45,000	45,000	43,904	1,096
Industrial site development	50,000	50,000	49,253	747
Public safety building	-	15,151,331	14,525,228	626,103
Recreation facility (Greenfield park)	1,800,000	3,903,472	3,868,113	35,359
Solid Waste Transfer Station	775,000	775,000	54,435	720,565
Total capital projects	<u>\$ 3,515,000</u>	<u>\$ 20,817,403</u>	<u>\$ 18,886,538</u>	<u>\$ 1,930,865</u>
Debt service:				
Principal retirement	\$ 1,898,887	\$ 1,898,887	\$ 1,898,887	\$ -
Interest and other fiscal charges	2,461,806	2,481,806	2,355,943	125,863
Total debt service	<u>\$ 4,360,693</u>	<u>\$ 4,380,693</u>	<u>\$ 4,254,830</u>	<u>\$ 125,863</u>
Total General Fund	<u>\$ 47,874,181</u>	<u>\$ 67,014,932</u>	<u>\$ 62,940,334</u>	<u>\$ 4,074,598</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

<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>
Capital Projects Fund:				
Capital Projects Fund				
Capital projects expenditures:				
Acquisition and improvement of schools	\$ -	\$ 15,101,882	\$ 12,630,373	\$ 2,471,509
Total Capital Projects Fund	\$ -	\$ 15,101,882	\$ 12,630,373	\$ 2,471,509
Total Primary Government	\$ 47,874,181	\$ 82,116,814	\$ 75,570,707	\$ 6,546,107
Discretely Presented Component Unit - School Board				
Special revenue funds:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 1,943,097	\$ 1,943,097	\$ 1,774,355	\$ 168,742
Instruction costs:				
Instructional costs	\$ 34,887,825	\$ 34,887,825	\$ 33,749,137	\$ 1,138,688
Operating costs:				
Pupil transportation	\$ 2,881,753	\$ 2,884,826	\$ 2,375,051	\$ 509,775
Operation and maintenance of school plant	3,967,875	3,967,875	4,489,575	(521,700)
School food service	1,143,925	1,143,925	2,001,439	(857,514)
Facilities	800,000	800,000	911,419	(111,419)
Technology	1,446,284	1,446,284	1,772,856	(326,572)
Total operating costs	\$ 10,239,837	\$ 10,242,910	\$ 11,550,340	\$ (1,307,430)
Total education	\$ 47,070,759	\$ 47,073,832	\$ 47,073,832	\$ -
Total School Fund	\$ 47,070,759	\$ 47,073,832	\$ 47,073,832	\$ -
Total Discretely Presented Component Unit - School Board	\$ 47,070,759	\$ 47,073,832	\$ 47,073,832	\$ -

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

Statistical Section

Statistical Section

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

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

Table 1

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 6,195,850	\$ 7,141,095	\$ 8,692,418	\$ 12,273,356	\$ 18,097,591
Restricted	118,523	144,886	116,975	676,265	666,969
Unrestricted	<u>3,966,387</u>	<u>6,463,347</u>	<u>10,173,008</u>	<u>12,591,897</u>	<u>20,068,496</u>
Total governmental activities net assets	<u>\$ 10,280,760</u>	<u>\$ 13,749,328</u>	<u>\$ 18,982,401</u>	<u>\$ 25,541,518</u>	<u>\$ 38,833,056</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 7,853,689	\$ 7,519,539	\$ 8,841,644	\$ 8,909,696	\$ 10,031,502
Unrestricted	<u>1,393,862</u>	<u>2,035,410</u>	<u>1,340,450</u>	<u>1,401,069</u>	<u>295,498</u>
Total business-type activities net assets	<u>\$ 9,247,551</u>	<u>\$ 9,554,949</u>	<u>\$ 10,182,094</u>	<u>\$ 10,310,765</u>	<u>\$ 10,327,000</u>
Primary government					
Invested in capital assets, net of related debt	\$ 14,049,539	\$ 14,660,634	\$ 17,534,062	\$ 21,183,052	\$ 28,129,093
Restricted	118,523	144,886	116,975	676,265	666,969
Unrestricted	<u>5,360,249</u>	<u>8,498,757</u>	<u>12,339,079</u>	<u>20,159,914</u>	<u>20,363,994</u>
Total primary government net assets	<u>\$ 19,528,311</u>	<u>\$ 23,304,277</u>	<u>\$ 29,990,116</u>	<u>\$ 42,019,231</u>	<u>\$ 49,160,056</u>

Note: Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34.

