

COUNTY OF BOTETOURT, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010

Prepared By:
Department of Financial Services

COUNTY OF BOTETOURT, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2010

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INTRODUCTORY SECTION



Botetourt County, Virginia

Board of Supervisors

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

November 20, 2010

Board of Supervisors

Terry L. Austin
Chairman

Stephen P. Clinton
Vice Chairman

Don A. Assaid

Billy W. Martin, Sr.

Donna P. Vaughn

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

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2010. 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 five fiscal years.

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, 2010. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of Botetourt County

The County of Botetourt was founded in 1770 and named for Lord Botetourt, Governor of Virginia. After the Revolutionary War, the County's jurisdiction extended to the Mississippi River, encompassing what is now West Virginia, Kentucky, Ohio, Indiana, and part of Illinois. Today, Botetourt County is located along Interstate 81, within easy access to Interstate 64, in the west central portion of Virginia in the Roanoke Valley, between the Blue Ridge and Allegheny Mountains. It is 233 miles southwest of the nation's capital, Washington D.C., 176 miles west of the state capital, Richmond, and is close to the City of Roanoke. Botetourt County consists of 548 square miles and is part of the Roanoke Metropolitan Statistical Area (MSA). The County of Botetourt is a political subdivision of the Commonwealth of Virginia that is administered by a five member Board of Supervisors and has a County Administrator to oversee its general administration.

The County provides a full range of services, including police protection, 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 related 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 an updated U. S. Census Bureau estimate, Botetourt County's 2009 population was 33,150, representing a 9% increase since the 2000 Census. Botetourt County enjoys a diverse economy, with the services sector accounting for 40% of the jobs in the County, manufacturing 20%, trade 15%, government 16%, construction 8%, and all others 1%. The civilian labor force totals approximately 17,534, with 21% working for the County's top twenty employers. Unemployment remains below the State average.

With respect to demographics relating to economic factors, Botetourt County seemingly appeals to higher income residents, as evidenced by a median household income figure of \$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 (2007/2008). The County's ranking was 98 out of 134 localities, placing Botetourt in the lower 27% range. This is an indication that on a comparable basis, Botetourt County and its residents continue to experience a relatively low level of fiscal strain, which adds to quality of life in the County for its citizens, and indicates responsible management of the County's financial activities.

FY10 building permit activity for residential and commercial construction was slightly ahead of FY09 in terms of number of permits (+4%) and dollar value (+2%). Botetourt County continues to experience small layers of economic growth in its residential, commercial, and manufacturing segments. The County's most recent Comprehensive Plan update began in early 2009 and will be completed in early 2011. This Plan 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 total dollar value of residential starts in the County for FY10 represents a 5 % increase vs. the prior year, when FY09 residential starts were 30% less than FY08. Also, the average value of commercial / industrial

permits increased 8% vs. FY09, and the average value for all permits remained constant with the prior year. The total number of permits increased 3% vs. FY09, which is a positive result. There continues to be building activity in Botetourt County, as this area is viewed as an opportunity for construction and builders.

FY10 manufacturing activity was impacted by the closing of JTEKT Automotive, Virginia, which closed operations due to U.S. automotive production reductions. This resulted in a loss of approximately 265 full-time jobs. The building and property is being marketed aggressively, as there is active interest in the building and property. In addition, there are existing manufacturers that are contemplating business expansions in the Botetourt. Also, one of the County's newer additions to the manufacturing sector, LiteSteel Technologies America LLC is gradually increasing its production base. This company began production in March, 2009.

Daleville Town Center, a planned residential and commercial development, began construction of its second major commercial building: medical offices for Lewis-Gale Hospital, a division of Hospital Corporation of America. Additionally, single family homes construction was initiated with the completion of its first EarthCraft certified residences.

Orchard Marketplace, a commercial development adjoining Daleville Town Center, continued building activity with the completion of a Food Lion shopping center, construction initiation of a CVS drug store on an out parcel and plan submissions for new dentistry and medical offices.

In summary, FY10 represented a very slight increase for residential and commercial construction activity compared with FY09, which would suggest that the local construction market is holding ground and poised for the opportunity to expand. It should also be noted that real estate assessed values for Botetourt County continue to be strong, as these values have increased by 40% since FY05. This continues a long trend of a continuing increase in the real estate tax base. These revenues (excluding a \$.05 tax rate reduction reflected in FY07 results) have increased by one-third (33%) since FY04. The County has realized the same percentage increase in general property taxes as a whole over the same period of time.

Public School System

The Botetourt County School System is composed of seven elementary schools serving students in grades kindergarten through fifth grade; two middle schools serving grades six through eight; two high schools serving grades nine through twelve; and a vocational technical school. All schools are accredited by the Virginia State Board of Education and the Southern Association of Colleges and Schools. Admission over the last three years has averaged 4,921 with steady but relatively small increases over nine of the last ten 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. As a result of economic pressures, the community colleges are presenting viable alternatives to four-year institutions and have experienced recent increases in attendance. 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 has been in an extended period of economic growth, due consideration is given to maintain and carry forward the historic elements and ideals valued by the County and its citizens. A related section of the values statement of the Board of Supervisors offers the following:

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

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

Current and Future Initiatives

In 2009, The County initiated a detailed study of economic development efforts and results over the past several years in order to provide foundation work for a consultant (Moran, Stahl & Boyer) who was hired in 2010. This consultant met with a steering committee composed of business and community leaders and State and regional economic representatives as a means of gathering information and feedback which would be considered in the production of their economic development study. This comprehensive study was published in May, 2010, and presented to the County's Board of Supervisors. Included in this study was a significant amount of recommendations to consider which would take advantage of Botetourt County's profile in order to attract new companies and development. The Board adopted this study, and County administration is currently working on initiatives for Greenfield, the County's largest owned business park. Future

considerations will include the hiring of economic development staff to focus these efforts. To note, the County has seen a recent increased interest from companies seeking to locate their businesses in this area.

In addition to this new initiative, the County continues to work with regional alliances and economic development agencies to seek the attractive quality organizations that will provide the incremental tax base that will assist the County in meeting the needs of its citizens.

At this point in time, the County has no large dollar General Fund projects in FY11, as necessary significant capital project spending is limited. From an operational standpoint, the County has reviewed citizen and business service requirements, and has created Development Services, which includes Building Inspection, Planning and Zoning, and Engineering departments. This consolidation will enhance services provided by offering a one-stop shop environment in providing for the particular needs of users.

The County continues to make strides in the Tourism area in branding Botetourt County as a destination for recreation and cultural events. Waterways, hiking and biking trails, wineries, and several downtown locations are being promoted through various media outlets. Efforts in tourism has yielded several awards as County staff partners with various entities in increasing the visibility and attraction to Botetourt County.

The offering of recreational programs and resources continue to rise, and a long-term lease has been executed for use of baseball and soccer ball fields, with the potential to expand the property. The Botetourt Sports Complex continues to thrive as a major destination for regional and national softball tournaments, with a full schedule of events. The Complex is also used for school and local sports activities, and has completed its third year of operations.

With respect to enterprise activity, consultants have recently completed an update of the County's utilities master plan, which will include the identification of water and sewer projects over a twenty to thirty year term. Currently, the County is working on the planning of the first phase of a sewer interceptor upgrade project, with an estimated cost of \$2.7 million. In addition, the County will also be planning and designing a \$527,000 water line extension project. These projects will be both internally (preliminary design costs) and externally financed.

Finally, despite recent and current economic challenges experienced on national, state, and local levels. Botetourt County has had positive credit rating reviews during FY11. To that end, the County has obtained AA ratings with all three rating agencies, Fitch Ratings, Moody's, and Standard & Poor's. Currently, there is no Virginia locality in this position which has a population base comparative to Botetourt County. It is felt that these ratings reflect proper management and financial practices which will assist the County to move forward and meet future fiscal challenges.

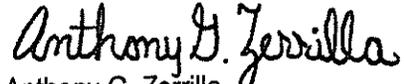
Acknowledgements

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

Respectfully submitted,



Gerald A. Burgess
County Administrator



Anthony G. Zerrilla
Financial Services Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Botetourt
Virginia

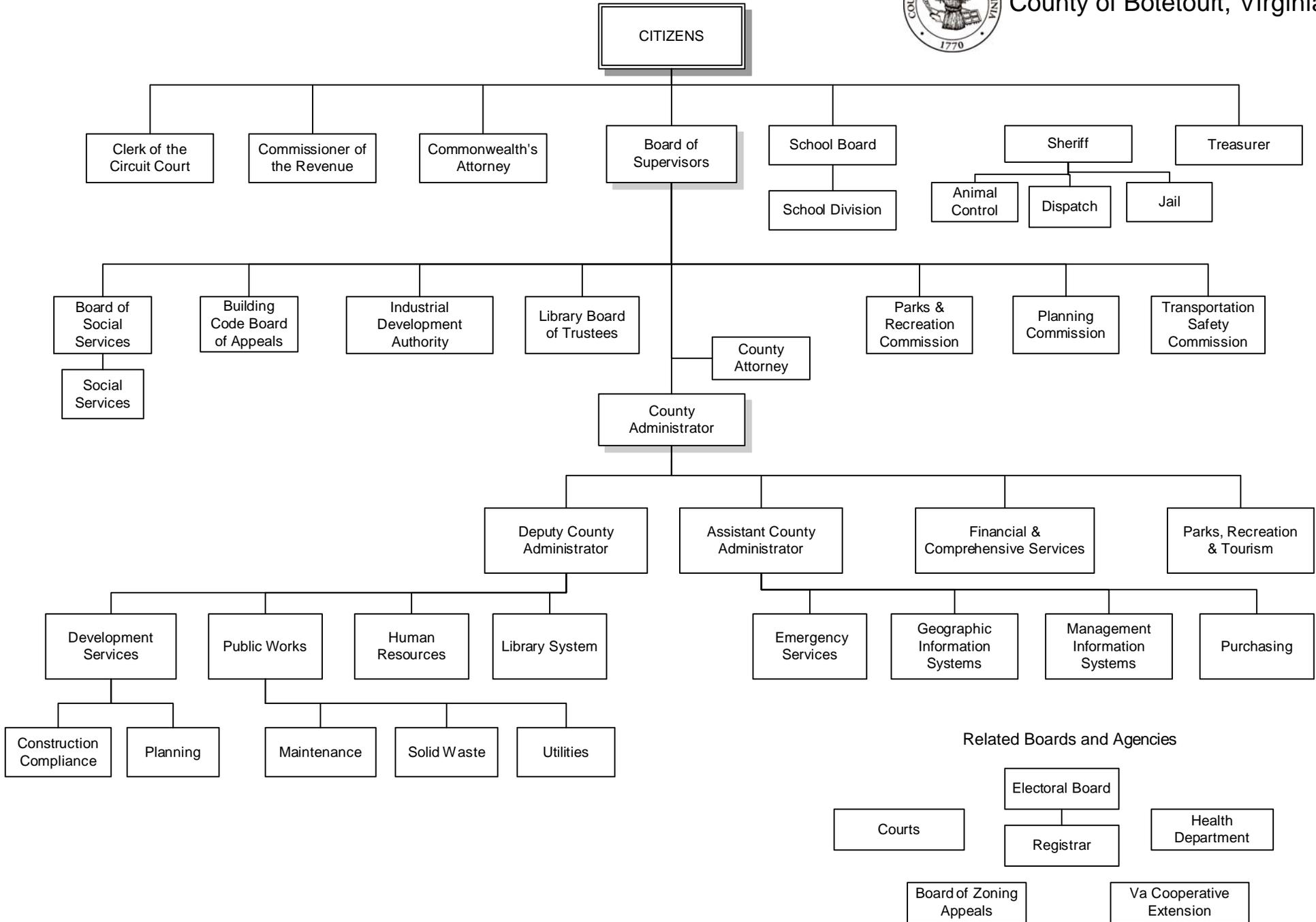
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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.



President

Executive Director



COUNTY OF BOTETOURT, VIRGINIA

BOARD OF SUPERVISORS

Terry L. Austin, Chair
Stephen P. Clinton, Vice Chair
Donna P. Vaughn
Don A. Assaid
Billy W. Martin, Sr.

COUNTY SCHOOL BOARD

Michael W. Beahm, Chair
Jack Leffel, Jr., Vice Chair
D. Scott Swortzel
Ruth E. Wallace
Kathy Graham Sullivan

SOCIAL SERVICES BOARD

Eugene Trammel, Chair
Sandra Johnson-Harris, Vice Chair
Billy W. Martin, Sr.
Carl Krippendorf
Donna Henderson

OTHER OFFICIALS

Judge of the Circuit Court..... Malfourd Trumbo
Clerk of the Circuit Court Tommy L. Moore
Judge of the General District Court..... Louis K. Campbell, Jr.
Judge of the Juvenile & Domestic Relations Court Paul A. Tucker
Commonwealth's Attorney..... Joel R. Branscom
Commissioner of the Revenue 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 AdministratorGerald A. Burgess
County Attorney Elizabeth Dillion

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the County of Botetourt, Virginia, as of and for the year ended June 30, 2010, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the County of Botetourt, Virginia, as of June 30, 2010, 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 October 29, 2010, 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 Plans 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 to the Management's Discussion and Analysis and Schedule of Finding Progress Defined Benefit Plans, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Christiansburg, Virginia
October 29, 2010

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, 2010. This narrative is included to provide insights as to financial results of operation for the above-mentioned fiscal year, and, in certain cases, provide comparative comments as they relate to the prior fiscal year. In addition, comments are included which address the economic factors considered in developing Botetourt County's budget for the fiscal year ending June 30, 2011.

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 \$38,255,880 (net assets). Of this amount, \$9,116,696 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net assets were \$29,510,878; a significant amount (89%) of these net assets are invested in capital assets. (See Exhibit 1).

The Government's net assets for governmental activities decreased by \$35,859, which was primarily due to a reduction in Operating Grants and Contributions for Public Safety and Public Works. To large degree, these reductions were offset by a reduction in the County's closure and post closure liability estimate. The FY09 Public Works grant of \$450,000 was non-recurring. The School Board's net assets increased by \$840,019. (See Exhibit 2)

Fund Financial Statements

At the end of the current fiscal year, fund balance for the general fund was \$14,320,533 or 28 percent of total general fund expenditures (See Exhibit 3). This amount includes taxes, and accounts receivable reflected in the fiscal year 2010 budget as well as funds allocated to the School Board and County Capital Improvement Projects for fiscal year 2010.

As of the close of the current fiscal year, the County's governmental fund reported an ending fund balance of \$14,320,533, which is a decrease of \$2,103,811. A \$2.4 million decrease in fund balance was budgeted, but the County employed additional cost reduction measures, anticipating reduced revenues due to 1) the economic downturn and 2) continued reductions in State Compensation Board reimbursements. These cost-cutting measures included elimination, reduction, and deferral of capital improvement projects. Of the total fund balance amount, \$14,054,127 is unrestricted and available for spending at the government's discretion (unreserved fund balance). (See Exhibit 3.) This represents a \$ 2 million (12%) decrease in unreserved fund balance vs. FY09.

Overview of the Financial Statements

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

Management's Discussion and Analysis

Local government accounting and financial reporting originally focused on funds, which 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.

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.

Management's Discussion and Analysis

Fund Financial Statements

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

Governmental funds

Governmental funds are used to account for 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 \$36,908,425 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	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 15,786,456	\$ 18,215,115	\$ 2,610,282	\$ 2,298,850	\$ 18,396,738	\$ 20,513,965
Capital assets	73,942,205	75,551,249	17,473,197	18,073,996	91,415,402	93,625,245
Total assets	<u>\$ 89,728,661</u>	<u>\$ 93,766,364</u>	<u>\$ 20,083,479</u>	<u>\$ 20,372,846</u>	<u>\$ 109,812,140</u>	<u>\$ 114,139,210</u>
Long-term liabilities	\$ 50,144,601	\$ 53,745,755	\$ 7,579,665	\$ 8,026,503	\$ 57,724,266	\$ 61,772,258
Other liabilities	1,328,180	1,861,551	195,474	221,125	1,523,654	2,082,676
Total liabilities	<u>\$ 51,472,781</u>	<u>\$ 55,607,306</u>	<u>\$ 7,775,139</u>	<u>\$ 8,247,628</u>	<u>\$ 59,247,920</u>	<u>\$ 63,854,934</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 28,954,610	\$ 27,728,370	\$ 9,954,091	\$ 10,102,393	\$ 38,908,701	\$ 37,830,763
Restricted	184,574	260,324	-	-	184,574	260,324
Unrestricted	9,116,696	10,170,364	2,354,249	2,022,825	11,470,945	12,193,189
Total net assets	<u>\$ 38,255,880</u>	<u>\$ 38,159,058</u>	<u>\$ 12,308,340</u>	<u>\$ 12,125,218</u>	<u>\$ 50,564,220</u>	<u>\$ 50,284,276</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 75 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 1% of total net assets. The remaining balance of unrestricted net assets, which is \$9,116,696 or 24% 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 decreased by \$35,859. The primary reason for the decrease is use of funds to support operational activities. Cash position was hampered by the continuation of a) the negative effect of a stagnant local economy, and b) a reduction in State reimbursements in categorical aid. There was no new financing debt issued in FY10, as evidenced by a reduction in long-term liabilities. Approximately \$ 2 million in general obligation debt was retired, as well as a \$749,000 reduction of literary fund loans. The County's estimated landfill closure/post-closure liability decreased by \$767,735 which had positive impact on net assets. Capital assets net of related debt increased approximately \$ 1.2 million, and these assets have more than doubled since FY06.

Management's Discussion and Analysis

Changes in Net Assets:

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

County of Botetourt's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 951,415	\$ 947,935	\$ 2,971,193	\$ 2,703,870	\$ 3,922,608	\$ 3,651,805
Operating grants & contributions	6,843,667	7,900,796	-	-	6,843,667	7,900,796
Capital grants and contributions	-	-	25,000	-	25,000	-
General revenues:						
General property taxes	28,295,560	28,666,285	-	-	28,295,560	28,666,285
Other local taxes	5,799,366	6,626,177	-	-	5,799,366	6,626,177
Use of money and property	660,250	902,894	9,822	21,854	670,072	924,748
Other	366,878	418,613	-	-	366,878	418,613
Grants and contributions not restricted to specific programs	4,652,598	4,007,081	-	97,975	4,652,598	4,105,056
Total revenues	<u>\$ 47,569,734</u>	<u>\$ 49,469,781</u>	<u>\$ 3,006,015</u>	<u>\$ 2,823,699</u>	<u>\$ 50,575,749</u>	<u>\$ 52,293,480</u>

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

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Expenses:						
General government	\$ 3,330,864	\$ 2,882,831	\$ -	\$ -	\$ 3,330,864	\$ 2,882,831
Judicial administration	1,289,818	1,307,844	-	-	1,289,818	1,307,844
Public safety	12,060,957	12,008,302	-	-	12,060,957	12,008,302
Public works	1,026,920	3,469,969	-	-	1,026,920	3,469,969
Health and welfare	3,717,605	3,359,650	-	-	3,717,605	3,359,650
Education	20,407,000	22,944,520	-	-	20,407,000	22,944,520
Parks, recreation and cultural	3,120,867	2,932,681	-	-	3,120,867	2,932,681
Community development	672,942	1,323,106	-	-	672,942	1,323,106
Interest on long-term debt	1,978,620	2,127,418	-	-	1,978,620	2,127,418
Water and sewer	-	-	2,822,893	2,705,663	2,822,893	2,705,663
Total expense	<u>\$ 47,605,593</u>	<u>\$ 52,356,321</u>	<u>\$ 2,822,893</u>	<u>\$ 2,705,663</u>	<u>\$ 50,428,486</u>	<u>\$ 55,061,984</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (35,859)</u>	<u>\$ (2,886,540)</u>	<u>\$ 183,122</u>	<u>\$ 118,036</u>	<u>\$ (1,200,192)</u>	<u>\$ (2,768,504)</u>
Transfers in (out)	<u>\$ -</u>	<u>\$ (911,991)</u>	<u>\$ -</u>	<u>\$ 911,991</u>	<u>\$ -</u>	<u>\$ -</u>
Increase (decrease) in net assets	<u>\$ (35,859)</u>	<u>\$ (3,798,531)</u>	<u>\$ 183,122</u>	<u>\$ 1,030,027</u>	<u>\$ (1,200,192)</u>	<u>\$ (2,768,504)</u>
Net assets, July 1, 2009	<u>\$ 38,291,739</u>	<u>\$ 42,090,270</u>	<u>\$ 12,125,218</u>	<u>\$ 11,095,191</u>	<u>\$ 50,416,957</u>	<u>\$ 53,185,461</u>
Net assets, June 30, 2010	<u>\$ 38,255,880</u>	<u>\$ 38,291,739</u>	<u>\$ 12,308,340</u>	<u>\$ 12,125,218</u>	<u>\$ 49,216,765</u>	<u>\$ 50,416,957</u>

Management's Discussion and Analysis

Governmental Activities

Governmental activities decreased the County's net assets by \$35,859. Key elements of this decrease are as follows:

- Revenues: Operating Grants and Contributions for FY10 decreased approximately \$1 million, as prior year results included Governor's Opportunity and Industrial Access Road grants, which were nonrecurring in FY10.
- Revenues: Other Revenues decreased \$52,000 (12%) due to results for public safety related activity.

The State reclassified pass-through communications taxes from other local taxes to State Aid during the 2010 fiscal year. This classification change resulted in a decrease in other local tax revenue and a corresponding increase in unrestricted grants and contributions.

Also, with respect to General Property Taxes, these taxes decreased slightly (1%). However, an increase in real property taxes (\$426,000) served to offset reduced revenues in other components of General Property Taxes.

- Revenues: Interest income decreased significantly (27%), as rates of return on investments and funds available for investing were less than in FY09.
- Revenues: Miscellaneous revenue and unrestricted grants and contributions were a combined \$4.3 million, which approximated revenues received from these sources for FY09.
- Expenses: General Government Administration expenses increased by \$ 448,000 (16%) due in part to a reclassification of GIS expenditures, which was previously captured in Public Safety.
- Expenses: Public Works expenditures were \$2.3 million less than in FY09 as the estimate for closure and post-closure monitoring of the County's landfill decreased significantly during FY10 after an increase in FY09.
- Expenses: Health and Welfare costs increased approximately \$ 358,000 (11%) vs. FY09. This increase is due to a) increased activity in the Comprehensive Services area and b) the tax relief program for the elderly. The latter was previously reflected as a reduction of property taxes.
- Expenses: Parks, Recreation, and Cultural expenses increased by approximately \$ 188,000 (6%), as the Eagle Rock Library was completed.
- Expenses: Community Development reflects a \$650,000 (49%) decrease due to nonrecurring industrial recruiting activity experienced in FY09. The largest single categorical decrease was reflected in Education, which showed a decrease of \$2.5 million (11%). All of this decrease is reflected in reduced funding shown as Contributions to the County School Board. With other categories reflecting reductions or smaller increases, the decrease in Education expenditures accounts for 75% of the decrease in total expense from FY09 to FY10.

Management's Discussion and Analysis

Business-type Activities

Business-type activities increased the County's net assets by \$ 183,122. This activity is comprised of Water and Sewer revenues and expenses. Key elements of FY10 water and sewer activity are as follows:

- Total revenues increased \$ 182,000 or 6 percent from the prior year, as both water and sewer charges experienced revenue increases. Water and sewer rates and connection fees will be reviewed in the short-term.
- Total operating expenses increased approximately \$ 117,000 (4%) vs. the prior year, due to an increase in water purchases, utilities expenses, and increased depreciation charges. The increases in operating expenses are due in large part to servicing an expanding customer base. The increase in depreciation charges was approximately 19% of the total increase in expenses.
- Net assets for FY10 only increased \$ 183,122 vs. \$ 1,030,027 for FY09 due primarily to the net impact of FY09 capital contributions and funds transfers relating to the support of water and sewer activities.

Financial Analysis of the Government's Funds

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

Governmental funds

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

In comparing unreserved fund balances as a percentage of governmental fund expenditures, it can be noted that FY10's figure of 28% reflects a decrease vs. FY09's figure of 29%. This reduction is the product of a \$2 million decrease in unreserved fund balance and a \$4.4 million decrease in governmental expenditures. The significant decrease in expenditures was primarily the result of a decrease in education funding.

At the end of the fiscal year, the County's governmental funds reported an ending fund balance of \$14,320,533, a decrease of \$ 2,103,811 versus the prior year. FY10 revenues decreased \$ 2 million (4%), while FY10 expenditures were \$ 4.4 million (8%) less than FY09 expenditures. (Exhibit 5). The expenditure decrease vs. the prior year was accomplished primarily by reductions in spending for education and capital projects. When compared to FY09, the FY10 unreserved portion (\$14,054,127) of the ending fund balance represents a \$2 million decrease; but still provides significant flexibility with respect to future discretionary spending.

As previously stated, the County's governmental fund balance decreased by \$ 2,103,811. Fiscal Year 2010 Operational highlights include the following:

- Revenues: (A) Continued growth (2%) in the real property tax base. (B) A 7% increase in Motor Vehicle Licenses. (C) A 10% increase in Parks & Recreation charges. (D) A \$ 64,000 (51%) increase in Revenue Sharing payments. (E) A \$ 232,000 increase in C.S.A. Categorical Aid (due primarily to increased activity).

Management's Discussion and Analysis

(F) With the exclusion of investment earnings, all other aggregate local revenues experienced a 98.5% retaining factor in comparison to FY09 local revenues. If we exclude a one-time revenue item of \$375,000 received in FY09, the retaining factor becomes 99.4%. G) When State and Federal revenues are combined; the retaining factor for recurring revenues vs. FY09 is 98%. These subject revenues are shown in Schedule 1.

- Expenditures: For the Primary Government, total expenditures decreased \$4.4 million (8%) versus FY09. This decrease was a factor of A) a reduction in education spending, and B) a reduction in capital project improvement spending (see below). Contributions to the County School Board decreased \$2.7 million (12%) in order to provide the proper level of funding in light of economic realities.
- Capital Improvement Projects – As was the case in FY09, there was a significant reduction in capital projects activity for FY10. There was only one large dollar item, which was for completion of the Eagle Rock Library. The County administration maintained a watchful eye on CIP activity as a means of contending with stagnant revenues. Spending for the Eagle Rock Library project accounted for 94% of the \$1 million in total capital project spending for FY10. Expenditure categorization and activity is reflected in Schedule 2.

Proprietary funds

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

Unrestricted net assets of the County's Water and Sewer Enterprise Fund at the end of the year were \$2,354,249, which is a marked increase (16%) versus FY09's figure of \$2,022,825. 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 \$3,207,311. This difference was primarily due to supplemental appropriations. Major components of this difference are as follows:

- Appropriation of budgeted carryover funds from the fiscal year ended June 30, 2009 for programs and capital projects in the amount of \$1,938,674. Approximately \$1.1 million was a carryover for the completion of the Eagle Rock Library.
- Appropriations in the amount of \$304,331 representing receipts of federal and state grant funds and cost reimbursements.
- Appropriations totaling \$285,114 from the Virginia Department of Emergency Management for the coordination of a regional law enforcement information sharing system (LINX grant).
- Appropriations totaling \$266,157 for other Emergency Services grants and cost reimbursements.

Management's Discussion and Analysis

- Appropriation of \$85,000 for local and State shares of additional Comprehensive Services related activity.
- Appropriations totaling \$95,250 for Sheriff's Department grants and reimbursed costs.
- Appropriations totaling \$42,895 as the State's share of fines collected by the County court system.
- Appropriation of \$42,511 for a funds transfer for the purchase of a senior citizens van.
- Appropriations totaling \$42,227 for Circuit Court Clerk equipment and related maintenance costs.
- Appropriations totaling \$43,490 representing Tourism and Sports Complex grants and reimbursed costs.

The above-mentioned appropriations for amended budget expenditures total \$3,145,649 or 98% of the difference between the original budget appropriation and the amended budget.

With respect to FY10 amended budget vs. actual results, general fund revenues for the primary government were approximately 2% under budget for the year. Results for revenues from local sources accounted for all of the total \$800,000 variance, as results for revenues for interest income, other local sales taxes, and recovered costs yielded large negative variances. Results for real property taxes served to offset other line item negative variances contained in general property taxes. With respect to non-local revenues, results for State and Federal combined revenues approximated budget. Reductions in State Compensation Board reimbursements were unfavorable versus budget, while Federal revenues from grants assisted in generating a positive variance. Revenue results for the Component-unit School Board yielded a 5% negative variance due to A) a reduced contribution from the County (due to lower expenditure requirements, and B) a reduction in aid from the Commonwealth, which was partially offset by federal funds via the State Fiscal Stabilization Program.

Amended budget vs. actual results for general fund government expenditures for FY10 reflected a 9% (\$4.4 million) positive variance due to significant savings in several categories. Most notably, spending was reduced for general government, education, capital projects, and public safety categories. These areas combined accounted for 75% of the total savings versus budget. However, all departments and agencies contributed to cost reduction efforts as a means of contending with revenue shortfalls in several areas.

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2010 is \$73,942,205 (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 2% decrease, as construction in progress decreased approximately \$600,000 as the Eagle Rock Library was completed, with no significant construction projects carrying forward to FY11.

Major capital asset events for governmental activities during FY10 included the following:

- Completion of the Eagle Rock Library. (FY10 Gross cost of \$ 952,000).
- Investment in industrial site development (Gross cost of \$ 46,000).
- Other minor projects (Gross cost of \$ 15,000).

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

	Governmental activities		Business-type activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 12,025,355	\$ 11,979,101	\$ 43,010	\$ 43,010	\$ 12,068,365	\$ 12,022,111
Buildings	58,898,825	59,776,767	-	-	58,898,825	59,776,767
Machinery and equipment	2,431,239	2,614,130	-	-	2,431,239	2,614,130
Infrastructure	-	-	17,430,187	18,004,764	17,430,187	18,004,764
Construction in progress	586,786	1,181,251	-	26,222	586,786	1,207,473
Total	<u>\$ 73,942,205</u>	<u>\$ 75,551,249</u>	<u>\$ 17,473,197</u>	<u>\$ 18,073,996</u>	<u>\$ 91,415,402</u>	<u>\$ 93,625,245</u>

The results for Business-type activities (Enterprise Fund) include continued investment in the County's water and sewer infrastructure in order to sufficiently meet the current and future demands of customers. Additional information on the County's capital assets can be found in the notes to the financial statements.

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Management's Discussion and Analysis

Long-term debt

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

County of Botetourt's Outstanding Debt							
	Governmental activities		Business-type activities		Total		
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	
General obligation bonds	\$ 38,219,274	\$ 40,305,216	\$ -	\$ -	\$ 38,219,274	\$ 40,305,216	
Literary Loans	6,768,321	7,517,663	-	-	6,768,321	7,517,663	
Revenue Bonds	-	-	7,519,106	7,971,603	7,519,106	7,971,603	
Grant							
Anticipation Note	-	-	-	-	-	-	
Landfill closure / post-closure	4,556,430	5,324,165	-	-	4,556,430	5,324,165	
Compensated absences	600,576	598,711	60,559	54,900	661,135	665,611	
Total	\$ 50,144,601	\$ 53,745,755	\$ 7,579,665	\$ 8,026,503	\$ 57,724,266	\$ 61,784,258	

Botetourt County's FY10 outstanding debt for governmental activities decreased \$3,601,154 due primarily to principal payments for general obligation and literary fund debt. With respect to landfill obligations, cost estimates provided by an independent consulting firm resulted in an 15% decrease in the liability. For business-type activities, outstanding debt decreased by \$446,838 (6%) due to principal payments for revenue bonds.

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 \$1,325.
- Net bonded debt to assessed value, limit 4%, actual (1.21%).
- Ratio of debt service to total general governmental expenditures, limit 10%, actual 5.92%.

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

Economic Factors and Next Year's Budgets and Rates

The FY11 budget process continued the recent theme of being faced with a non-growing revenue base in most areas and continuing to prioritize levels of service and capital project spending. The message of seeking cost reduction and containment solutions was conveyed to all managers and agency heads. Management responded with suggestions and measures which provided for the desired results, as County and School expenditure reviews yielded reductions in operations cost. Factors and financial points of note regarding the FY11 Budget are as follows:

- The unemployment rate for the County is currently 6.1 percent, which is a decrease from the rate of 6.3 percent a year ago. This compares favorably to the state's current unemployment rate of 6.5 percent and the current national rate of 9.2 percent. In terms of a positive trend, Botetourt County's FY10 average monthly unemployment rate was 6.6%.

Management's Discussion and Analysis

- Funding from the Commonwealth of Virginia for the School Board is budgeted to decrease by approximately \$2.7 million (10%). With respect to support from the County, the FY11 budget reflects flat funding, which equates to the same dollar support as the previous year (FY10). Total revenues for the School Board are budgeted to decrease \$4.2 million (14%), with a corresponding \$ 4.2 million decrease in expenditures.
- General fund revenues in total for FY11 vs. FY10 Budget are expected to increase by approximately \$940,000 (2%). This increase is mostly due to anticipated revenues from the County's real estate reassessment, which is on a four-year cycle. Personal property taxes are budgeted to remain static, with a slight increase anticipated for Machinery & Tool taxes. Nearly all other categorical local revenues reflect budgeted decreases versus the prior year budget, as the local economy follows suit with the struggles of the national and state economies. Hotel, meal, and local sales taxes in the aggregate are budgeted to decrease by approximately \$155,000 (4%). While not budgeted for a significant impact, the Botetourt Sports Complex regional and national tournament schedule in combination with the County's tourism program are expected to provide a boost with regard to local activity taxes.
- Building permit activity is expected to remain close to the levels experienced for FY09 and FY10. State revenues for the local government are expected to decrease \$524,000 (5%), as Categorical Aid continues to decrease due to its utilization as a State budget balancing measure. Federal revenues are budgeted for a small (\$52,000) increment due to a projected increase in Payments In Lieu of Taxes. The County will be monitoring interim FY11 revenue levels in the event that additional cost reduction measures are required in order to provide balancing offsets. With the assistance of recommendations from all levels of employees, County administration has formulated a list of additional cost reductions to implement, if necessary.
- FY11 General Fund budgeted expenditures include a \$287,000 giveback to the State as a reduction in aid. A similar amount was also refunded to the State in FY09 and FY10. General Fund operational expenditures (excluding education funding mentioned above) are budgeted to decrease by approximately \$ 1.1 million (4.7%). Capital spending is budgeted to decrease by \$ 544,000 (76%), as several large projects have been completed over the last few years. Including debt service, total County expenditures are budgeted to decrease by approximately \$2 million.
- During the budget process, measures were taken to seek opportunities for cost reduction and minimization at the departmental level. As a result, virtually all of the County's departments and agencies (including Public Safety combined with Fire & Rescue) experienced decreased or flat spending budgets for FY11. This was achieved by cutting costs, including staff reductions. There are no wage increases included in the FY11 Budget.
- The general fund balance for the County relating to the FY10 budget anticipates an increase of approximately \$400,000, which is in contrast to the \$2.4 million reduction budgeted for FY10. In addition, a budgeted contingency of \$100,000 has been established in the event that currently unknown or extraordinary expenditures arise in FY11.
- For business-type activities, water and sewer revenues are anticipated to decrease 11% versus the FY10 Budget (due to a reduced estimate for water charges and connection fees), and will be in line

Management's Discussion and Analysis

with actual revenues generated for FY10. However, expenditures are expected to be 8% less than revenues, which will provide for a \$225,000 positive variance, as this Enterprise Fund retains its self-sustaining element. While water and sewer rates will be reviewed during the year, there are no increases included in the FY11 budget.