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 2,012,402	\$ 2,230,461	\$ 2,396,259	\$ 2,623,963	\$ 2,474,879
Judicial administration	606,205	850,225	898,610	1,007,505	1,247,810
Public safety	6,460,243	6,800,812	7,214,325	7,541,698	9,005,396
Public works	2,196,276	1,634,166	1,087,768	(342,596)	2,094,816
Health and welfare	2,550,130	2,964,610	3,089,866	3,078,876	3,155,210
Education	16,570,067	17,302,062	16,869,552	19,071,338	18,891,746
Parks, recreation and cultural	1,324,480	1,349,839	1,708,618	1,756,571	2,172,778
Community development	466,355	802,821	1,022,648	564,789	582,609
Interest on long-term debt	1,075,768	1,014,329	949,361	1,081,456	2,712,171
Total governmental activities expenses	\$ 33,261,926	\$ 34,949,325	\$ 35,237,007	\$ 36,383,600	\$ 42,337,415
Business-type activities:					
Water	\$ 1,691,872	\$ 1,490,662	\$ 1,524,165	\$ 2,035,296	\$ 2,095,311
Total primary government expenses	\$ 34,953,798	\$ 36,439,987	\$ 36,761,172	\$ 38,418,896	\$ 44,432,726
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 801	\$ 10,104	\$ -	\$ 2,220	\$ 1,090
Judicial administration	209,353	336,028	222,281	337,141	304,025
Public safety	111,999	687,202	574,937	624,263	541,492
Public works	763,073	670,364	874,485	853,104	1,255,980
Parks, recreation and cultural	16,524	9,007	28,141	30,786	61,788
Community development	-	-	-	-	39,582
Operating grants and contributions	4,485,440	4,844,407	5,527,195	5,884,760	5,813,858
Capital grants and contributions	-	-	825,621	5,341,327	833,052
Total governmental activities program revenues	\$ 5,587,190	\$ 6,557,112	\$ 8,052,660	\$ 13,073,601	\$ 8,850,867
Business-type activities:					
Charges for services:					
Water	\$ 1,299,743	\$ 1,730,084	\$ 1,844,364	\$ 1,903,624	\$ 1,965,855
Operating grants and contributions	-	123,452	-	-	-
Capital grants and contributions	-	-	242,320	184,415	14,270
Total business-type activities program revenues	\$ 1,299,743	\$ 1,853,536	\$ 2,086,684	\$ 2,088,039	\$ 1,980,125
Total primary government program revenues	\$ 6,886,933	\$ 8,410,648	\$ 10,139,344	\$ 15,161,640	\$ 10,830,992
Net (expense) / revenue					
Governmental activities	\$ (27,674,736)	\$ (28,392,213)	\$ (27,184,347)	\$ (23,309,999)	\$ (33,486,548)
Business-type activities	(392,129)	362,874	562,519	52,743	(115,186)
Total primary government net expense	\$ (28,066,865)	\$ (28,029,339)	\$ (26,621,828)	\$ (23,257,256)	\$ (33,601,734)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 21,118,883	\$ 21,511,158	\$ 21,959,664	\$ 22,943,504	\$ 26,540,984
Local sales and use taxes	1,627,979	1,902,149	1,907,016	2,043,136	2,120,627
Taxes on recordation and wills	226,569	269,075	345,583	610,881	453,586
Motor vehicle licenses taxes	654,769	672,656	694,280	715,817	718,797
Consumer utility taxes	496,838	722,673	1,097,302	1,114,597	946,172
Business licenses taxes	479,334	591,582	717,265	761,213	780,498
Other local taxes	2,004,431	1,743,015	1,648,434	1,829,180	2,133,704
Unrestricted grants and contributions	3,598,245	3,815,309	3,684,929	3,330,507	3,990,504

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities: (Continued)					
Unrestricted revenues from use of money and property	331,740	270,904	760,822	1,247,708	2,661,235
Miscellaneous	446,480	283,959	270,663	628,389	334,911
Transfers	(271,103)	78,302	(30,875)	(14,489)	(69,880)
Total governmental activities	\$ 30,714,165	\$ 31,860,782	\$ 33,055,083	\$ 35,210,443	\$ 40,611,138
Business-type activities:					
Unrestricted revenues from use of money and property	\$ 19,199	\$ 16,950	\$ 33,751	\$ 61,439	\$ 61,541
Miscellaneous	2,107	5,876	-	-	-
Transfers	271,103	(78,302)	30,875	14,489	69,880
Total business-type activities	\$ 292,409	\$ (55,476)	\$ 64,626	\$ 75,928	\$ 131,421
Total primary government	\$ 31,006,574	\$ 31,805,306	\$ 33,119,709	\$ 35,286,371	\$ 40,742,559
Change in Net Assets					
Governmental activities	\$ 3,039,429	\$ 3,468,569	\$ 5,870,736	\$ 11,900,444	\$ 7,124,590
Business-type activities	(99,720)	307,398	627,145	128,671	16,235
Total primary government	\$ 2,939,709	\$ 3,775,967	\$ 6,497,881	\$ 12,029,115	\$ 7,140,825

Note: Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34.

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Record-ation and Wills Tax	Business License Tax	Restaurant Food Tax	Other Local Taxes	Total
2007	\$ 26,540,984	\$ 2,120,627	\$ 946,172	\$ 718,797	\$ 453,586	\$ 780,498	\$ 1,074,307	\$ 1,059,397	\$ 33,694,368
2006	22,943,504	2,043,136	1,114,597	715,817	610,881	761,213	996,577	832,603	30,018,328
2005	21,959,664	1,907,016	1,097,302	694,280	345,583	717,265	934,270	714,164	28,369,544
2004	21,511,158	1,902,149	722,673	672,656	269,075	591,582	926,064	816,951	27,412,308
2003	21,118,883	1,627,979	496,838	654,769	226,569	479,334	813,560	889,137	26,307,069

Note: Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34.

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,523	\$ 144,886	\$ 116,975	\$ 18,610,318	\$ 4,884,335
Unreserved	12,508,622	11,141,787	5,389,261	5,464,978	7,990,176	10,429,369	13,076,070	16,199,075	16,603,564	17,669,312
Total general fund	\$ 12,508,622	\$ 11,141,787	\$ 5,389,261	\$ 5,464,978	\$ 7,990,176	\$ 10,547,892	\$ 13,220,956	\$ 16,316,050	\$ 35,213,882	\$ 22,553,647
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,695,671	\$ 1,441,807
Unreserved, reported in:										
Special revenue funds	49,460	101,995	47,316	45,945	100,452	-	-	-	-	-
Capital projects funds	1,814,615	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 1,864,075	\$ 101,995	\$ 47,316	\$ 45,945	\$ 100,452	\$ -	\$ -	\$ -	\$ 13,695,671	\$ 1,441,807

COUNTY OF BOTETOURT, VIRGINIA

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
General property taxes	\$ 15,300,418	\$ 18,350,128	\$ 17,921,721	\$ 18,158,809	\$ 18,529,587	\$ 21,108,596	\$ 21,469,051	\$ 21,996,002	\$ 22,902,166	\$ 26,407,115
Other local taxes	4,095,901	4,423,004	4,626,717	4,944,374	5,012,489	5,188,186	5,901,150	6,409,880	7,074,824	7,153,384
Permits, privilege fees and regulatory licenses	258,831	287,655	301,536	266,197	243,482	301,734	543,063	436,836	537,885	410,932
Fines and forfeitures	92,532	112,931	129,340	194,520	174,778	169,024	170,769	213,182	116,066	132,611
Revenue from use of money and property	1,108,036	981,628	817,301	754,602	342,864	331,740	270,904	760,822	1,247,708	2,661,235
Charges for services	435,573	465,449	521,900	548,034	549,659	932,726	998,873	1,049,826	1,193,560	1,660,415
Miscellaneous	260,460	145,038	167,787	274,327	159,766	446,480	309,235	270,663	661,263	334,911
Recovered costs	450,738	396,349	411,315	562,933	583,765	309,381	329,355	441,512	1,079,791	1,328,471
Intergovernmental:										
Commonwealth	2,952,886	3,370,195	5,478,991	6,294,798	7,607,499	7,211,333	7,663,789	9,041,764	13,444,276	9,677,832
Federal	670,605	734,734	1,124,784	784,031	1,000,360	872,352	995,927	995,981	1,112,318	959,582
Total revenues	\$ 25,625,980	\$ 29,267,111	\$ 31,501,392	\$ 32,782,625	\$ 34,204,249	\$ 36,871,552	\$ 38,652,116	\$ 41,616,468	\$ 49,369,857	\$ 50,726,488
Expenditures										
General government administration	\$ 1,639,978	\$ 1,446,035	\$ 1,548,460	\$ 2,057,108	\$ 2,018,660	\$ 1,889,219	\$ 2,060,828	\$ 2,350,299	\$ 2,591,998	\$ 2,666,089
Judicial administration	443,077	438,885	518,527	547,335	567,154	601,548	843,482	891,129	1,006,931	1,253,243
Public safety	4,286,861	5,075,585	5,444,336	5,917,742	6,578,673	6,691,120	7,003,462	7,382,662	8,199,518	9,814,152
Public works	1,198,205	937,690	1,274,190	1,057,466	1,376,391	1,590,427	1,435,431	1,677,815	1,571,094	1,724,833
Health and welfare	1,754,560	2,005,697	2,067,878	2,089,337	2,565,915	2,548,996	2,957,939	3,135,064	3,127,959	3,219,915
Education	14,445	3,075	2,665	10,125	10,830	15,901,919	16,194,823	16,226,404	18,428,189	18,248,597
Parks, recreation and cultural	1,066,773	967,275	1,109,682	1,244,587	1,326,099	1,414,061	1,563,106	1,685,404	1,733,989	2,268,455
Community development	474,581	491,363	1,752,468	296,125	355,147	467,517	799,379	1,020,840	731,012	603,682
Capital projects	5,126,094	7,763,156	7,513,370	1,244,312	808,094	744,708	239,276	1,429,944	10,802,412	31,516,911
Debt service										
Principal	875,805	964,556	933,504	937,659	-	1,905,688	1,905,711	1,891,773	1,898,541	1,898,887
Bond issuance cost	-	-	-	-	-	-	-	-	157,398	-
Interest and other fiscal charges	1,121,396	815,910	801,663	919,066	57,194	1,113,506	1,050,735	987,125	951,619	2,355,943
Total expenditures	\$ 18,001,775	\$ 20,909,227	\$ 22,966,743	\$ 16,320,862	\$ 15,664,157	\$ 34,868,709	\$ 36,054,172	\$ 38,678,459	\$ 51,200,660	\$ 75,570,707
Excess of revenues over (under) expenditures	\$ 7,624,205	\$ 8,357,884	\$ 8,534,649	\$ 16,461,763	\$ 18,540,092	\$ 2,002,843	\$ 2,597,944	\$ 2,938,009	\$ (1,830,803)	\$ (24,844,219)
Other financing sources (uses)										
Transfers in	\$ 70,157	\$ 814,275	\$ -	\$ -	\$ 843,413	\$ 250	\$ 175,020	\$ -	\$ -	\$ -
Transfers out	(11,483,784)	(12,301,074)	(14,471,874)	(16,387,417)	(16,803,800)	(271,103)	(99,900)	(30,875)	(14,489)	(69,880)
Proceeds of general obligation bonds	-	-	-	-	-	-	-	-	33,460,000	-
Proceeds of literary loans	-	-	-	-	-	611,600	-	-	-	-
Proceeds of revenue anticipation notes	-	-	-	-	-	-	-	825,621	-	-
Refunding bonds issued	6,660,000	-	-	-	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-	-	-	978,795	-