While there are no large dollar CIP projects identified in the General Fund, the County will begin the process of designing two Utility Fund projects in FY11.

The larger of the two CIP items is the design and construction of a Tinker Creek Interceptor Improvement project. This phase of the project will cost approximately \$2.7 million and would be completed in FY13. The County is in the process of securing financing for this project.

The second project is for the extension of a Cloverdale water line. This project is estimated to cost \$527,000, and will take approximately seven months to complete.

All of these factors were considered in preparing the County's budget for the 2011 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, 2010

	Primary Government			Component Units	
	Governmental	Business-type	Total	School Board	IDA
	Activities	Activities		School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 12,731,061	\$ 2,057,214	\$ 14,788,275	\$ 6,624,731	\$ -
Cash in custody of others	-	-	-	-	1,366
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,058,473	-	1,058,473	-	-
Accounts receivable	121,867	510,550	632,417	97,931	-
Due from component unit	148,073	-	148,073	-	-
Due from other governmental units	1,327,882	-	1,327,882	1,501,279	-
Prepaid expenses	81,832	-	81,832	585,518	-
Deferred charges	132,694	42,518	175,212	-	-
Restricted assets:					
Temporarily restricted:					
Investments (in custody of others)	-	-	-	-	454,739
Cash and cash equivalents	184,574	-	184,574	225,131	-
Capital assets (net of accumulated depreciation):					
Land	12,025,355	43,010	12,068,365	1,455,729	-
Buildings and improvements	58,898,825	-	58,898,825	22,250,089	4,198,917
Machinery and equipment	2,431,239	-	2,431,239	2,391,029	-
Infrastructure	-	17,430,187	17,430,187	-	-
Construction in progress	586,786	-	586,786	170,347	-
Total assets	<u>\$ 89,728,661</u>	<u>\$ 20,083,479</u>	<u>\$ 109,812,140</u>	<u>\$ 35,301,784</u>	<u>\$ 4,655,022</u>
LIABILITIES					
Accounts payable	\$ 449,668	\$ 90,305	\$ 539,973	\$ 315,938	\$ -
Contracts payable	-	-	-	4,064,744	-
Customers' deposits	-	37,975	37,975	-	-
Accrued interest payable	772,197	67,194	839,391	-	5,936
Due to primary government	-	-	-	148,073	-
Unearned revenue	106,315	-	106,315	-	28,750
Long-term liabilities:					
Due within one year	3,234,652	524,058	3,758,710	478,900	219,638
Due in more than one year	46,909,949	7,055,607	53,965,556	783,251	2,876,563
Total liabilities	<u>\$ 51,472,781</u>	<u>\$ 7,775,139</u>	<u>\$ 59,247,920</u>	<u>\$ 5,790,906</u>	<u>\$ 3,130,887</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 28,954,610	\$ 9,954,091	\$ 38,908,701	\$ 26,267,194	\$ 1,102,716
Restricted for:					
Law library	50,122	-	50,122	-	-
Emergency 911	14,810	-	14,810	-	-
Cafeteria operations	-	-	-	225,131	-
Property seizure	113,604	-	113,604	-	-
Debt service	-	-	-	-	408,513
Van program	6,038	-	6,038	-	-
Unrestricted	9,116,696	2,354,249	11,470,945	3,018,553	12,906
Total net assets	<u>\$ 38,255,880</u>	<u>\$ 12,308,340</u>	<u>\$ 50,564,220</u>	<u>\$ 29,510,878</u>	<u>\$ 1,524,135</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, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	IDA
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 3,330,864	\$ 492	\$ 686,381	\$ -	\$ (2,643,991)	\$ -	\$ (2,643,991)	\$ -	\$ -
Judicial administration	1,289,818	154,962	289,578	-	(845,278)	-	(845,278)	-	-
Public safety	12,060,957	462,721	3,574,256	-	(8,023,980)	-	(8,023,980)	-	-
Public works	1,026,920	168,841	-	-	(858,079)	-	(858,079)	-	-
Health and welfare	3,717,605	-	2,127,463	-	(1,590,142)	-	(1,590,142)	-	-
Education	20,407,000	-	-	-	(20,407,000)	-	(20,407,000)	-	-
Parks, recreation, and cultural	3,120,867	164,399	165,989	-	(2,790,479)	-	(2,790,479)	-	-
Community development	672,942	-	-	-	(672,942)	-	(672,942)	-	-
Interest on long-term debt	1,978,620	-	-	-	(1,978,620)	-	(1,978,620)	-	-
Total governmental activities	\$ 47,605,593	\$ 951,415	\$ 6,843,667	\$ -	\$ (39,810,511)	\$ -	\$ (39,810,511)	\$ -	\$ -
Business-type activities:									
Water and sewer	\$ 2,822,893	\$ 2,971,193	\$ -	\$ 25,000	\$ -	\$ 173,300	\$ 173,300	\$ -	\$ -
Total primary government	\$ 50,428,486	\$ 3,922,608	\$ 6,843,667	\$ 25,000	\$ (39,810,511)	\$ 173,300	\$ (39,637,211)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 49,781,494	\$ 1,659,674	\$ 29,279,681	\$ -	\$ -	\$ -	\$ -	\$ (18,842,139)	\$ -
Industrial Development Authority	288,837	345,000	1,500	-	-	-	-	-	57,663
Total component units	\$ 50,070,331	\$ 2,004,674	\$ 29,281,181	\$ -	\$ -	\$ -	\$ -	\$ (18,842,139)	\$ 57,663
General revenues:									
General property taxes					\$ 28,295,560	\$ -	\$ 28,295,560	\$ -	\$ -
Other local taxes:									
Local sales and use taxes					1,873,975	-	1,873,975	-	-
Consumers' utility taxes					694,260	-	694,260	-	-
Business license taxes					779,757	-	779,757	-	-
Motor vehicle taxes					627,860	-	627,860	-	-
Restaurant food taxes					1,066,328	-	1,066,328	-	-
Other local taxes					757,186	-	757,186	-	-
Unrestricted revenues from the use of money and property					660,250	9,822	670,072	141,593	2
Miscellaneous					366,878	-	366,878	181,981	-
Grants and contributions not restricted to specific programs					4,652,598	-	4,652,598	19,358,584	-
Total general revenues					\$ 39,774,652	\$ 9,822	\$ 39,784,474	\$ 19,682,158	\$ 2
Change in net assets					\$ (35,859)	\$ 183,122	\$ 147,263	\$ 840,019	\$ 57,665
Net assets - beginning, as restated					38,291,739	12,125,218	50,416,957	28,670,859	1,466,470
Net assets - ending					\$ 38,255,880	\$ 12,308,340	\$ 50,564,220	\$ 29,510,878	\$ 1,524,135

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

County of Botetourt, Virginia
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 12,915,635
Receivables (net of allowance for uncollectibles):	
Taxes receivable	1,058,473
Accounts receivable	121,867
Due from component unit	148,073
Due from other governmental units	1,327,882
Prepaid items	81,832
Total assets	<u>\$ 15,653,762</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 449,668
Deferred revenue	883,561
Total liabilities	<u>\$ 1,333,229</u>
Fund balance:	
Reserved for:	
Law library	\$ 50,122
Emergency 911	14,810
Property seizure	113,604
Prepaid items	81,832
Van program	6,038
Unreserved, reported in:	
General fund	14,054,127
Total fund balances	<u>\$ 14,320,533</u>
Total liabilities and fund balances	<u>\$ 15,653,762</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, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 14,320,533
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	73,942,205
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. The assets consist of deferred property taxes.	777,246
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(50,784,104)
Net assets of governmental activities	<u>\$ 38,255,880</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, 2010

	<u>General</u>
REVENUES	
General property taxes	\$ 28,265,340
Other local taxes	5,799,366
Permits, privilege fees, and regulatory licenses	259,962
Fines and forfeitures	91,435
Revenue from the use of money and property	660,250
Charges for services	600,018
Miscellaneous	366,878
Recovered costs	1,465,804
Intergovernmental revenues:	
Commonwealth	10,278,579
Federal	1,217,686
Total revenues	\$ 49,005,318
EXPENDITURES	
Current:	
General government administration	\$ 3,217,633
Judicial administration	1,276,576
Public safety	12,621,652
Public works	1,729,418
Health and welfare	3,770,875
Education	19,021,824
Parks, recreation, and cultural	2,972,332
Community development	625,127
Capital projects	1,014,166
Debt service:	
Principal retirement	2,798,024
Interest and other fiscal charges	2,061,502
Total expenditures	\$ 51,109,129
Excess (deficiency) of revenues over (under) expenditures	\$ (2,103,811)
Net change in fund balances	\$ (2,103,811)
Fund balances - beginning as restated	16,424,344
Fund balances - ending	\$ 14,320,533

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, 2010

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

Net change in fund balances - total governmental funds	\$ (2,103,811)
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.	(1,609,044)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	30,220
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.	3,565,759
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.	81,017
Change in net assets of governmental activities	<u>\$ (35,859)</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, 2010

	Enterprise Fund <u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,057,214
Accounts receivable, net of allowance for uncollectibles	510,550
Total current assets	<u>\$ 2,567,764</u>
Noncurrent assets:	
Other assets:	
Unamortized bond issue costs	\$ 42,518
Capital assets:	
Land	43,010
Utility plant in service	26,397,129
Machinery and equipment	35,062
Less accumulated depreciation	(9,002,004)
Total capital assets	<u>\$ 17,473,197</u>
Total noncurrent assets	<u>\$ 17,515,715</u>
Total assets	<u>\$ 20,083,479</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 90,305
Customers' deposits	37,975
Accrued interest payable	67,194
Compensated absences - current portion	45,419
Bonds payable - current portion	478,639
Total current liabilities	<u>\$ 719,532</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 15,140
Bonds payable - net of current portion	7,040,467
Total noncurrent liabilities	<u>\$ 7,055,607</u>
Total liabilities	<u>\$ 7,775,139</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 9,954,091
Unrestricted	2,354,249
Total net assets	<u><u>\$ 12,308,340</u></u>

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

County of Botetourt, Virginia
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Fund Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water revenues pledged as security for revenue bonds	\$ 1,057,700
Sewer revenues pledged as security for revenue bonds	1,679,894
Tap fees	219,392
Other revenues	14,207
Total operating revenues	\$ 2,971,193
OPERATING EXPENSES	
Personnel services	\$ 468,245
Contractual services	317,134
Utilities and office expense	700,912
Repair and maintenance	262,749
Depreciation	764,601
Total operating expenses	\$ 2,513,641
Operating income (loss)	\$ 457,552
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 9,822
Interest expense	(309,252)
Total nonoperating revenues (expenses)	\$ (299,430)
Income before contributions and transfers	\$ 158,122
Capital contributions and construction grants	\$ 25,000
Change in net assets	\$ 183,122
Total net assets - beginning	12,125,218
Total net assets - ending	\$ 12,308,340

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, 2010

	Enterprise Fund <u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,818,507
Payments to suppliers	(1,306,098)
Payments to employees	(462,586)
Net cash provided (used) by operating activities	<u>\$ 1,049,823</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (163,802)
Principal payments on bonds	(464,429)
Contributions in aid of construction	25,000
Interest payments	(295,806)
Net cash provided (used) by capital and related financing activities	<u>\$ (899,037)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 9,822
Net cash provided (used) by investing activities	<u>\$ 9,822</u>
Net increase (decrease) in cash and cash equivalents	\$ 160,608
Cash and cash equivalents - beginning	1,896,606
Cash and cash equivalents - ending	<u>\$ 2,057,214</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 457,552
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 764,601
(Increase) decrease in accounts receivable	(156,965)
(Increase) decrease in prepaid expenses	1,210
Increase (decrease) in customer deposits	4,279
Increase (decrease) in operating payables	(26,513)
Increase (decrease) accrued leave	5,659
Total adjustments	<u>\$ 592,271</u>
Net cash provided (used) by operating activities	<u>\$ 1,049,823</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, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 952,871
Total assets	<u>\$ 952,871</u>
 LIABILITIES	
Amounts held for social services clients	\$ 27,192
Amounts held for employees	35,536
Amounts held for the Roanoke Valley Regional Board	771,065
Amounts held for performance bond	52,864
Amounts held for inmates	66,214
Total liabilities	<u>\$ 952,871</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, 2010

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

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

Jointly Governed Organizations - The County, in conjunction with other localities, participates in supporting the Blue Ridge 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 \$223,031 for operations to the Blue Ridge Regional Library, and \$38,743 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, with the exception of agency funds (discussed below). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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 fund:

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 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 Trust and Canteen, 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 are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 \$316,695 at June 30, 2010. The allowance consists of delinquent taxes in the amount of \$78,844 and delinquent water and sewer bills of \$237,851.

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 \$326,047. No interest was capitalized during the year.

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

<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. The consumption method is used in governmental funds to report prepaid items.

12. Restricted Assets

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

13. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

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 (\$50,784,104) and (\$1,262,151) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Bonds and notes payable	\$ (37,375,656)	\$ -
Premium on bond issuance	(843,618)	-
Less: Bond issuance costs (unamortized)	132,694	-
Literary loans payable	(6,768,321)	-
Accrued interest payable	(772,197)	-
Landfill accrued closure and post-closure monitoring costs	(4,556,430)	-
OPEB liability	-	(623,617)
Compensated absences	(600,576)	(638,534)
	<u> </u>	<u> </u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (50,784,104)</u>	<u>\$ (1,262,151)</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 (\$1,609,044) and \$826,261 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
	<u> </u>	<u> </u>
Capital outlays	\$ 1,569,082	\$ 2,165,761
Loss on sale of capital asset	-	(12,147)
Transfer assets to School Board (net of depreciation)	(348,828)	348,828
Depreciation expense	<u>(2,829,298)</u>	<u>(1,676,181)</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>\$ (1,609,044)</u>	<u>\$ 826,261</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 \$3,565,759 difference in the primary government are as follows:

Decrease in estimated liability		
Accrued landfill closure/postclosure		\$ 767,735
Principal repayments:		
General obligation debt		2,048,682
Literary loans		749,342
		<u>2,798,024</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>\$ 3,565,759</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 \$81,017 and (\$157,757) 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	\$ (1,865)	\$ 155,860
(Increase)decrease in OPEB obligation	-	(313,617)
(Increase) decrease in accrued interest	51,787	-
Amortization of bond issuance costs	(6,165)	-
Amortization of premium	37,260	-
	<u>72,822</u>	<u>155,860</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>\$ 81,017</u>	<u>\$ (157,757)</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, 2010.

C. Deficit fund equity

At June 30, 2010, 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, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

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, 2010 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
LGIP	\$ 4,431,143

State law limits investments in commercial paper to holdings rated by at least two of the following: Moody's Investors Service, Inc., within its NCO/Moody's rating of prime 1, by Standard & Poor's, Inc., within its rating of A-1, by Fitch Investor's Services, Inc., within its rating of F-1, by Duff and Phelps, Inc., within its rating of D-1. State law further limits investments in corporate notes and bonds to those with a rating of at least Aa by Moody's Investors Service, Inc., and a rating of at least AA by Standard and Poors, Inc. In addition, State law permits investments in Stocks, bonds, notes, and other evidences of indebtedness of the Commonwealth and those unconditionally guaranteed as to the payment of principal and interest by the Commonwealth. It is the government's policy to limit its' investments to those allowed under State law.

External Investment Pools

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.

Interest Rate Risk

At year end, the County did not hold any investments that were subject to interest rate risk.

Note 4-Deposits and Investments: (Continued)

Custodial Credit Risk

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

Note 5-Due from Other Governmental Units:

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

	Primary Government	Component Unit- School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 336,899	\$ -
Categorical aid-State sales tax	-	836,156
Categorical aid-Other	449,021	-
Non-categorical aid	327,276	-
Categorical aid-Virginia Public Assistance	38,894	-
Categorical aid-Comprehensive Services Act	115,614	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	60,178	-
Categorical aid-Other	-	665,123
Totals	\$ 1,327,882	\$ 1,501,279

Note 6-Interfund/Component-Unit Obligations:

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	\$ -	\$ 148,073
Component Unit - School Board:		
School Fund	\$ 148,073	\$ -
Totals	\$ 148,073	\$ 148,073

At year end, the School Board's liabilities exceeded their assets on the modified accrual basis of accounting. The County reports an amount due to the School Board to cover this deficit as the County has transferred funds sufficient to cover same in the following fiscal year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 7-Interfund Transfers/Component Unit Contributions:

Primary government contributions to component units for the year ended June 30, 2010, consisted of the following:

Component Unit:	
School Board	\$ 19,009,756

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

Note 8-Long-Term Liabilities:

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	
	Principal	Interest	Principal	Interest
2011	\$ 2,089,059	\$ 1,779,703	\$ 695,161	\$ 203,050
2012	2,145,019	1,675,712	651,930	182,195
2013	2,111,393	1,569,632	651,930	162,637
2014	2,165,408	1,462,886	651,930	143,079
2015	2,229,896	1,354,321	651,930	123,521
2016-2020	7,584,881	5,552,435	3,009,650	324,237
2021-2025	8,660,000	3,628,960	455,790	16,098
2026-2030	7,000,000	1,560,780	-	-
2031-2035	3,390,000	259,135	-	-
Totals	<u>\$ 37,375,656</u>	<u>\$ 18,843,564</u>	<u>\$ 6,768,321</u>	<u>\$ 1,154,817</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 8-Long-Term Liabilities:

Primary Government - Governmental Activity Indebtedness:

The following is a summary of long-term liability transactions of the County for the year ended June 30, 2010.