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Other financing sources (uses) (Continued)										
Payments to refunded bond escrow agent	(6,530,396)	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	130,020	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ (11,284,023)	\$ (11,486,799)	\$ (14,341,854)	\$ (16,387,417)	\$ (15,960,387)	\$ 340,747	\$ 75,120	\$ 794,746	\$ 34,424,306	\$ (69,880)
Net change in fund balances	\$ (3,659,818)	\$ (3,128,915)	\$ (5,807,205)	\$ 74,346	\$ 2,579,705	\$ 2,343,590	\$ 2,673,064	\$ 3,732,755	\$ 32,593,503	\$ (24,914,099)
Debt service as a percentage of noncapital expenditures	15.51%	13.54%	11.23%	12.32%	0.38%	8.85%	8.25%	7.73%	7.06%	9.66%

Table 6

COUNTY OF BOTETOURT, VIRGINIA

General Governmental Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax		Recordation and Wills Tax	Business License Tax	Other Local Taxes	Total
				Vehicle License Tax	Motor Vehicle License Tax				
2007	\$ 26,407,115	\$ 2,120,627	\$ 787,430	\$ 718,797	\$ 453,586	\$ 780,498	\$ 2,292,446	\$ 33,560,499	
2006	22,902,166	2,043,136	959,263	715,817	610,881	761,213	1,984,514	29,976,990	
2005	21,996,002	1,907,016	948,046	694,280	345,583	717,265	1,797,690	28,405,882	
2004	21,469,051	1,902,149	722,673	672,656	269,075	591,582	1,743,015	27,370,201	
2003	21,108,596	1,627,979	496,838	654,769	226,569	479,334	1,702,697	26,296,782	
2002	18,529,587	1,649,981	483,091	651,120	210,008	502,783	1,236,424	23,262,994	
2001	18,158,809	1,626,643	528,702	639,114	152,697	528,038	1,248,683	22,882,686	
2000	17,921,721	1,530,491	458,539	626,418	145,485	482,533	1,127,707	22,292,894	
1999	18,350,128	1,405,261	470,819	601,296	156,981	418,980	1,070,901	22,474,366	
1998	15,300,418	1,224,480	464,663	579,198	187,301	401,011	951,422	19,108,493	

Table 7

COUNTY OF BOTETOURT, VIRGINIA
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2007	\$ 2,833,082,150	\$ 310,621,094	\$ 7,700,260	\$ 151,870,890	\$ 133,877,838	\$ 3,437,152,232	\$ 3,437,152,232	100.00%
2006	2,186,686,112	289,638,810	8,033,414	153,638,605	135,301,326	2,773,298,267	2,773,298,267	100.00%
2005	2,139,938,316	256,968,546	8,158,314	146,973,693	142,625,259	2,694,664,128	2,694,664,128	100.00%
2004	2,085,489,629	257,232,958	8,321,274	136,994,597	153,383,435	2,641,421,893	2,641,421,893	100.00%
2003	2,035,695,125	280,283,007	9,730,292	130,338,657	160,027,136	2,616,074,217	2,616,074,217	100.00%
2002	1,712,528,114	237,877,380	9,907,597	124,340,420	135,333,628	2,219,987,139	2,219,987,139	100.00%
2001	1,649,675,453	225,736,869	10,134,387	106,572,560	134,704,812	2,126,824,081	2,126,824,081	100.00%
2000	1,565,997,892	223,546,051	10,904,797	98,166,878	135,186,550	2,033,802,168	2,033,802,168	100.00%
1999	1,552,387,876	312,285,079	n/a	n/a	134,173,857	1,998,846,812	1,998,846,812	100.00%
1998	1,151,125,979	275,901,956	n/a	n/a	105,024,830	1,532,052,765	1,532,052,765	100.00%

Note: Breakout of personal property taxes is not readily available prior to FY2000.

Source: Commissioner of Revenue

Table 8

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

Fiscal Years	Direct Rates				Overlapping Rates Town of Buchanan	
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Real Estate	Personal Property
2007	\$ 0.65	\$ 2.55	\$ 0.65	\$ 1.80	\$ 0.19	\$ 0.32
2006	0.70	2.55	0.70	1.80	0.19	0.32
2005	0.70	2.55	0.70	1.80	0.19	0.32
2004	0.70	2.55	0.70	1.80	0.19	0.32
2003	0.70	2.55	0.70	1.80	0.19	0.32
2002	0.70	2.55	0.70	1.80	0.19	0.32
2001	0.70	2.55	0.70	1.80	0.19	0.32
2000	0.70	2.55	0.70	1.80	0.19	0.32
1999	0.70	2.55	0.70	1.80	0.19	0.32
1998	0.75	1.80	0.75	1.80	0.19	0.32

(1) Per \$100 of assessed value

Table 9

COUNTY OF BOTETOURT, VIRGINIA

Principal Property Taxpayers

Current Year and the Period Nine Years Prior
(dollars in millions)

Taxpayer	Type Business	Fiscal Year 2007		Fiscal Year 2000	
		2006 Assessed Valuation	% of Total Assessed Valuation	1999 Assessed Valuation	% of Total Assessed Valuation
American Electric Power	Utility	\$ 65.8	1.79%	\$ 55.2	3.40%
Roanoke Cement	Manufacturing	44.9	1.22%	35.1	2.10%
Ntelos/R&B	Communications	26.8	0.73%	21.3	1.30%
Metalsa Roanoke	Manufacturing	15.8	0.43%	-	0.00%
JTEKT Automotive Virginia	Manufacturing	12.2	0.33%	-	0.00%
Dynax America Corporation	Manufacturing	9.9	0.27%	8.4	0.51%
Altec Industries	Manufacturing	9.1	0.25%	-	0.00%
Carilion Medical	Health Care	8.8	0.24%	1.3	0.08%
Harris Holdings	Real Estate	8.5	0.23%	-	0.00%
A.R. Overbay	Real Estate	7.6	0.21%	6.6	0.40%
		<u>\$ 209.4</u>	<u>5.70%</u>	<u>\$ 127.9</u>	<u>7.79%</u>

Note: For historical information FY2000 (1999 assessed information) was the earliest information readily available.