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
General Obligation				
Bonds	\$ 39,424,338	\$ -	\$ (2,048,682)	\$ 37,375,656
Unamortized Premium	880,878	-	(37,260)	843,618
Literary Loans	7,517,663	-	(749,342)	6,768,321
Landfill closure/ postclosure liability	5,324,165	-	(767,735)	4,556,430
Compensated absences	598,711	450,898	(449,033)	600,576
 Total	 \$ 53,745,755	 \$ 450,898	 \$ (4,052,052)	 \$ 50,144,601

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

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 8-Long-Term Liabilities: (Continued)

Primary Government - Governmental Activity Liabilities: (Continued)

Details of long-term liabilities:

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	\$ 2,535,000	\$ 520,000
General projects	5.1% - 6.1%	12/21/1995	2016	8,385,372	2,829,087	449,684
School construction	4.1% - 5.225%	4/30/1998	2019	1,545,000	675,000	75,000
School construction	4.85% - 6.6%	Aug. 1991	2012	1,267,416	161,569	79,375
School construction	4.1% - 5.1%	5/11/2006	2026	15,890,000	14,390,000	550,000
Jail Construction	3.6325% - 4.9866%	6/8/2006	2032	17,570,000	<u>16,785,000</u>	<u>415,000</u>
Total GO Bonds					\$ 37,375,656	\$ 2,089,059
Add:						
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	\$ 843,618	\$ -
Net GO Bonds					<u>\$ 38,219,274</u>	<u>\$ 2,089,059</u>
Other Long-term Debt: (Literary Fund Loans)						
School construction	3.00%	7/15/1990	2011	1,180,976	\$ 40,976	\$ 40,976
School construction	3.00%	12/1/1990	2011	97,255	2,255	2,255
School construction	3.00%	12/1/2000	2021	7,500,000	4,125,000	375,000
School construction	3.00%	2/1/1999	2019	5,000,000	2,250,000	250,000
School construction	3.00%	1/15/2003	2023	538,600	<u>350,090</u>	<u>26,930</u>
Total Literary Fund Loans					<u>\$ 6,768,321</u>	<u>\$ 695,161</u>
Other Obligations:						
Comp. Absences	n/a	n/a	n/a	n/a	\$ 600,576	\$ 450,432
Landfill closure/post-closure monitoring	n/a	n/a	n/a	n/a	<u>4,556,430</u>	<u>-</u>
Total Other Obligations					<u>\$ 5,157,006</u>	<u>\$ 450,432</u>
Total Long-term liabilities					<u>\$ 50,144,601</u>	<u>\$ 3,234,652</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 8-Long-Term Liabilities: (Continued)

Primary Government - Enterprise Activity Liabilities:

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2011	\$ 478,639	\$ 279,363
2012	498,172	262,420
2013	513,040	244,872
2014	533,255	226,573
2015	548,829	206,114
2016-2020	2,888,225	677,315
2021-2025	1,863,006	186,190
2026-2027	298,842	9,307
Totals	<u>\$ 7,622,008</u>	<u>\$ 2,092,154</u>

The following is a summary of long-term liabilities transactions of the Enterprise Fund for the year ended June 30, 2010.

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
Revenue Bonds	\$ 8,086,437	\$ -	\$ (464,429)	\$ 7,622,008
Unamortized Premium	39,765	-	(4,133)	35,632
Deferred amount on refunding	(154,599)	-	16,065	(138,534)
Compensated absences	54,900	46,834	(41,175)	60,559
Total	<u>\$ 8,026,503</u>	<u>\$ 46,834</u>	<u>\$ (493,672)</u>	<u>\$ 7,579,665</u>

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, 2010

Note 8-Long-Term Liabilities: (Continued)

Primary Government - Enterprise Activity Liabilities: (Continued)

Details of long-term liabilities:

	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	\$ 3,420,000	\$ 205,000
VRA Bond	4.75%	7/31/1997	2019	8,385,372	1,562,007	148,903
VRA Bond	3.10%	8/1/2004	2027	4,032,975	<u>2,640,001</u>	<u>124,736</u>
Total Revenue Bonds					<u>\$ 7,622,008</u>	<u>\$ 478,639</u>
Add:						
Unamortized premium					\$ 35,632	\$ -
Deferred amount on refunding					<u>(138,534)</u>	<u>-</u>
Net Revenue Bonds					<u>\$ 7,519,106</u>	<u>\$ 478,639</u>
Other Obligations:						
Comp. Absences	n/a	n/a	n/a	n/a	<u>\$ 60,559</u>	<u>\$ 45,419</u>
Total Long-term liabilities					<u><u>\$ 7,579,665</u></u>	<u><u>\$ 524,058</u></u>

Note 9-Long-Term Liabilities-Component Units:

Discretely Presented Component Unit - School Board Liabilities:

The following is a summary of long-term liabilities transactions of the Component Unit-School Board for the year ended June 30, 2010.

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
OPEB obligation	\$ 310,000	\$ 313,617		\$ 623,617
Compensated absences	<u>794,393</u>	<u>439,936</u>	<u>(595,795)</u>	<u>638,534</u>
Total	<u><u>\$ 1,104,393</u></u>	<u><u>\$ 753,553</u></u>	<u><u>\$ (595,795)</u></u>	<u><u>\$ 1,262,151</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

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

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

Details of long-term liabilities:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:						
OPEB Obligation	n/a	n/a	n/a	n/a	\$ 623,617	\$ -
Compensated Absences	n/a	n/a	n/a	n/a	638,534	478,900
Total long-term liabilities					<u>\$ 1,262,151</u>	<u>\$ 478,900</u>

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

Discretely Presented Component Unit - Industrial Development Authority Liabilities:

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

Year Ending June 30,	Lease Revenue Bond	
	Principal	Interest
2010	219,638	142,296
2011	230,037	131,897
2012	240,929	121,005
2013	252,336	109,598
2014	264,284	97,650
2015-2020	1,888,977	288,273
Totals	<u>\$ 3,096,201</u>	<u>\$ 890,719</u>

The following is a summary of long-term liabilities transactions of the Component Unit-Industrial Development Authority for the year ended June 30, 2010.

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
Lease Revenue Bond	\$ 3,305,846	\$ -	\$ (209,645)	\$ 3,096,201

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

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

Details of long-term liabilities:

	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	\$ 3,096,201	\$ 219,638

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)

The County contributes to the Virginia Retirement System (VRS). 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 (1.85% for sheriffs and if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). 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 adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. 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/Publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500

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

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. This 5% member contribution may be assumed by the employer. In addition, the County of Botetourt, Virginia 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 of Botetourt, Virginia's contribution rate for the fiscal year ended 2010 was 10.38% of annual covered payroll.

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. This 5% member contribution may be assumed by the employer. In addition, the County of Botetourt, Virginia 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 of Botetourt, Virginia's contribution rate for the fiscal year ended 2010 was 10.98% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2010, the County of Botetourt, Virginia's annual pension cost of \$1,048,201 and \$304,376 was equal to the County of Botetourt, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2010	\$ 1,048,201	100.00%	\$ -
	6/30/2009	1,058,913	100.00%	-
	6/30/2008	1,387,075	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2010	\$ 304,376	100.00%	\$ -
	6/30/2009	340,177	100.00%	-
	6/30/2008	297,546	100.00%	-

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

C. Annual Pension Cost (Continued)

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost of living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County of Botetourt, Virginia's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County of Botetourt, Virginia's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2009, the most recent actuarial valuation date, the plan was 83.51% funded. The actuarial accrued liability for benefits was \$31,742,132, and the actuarial value of assets was \$26,508,097, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,234,035. The covered payroll (annual payroll of active employees covered by the plan) was \$10,163,736, and ratio of the UAAL to the covered payroll was 51.50%.

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

As of June 30, 2009, the most recent actuarial valuation date, the plan was 83.70% funded. The actuarial accrued liability for benefits was \$11,090,858, and the actuarial value of assets was \$9,283,141, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,807,717. The covered payroll (annual payroll of active employees covered by the plan) was \$2,948,471, and ratio of the UAAL to the covered payroll was 61.31%.

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

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

E. 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/Publications/2009-Annual-Report.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 \$1,586,501, \$2,283,774, and \$2,547,921 for the fiscal years ended 2010, 2009, and 2008, respectively. Required employer contributions represented 8.81% for July 2009 through March 2010 and 0.00% for April through June 2010, and 8.81% and 10.30% of covered payroll for the fiscal years ended 2009 and 2008, respectively.

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 \$106,315 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2010, but paid in advance by the taxpayers totaled \$106,315 at June 30, 2010.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 12-Capital Assets:

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 11,979,101	\$ 46,254	\$ -	\$ 12,025,355
Construction in progress	1,181,251	930,311	(1,524,776)	586,786
Total capital assets not being depreciated	<u>\$ 13,160,352</u>	<u>\$ 976,565</u>	<u>\$ (1,524,776)</u>	<u>\$ 12,612,141</u>
Capital assets, being depreciated:				
Buildings	\$ 71,955,585	\$ 1,542,757	\$ (822,812)	\$ 72,675,530
Machinery and equipment	7,590,467	574,536	(107,720)	8,057,283
Total capital assets being depreciated	<u>\$ 79,546,052</u>	<u>\$ 2,117,293</u>	<u>\$ (930,532)</u>	<u>\$ 80,732,813</u>
Less: accumulated depreciation for:				
Buildings	\$ (12,178,818)	\$ (2,071,871)	\$ 473,984	\$ (13,776,705)
Machinery and equipment	(4,976,337)	(757,427)	107,720	(5,626,044)
Total accumulated depreciation	<u>\$ (17,155,155)</u>	<u>\$ (2,829,298)</u>	<u>\$ 581,704</u>	<u>\$ (19,402,749)</u>
Total capital assets being depreciated, net	<u>\$ 62,390,897</u>	<u>\$ (712,005)</u>	<u>\$ (348,828)</u>	<u>\$ 61,330,064</u>
Governmental activities capital assets, net	<u><u>\$ 75,551,249</u></u>	<u><u>\$ 264,560</u></u>	<u><u>\$ (1,873,604)</u></u>	<u><u>\$ 73,942,205</u></u>

The County contributed assets with a carrying value of \$348,828 (\$822,812 gross value net of accumulated depreciation totaling \$473,984) to the Component-unit School Board during the fiscal year.

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COUNTY OF BOTETOURT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

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	26,222	163,802	(190,024)	-
Total capital assets not being depreciated	<u>\$ 69,232</u>	<u>\$ 163,802</u>	<u>\$ (190,024)</u>	<u>\$ 43,010</u>
Capital assets, being depreciated:				
Utility plant and equipment	\$ 26,207,105	\$ 190,024	\$ -	\$ 26,397,129
Machinery and equipment	35,062	-	-	35,062
Total capital assets being depreciated	<u>\$ 26,242,167</u>	<u>\$ 190,024</u>	<u>\$ -</u>	<u>\$ 26,432,191</u>
Less: accumulated depreciation for:				
Utility plant and equipment	\$ (8,202,341)	\$ (764,601)	\$ -	\$ (8,966,942)
Machinery and equipment	(35,062)	-	-	(35,062)
Total accumulated depreciation	<u>\$ (8,237,403)</u>	<u>\$ (764,601)</u>	<u>\$ -</u>	<u>\$ (9,002,004)</u>
Total capital assets being depreciated, net	<u>\$ 18,004,764</u>	<u>\$ (574,577)</u>	<u>\$ -</u>	<u>\$ 17,430,187</u>
Business-type activities capital assets, net	<u><u>\$ 18,073,996</u></u>	<u><u>\$ (410,775)</u></u>	<u><u>\$ (190,024)</u></u>	<u><u>\$ 17,473,197</u></u>

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

Governmental activities:	
General government	\$ 215,114
Judicial administration	23,424
Public safety	1,193,584
Public works	131,288
Education	1,036,348
Parks, recreation, and culture	229,540
Total depreciation expense-governmental activities	<u><u>\$ 2,829,298</u></u>
Business-type activities:	
Service authority	\$ 764,601

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 12-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2010 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
Construction in progress	72,151	1,350,661	(1,252,465)	170,347
Total capital assets not being depreciated	<u>\$ 1,527,880</u>	<u>\$ 1,350,661</u>	<u>\$ (1,252,465)</u>	<u>\$ 1,626,076</u>
Capital assets, being depreciated:				
Buildings	\$ 38,016,991	\$ 2,156,787	\$ -	\$ 40,173,778
Machinery and equipment	6,219,391	733,590	(50,000)	6,902,981
Total capital assets being depreciated	<u>\$ 44,236,382</u>	<u>\$ 2,890,377</u>	<u>\$ (50,000)</u>	<u>\$ 47,076,759</u>
Less: accumulated depreciation for:				
Buildings	\$ (16,346,872)	\$ (1,576,817)	\$ -	\$ (17,923,689)
Machinery and equipment	(3,976,457)	(573,348)	37,853	(4,511,952)
Total accumulated depreciation	<u>\$ (20,323,329)</u>	<u>\$ (2,150,165)</u>	<u>\$ 37,853</u>	<u>\$ (22,435,641)</u>
Total capital assets being depreciated, net	<u>\$ 23,913,053</u>	<u>\$ 740,212</u>	<u>\$ (12,147)</u>	<u>\$ 24,641,118</u>
School Board capital assets, net	<u>\$ 25,440,933</u>	<u>\$ 2,090,873</u>	<u>\$ (1,264,612)</u>	<u>\$ 26,267,194</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

Note 13-Risk Management: (Continued)

all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

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

Note 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
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

Note 15-Surety Bonds: (Continued)

<u>United States Fidelity and Guaranty Company-Surety:</u>	
Board of Supervisors:	\$ 1,000
Terry Austin	1,000
Don Assaid	1,000
Donna P. Vaughn	1,000
Billy W. Martin, Sr.	1,000
Stephen P. Clinton	1,000

Component Unit - School Board:

<u>The Continental Insurance Company:</u>	
Betty Holland, Clerk of the School Board	\$ 10,000
All School Board employees: blanket bond	10,000

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

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The County's landfill has reached approximately 96% of its estimated capacity. Total closure and post-closure care cost have been estimated to be \$4,746,281 based on 100% usage of the facility. This represents what it would cost to perform all closure and post-closure care in 2010. Landfill closure and post-closure care costs are allocated based on landfill capacity to date. As such, approximately 96% of the aforementioned amount has been recognized as a liability in the financial statements (\$4,556,430). The remaining amount to be recognized, \$189,851, will be recognized over the landfill's remaining life based on usage. As of June 30, 2010, the landfill's remaining life is estimated to be 4.0 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:

At year end, the County did not have any material commitments or contingencies outstanding.

Note 18 - Arbitrage Rebate Compliance:

As of June 30, 2010 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 19-Other Postemployment Benefits (OPEB):

Component Unit: School Board

A. Plan Description

The County of Botetourt’s Component Unit - School Board administers a single-employer healthcare plan (“the Plan”). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the School Board and the employee must be eligible to retire from the School Board under the Virginia Retirement System. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through School Board action. The Plan does not issue a publicly available financial report.

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 744 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The monthly rates were as follows at June 30, 2010:

<u>Participants</u>	<u>Total Premium</u>
Employee	\$ 369.22
Employee / Spouse	738.41
Employee / Child	535.36
Family	930.39

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 19-Other Postemployment Benefits (OPEB): (Continued)

Component Unit: School Board (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

For 2010, the Board's annual contribution of \$170,000 did not equal the annual OPEB cost of \$483,617. The obligation calculation is as follows:

Annual required contribution	\$ 480,000
Interest on net OPEB obligation	13,950
Adjustment to annual required contribution	(10,333)
Annual OPEB cost (expense)	<u>483,617</u>
Contributions made	<u>170,000</u>
Increase in net OPEB obligation	313,617
Net OPEB obligation - beginning of year	310,000
Net OPEB obligation - ending of year	<u><u>\$ 623,617</u></u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2010 were as follows:

Fiscal Year Ended*	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 480,000	35%	\$ 310,000
6/30/2010	\$ 483,617	35%	\$ 623,617

* Information has only been available for two years.

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2008 (date of the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 4,699,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 4,699,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 24,846,000
UAAL as a percentage of covered payroll	18.91%

Note 19-Other Postemployment Benefits (OPEB): (Continued)

Component Unit: School Board (Continued)

D. Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2008, actuarial valuation, the entry age normal cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, and investment rate of return at 4.5%, and a health care trend rate of 10% graded to 5% over 5 years. The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2008, was 29 years. Amortizations are open ended in that they begin anew at each valuation date.

Note 20- VRS Health Insurance Credit - Other Postemployment Benefits (OPEB):

Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Note 20- VRS Health Insurance Credit - Other Postemployment Benefits (OPEB): (Continued)

A. Plan Description (Continued)

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements are previously discussed in Note 10.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. Contribution rates were 1.04%, 1.16% and 1.19% of annual covered payroll for the years ending June 30, 2010, 2009, and 2008, respectively. The School Board's contributions to VRS for the years ending June 30, 2010, 2009, and 2008 were \$263,257, \$300,701, and \$286,950, respectively and equaled the required contributions for each year.

Note 21-New Accounting Standards:

The Government Accounting Standards Board (GASB) has issued Statement No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). Management does not believe the impact of this statement will have a material effect on the financial statements. This standard will be implemented for the fiscal year ending June 30, 2012.

The Government Accounting Standards Board (GASB) has issued Statement No. 59 *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Management does not believe the impact of this statement will have a material effect on the financial statements. This standard will be implemented for the fiscal year ending June 30, 2011.

Note 22-Restatement of Previously Issued Financial Statements:

Net Assets at June 30, 2009, as previously reported	\$	38,159,058
Add: Emergency services receivable at year end		132,681
Net Assets at June 30, 2009, as restated	\$	<u>38,291,739</u>
General Fund balance at June 30, 2009, as previously reported	\$	16,291,663
Add: Emergency services receivable at year end		132,681
General Fund balance at June 30, 2009, as restated	\$	<u>16,424,344</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 28,220,000	\$ 28,105,123	\$ 28,265,340	\$ 160,217
Other local taxes	6,340,000	6,340,000	5,799,366	(540,634)
Permits, privilege fees, and regulatory licenses	313,900	313,900	259,962	(53,938)
Fines and forfeitures	115,200	115,200	91,435	(23,765)
Revenue from the use of money and property	798,800	798,800	660,250	(138,550)
Charges for services	705,000	705,000	600,018	(104,982)
Miscellaneous	201,700	201,700	366,878	165,178
Recovered costs	1,721,000	1,710,202	1,465,804	(244,398)
Intergovernmental revenues:				
Commonwealth	10,372,715	10,372,715	10,278,579	(94,136)
Federal	1,143,085	1,143,085	1,217,686	74,601
Total revenues	<u>\$ 49,931,400</u>	<u>\$ 49,805,725</u>	<u>\$ 49,005,318</u>	<u>\$ (800,407)</u>
EXPENDITURES				
General government administration:				
Board of supervisors	\$ 285,617	\$ 285,618	\$ 246,353	\$ 39,265
County administrator	377,399	377,107	326,811	50,296
Deputy administrators	378,659	378,532	362,805	15,727
Central garage	66,322	72,309	57,629	14,680
Commissioner of revenue	355,124	355,056	329,454	25,602
Assessor	170,000	170,000	136,106	33,894
Equilization Board	10,800	10,800	8,963	1,837
Central purchasing	154,281	155,613	151,664	3,949
Treasurer	405,733	425,728	410,714	15,014
Management information systems	698,330	701,316	666,389	34,927
Financial services	314,486	314,475	294,462	20,013
Electoral board/registrar	264,993	264,672	226,283	38,389
Total general government administration	<u>\$ 3,481,744</u>	<u>\$ 3,511,226</u>	<u>\$ 3,217,633</u>	<u>\$ 293,593</u>
Judicial administration:				
Circuit court	\$ 59,195	\$ 59,195	\$ 56,142	\$ 3,053
General district court	34,111	34,111	29,659	4,452
Magistrate	825	724	250	474
Clerk of the circuit court	571,203	591,921	552,158	39,763
Commonwealth's attorney	656,130	656,130	638,367	17,763
Total judicial administration	<u>\$ 1,321,464</u>	<u>\$ 1,342,081</u>	<u>\$ 1,276,576</u>	<u>\$ 65,505</u>

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public safety:				
Sheriff	\$ 4,056,652	\$ 4,494,728	\$ 4,045,610	\$ 449,118
Fire departments and rescue squads	1,601,790	2,341,941	2,264,411	77,530
Emergency communications	189,200	421,200	363,005	58,195
Western Virginia EMS	6,722	6,722	6,722	-
County operated institutions - jail	3,613,277	3,661,622	3,212,598	449,024
Probation office	23,750	43,050	41,622	1,428
Building inspections	328,780	328,680	297,983	30,697
Animal control	424,960	424,749	388,515	36,234
Emergency services	1,339,555	1,432,060	1,364,604	67,456
Dispatch	672,505	672,505	636,582	35,923
Total public safety	<u>\$ 12,257,191</u>	<u>\$ 13,827,257</u>	<u>\$ 12,621,652</u>	<u>\$ 1,205,605</u>
Public works:				
Refuse collection and disposal	\$ 651,205	\$ 638,680	\$ 613,898	\$ 24,782
County engineer	348,771	348,662	317,369	31,293
Public works	139,474	139,474	124,791	14,683
General properties	644,123	675,660	673,360	2,300
Total public works	<u>\$ 1,783,573</u>	<u>\$ 1,802,476</u>	<u>\$ 1,729,418</u>	<u>\$ 73,058</u>
Health and welfare:				
Supplement of local health department	\$ 370,000	\$ 370,000	\$ 370,000	\$ -
State and local hospitalization	10,500	10,500	-	10,500
Mental health contribution	38,743	38,743	38,743	-
Welfare administration and programs	1,875,790	1,875,790	1,490,389	385,401
Comprehensive services act	1,385,450	1,470,179	1,458,492	11,687
Senior van program	75,638	117,926	109,730	8,196
Resource center	7,500	7,500	7,500	-
Tax relief for the elderly	245,000	245,000	244,505	495
Other welfare programs	51,516	51,516	51,516	-
Total health and welfare	<u>\$ 4,060,137</u>	<u>\$ 4,187,154</u>	<u>\$ 3,770,875</u>	<u>\$ 416,279</u>
Education:				
Contributions to Community Colleges	\$ 12,068	\$ 12,068	\$ 12,068	\$ -
Contribution to County School Board	20,323,337	20,323,337	19,009,756	1,313,581
Total education	<u>\$ 20,335,405</u>	<u>\$ 20,335,405</u>	<u>\$ 19,021,824</u>	<u>\$ 1,313,581</u>
Parks, recreation, and cultural:				
Supervision of parks and recreation	\$ 1,436,580	\$ 1,480,189	\$ 1,246,015	\$ 234,174
Sports Complex	403,805	414,330	381,077	33,253
Tourism	147,162	181,158	181,158	-
Contributions to cultural organizations	70,428	75,428	75,428	-
Greenfield Historical Resources	50,000	50,000	33,516	16,484
Library expenses	785,361	887,228	832,107	55,121
Regional library	247,303	248,952	223,031	25,921
Total parks, recreation, and cultural	<u>\$ 3,140,639</u>	<u>\$ 3,337,285</u>	<u>\$ 2,972,332</u>	<u>\$ 364,953</u>

County of Botetourt, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Community development:				
Planning and Zoning	\$ 294,837	\$ 354,111	\$ 340,349	\$ 13,762
Planning commission	22,869	22,869	22,869	-
Industrial development	130,476	166,912	166,877	35
Contribution to Industrial Development Authority	1,500	1,500	1,500	-
Other environmental management	23,240	23,240	23,135	105
Extension office	93,144	93,144	70,397	22,747
Total community development	<u>\$ 566,066</u>	<u>\$ 661,776</u>	<u>\$ 625,127</u>	<u>\$ 36,649</u>
Capital projects:				
EOC upgrades	\$ 10,000	\$ 10,000	\$ 9,454	\$ 546
Tower site batteries	10,000	10,000	-	10,000
Street signs	15,000	15,000	-	15,000
ADA Compliance	50,000	50,000	-	50,000
Boxley Fields	25,000	25,000	-	25,000
Buchanan Park	-	145,000	-	145,000
Eagle Rock Library	140,000	1,139,355	952,458	186,897
Industrial site development	100,000	80,015	46,254	33,761
Recreation facility (Greenfield park)	25,000	25,000	-	25,000
Solid Waste Transfer Station	-	24,500	6,000	18,500
Total capital projects	<u>\$ 375,000</u>	<u>\$ 1,523,870</u>	<u>\$ 1,014,166</u>	<u>\$ 509,704</u>
Debt service:				
Principal retirement	\$ 2,964,240	\$ 2,964,240	\$ 2,798,024	\$ 166,216
Interest and other fiscal charges	2,061,502	2,061,502	2,061,502	-
Total debt service	<u>\$ 5,025,742</u>	<u>\$ 5,025,742</u>	<u>\$ 4,859,526</u>	<u>\$ 166,216</u>
Total expenditures	<u>\$ 52,346,961</u>	<u>\$ 55,554,272</u>	<u>\$ 51,109,129</u>	<u>\$ 4,445,143</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,415,561)</u>	<u>\$ (5,748,547)</u>	<u>\$ (2,103,811)</u>	<u>\$ 3,644,736</u>
Net change in fund balances	\$ (2,415,561)	\$ (5,748,547)	\$ (2,103,811)	\$ 3,644,736
Fund balances - beginning as restated	2,415,561	5,748,547	16,424,344	10,675,797
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,320,533</u>	<u>\$ 14,320,533</u>

Note 1: GAAP serves as the budgetary basis of accounting

County of Botetourt, Virginia
Required Supplementary Information

Schedule of Funding Progress Defined Benefit Plans
For the Year Ended June 30, 2010

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, 2009	\$ 26,508,097	\$ 31,742,132	\$ 5,234,035	83.51%	\$ 10,163,736	51.50%
June 30, 2008	25,132,707	29,858,584	4,725,877	84.17%	9,866,757	47.90%
June 30, 2007	21,684,042	26,433,805	4,749,763	82.03%	8,322,040	57.07%

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, 2009	\$ 9,283,141	\$ 11,090,858	\$ 1,807,717	83.70%	\$ 2,948,471	61.31%
June 30, 2008	9,369,812	10,941,756	1,571,944	85.63%	2,964,772	53.02%
June 30, 2007	8,503,154	10,590,733	2,087,579	80.29%	2,923,719	71.40%

School Board Healthcare 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, 2008	\$ -	\$ 4,699,000	\$ 4,699,000	0.00%	\$ 24,846,000	18.91%

*Only one valuation performed to date.

Other Supplementary Information

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
Agency Funds
June 30, 2010

	Agency Funds						
	<u>Special Welfare</u>	<u>Flexible Benefits</u>	<u>Inmate Trust and Canteen</u>	<u>Cafeteria Plan</u>	<u>Escrow</u>	<u>Roanoke Valley Regional Board</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 27,192	\$ 28,325	\$ 66,214	\$ 7,211	\$ 52,864	\$ 771,065	\$ 952,871
Total assets	<u>\$ 27,192</u>	<u>\$ 28,325</u>	<u>\$ 66,214</u>	<u>\$ 7,211</u>	<u>\$ 52,864</u>	<u>\$ 771,065</u>	<u>\$ 952,871</u>
LIABILITIES							
Amounts held for social services clients	\$ 27,192	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,192
Amounts held for employees	-	28,325	-	7,211	-	-	35,536
Amounts held for other agencies	-	-	-	-	-	771,065	771,065
Amounts held for performance bond	-	-	-	-	52,864	-	52,864
Amounts held for inmates	-	-	66,214	-	-	-	66,214
Total liabilities	<u>\$ 27,192</u>	<u>\$ 28,325</u>	<u>\$ 66,214</u>	<u>\$ 7,211</u>	<u>\$ 52,864</u>	<u>\$ 771,065</u>	<u>\$ 952,871</u>

County of Botetourt, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Special Welfare Fund:				
Assets:				
Equity in cash and cash equivalents	\$ 21,852	\$ 57,125	\$ (51,785)	\$ 27,192
Total assets	<u>\$ 21,852</u>	<u>\$ 57,125</u>	<u>\$ (51,785)</u>	<u>\$ 27,192</u>
Liabilities:				
Accounts payable	\$ 21,852	\$ 57,125	\$ (51,785)	\$ 27,192
Total liabilities	<u>\$ 21,852</u>	<u>\$ 57,125</u>	<u>\$ (51,785)</u>	<u>\$ 27,192</u>
Flexible Benefits Fund:				
Assets:				
Equity in cash and cash equivalents	\$ 28,687	\$ 257,693	\$ (258,055)	\$ 28,325
Total assets	<u>\$ 28,687</u>	<u>\$ 257,693</u>	<u>\$ (258,055)</u>	<u>\$ 28,325</u>
Liabilities:				
Accounts payable	\$ 28,687	\$ 257,693	\$ (258,055)	\$ 28,325
Total liabilities	<u>\$ 28,687</u>	<u>\$ 257,693</u>	<u>\$ (258,055)</u>	<u>\$ 28,325</u>
Inmate Trust and Canteen Fund				
Assets:				
Equity in cash and cash equivalents	\$ 51,531	\$ 121,586	\$ (106,903)	\$ 66,214
Total assets	<u>\$ 51,531</u>	<u>\$ 121,586</u>	<u>\$ (106,903)</u>	<u>\$ 66,214</u>
Liabilities:				
Accounts payable	\$ 51,531	\$ 121,586	\$ (106,903)	\$ 66,214
Total liabilities	<u>\$ 51,531</u>	<u>\$ 121,586</u>	<u>\$ (106,903)</u>	<u>\$ 66,214</u>
Cafeteria Plan				
Assets:				
Equity in cash and cash equivalents	\$ 4,957	\$ 42,151	\$ (39,897)	\$ 7,211
Total assets	<u>\$ 4,957</u>	<u>\$ 42,151</u>	<u>\$ (39,897)</u>	<u>\$ 7,211</u>
Liabilities:				
Accounts payable	\$ 4,957	\$ 42,151	\$ (39,897)	\$ 7,211
Total liabilities	<u>\$ 4,957</u>	<u>\$ 42,151</u>	<u>\$ (39,897)</u>	<u>\$ 7,211</u>
Escrow Fund				
Assets:				
Equity in cash and cash equivalents	\$ 52,864	\$ 12,000	\$ (12,000)	\$ 52,864
Total assets	<u>\$ 52,864</u>	<u>\$ 12,000</u>	<u>\$ (12,000)</u>	<u>\$ 52,864</u>
Liabilities:				
Accounts payable	\$ 52,864	\$ 12,000	\$ (12,000)	\$ 52,864
Total liabilities	<u>\$ 52,864</u>	<u>\$ 12,000</u>	<u>\$ (12,000)</u>	<u>\$ 52,864</u>
Roanoke Valley Regional Board				
Assets:				
Equity in cash and cash equivalents	\$ 843,883	\$ 3,948,950	\$ (4,021,768)	\$ 771,065
Total assets	<u>\$ 843,883</u>	<u>\$ 3,948,950</u>	<u>\$ (4,021,768)</u>	<u>\$ 771,065</u>
Liabilities:				
Accounts payable	\$ 843,883	\$ 3,948,950	\$ (4,021,768)	\$ 771,065
Total liabilities	<u>\$ 843,883</u>	<u>\$ 3,948,950</u>	<u>\$ (4,021,768)</u>	<u>\$ 771,065</u>
Totals				
Assets:				
Equity in cash and cash equivalents	\$ 1,003,774	\$ 4,439,505	\$ (4,490,408)	\$ 952,871
Total assets	<u>\$ 1,003,774</u>	<u>\$ 4,439,505</u>	<u>\$ (4,490,408)</u>	<u>\$ 952,871</u>
Liabilities:				
Accounts payable	\$ 1,003,774	\$ 4,439,505	\$ (4,490,408)	\$ 952,871
Total liabilities	<u>\$ 1,003,774</u>	<u>\$ 4,439,505</u>	<u>\$ (4,490,408)</u>	<u>\$ 952,871</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, 2010

	<u>School Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 6,849,862
Receivables (net of allowance for uncollectibles):	
Accounts receivable	97,931
Due from other governmental units	1,501,279
Prepaid items	585,518
Total assets	<u>\$ 9,034,590</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 315,938
Salaries payable	4,064,744
Due to primary government	148,073
Total liabilities	<u>\$ 4,528,755</u>
Fund balances:	
Reserved for:	
School cafeterias	\$ 225,131
Unreserved:	
Undesignated	4,280,704
Total fund balances	<u>\$ 4,505,835</u>
Total liabilities and fund balances	<u>\$ 9,034,590</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 4,505,835
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,267,194
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,262,151)
Net assets of governmental activities	<u>\$ 29,510,878</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, 2010

	<u>Total Governmental Funds</u>
REVENUES	
Revenue from the use of money and property	\$ 141,593
Charges for services	1,659,674
Miscellaneous	181,981
Recovered costs	72,053
Intergovernmental revenues:	
Local government	19,009,756
Commonwealth	24,008,222
Federal	5,271,459
Total revenues	<u>\$ 50,344,738</u>
EXPENDITURES	
Current:	
Education	\$ 50,173,223
Total expenditures	<u>\$ 50,173,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 171,515</u>
Net change in fund balances	\$ 171,515
Fund balances - beginning	4,334,320
Fund balances - ending	<u>\$ 4,505,835</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	\$ 171,515
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.	826,261
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.	(157,757)
Change in net assets of governmental activities	<u>\$ 840,019</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, 2010

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 105,000	\$ 105,000	\$ 141,593	\$ 36,593
Charges for services	1,875,421	1,875,421	1,659,674	(215,747)
Miscellaneous	526,641	526,641	181,981	(344,660)
Recovered costs	55,000	55,000	72,053	17,053
Intergovernmental revenues:				
Local government	20,323,337	20,323,337	19,009,756	(1,313,581)
Commonwealth	25,331,018	25,331,018	24,008,222	(1,322,796)
Federal	4,375,992	4,375,992	5,271,459	895,467
Total revenues	<u>\$ 52,592,409</u>	<u>\$ 52,592,409</u>	<u>\$ 50,344,738</u>	<u>\$ (2,247,671)</u>
EXPENDITURES				
Current:				
Education	\$ 52,611,766	\$ 52,592,409	\$ 50,173,223	\$ 2,419,186
Total expenditures	<u>\$ 52,611,766</u>	<u>\$ 52,592,409</u>	<u>\$ 50,173,223</u>	<u>\$ 2,419,186</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (19,357)</u>	<u>\$ -</u>	<u>\$ 171,515</u>	<u>\$ 171,515</u>
Net change in fund balances	\$ (19,357)	\$ -	\$ 171,515	\$ 171,515
Fund balances - beginning	19,357	-	4,334,320	4,334,320
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,505,835</u>	<u>\$ 4,505,835</u>