Source: Commissioner of Revenue

Table 10

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

Fiscal Year	Total Tax Levy for Fiscal Year	Total Collections		Percentage of Levy
		Amount		
2007	\$ 30,308,125	\$	29,797,613	98.32%
2006	26,240,340		26,107,882	99.50%
2005	25,088,385		24,910,666	99.29%
2004	24,770,764		24,498,317	98.90%
2003	24,046,201		23,934,427	99.54%
2002	21,153,271		21,271,228	100.56%
2001	20,083,992		19,943,260	99.30%
2000	19,156,700		18,860,746	98.46%
1999	17,974,143		18,146,304	100.96%
1998	15,266,910		15,149,178	99.23%

Table 11

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

Fiscal Years	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/Bonds	Capital Leases	Revenue Bonds	Bonds	Bonds	Bonds			
2007	\$ 43,993,111	\$ 9,049,323	\$ 7,000,000	-	\$ 8,758,931	\$ -	\$ -	\$ -	68,801,365	6.51%	\$ 2,129
2006	45,137,311	9,822,453	6,166,948	-	8,686,912	-	-	-	69,813,624	6.68%	2,182
2005	11,823,927	10,595,583	825,621	-	7,986,472	-	-	-	31,231,603	3.19%	987
2004	12,942,570	11,368,713	-	-	7,834,606	-	-	-	32,145,889	3.42%	1,027
2003	14,075,151	12,141,843	-	-	7,385,311	-	-	-	33,602,305	3.65%	1,084
2002	13,079,762	12,311,843	-	-	7,611,356	-	-	-	33,002,961	3.53%	1,075
2001	14,026,793	13,093,443	-	-	7,847,877	-	-	-	34,968,113	3.98%	1,146
2000	14,964,452	6,046,243	-	7,500,000	8,076,239	-	-	-	36,586,934	4.40%	1,200
1999	15,897,956	6,512,443	-	7,500,000	8,021,649	-	-	-	37,932,048	4.79%	1,259
1998	16,862,512	1,741,143	-	5,000,000	6,858,544	-	-	-	30,462,199	4.23%	1,033

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

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

Table 12

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2007	\$ 53,042,434	-	\$ 53,042,434	1.54%	\$ 1,641
2006	54,959,764	-	54,959,764	1.98%	1,718
2005	23,245,131	-	23,245,131	0.86%	734
2004	24,311,283	-	24,311,283	0.92%	777
2003	26,216,994	-	26,216,994	1.00%	846
2002	27,511,082	-	27,511,082	1.24%	896
2001	29,410,700	-	29,410,700	1.38%	964
2000	23,575,827	-	23,575,827	1.16%	773
1999	25,254,019	-	25,254,019	1.26%	838
1998	19,898,567	-	19,898,567	1.30%	675

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

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

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans, and excludes revenue bonds, capital leases, and compensated absences. Excludes grant anticipation note, which is not supported by taxpayer receipts.

COUNTY OF BOTETOURT, VIRGINIA
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2007

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Town of Troutville	\$ -	100%	\$ -
Debt repaid with property taxes: Town of Fincastle	18,750	100%	18,750
Debt repaid with property taxes: Town of Buchanan	-	100%	-
Subtotal, overlapping debt			<u>\$ 18,750</u>
County of Botetourt, direct debt			<u>\$ 60,042,434</u>
Total direct and overlapping debt			<u><u>\$ 60,061,184</u></u>

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

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

Table 14

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 154,345,671	\$ 201,270,582	\$ 217,481,617	\$ 226,803,478	\$ 238,506,624	\$ 281,445,247	\$ 284,258,374	\$ 289,726,978	\$ 297,731,822	\$ 367,940,803
Total net debt applicable to limit	19,898,567	25,254,019	23,575,827	29,410,700	27,511,082	26,216,984	24,311,283	23,245,131	60,147,917	59,082,082
Legal debt margin	\$ 134,447,104	\$ 176,016,563	\$ 193,905,790	\$ 197,392,778	\$ 210,995,542	\$ 255,228,263	\$ 259,947,091	\$ 266,481,847	\$ 237,583,905	\$ 308,858,721
Total net debt applicable to the limit as a percentage of debt limit	12.89%	12.55%	10.84%	12.97%	11.53%	9.32%	8.55%	8.02%	20.20%	16.06%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 3,437,152,232
Add back: exempt real property	242,255,800
Total assessed value	\$ 3,679,408,032
Debt limit (10% of total assessed value)	\$ 367,940,803
Net debt applicable to limit	59,082,082
Legal debt margin	\$ 308,858,721

Table 15

COUNTY OF BOTETOURT, VIRGINIA

Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	3,695,574	1,274,548	2,421,026	308,340	297,595	4.00
2006	3,686,707	1,165,587	2,521,120	179,807	194,610	6.73
2005	4,154,552	658,558	3,495,994	1,014,542	355,444	2.55
2004	3,243,629	623,053	2,620,576	309,805	354,306	3.95
2003	2,903,111	797,004	2,106,107	253,044	380,907	3.32
2002	3,165,592	626,156	2,539,436	238,090	395,225	4.01
2001	3,223,702	725,321	2,498,381	228,362	396,156	4.00
2000	3,293,606	655,039	2,638,567	178,316	531,320	3.72
1999	3,599,590	604,372	2,995,218	149,225	277,767	7.01
1998	6,364,677	562,032	5,802,645	-	296,515	19.57