Supporting Schedules

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<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	\$ 19,090,000	\$ 18,975,123	\$ 19,448,799	\$ 473,676
Real and personal public service corporation taxes	1,098,500	1,098,500	1,139,457	40,957
Personal property taxes	4,200,000	4,200,000	3,991,336	(208,664)
Mobile home taxes	44,500	44,500	45,539	1,039
Machinery and tools taxes	3,600,000	3,600,000	3,378,903	(221,097)
Penalties	125,000	125,000	162,177	37,177
Interest	62,000	62,000	99,129	37,129
Total general property taxes	<u>\$ 28,220,000</u>	<u>\$ 28,105,123</u>	<u>\$ 28,265,340</u>	<u>\$ 160,217</u>
Other local taxes:				
Local sales and use taxes	\$ 2,200,000	\$ 2,200,000	\$ 1,873,975	\$ (326,025)
Consumers' utility taxes	550,000	550,000	549,266	(734)
Local consumption tax	155,500	155,500	144,994	(10,506)
E-911 telephone taxes	55,000	55,000	58,726	3,726
Business license taxes	823,000	823,000	779,757	(43,243)
Franchise license tax	50,000	50,000	70,020	20,020
Motor vehicle licenses	605,000	605,000	627,860	22,860
Bank stock taxes	122,500	122,500	97,234	(25,266)
Taxes on recordation and wills	309,000	309,000	285,530	(23,470)
Hotel and motel room taxes	315,000	315,000	245,676	(69,324)
Restaurant food taxes	1,155,000	1,155,000	1,066,328	(88,672)
Total other local taxes	<u>\$ 6,340,000</u>	<u>\$ 6,340,000</u>	<u>\$ 5,799,366</u>	<u>\$ (540,634)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 28,000	\$ 28,000	\$ 31,292	\$ 3,292
Land use application fees	2,500	2,500	2,209	(291)
Transfer fees	2,000	2,000	935	(1,065)
Building permits and other licenses	251,400	251,400	209,194	(42,206)
Zoning fees	30,000	30,000	16,332	(13,668)
Total permits, privilege fees, and regulatory licenses	<u>\$ 313,900</u>	<u>\$ 313,900</u>	<u>\$ 259,962</u>	<u>\$ (53,938)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 115,200	\$ 115,200	\$ 91,435	\$ (23,765)
Total fines and forfeitures	<u>\$ 115,200</u>	<u>\$ 115,200</u>	<u>\$ 91,435</u>	<u>\$ (23,765)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 521,800	\$ 521,800	\$ 347,874	\$ (173,926)
Revenue from use of property	277,000	277,000	312,376	35,376
Total revenue from use of money and property	<u>\$ 798,800</u>	<u>\$ 798,800</u>	<u>\$ 660,250</u>	<u>\$ (138,550)</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<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	\$ 20,000	\$ 20,000	\$ 2,400	\$ (17,600)
Charges for law enforcement and traffic control	47,500	47,500	47,648	148
Charges for courthouse maintenance	22,500	22,500	17,075	(5,425)
Charges for courtroom security	95,000	95,000	89,989	(5,011)
Court appointed attorneys	-	-	18,341	18,341
Miscellaneous jail and inmate fees	35,000	35,000	40,798	5,798
Jail processing fees	7,500	7,500	5,028	(2,472)
Charges for Commonwealth's Attorney	107,000	107,000	37,306	(69,694)
Charges for board and care of animals	7,500	7,500	5,365	(2,135)
Charges for sanitation and waste removal	192,000	192,000	164,942	(27,058)
Charges for parks and recreation	152,000	152,000	145,342	(6,658)
Charges for engineering reviews	-	-	1,690	1,690
Other charges for services	1,500	1,500	492	(1,008)
Charges for law library	-	-	4,545	4,545
Charges for library	17,500	17,500	19,057	1,557
Total charges for services	<u>\$ 705,000</u>	<u>\$ 705,000</u>	<u>\$ 600,018</u>	<u>\$ (104,982)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 5,000	\$ 5,000	\$ 113,269	\$ 108,269
Sale of salvage	1,200	1,200	8,872	7,672
Revenue sharing payments	164,500	164,500	191,216	26,716
Telephone commissions	25,000	25,000	23,740	(1,260)
Forfeiture funds	-	-	4,355	4,355
Donations	6,000	6,000	25,426	19,426
Total miscellaneous revenue	<u>\$ 201,700</u>	<u>\$ 201,700</u>	<u>\$ 366,878</u>	<u>\$ 165,178</u>
Recovered costs:				
Local jails	\$ 286,000	\$ 286,000	\$ 214,683	\$ (71,317)
ES cost recoveries	1,000,000	1,000,000	909,756	(90,244)
Sheriff's office	-	-	16,489	16,489
Joint Library	-	-	5,075	5,075
Fincastle VFD	-	-	116,113	116,113
Regional jail	104,000	104,000	104,416	416
Medical co-pay	8,500	8,500	3,853	(4,647)
CSA refunds	65,000	65,000	32,892	(32,108)
Social services refunds	5,000	5,000	7,707	2,707
Other recovered costs	252,500	241,702	54,820	(186,882)
Total recovered costs	<u>\$ 1,721,000</u>	<u>\$ 1,710,202</u>	<u>\$ 1,465,804</u>	<u>\$ (244,398)</u>
Total revenue from local sources	<u>\$ 38,415,600</u>	<u>\$ 38,289,925</u>	<u>\$ 37,509,053</u>	<u>\$ (780,872)</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling Stock Tax	\$ 150,000	\$ 150,000	\$ 154,792	\$ 4,792
Communications sales and use taxes	810,000	810,000	749,049	(60,951)
Motor vehicle carriers' tax	-	-	2,704	2,704
Mobile home titling tax	30,000	30,000	35,713	5,713
Grantor's tax	185,000	185,000	181,722	(3,278)
Personal property tax relief funds	3,418,000	3,418,000	3,418,137	137
Total noncategorical aid	<u>\$ 4,593,000</u>	<u>\$ 4,593,000</u>	<u>\$ 4,542,117</u>	<u>\$ (50,883)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 421,000	\$ 421,000	\$ 388,645	\$ (32,355)
Sheriff	3,348,915	3,348,915	3,048,671	(300,244)
Commissioner of revenue	130,000	130,000	116,582	(13,418)
Treasurer	142,000	142,000	125,846	(16,154)
Registrar/electoral board	48,000	48,000	48,904	904
Clerk of the Circuit Court	307,000	307,000	284,704	(22,296)
Reduction in State Aid	(300,000)	(300,000)	(238,928)	61,072
Total shared expenses	<u>\$ 4,096,915</u>	<u>\$ 4,096,915</u>	<u>\$ 3,774,424</u>	<u>\$ (322,491)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 488,000	\$ 488,000	\$ 492,473	\$ 4,473
Comprehensive services act	748,000	748,000	868,634	120,634
Domestic preparedness grant	5,000	5,000	-	(5,000)
Emergency medical services	174,000	174,000	291,444	117,444
Library grant	174,500	174,500	165,989	(8,511)
Property seizure	-	-	29,220	29,220
VJCCA grant	17,500	17,500	17,006	(494)
Bulletproof vest program	800	800	2,380	1,580
Fire program	70,000	70,000	83,614	13,614
Records preservation grant	-	-	4,874	4,874
Other categorical aid	5,000	5,000	6,404	1,404
Total other categorical aid	<u>\$ 1,682,800</u>	<u>\$ 1,682,800</u>	<u>\$ 1,962,038</u>	<u>\$ 279,238</u>
Total categorical aid	<u>\$ 5,779,715</u>	<u>\$ 5,779,715</u>	<u>\$ 5,736,462</u>	<u>\$ (43,253)</u>
Total revenue from the Commonwealth	<u>\$ 10,372,715</u>	<u>\$ 10,372,715</u>	<u>\$ 10,278,579</u>	<u>\$ (94,136)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 100,500	\$ 100,500	\$ 110,481	\$ 9,981

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid:				
Public assistance and welfare administration	\$ 843,000	\$ 843,000	\$ 712,790	\$ (130,210)
Public assistance and welfare administration - ARRA	-	-	53,566	53,566
State homeland security grant program	-	-	4,900	4,900
Edward Byrne memorial grant - ARRA	191,085	191,085	191,085	-
Emergency management grant	-	-	133,112	133,112
State and community highway safety	8,500	8,500	11,752	3,252
Total categorical aid	<u>\$ 1,042,585</u>	<u>\$ 1,042,585</u>	<u>\$ 1,107,205</u>	<u>\$ 64,620</u>
Total revenue from the federal government	<u>\$ 1,143,085</u>	<u>\$ 1,143,085</u>	<u>\$ 1,217,686</u>	<u>\$ 74,601</u>
Total General Fund	<u>\$ 49,931,400</u>	<u>\$ 49,805,725</u>	<u>\$ 49,005,318</u>	<u>\$ (800,407)</u>
Total Primary Government	<u>\$ 49,931,400</u>	<u>\$ 49,805,725</u>	<u>\$ 49,005,318</u>	<u>\$ (800,407)</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	\$ 105,000	\$ 105,000	\$ 141,593	\$ 36,593
Total revenue from use of money and property	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 141,593</u>	<u>\$ 36,593</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Cafeteria sales	\$ 1,660,028	\$ 1,660,028	\$ 1,369,894	\$ (290,134)
Transportation of pupils	28,000	28,000	44,572	16,572
Tuition and payments from other divisions	187,393	187,393	245,208	57,815
Total charges for services	<u>\$ 1,875,421</u>	<u>\$ 1,875,421</u>	<u>\$ 1,659,674</u>	<u>\$ (215,747)</u>
Miscellaneous revenue:				
Other miscellaneous	526,641	526,641	181,981	\$ (344,660)
Total miscellaneous revenue	<u>\$ 526,641</u>	<u>\$ 526,641</u>	<u>\$ 181,981</u>	<u>\$ (344,660)</u>
Recovered costs:				
Other recovered costs	55,000	55,000	72,053	17,053
Total recovered costs	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 72,053</u>	<u>\$ 17,053</u>
Total revenue from local sources	<u>\$ 2,562,062</u>	<u>\$ 2,562,062</u>	<u>\$ 2,055,301</u>	<u>\$ (506,761)</u>

County of Botetourt, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<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)				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Botetourt, Virginia	\$ 20,323,337	\$ 20,323,337	\$ 19,009,756	\$ (1,313,581)
Total revenues from local governments	<u>\$ 20,323,337</u>	<u>\$ 20,323,337</u>	<u>\$ 19,009,756</u>	<u>\$ (1,313,581)</u>
Categorical aid:				
Share of state sales tax	\$ 4,984,925	\$ 4,984,925	\$ 4,757,178	\$ (227,747)
Basic school aid	14,258,908	14,258,908	13,479,767	(779,141)
Remedial summer education	35,457	35,457	33,670	(1,787)
Regular foster care	48,904	48,904	59,618	10,714
Adult secondary education	7,859	7,859	7,859	-
Gifted and talented	138,830	138,830	143,222	4,392
Remedial education	107,979	107,979	111,395	3,416
Enrollment loss	66,488	66,488	-	(66,488)
School food	32,084	32,084	30,838	(1,246)
Special education	1,582,659	1,582,659	1,632,735	50,076
Textbook payment	365,647	365,647	167,878	(197,769)
Standards of Learning algebra readiness	16,030	16,030	16,030	-
Vocational education SOQ payments	536,808	536,808	553,793	16,985
Social security fringe benefits	805,212	805,212	830,690	25,478
Share of fringe benefits	1,036,595	1,036,595	802,045	(234,550)
Group life insurance instructional	27,766	27,766	22,279	(5,487)
State lottery payments	280,343	280,343	367,445	87,102
Early reading intervention	49,044	49,044	62,776	13,732
Homebound education	32,154	32,154	31,065	(1,089)
Vocational education	60,708	60,708	52,708	(8,000)
Salary supplement	47,000	47,000	32,500	(14,500)
Special education - foster children	90,824	90,824	69,553	(21,271)
Special education - regional programs	143,364	143,364	166,998	23,634
Industry certification	-	-	8,177	8,177
At risk payments	26,818	26,818	27,103	285
Mentor teacher program	3,339	3,339	4,079	740
Reduced K-3	78,477	78,477	72,316	(6,161)
Technology	362,000	362,000	362,000	-
At risk four-year olds	92,074	92,074	92,074	-
English as a second language	12,722	12,722	7,306	(5,416)
Other state funds	-	-	3,125	3,125
Total categorical aid	<u>\$ 25,331,018</u>	<u>\$ 25,331,018</u>	<u>\$ 24,008,222</u>	<u>\$ (1,322,796)</u>
Total revenue from the Commonwealth	<u>\$ 25,331,018</u>	<u>\$ 25,331,018</u>	<u>\$ 24,008,222</u>	<u>\$ (1,322,796)</u>

County of Botetourt, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

<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 federal government:				
Categorical aid:				
Schools and Roads Grant	\$ 17,016	\$ 17,016	\$ 70,335	\$ 53,319
School breakfast program	89,250	89,250	86,505	(2,745)
School lunch program	351,944	351,944	598,486	246,542
State fiscal stabilization program	1,644,826	1,644,826	2,531,697	886,871
Title I	420,000	420,000	321,207	(98,793)
Language acquisition	5,000	5,000	3,070	(1,930)
Title VI-B, Special education flow-through	1,444,966	1,444,966	1,427,962	(17,004)
Vocational education	47,598	47,598	47,450	(148)
Title VI-B, Special education pre-school	27,482	27,482	52,348	24,866
Drug free schools	17,000	17,000	-	(17,000)
Title II	10,000	10,000	3,301	(6,699)
Adult basic education	17,500	17,500	11,946	(5,554)
Title V, Part A	130,410	130,410	10,473	(119,937)
Improving teacher quality	153,000	153,000	106,679	(46,321)
Total categorical aid	<u>\$ 4,375,992</u>	<u>\$ 4,375,992</u>	<u>\$ 5,271,459</u>	<u>\$ 895,467</u>
Total revenue from the federal government	<u>\$ 4,375,992</u>	<u>\$ 4,375,992</u>	<u>\$ 5,271,459</u>	<u>\$ 895,467</u>
Total School Operating Fund	<u>\$ 52,592,409</u>	<u>\$ 52,592,409</u>	<u>\$ 50,344,738</u>	<u>\$ (2,247,671)</u>
Total Discretely Presented Component Unit - Total Component-Unit School Board	<u>\$ 52,592,409</u>	<u>\$ 52,592,409</u>	<u>\$ 50,344,738</u>	<u>\$ (2,247,671)</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<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	\$ 285,617	\$ 285,618	\$ 246,353	\$ 39,265
General and financial administration:				
County administrator	\$ 377,399	\$ 377,107	\$ 326,811	\$ 50,296
Deputy administrators	378,659	378,532	362,805	15,727
Central garage	66,322	72,309	57,629	14,680
Commissioner of revenue	355,124	355,056	329,454	25,602
Assessor	170,000	170,000	136,106	33,894
Equilization Board	10,800	10,800	8,963	1,837
Central purchasing	154,281	155,613	151,664	3,949
Treasurer	405,733	425,728	410,714	15,014
Management information systems	698,330	701,316	666,389	34,927
Financial services	314,486	314,475	294,462	20,013
Total general and financial administration	\$ 2,931,134	\$ 2,960,936	\$ 2,744,997	\$ 215,939
Board of elections:				
Electoral board/registrar	\$ 264,993	\$ 264,672	\$ 226,283	\$ 38,389
Total board of elections	\$ 264,993	\$ 264,672	\$ 226,283	\$ 38,389
Total general government administration	\$ 3,481,744	\$ 3,511,226	\$ 3,217,633	\$ 293,593
Judicial administration:				
Courts:				
Circuit court	\$ 59,195	\$ 59,195	\$ 56,142	\$ 3,053
General district court	34,111	34,111	29,659	4,452
Magistrate	825	724	250	474
Clerk of the circuit court	571,203	591,921	552,158	39,763
Total courts	\$ 665,334	\$ 685,951	\$ 638,209	\$ 47,742
Commonwealth's attorney:				
Commonwealth's attorney	\$ 656,130	\$ 656,130	\$ 638,367	\$ 17,763
Total commonwealth's attorney	656,130	656,130	638,367	17,763
Total judicial administration	\$ 1,321,464	\$ 1,342,081	\$ 1,276,576	\$ 65,505
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,056,652	\$ 4,494,728	\$ 4,045,610	\$ 449,118
Total law enforcement and traffic control	\$ 4,056,652	\$ 4,494,728	\$ 4,045,610	\$ 449,118

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire departments and rescue squads	\$ 1,601,790	\$ 2,341,941	\$ 2,264,411	\$ 77,530
Emergency communications	189,200	421,200	363,005	58,195
Western Virginia EMS	6,722	6,722	6,722	-
Total fire and rescue services	<u>\$ 1,797,712</u>	<u>\$ 2,769,863</u>	<u>\$ 2,634,138</u>	<u>\$ 135,725</u>
Correction and detention:				
County operated institutions - jail	\$ 3,613,277	\$ 3,661,622	\$ 3,212,598	\$ 449,024
Probation office	23,750	43,050	41,622	1,428
Total correction and detention	<u>\$ 3,637,027</u>	<u>\$ 3,704,672</u>	<u>\$ 3,254,220</u>	<u>\$ 450,452</u>
Inspections:				
Building	\$ 328,780	\$ 328,680	\$ 297,983	\$ 30,697
Total inspections	<u>\$ 328,780</u>	<u>\$ 328,680</u>	<u>\$ 297,983</u>	<u>\$ 30,697</u>
Other protection:				
Animal control	\$ 424,960	\$ 424,749	\$ 388,515	\$ 36,234
Emergency services	1,339,555	1,432,060	1,364,604	67,456
Dispatch	672,505	672,505	636,582	35,923
Total other protection	<u>\$ 2,437,020</u>	<u>\$ 2,529,314</u>	<u>\$ 2,389,701</u>	<u>\$ 139,613</u>
Total public safety	<u>\$ 12,257,191</u>	<u>\$ 13,827,257</u>	<u>\$ 12,621,652</u>	<u>\$ 1,205,605</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 651,205	\$ 638,680	\$ 613,898	\$ 24,782
County engineer	348,771	348,662	317,369	31,293
Public works	139,474	139,474	124,791	14,683
Total sanitation and waste removal	<u>\$ 1,139,450</u>	<u>\$ 1,126,816</u>	<u>\$ 1,056,058</u>	<u>\$ 70,758</u>
Maintenance of general buildings and grounds:				
General properties	\$ 644,123	\$ 675,660	\$ 673,360	\$ 2,300
Total maintenance of general buildings and grounds	<u>644,123</u>	<u>675,660</u>	<u>673,360</u>	<u>2,300</u>
Total public works	<u>\$ 1,783,573</u>	<u>\$ 1,802,476</u>	<u>\$ 1,729,418</u>	<u>\$ 73,058</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 370,000	\$ 370,000	\$ 370,000	\$ -
Total health	<u>\$ 370,000</u>	<u>\$ 370,000</u>	<u>\$ 370,000</u>	<u>\$ -</u>