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

Table 16

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

Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2007	32,321	\$ 1,056,670	\$ 32,693	44.8	4,867	2.53%
2006	31,991	1,045,882	32,693	44.8	4,819	2.60%
2005	31,657	978,771	30,918	44.8	4,767	3.00%
2004	31,300	941,222	30,071	44.0	4,742	2.90%
2003	31,000	920,483	29,693	43.2	4,701	3.40%
2002	30,700	933,771	30,416	42.3	4,695	3.30%
2001	30,500	878,614	28,807	41.5	4,612	2.00%
2000	30,496	830,894	27,246	40.7	4,551	1.70%
1999	30,138	792,418	26,293	40.4	4,611	2.10%
1998	29,497	720,966	24,442	40.0	4,623	2.30%

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

Income Source: U.S. Census Bureau (most recent year not available)

Median Age figures are estimates using year 2000 (provided by U.S. Census Bureau) as benchmark

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

Unemployment Rate Source: Virginia Employment Commission

Table 17

COUNTY OF BOTETOURT, VIRGINIA

Principal Employers

Current Year and Nine Years Ago

Employer	Fiscal Year 2007			Fiscal Year 1998	
	Employees	Rank	% of Total County Employment	Employees	% of Total County Employment
Botetourt County Public Schools	769	1	8.00%	632	9.28%
Dynax America Corporation	355	2	3.69%	21	0.31%
JTEKT Automotive Virginia, Inc.	273	3	2.84%	0	0.00%
Botetourt County Government	267	4	2.78%	167	2.45%
Metalsa Roanoke	250	5	2.60%	70	1.03%
Lanford Brothers	244	6	2.54%	186	2.73%
Altec Industries	240	7	2.50%	0	0.00%
Roanoke Cement	211	8	2.20%	192	2.82%
Gala Industries	208	9	2.16%	213	3.13%
Pepsi Cola Bottling Company	201	10	2.09%	163	2.39%
Lawrence Transportation System	195	11	2.03%	136	2.00%
O'Neal Steel, Inc.	193	12	2.01%	130	1.91%
nTelos	163	13	1.70%	53	0.78%
Arkay Packaging	156	14	1.62%	50	0.73%
General Shale Products	150	15	1.56%	120	1.76%
Virginia Truck Center	125	16	1.30%	87	1.28%
Tread Corporation	117	17	1.22%	0	0.00%
Groendyk Manufacturing, Inc.	84	18	0.87%	89	1.31%
O-N Minerals James River	76	19	0.79%	111	1.63%
Virginia Forge	60	20	0.62%	26	0.38%
Totals	<u>4,337</u>		<u>45.12%</u>	<u>2,446</u>	<u>35.93%</u>

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

Table 18

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

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government	23	23	25	25	25	25	26	26	26	27
Judicial administration	7	7	7	7	7	7	12	12	13	15
Public safety:										
Sheriffs department	65	72	81	82	83	87	87	87	87	103
Fire & rescue	0	0	0	0	2	2	4	5	9	10
Building inspections	5	5	6	6	6	6	6	6	6	6
Animal control	1	2	2	2	2	2	2	3	3	3
GIS / Communications	1	1	1	1	1	1	2	2	2	2
Public works:										
Utilities	4	4	5	5	6	7	7	8	8	8
General maintenance	3	4	4	4	4	5	5	5	5	5
Landfill	6	6	6	6	6	6	6	6	6	5
Engineering	3	3	3	3	3	3	4	4	4	4
Health and welfare:										
Department of social services	16	18	18	18	18	18	18	18	18	18
Comprehensive Services	0	0	0	0	0	0	0	1	1	1
Culture and recreation:										
Parks and recreation	6	6	7	10	10	11	12	13	13	16
Library	10	11	11	11	11	11	12	12	12	13
Tourism / Marketing	0	0	0	0	0	0	0	0	1	1
Community development:										
Planning	3	3	3	3	3	3	3	3	4	4
Totals	<u>153</u>	<u>165</u>	<u>179</u>	<u>183</u>	<u>187</u>	<u>194</u>	<u>206</u>	<u>211</u>	<u>218</u>	<u>241</u>

Source: Individual county departments

Table 19

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

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public safety										
Sheriffs department:										
Physical arrests	1,283	1,685	1,870	1,929	1,880	1,887	2,162	2,565	2,756	2,612
Traffic violations	n/a	n/a	n/a	n/a	3,183	2,838	3,082	3,582	3,494	3,219
Civil papers	6,346	6,709	7,070	7,681	7,871	8,057	8,244	7,906	7,770	6,905
Fire and rescue:										
Number of calls answered	n/a	n/a	n/a	n/a	n/a	4,211	4,673	4,186	4,582	4,956
Building inspections:										
Permits issued (same as Planning)	925	896	865	623	663	634	789	627	740	667
Animal control:										
Number of calls answered	n/a	1,127	1,129	1,371	1,634	1,815	2,507	3,079	3,118	3,484
Public works										
General maintenance:										
Trucks/vehicles	2	3	3	3	3	3	3	3	3	3
Landfill:										
Refuse collected (tons/day)	82	83	91	94	95	90	95	99	107	110
Recycling (tons/day)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	29	33	21
Health and welfare										
Department of Social Services:										
Caseload	n/a	n/a	n/a	n/a	n/a	n/a	1,786	2,300	2,585	2,389
Culture and recreation										
Parks and recreation:										
Recreation permits issued	n/a	n/a	n/a	n/a	n/a	n/a	n/a	70	71	78
After-school program participants	-	-	-	-	-	-	-	-	-	-
Youth sports participants	2,925	2,945	2,972	2,765	2,976	2,898	2,924	2,717	2,953	3,311
Community development										
Planning:										
Zoning permits issued	925	896	865	623	663	634	789	627	740	667
Component Unit - School Board										
Education:										
School age population (per census)	n/a	5,956	n/a	n/a	6,028	n/a	n/a	6,224	n/a	n/a
Number of teachers	344	347	362	367	371	371	376	375	387	400
Local expenditures per pupil	3,863	4,512	4,698	5,438	3,766	3,535	3,860	3,779	4,258	4,275

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

Table 20

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

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Administration buildings	2	2	2	3	3	3	3	3	3	3
Vehicles	3	3	3	3	4	4	3	3	4	4
Public safety										
Sheriffs department:										
Patrol units	n/a	n/a	n/a	n/a	49	48	48	48	48	49
Other vehicles	n/a	n/a	n/a	n/a	8	11	12	10	12	12
Building inspections:										
Vehicles	3	3	4	4	4	4	4	4	4	4
Animal control:										
Vehicles	2	2	2	2	2	2	3	3	3	3
Public works										
General maintenance:										
Trucks/vehicles	2	3	3	3	3	3	3	3	3	3
Landfill:										
Vehicles	11	12	12	12	12	12	12	12	12	1
Equipment	6	7	7	7	7	9	9	9	9	9
Sites	2	2	2	2	2	2	2	2	2	2
Health and welfare										
Department of Social Services:										
Vehicles	-	-	-	-	-	-	-	-	-	-
Culture and recreation										
Parks and recreation:										
Community centers	3	0	3	3	3	3	2	2	2	2
Vehicles	9	9	9	10	11	11	11	12	12	11
Parks acreage	20	20	20	20	20	20	20	20	158	158
Swimming pools	-	-	-	-	-	-	-	-	-	-
Tennis courts	2	2	2	2	2	2	2	2	2	2
Community development										
Planning:										
Vehicles	2	2	2	2	2	2	2	2	2	2
Component Unit - School Board										
Education:										
Schools	11	11	11	12	12	12	12	12	12	12
School buses	73	78	74	74	75	75	74	79	77	82

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Botetourt, Virginia as of and for the year ended June 30, 2007, and have issued our report thereon dated November 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings, responses and questioned costs (reference 2007-1, 2007-2, 2007-3, 2007-4) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1, 2007-2, 2007-3 and 2007-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Botetourt, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings, responses and questioned costs as items 2007-3 and 2007-4.

We noted certain matters that we reported to management of the County of Botetourt, Virginia in a separate letter dated November 14, 2007.

The County of Botetourt, Virginia's responses to the findings identified in our audit are described in the accompanying schedule of findings, responses and questioned costs. We did not audit the County of Botetourt, Virginia's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of members of the Board, management, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, James. Co. Associates

Christiansburg, Virginia
November 14, 2007

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the County of Botetourt, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County of Botetourt, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, responses and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Botetourt, Virginia's management. Our responsibility is to express an opinion on County of Botetourt, Virginia's compliance based on our audit.

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

In our opinion, the County of Botetourt, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Robinson, Farmer, Cox Associates

Christiansburg, Virginia

November 14, 2007

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal Catalogue Number	Federal Awards
DEPARTMENT OF AGRICULTURE:		
Pass Through Payments:		
<i>State Department of Agriculture:</i>		
Food Distribution-Schools (Note 2)	10.555	\$ 115,403
<i>Department of Social Services:</i>		
State Administrative Matching Grants for Food Stamp Program	10.561	120,857
<i>Department of Education:</i>		
School Breakfast Program	10.553	61,873
National School Lunch Program	10.555	333,355
Forest Reserve Funds	10.665	44,994
Total Department of Agriculture		<u>\$ 676,482</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass Through Payments:		
<i>Department of Social Services:</i>		
Family Support Services	93.556	\$ 16,264
Temporary Assistance to Needy Families	93.558	71,867
Refugee and Entrant Assistance	93.566	89
Low Income Energy Assistance	93.568	8,161
Payments to States for Child Care Assistance	93.575	89,719
Child Care and Development Fund	93.596	95,199
Foster Care	93.658	142,524
Adoption Assistance	93.659	14,380
Social Services Block Grant	93.667	138,589
Chafee Foster Care Independence Fund	93.674	4,928
State Children's Insurance Program	93.767	192
Medical Assistance Program	93.778	89,884
Chafee Education & Training Vouchers	93.599	192
Total Department of Health and Human Services		<u>\$ 671,988</u>
U. S. DEPARTMENT OF HOMELAND SECURITY:		
Pass Through Payments:		
<i>Department of Emergency Management:</i>		
State Homeland Security Grant Program	97.004	<u>\$ 63,045</u>