County of Botetourt, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
State and local hospitalization	\$ 10,500	\$ 10,500	\$ -	\$ 10,500
Mental health contribution	38,743	38,743	38,743	-
Total mental health and mental retardation	\$ 49,243	\$ 49,243	\$ 38,743	\$ 10,500
Welfare:				
Welfare administration and programs	\$ 1,875,790	\$ 1,875,790	\$ 1,490,389	\$ 385,401
Comprehensive services act	1,385,450	1,470,179	1,458,492	11,687
Senior van program	75,638	117,926	109,730	8,196
Resource center	7,500	7,500	7,500	-
Tax relief for the elderly	245,000	245,000	244,505	495
Other welfare programs	51,516	51,516	51,516	-
Total welfare	\$ 3,640,894	\$ 3,767,911	\$ 3,362,132	\$ 405,779
Total health and welfare	\$ 4,060,137	\$ 4,187,154	\$ 3,770,875	\$ 416,279
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 12,068	\$ 12,068	\$ 12,068	\$ -
Contribution to County School Board	20,323,337	20,323,337	19,009,756	1,313,581
Total education	\$ 20,335,405	\$ 20,335,405	\$ 19,021,824	\$ 1,313,581
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 1,436,580	\$ 1,480,189	\$ 1,246,015	\$ 234,174
Sports Complex	403,805	414,330	381,077	33,253
Tourism	147,162	181,158	181,158	-
Total parks and recreation	\$ 1,987,547	\$ 2,075,677	\$ 1,808,250	\$ 267,427
Cultural enrichment:				
Contributions to cultural organizations	\$ 70,428	\$ 75,428	\$ 75,428	\$ -
Greenfield Historical Resources	50,000	50,000	33,516	16,484
Total cultural enrichment	\$ 120,428	\$ 125,428	\$ 108,944	\$ 16,484
Library:				
Library expenses	\$ 785,361	\$ 887,228	\$ 832,107	\$ 55,121
Regional library	247,303	248,952	223,031	25,921
Total library	\$ 1,032,664	\$ 1,136,180	\$ 1,055,138	\$ 81,042
Total parks, recreation, and cultural	\$ 3,140,639	\$ 3,337,285	\$ 2,972,332	\$ 364,953

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning and Zoning	\$ 294,837	\$ 354,111	\$ 340,349	\$ 13,762
Planning commission	22,869	22,869	22,869	-
Industrial development	130,476	166,912	166,877	35
Contribution to Industrial Development Authority	1,500	1,500	1,500	-
Total planning and community development	<u>\$ 449,682</u>	<u>\$ 545,392</u>	<u>\$ 531,595</u>	<u>\$ 13,797</u>
Environmental management:				
Other environmental management	\$ 23,240	\$ 23,240	\$ 23,135	\$ 105
Total environmental management	<u>23,240</u>	<u>23,240</u>	<u>23,135</u>	<u>105</u>
Cooperative extension program:				
Extension office	\$ 93,144	\$ 93,144	\$ 70,397	\$ 22,747
Total cooperative extension program	<u>93,144</u>	<u>93,144</u>	<u>70,397</u>	<u>22,747</u>
Total community development	<u>\$ 566,066</u>	<u>\$ 661,776</u>	<u>\$ 625,127</u>	<u>\$ 36,649</u>
Capital projects:				
EOC upgrades	\$ 10,000	\$ 10,000	\$ 9,454	\$ 546
Tower site batteries	10,000	10,000	-	10,000
Street signs	15,000	15,000	-	15,000
ADA Compliance	50,000	50,000	-	50,000
Boxley Fields	25,000	25,000	-	25,000
Buchanan Park	-	145,000	-	145,000
Eagle Rock Library	140,000	1,139,355	952,458	186,897
Industrial site development	100,000	80,015	46,254	33,761
Recreation facility (Greenfield park)	25,000	25,000	-	25,000
Solid Waste Transfer Station	-	24,500	6,000	18,500
Total capital projects	<u>\$ 375,000</u>	<u>\$ 1,523,870</u>	<u>1,014,166</u>	<u>\$ 509,704</u>
Debt service:				
Principal retirement	\$ 2,964,240	\$ 2,964,240	\$ 2,798,024	\$ 166,216
Interest and other fiscal charges	2,061,502	2,061,502	2,061,502	-
Total debt service	<u>\$ 5,025,742</u>	<u>\$ 5,025,742</u>	<u>\$ 4,859,526</u>	<u>\$ 166,216</u>
Total General Fund	<u>\$ 52,346,961</u>	<u>\$ 55,554,272</u>	<u>\$ 51,109,129</u>	<u>\$ 4,445,143</u>
Total Primary Government	<u>\$ 52,346,961</u>	<u>\$ 55,554,272</u>	<u>\$ 51,109,129</u>	<u>\$ 4,445,143</u>

County of Botetourt, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board				
Special revenue funds:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 1,904,057	\$ 1,904,057	\$ 1,858,978	\$ 45,079
Instruction costs:				
Instructional costs	\$ 37,693,123	\$ 37,673,766	\$ 34,810,477	\$ 2,863,289
Operating costs:				
Pupil transportation	\$ 3,454,242	\$ 3,454,242	\$ 3,446,318	\$ 7,924
Operation and maintenance of school plant	4,578,251	4,578,251	4,331,392	246,859
School food service	2,153,306	2,153,306	2,105,131	48,175
Facilities	1,125,000	1,125,000	1,461,838	(336,838)
Technology	1,703,787	1,703,787	2,159,089	(455,302)
Total operating costs	\$ 13,014,586	\$ 13,014,586	\$ 13,503,768	\$ (489,182)
Total education	\$ 52,611,766	\$ 52,592,409	\$ 50,173,223	\$ 2,419,186
Total School Fund	\$ 52,611,766	\$ 52,592,409	\$ 50,173,223	\$ 2,419,186
Total Discretely Presented Component Unit - School Board	\$ 52,611,766	\$ 52,592,409	\$ 50,173,223	\$ 2,419,186

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

Statistical Section

Statistical Section

Contents

Tables

Financial Trends

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

1 - 6

Revenue Capacity

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

7 - 10

Debt Capacity

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

11 - 15

Demographic and Economic Information

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

16

Operating Information

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

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Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. 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 Eight Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 24,784,273	\$ 27,728,370	\$ 28,954,610
Restricted	118,523	144,886	116,975	676,265	666,969	243,247	260,324	184,574
Unrestricted	3,966,387	6,463,347	10,173,008	18,758,845	20,068,496	17,062,750	10,303,045	9,116,696
Total governmental activities net assets	<u>\$ 10,280,760</u>	<u>\$ 13,749,328</u>	<u>\$ 18,982,401</u>	<u>\$ 31,708,466</u>	<u>\$ 38,833,056</u>	<u>\$ 42,090,270</u>	<u>\$ 38,291,739</u>	<u>\$ 38,255,880</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	\$ 10,207,082	\$ 10,102,393	\$ 9,954,091
Unrestricted	1,393,862	2,035,410	1,340,450	1,401,069	295,498	888,109	2,022,825	2,354,249
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>	<u>\$ 11,095,191</u>	<u>\$ 12,125,218</u>	<u>\$ 12,308,340</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	\$ 34,991,355	\$ 37,830,763	\$ 38,908,701
Restricted	118,523	144,886	116,975	676,265	666,969	243,247	260,324	184,574
Unrestricted	5,360,249	8,498,757	12,339,079	20,159,914	20,363,994	17,950,859	12,325,870	11,470,945
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>	<u>\$ 53,185,461</u>	<u>\$ 50,416,957</u>	<u>\$ 50,564,220</u>

Information has only been available for eight years.

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General government	\$ 2,012,402	\$ 2,230,461	\$ 2,396,259	\$ 2,623,963	\$ 2,474,879	\$ 2,425,324	\$ 2,882,831	\$ 3,330,864
Judicial administration	606,205	850,225	898,610	1,007,505	1,247,810	1,315,699	1,307,844	1,289,818
Public safety	6,460,243	6,800,812	7,214,325	7,541,698	9,005,396	11,408,457	11,875,621	12,060,957
Public works	2,196,276	1,634,166	1,087,768	(342,596)	2,094,816	1,645,071	3,469,969	1,026,920
Health and welfare	2,550,130	2,964,610	3,089,866	3,078,876	3,155,210	3,522,298	3,359,650	3,717,605
Education	16,570,067	17,302,062	16,869,552	19,071,338	18,891,746	20,021,134	22,944,520	20,407,000
Parks, recreation and cultural	1,324,480	1,349,839	1,708,618	1,756,571	2,172,778	2,801,151	2,932,681	3,120,867
Community development	466,355	802,821	1,022,648	564,789	582,609	2,012,043	1,323,106	672,942
Interest on long-term debt	1,075,768	1,014,329	949,361	1,081,456	2,712,171	2,566,987	2,127,418	1,978,620
Total governmental activities expenses	\$ 33,261,926	\$ 34,949,325	\$ 35,237,007	\$ 36,383,600	\$ 42,337,415	\$ 47,718,164	\$ 52,223,640	\$ 47,605,593
Business-type activities:								
Water	\$ 1,691,872	\$ 1,490,662	\$ 1,524,165	\$ 2,035,296	\$ 2,095,311	\$ 2,382,201	\$ 2,705,663	\$ 2,822,893
Total primary government expenses	\$ 34,953,798	\$ 36,439,987	\$ 36,761,172	\$ 38,418,896	\$ 44,432,726	\$ 50,100,365	\$ 54,929,303	\$ 50,428,486
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 801	\$ 10,104	\$ -	\$ 2,220	\$ 1,090	\$ 1,202	\$ 606	\$ 492
Judicial administration	209,353	336,028	222,281	337,141	304,025	293,937	79,072	154,962
Public safety	111,999	687,202	574,937	624,263	541,492	584,434	542,087	462,721
Public works	763,073	670,364	874,485	853,104	1,255,980	936,821	176,935	168,841
Parks, recreation and cultural	16,524	9,007	28,141	30,786	61,788	130,073	149,235	164,399
Community development	-	-	-	-	39,582	-	-	-
Operating grants and contributions	4,485,440	4,844,407	5,527,195	5,884,760	5,813,858	6,804,623	7,900,796	6,843,667
Capital grants and contributions	-	-	825,621	5,341,327	833,052	3,141,221	-	-
Total governmental activities program revenues	\$ 5,587,190	\$ 6,557,112	\$ 8,052,660	\$ 13,073,601	\$ 8,850,867	\$ 11,892,311	\$ 8,848,731	\$ 7,795,082
Business-type activities:								
Charges for services:								
Water	\$ 1,299,743	\$ 1,730,084	\$ 1,844,364	\$ 1,903,624	\$ 1,965,855	\$ 2,788,894	\$ 2,703,870	\$ 2,971,193
Operating grants and contributions	-	123,452	-	-	-	-	-	-
Capital grants and contributions	-	-	242,320	184,415	14,270	-	97,975	25,000
Total business-type activities program revenues	\$ 1,299,743	\$ 1,853,536	\$ 2,086,684	\$ 2,088,039	\$ 1,980,125	\$ 2,788,894	\$ 2,801,845	\$ 2,996,193
Total primary government program revenues	\$ 6,886,933	\$ 8,410,648	\$ 10,139,344	\$ 15,161,640	\$ 10,830,992	\$ 14,681,205	\$ 11,650,576	\$ 10,791,275

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Net (expense) / revenue								
Governmental activities	\$ (27,674,736)	\$ (28,392,213)	\$ (27,184,347)	\$ (23,309,999)	\$ (33,486,548)	\$ (35,825,853)	\$ (43,374,909)	\$ (39,810,511)
Business-type activities	(392,129)	362,874	562,519	52,743	(115,186)	406,693	96,182	173,300
Total primary government net expense	\$ (28,066,865)	\$ (28,029,339)	\$ (26,621,828)	\$ (23,257,256)	\$ (33,601,734)	\$ (35,419,160)	\$ (43,278,727)	\$ (39,637,211)
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	\$ 27,293,853	\$ 28,666,285	\$ 28,295,560
Local sales and use taxes	1,627,979	1,902,149	1,907,016	2,043,136	2,120,627	2,102,537	1,930,445	1,873,975
Taxes on recordation and wills	226,569	269,075	345,583	610,881	453,586	405,937	296,613	285,530
Motor vehicle licenses taxes	654,769	672,656	694,280	715,817	718,797	25,815	587,147	627,860
Consumer utility taxes	496,838	722,673	1,097,302	1,114,597	946,172	694,547	694,849	694,260
Business licenses taxes	479,334	591,582	717,265	761,213	780,498	828,183	788,003	779,757
Other local taxes	2,004,431	1,743,015	1,648,434	1,829,180	2,133,704	2,437,859	2,329,120	1,537,984
Unrestricted grants and contributions	3,598,245	3,815,309	3,684,929	3,330,507	3,990,504	3,879,675	4,007,081	4,652,598
Unrestricted revenues from use of money and property	331,740	270,904	760,822	1,247,708	2,661,235	1,631,765	902,894	660,250
Miscellaneous	446,480	283,959	270,663	628,389	334,911	126,545	285,932	366,878
Transfers	(271,103)	78,302	(30,875)	(14,489)	(69,880)	(343,649)	(911,991)	-
Total governmental activities	\$ 30,714,165	\$ 31,860,782	\$ 33,055,083	\$ 35,210,443	\$ 40,611,138	\$ 39,083,067	\$ 39,576,378	\$ 39,774,652
Business-type activities:								
Unrestricted revenues from use of money and property	\$ 19,199	\$ 16,950	\$ 33,751	\$ 61,439	\$ 61,541	\$ 17,849	\$ 21,854	\$ 9,822
Miscellaneous	2,107	5,876	-	-	-	-	-	-
Transfers	271,103	(78,302)	30,875	14,489	69,880	343,649	911,991	-
Total business-type activities	\$ 292,409	\$ (55,476)	\$ 64,626	\$ 75,928	\$ 131,421	\$ 361,498	\$ 933,845	\$ 9,822
Total primary government	\$ 31,006,574	\$ 31,805,306	\$ 33,119,709	\$ 35,286,371	\$ 40,742,559	\$ 39,444,565	\$ 40,510,223	\$ 39,784,474
Change in Net Assets								
Governmental activities	\$ 3,039,429	\$ 3,468,569	\$ 5,870,736	\$ 11,900,444	\$ 7,124,590	\$ 3,257,214	\$ (3,798,531)	\$ (35,859)
Business-type activities	(99,720)	307,398	627,145	128,671	16,235	768,191	1,030,027	183,122
Total primary government	\$ 2,939,709	\$ 3,775,967	\$ 6,497,881	\$ 12,029,115	\$ 7,140,825	\$ 4,025,405	\$ (2,768,504)	\$ 147,263

Information has only been available for eight years.

Table 3

COUNTY OF BOTETOURT, VIRGINIA
 Governmental Activities Tax Revenues by Source
 Last Eight Fiscal Years
(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	Restaurant Food Tax	Other Local Taxes	Total
2010	\$ 28,295,560	\$ 1,873,975	\$ 694,260	\$ 627,860	\$ 285,530	\$ 779,757	\$ 1,066,328	\$ 471,656	\$ 34,094,926
2009	28,666,285	1,930,445	694,849	587,147	296,613	788,003	1,097,813	1,231,307	35,292,462
2008	27,293,853	2,102,537	694,547	25,815	405,937	828,183	1,078,988	1,358,871	33,788,731
2007	26,540,984	2,120,627	946,172	718,797	453,586	780,498	1,074,307	1,059,397	33,694,368
2006	22,943,504	2,043,136	1,114,597	715,817	610,881	761,213	996,577	832,603	30,018,328
2005	21,959,664	1,907,016	1,097,302	694,280	345,583	717,265	934,270	714,164	28,369,544
2004	21,511,158	1,902,149	722,673	672,656	269,075	591,582	926,064	816,951	27,412,308
2003	21,118,883	1,627,979	496,838	654,769	226,569	479,334	813,560	889,137	26,307,069

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

Information has only been available for eight years.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund										
Reserved	\$ -	\$ -	\$ 118,523	\$ 144,886	\$ 116,975	\$ 18,610,318	\$ 4,884,335	\$ 243,247	\$ 260,324	\$ 266,406
Unreserved	5,464,978	7,990,176	10,429,369	13,076,070	16,199,075	16,603,564	17,669,312	21,465,706	16,164,020	14,054,127
Total general fund	<u>\$ 5,464,978</u>	<u>\$ 7,990,176</u>	<u>\$ 10,547,892</u>	<u>\$ 13,220,956</u>	<u>\$ 16,316,050</u>	<u>\$ 35,213,882</u>	<u>\$ 22,553,647</u>	<u>\$ 21,708,953</u>	<u>\$ 16,424,344</u>	<u>\$ 14,320,533</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,695,671	\$ 1,441,807	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	45,945	100,452	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 45,945</u>	<u>\$ 100,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,695,671</u>	<u>\$ 1,441,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Table 5