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal Catalogue Number	Federal Awards
DEPARTMENT OF JUSTICE:		
Pass Through Payments:		
<i>Department of Criminal Justice Services:</i>		
Local Law Enforcement Block Grant	16.592	\$ 804
DEPARTMENT OF TRANSPORTATION:		
Pass Through Payments:		
<i>Department of Motor Vehicles:</i>		
State and Community Highway Safety	20.600	\$ 2,068
Occupant Protection	20.602	998
154 Transfer Funds	20.607	1,869
Total Department of Transportation		<u>\$ 4,935</u>
ENVIRONMENTAL PROTECTION AGENCY:		
Pass Through Payments:		
<i>Virginia Resources Authority:</i>		
Capitalization Grants for State Revolving Funds	66.458	<u>\$ 304,032</u>
DEPARTMENT OF EDUCATION:		
Pass Through Payments:		
<i>Department of Education:</i>		
Adult Basic Education	84.002	\$ 15,786
Title I Grants to Local Educational Agencies	84.010	391,941
Special Education-Grants to States (Title VI-B)	84.027	1,172,929
Vocational Education-Basic Grants to States	84.048	55,169
Special Education-Preschool Grant to States	84.173	34,092
Drug-Free Schools and Communities-State Grants	84.186	16,700
Emergency Impact Aid	84.938	2,475
Title IV - Part B	84.287	4,273
Innovative Education Program Strategies	84.298	754
NCLB - Title II Part D - Technology Literacy Challenge Fund Grants	84.318	14,771
Language Acquisition Grant	84.365	770
Improving Teacher Quality	84.367	124,180
Total Department of Education		<u>\$ 1,833,840</u>
Total Federal Financial Assistance		<u>\$ 3,555,126</u>

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

NOTE 1--BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Botetourt, Virginia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 -- Food Distribution

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

Note 3 -- 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	\$ 861,629
Utility Fund-VRA loan proceeds	<u>304,032</u>
Total primary government	<u>\$ 1,165,661</u>
Component Unit Schools:	
School Operating Fund	\$ 2,274,062
Add: Non-cash expenditures - value of donated commodities	<u>115,403</u>
Total Component Unit Schools	<u>\$ 2,389,465</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 3,555,126</u></u>

County of Botetourt, Virginia

Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No
Identification of major programs:	

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster

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

County of Botetourt, Virginia

Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2007

Section II - Financial Statement Findings

2007-1

Condition: The auditee's accounting system consists of a revenue ledger and expenditure ledger. The aforementioned ledgers are reconciled with a manual general ledger system. The three stand alone systems are not integrated and as such do not support posting end of the year adjustments as required by Generally Accepted Accounting Principles. As a result, the auditee prepares manual lists of all end of the year accrual entries and relies on the auditors to process same through their trial balance software.

Criteria: Per Statement on Auditing Standards 112, an auditee should have sufficient expertise in the selection and application of accounting principles used in the preparation of the annual financial report. In addition, the auditee should have sufficient internal controls over the preparation of financial statements in accordance with Generally Accepted Accounting Principles. Furthermore, reliance on the auditors to post such transactions is not a component of internal controls.

Effect: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Management's Response: Management is dedicated to complying with the concepts set forth in Statement on Auditing Standards 112 and has committed to hire an accounting consultant to assist in implementing programs and procedures necessary to comply with same.

County of Botetourt, Virginia

Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2007

2007-2

Condition: Currently the County does not segregate the billing and collection functions for landfill, water and sewer charges.

Criteria: A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.

Effect: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Management's

Response: Management acknowledges that the revenues generated by the aforementioned activities continue to grow at an accelerated pace and controls should be established to adequately protect these resources. Currently the County is considering outsourcing the collection function to a local bank or to the County Treasurer.

2007-3

Condition: The School Board issued checks prior to June 30, 2007 for goods the School Board did not receive until several weeks after the fiscal year closed. The School Board issued these checks prior to receiving a valid claim and verifying that the related assets had been received.

Criteria: The Code of Virginia, 1950 as amended states in section 15.2-1244 "No county governing body shall order any warrant issued for any purpose other than the payment of a claim received, audited and approved as required by § 15.2-1243" In addition Code Section 22.1-122 states "The acts prohibited by § 15.2-1244 with respect to the ordering of the issuance of warrants by a board of supervisors and the signing and countersigning of such warrants by the clerk, deputy clerk, chairman, and vice-chairman of such board shall apply to the ordering of the issuance of warrants by a school board and to the signing and countersigning thereof by the chairman, vice-chairman, clerk, deputy clerk, agent and deputy agent of the school board."

Effect: The School System violated the aforementioned Code Sections and overstated expenses for the fiscal years ending June 30, 2006 and June 30, 2007

Management's

Response: The school component representatives responsible for the recording of expenses, upon being notified of the overstatement and the related Code section, recognize the overstatement and have taken the appropriate corrective measures with respect to expense reporting for future fiscal years.

County of Botetourt, Virginia

Schedule of Findings, Responses and Questioned Costs Year Ended June 30, 2007

2007-4

Condition: On June 29, 2007, The School System advanced funds to individual Schools for use in the 2007/2008 fiscal year. These funds were not spent or returned to the School System by June 30, 2007.

Criteria: Per the Code of Virginia, 1950 as amended section 22.1-122.1, unspent funds advanced to individual schools should be returned to the School Operating Fund at the end of the fiscal year.

Effect: The School System violated the aforementioned Code Section and overstated expenses for the fiscal year ending June 30, 2006 and June 30, 2007.

Management's

Response: The school component representatives responsible for the recording of expenses, upon being notified of the overstatement and the related Code section, recognize the overstatement and have taken the appropriate corrective measures with respect to expense reporting for future fiscal years.

Section III - Federal Award Findings and Questioned Costs

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