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
General property taxes	\$ 18,158,809	\$ 18,529,587	\$ 21,108,596	\$ 21,469,051	\$ 21,996,002	\$ 22,902,166	\$ 26,407,115	\$ 27,365,128	\$ 28,472,840	\$ 28,265,340
Other local taxes	4,944,374	5,012,489	5,188,186	5,901,150	6,409,880	7,074,824	7,153,384	6,494,878	6,626,177	5,799,366
Permits, privilege fees and regulatory licenses	266,197	243,482	301,734	543,063	436,836	537,885	410,932	364,491	259,873	259,962
Fines and forfeitures	194,520	174,778	169,024	170,769	213,182	116,066	132,611	116,316	87,133	91,435
Revenue from use of money and property	754,602	342,864	331,740	270,904	760,822	1,247,708	2,661,235	1,631,765	902,894	660,250
Charges for services	548,034	549,659	932,726	998,873	1,049,826	1,193,560	1,660,415	1,465,660	600,929	600,018
Miscellaneous	274,327	159,766	446,480	309,235	270,663	661,263	334,911	126,545	285,932	366,878
Recovered costs	562,933	583,765	309,381	329,355	441,512	1,079,791	1,328,471	1,429,487	1,982,437	1,465,804
Intergovernmental:										
Commonwealth	6,294,798	7,607,499	7,211,333	7,663,789	9,041,764	13,444,276	9,677,832	12,947,156	9,827,831	10,278,579
Federal	784,031	1,000,360	872,352	995,927	995,981	1,112,318	959,582	878,363	2,080,046	1,217,686
Total revenues	\$ 32,782,625	\$ 34,204,249	\$ 36,871,552	\$ 38,652,116	\$ 41,616,468	\$ 49,369,857	\$ 50,726,488	\$ 52,819,789	\$ 51,126,092	\$ 49,005,318
Expenditures										
General government administration	\$ 2,057,108	\$ 2,018,660	\$ 1,889,219	\$ 2,060,828	\$ 2,350,299	\$ 2,591,998	\$ 2,666,089	\$ 2,896,922	\$ 3,133,423	\$ 3,217,633
Judicial administration	547,335	567,154	601,548	843,482	891,129	1,006,931	1,253,243	1,288,367	1,281,196	1,276,576
Public safety	5,917,742	6,578,673	6,691,120	7,003,462	7,382,662	8,199,518	9,814,152	11,782,509	12,709,074	12,621,652
Public works	1,057,466	1,376,391	1,590,427	1,435,431	1,677,815	1,571,094	1,724,833	1,625,801	1,699,314	1,729,418
Health and welfare	2,089,337	2,565,915	2,548,996	2,957,939	3,135,064	3,127,959	3,219,915	3,569,914	3,427,105	3,770,875
Education	10,125	10,830	15,901,919	16,194,823	16,226,404	18,428,189	18,248,597	19,060,764	21,712,253	19,021,824
Parks, recreation and cultural	1,244,587	1,326,099	1,414,061	1,563,106	1,685,404	1,733,989	2,268,455	2,812,653	2,986,515	2,972,332
Community development	296,125	355,147	467,517	799,379	1,020,840	731,012	603,682	1,778,813	496,566	625,127
Capital projects	1,244,312	808,094	744,708	239,276	1,429,944	10,802,412	31,516,911	4,916,928	3,067,114	1,014,166
Debt service										
Principal	937,659	-	1,905,688	1,905,711	1,891,773	1,898,541	1,898,887	2,377,691	2,762,390	2,798,024
Bond issuance cost	-	-	-	-	-	157,398	-	-	-	-
Interest and other fiscal charges	919,066	57,194	1,113,506	1,050,735	987,125	951,619	2,355,943	2,652,279	2,223,760	2,061,502
Total expenditures	\$ 16,320,862	\$ 15,664,157	\$ 34,868,709	\$ 36,054,172	\$ 38,678,459	\$ 51,200,660	\$ 75,570,707	\$ 54,762,641	\$ 55,498,710	\$ 51,109,129
Excess of revenues over (under) expenditures	\$ 16,461,763	\$ 18,540,092	\$ 2,002,843	\$ 2,597,944	\$ 2,938,009	\$ (1,830,803)	\$ (24,844,219)	\$ (1,942,852)	\$ (4,372,618)	\$ (2,103,811)
Other financing sources (uses)										
Transfers in	\$ -	\$ 843,413	\$ 250	\$ 175,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	(16,387,417)	(16,803,800)	(271,103)	(99,900)	(30,875)	(14,489)	(69,880)	(343,649)	(911,991)	-
Proceeds of general obligation bonds	-	-	-	-	-	33,460,000	-	-	-	-
Proceeds of literary loans	-	-	611,600	-	-	-	-	-	-	-
Proceeds of revenue anticipation notes	-	-	-	-	825,621	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	978,795	-	-	-	-
Total other financing sources (uses)	\$ (16,387,417)	\$ (15,960,387)	\$ 340,747	\$ 75,120	\$ 794,746	\$ 34,424,306	\$ (69,880)	\$ (343,649)	\$ (911,991)	\$ -
Net change in fund balances	\$ 74,346	\$ 2,579,705	\$ 2,343,590	\$ 2,673,064	\$ 3,732,755	\$ 32,593,503	\$ (24,914,099)	\$ (2,286,501)	\$ (5,284,609)	\$ (2,103,811)
Debt service as a percentage of noncapital expenditures	12.32%	0.38%	8.85%	8.25%	7.73%	7.06%	9.66%	10.18%	9.51%	9.70%

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	Record- ation and Wills Tax	Business License Tax	Other Local Taxes	Total
2010	\$ 28,265,340	\$ 1,873,975	\$ 549,266	\$ 627,860	\$ 285,530	\$ 779,757	\$ 1,682,978	\$ 34,064,706
2009	28,472,840	1,930,445	546,232	587,147	296,613	788,003	2,477,737	35,099,017
2008	27,365,128	2,102,537	539,236	25,815	405,937	828,183	2,593,170	33,860,006
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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service	Total Direct Tax Rate	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2010	\$ 2,988,312,115	\$ 283,659,315	\$ 7,399,339	\$ 193,749,235	\$ n/a	\$ 174,383,239	\$ 0.859	\$ 3,647,503,243	\$ 3,647,503,243	\$ 100.00%
2009	2,959,128,712	333,396,867	7,345,446	192,402,843	n/a	163,592,256	0.884	3,655,866,124	3,655,866,124	100.00%
2008	2,895,743,670	308,999,319	7,808,357	172,799,915	n/a	156,941,049	0.872	3,542,292,310	3,542,292,310	100.00%
2007	2,833,082,150	310,621,094	7,700,260	151,870,890	n/a	133,877,838	0.873	3,437,152,232	3,437,152,232	100.00%
2006	2,186,686,112	289,638,810	8,033,414	153,638,605	n/a	135,301,326	0.954	2,773,298,267	2,773,298,267	100.00%
2005	2,139,938,316	256,968,546	8,158,314	146,973,693	n/a	142,625,259	0.936	2,694,664,128	2,694,664,128	100.00%
2004	2,085,489,629	257,232,958	8,321,274	136,994,597	n/a	153,383,435	0.937	2,641,421,893	2,641,421,893	100.00%
2003	2,035,695,125	280,283,007	9,730,292	130,338,657	n/a	160,027,136	0.953	2,616,074,217	2,616,074,217	100.00%
2002	1,712,528,114	237,877,380	9,907,597	124,340,420	n/a	135,333,628	0.960	2,219,987,139	2,219,987,139	100.00%
2001	1,649,675,453	225,736,869	10,134,387	106,572,560	n/a	134,704,812	0.951	2,126,824,081	2,126,824,081	100.00%

Source: Commissioner of Revenue

Tax rate is per \$100 of assessed value.

Table 8

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

Fiscal Years	Direct Rates						Overlapping Rates Town of Buchanan	
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Total Direct Tax Rate	Real Estate	Personal Property
2010	\$ 0.65	2.55	0.65	1.80	n/a	0.859	\$ 0.19	0.32
2009	0.65	2.55	0.65	1.80	n/a	0.884	0.19	0.32
2008	0.65	2.55	0.65	1.80	n/a	0.872	0.19	0.32
2007	0.65	2.55	0.65	1.80	n/a	0.873	0.19	0.32
2006	0.70	2.55	0.70	1.80	n/a	0.954	0.19	0.32
2005	0.70	2.55	0.70	1.80	n/a	0.936	0.19	0.32
2004	0.70	2.55	0.70	1.80	n/a	0.937	0.19	0.32
2003	0.70	2.55	0.70	1.80	n/a	0.953	0.19	0.32
2002	0.70	2.55	0.70	1.80	n/a	0.960	0.19	0.32
2001	0.70	2.55	0.70	1.80	n/a	0.951	0.19	0.32

(1) Per \$100 of assessed value

Total Direct Tax Rate is for County only; information to develop direct rate inclusive of Town was not readily available.

Table 9

COUNTY OF BOTETOURT, VIRGINIA
Principal Property Taxpayers
Current Year and the Period Nine Years Prior
(dollars in millions)

Taxpayer	Type Business	Fiscal Year 2010		Fiscal Year 2001	
		2009 Assessed Valuation	% of Total Assessed Valuation	2000 Assessed Valuation	% of Total Assessed Valuation
American Electric Power	Utility	\$ 72.1	2.41%	\$ 52.0	3.15%
Roanoke Cement	Manufacturing	48.5	1.62%	36.1	2.19%
Ntelos/R&B	Communications	26.4	0.89%	21.6	1.31%
Metalsa Roanoke	Manufacturing	18.4	0.62%	8.7	0.53%
Dynax America Corporation	Manufacturing	12.6	0.42%	8.9	0.54%
JTEKT Automotive Virginia	Manufacturing	12.4	0.41%	1.6	0.10%
A.R. Overbay	Real Estate	9.4	0.31%	3.8	0.23%
Altec Industries	Manufacturing	9.1	0.30%	-	0.00%
Carilion Medical	Health Care	8.8	0.29%	1.5	0.10%
Harris Holdings	Real Estate	8.5	0.28%	8.0	0.48%
		<u>\$ 226.2</u>	<u>7.57%</u>	<u>\$ 142.2</u>	<u>8.62%</u>

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	
2010	\$ 31,335,867	\$	31,422,171	100.28%
2009	32,319,345		31,669,893	97.99%
2008	30,889,723		30,683,398	99.33%
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%

Historical information is not readily available; all delinquent collections are not categorized by year.

Table 11

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

Fiscal Years	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases	Revenue Bonds	Capital Leases			
2010	\$ 37,375,656	\$ 6,768,321	\$ -	\$ -	\$ 7,622,008	\$ -	\$ 51,765,985	3.70%	\$ 1,553
2009	39,424,338	7,517,663	-	-	8,086,437	-	55,028,438	4.39%	\$ 1,660
2008	41,428,198	8,276,193	-	-	8,537,017	-	58,241,408	4.78%	1,767
2007	43,032,759	9,049,323	7,000,000	-	8,901,138	-	67,983,220	5.97%	2,094
2006	45,137,311	9,822,453	6,166,948	-	8,686,912	-	69,813,624	6.35%	2,137
2005	11,823,927	10,595,583	825,621	-	7,986,472	-	31,231,603	3.18%	987
2004	12,942,570	11,368,713	-	-	7,834,606	-	32,145,889	3.40%	1,027
2003	14,075,151	12,141,843	-	-	7,385,311	-	33,602,305	3.64%	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	3.97%	1,146

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 1f

Table 12

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2010	\$ 44,143,977	-	\$ 44,143,977	1.21%	\$ 1,325
2009	46,942,001	-	46,942,001	1.28%	1,416
2008	49,704,391	-	49,704,391	1.40%	1,508
2007	52,082,082	-	52,082,082	1.52%	1,604
2006	54,959,764	-	54,959,764	1.98%	1,682
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

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

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

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

COUNTY OF BOTETOURT, VIRGINIA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010

<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 Fincastle	8,989	100%	8,989
County of Botetourt, direct debt			\$ 44,143,977
Total direct and overlapping debt			\$ 44,152,966

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

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

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 226,803,478	\$ 238,506,624	\$ 281,445,247	\$ 284,258,374	\$ 289,726,978	\$ 297,731,822	\$ 367,940,803	\$ 378,621,801	\$ 365,586,612	\$ 364,750,324
Total net debt applicable to limit	<u>29,410,700</u>	<u>27,511,082</u>	<u>26,216,994</u>	<u>24,311,283</u>	<u>23,245,131</u>	<u>54,959,764</u>	<u>52,082,082</u>	<u>49,704,391</u>	<u>46,942,001</u>	<u>44,143,977</u>
Legal debt margin	<u>\$ 197,392,778</u>	<u>\$ 210,995,542</u>	<u>\$ 255,228,253</u>	<u>\$ 259,947,091</u>	<u>\$ 266,481,847</u>	<u>\$ 242,772,058</u>	<u>\$ 315,858,721</u>	<u>\$ 328,917,410</u>	<u>\$ 318,644,611</u>	<u>\$ 320,606,347</u>
Total net debt applicable to the limit as a percentage of debt limit	12.97%	11.53%	9.32%	8.55%	8.02%	18.46%	14.16%	13.13%	12.84%	12.10%

Legal Debt Margin Calculation for Fiscal Year 2010

Total assessed value	\$ 3,647,503,243
Debt limit (10% of total assessed value)	\$ 364,750,324
Net debt applicable to limit	<u>44,143,977</u>
Legal debt margin	<u>\$ 320,606,347</u>

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

Fiscal Year	Water/Sewer Revenue Bonds						Special Assessment Bonds			
	Water/ Sewer Charges and Other(1)	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Special Assessment Collections	Principal	Interest	Coverage
				Principal	Interest					
2010	5,038,229	1,749,040	3,289,189	464,429	295,806	4.33	n/a	n/a	n/a	n/a
2009	4,623,658	1,637,099	2,986,559	450,580	311,427	3.92	n/a	n/a	n/a	n/a
2008	3,656,258	1,537,690	2,118,568	437,042	234,817	3.15	n/a	n/a	n/a	n/a
2007	3,695,574	1,274,548	2,421,026	308,340	297,595	4.00	n/a	n/a	n/a	n/a
2006	3,686,707	1,165,587	2,521,120	179,807	194,610	6.73	n/a	n/a	n/a	n/a
2005	4,154,552	658,558	3,495,994	1,014,542	355,444	2.55	n/a	n/a	n/a	n/a
2004	3,243,629	623,053	2,620,576	309,805	354,306	3.95	n/a	n/a	n/a	n/a
2003	2,903,111	797,004	2,106,107	253,044	380,907	3.32	n/a	n/a	n/a	n/a
2002	3,165,592	626,156	2,539,436	238,090	395,225	4.01	n/a	n/a	n/a	n/a
2001	3,223,702	725,321	2,498,381	228,362	396,156	4.00	n/a	n/a	n/a	n/a

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

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

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
2010	33,325	\$ 1,399,650	\$ 42,000	45.0	4,977	6.40%
2009	33,150	1,252,256	37,775	45.0	4,864	5.00%
2008	32,956	1,219,334	36,999	45.0	4,921	2.93%
2007	32,471	1,138,758	35,070	44.8	4,867	2.53%
2006	32,670	1,099,501	33,655	44.8	4,819	2.60%
2005	31,657	981,747	31,012	44.8	4,782	3.00%
2004	31,300	946,856	29,693	44.0	4,736	2.90%
2003	31,000	924,110	30,416	43.2	4,700	3.40%
2002	30,700	934,754	28,807	42.3	4,697	3.30%
2001	30,500	879,834	27,246	41.5	4,593	2.00%

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 2010			Fiscal Year 2001	
	Employees	Rank	% of Total County Employment	Employees	% of Total County Employment
Botetourt County Public Schools	766	1	8.71%	684	9.05%
Dynax America Corporation	361	2	4.11%	236	3.12%
Botetourt County Government	287	3	3.26%	183	2.42%
Lanford Brothers	243	4	2.76%	210	2.78%
Altec Industries	230	5	2.62%	0	0.00%
Pepsi Cola Bottling Company	190	6	2.16%	200	2.65%
Roanoke Cement	188	7	2.14%	201	2.66%
Gala Industries	181	8	2.06%	241	3.19%
Arkay Packaging	170	9	1.93%	91	1.20%
Metalsa Roanoke	160	10	1.82%	145	1.92%
Lawrence Transportation System	160	11	1.82%	48	0.63%
Virginia Truck Center	150	12	1.71%	97	1.28%
Tread Corporation	130	13	1.48%	90	1.19%
nTelos	108	14	1.23%	117	1.55%
Bank of Botetourt	90	15	1.02%	65	0.86%
Bank of Fincastle	68	16	0.77%	50	0.66%
Carmeuse Lime & Stone - James River	64	17	0.73%	115	1.52%
Virginia Forge	64	18	0.73%	57	0.75%
General Shale Products	50	19	0.57%	120	1.59%
Howell's Motor Freight	40	20	0.46%	31	0.41%
Totals	<u>3,700</u>		<u>42.09%</u>	<u>2,981</u>	<u>39.43%</u>

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

Table 18

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

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	25	25	25	26	26	26	28	29	30	31
Judicial administration	7	7	7	12	12	13	17	17	17	17
Public safety:										
Sheriffs department	82	83	87	87	87	87	103	116	115	108
Fire & rescue	0	2	2	4	5	9	10	14	15	17
Building inspections	6	6	6	6	6	6	6	5	5	4
Animal control	2	2	2	2	3	3	3	3	3	3
GIS / Communications	1	1	1	2	2	2	2	2	3	0
Public works:										
Utilities	5	6	7	7	8	8	8	10	11	11
General maintenance	4	4	5	5	5	5	5	6	7	7
Landfill	6	6	6	6	6	6	5	4	5	4
Engineering	3	3	3	4	4	4	4	4	4	4
Health and welfare:										
Department of social services	18	18	18	18	18	18	18	18	16	16
Comprehensive Services	0	0	0	0	1	1	1	1	1	1
Culture and recreation:										
Parks and recreation	10	10	11	12	13	13	16	18	17	15
Library	11	11	11	12	12	12	13	13	13	14
Tourism / Marketing	0	0	0	0	0	1	1	1	1	1
Community development:										
Planning	3	3	3	3	3	4	4	4	4	4
Totals	<u>183</u>	<u>187</u>	<u>194</u>	<u>206</u>	<u>211</u>	<u>218</u>	<u>244</u>	<u>265</u>	<u>267</u>	<u>257</u>

Source: Individual county departments

Note: GIS employees have been reallocated to General Government.

Table 19

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

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety										
Sheriffs department:										
Physical arrests	1,929	1,880	1,887	2,162	2,565	2,756	2,612	2,422	1,768	1,845
Traffic violations	n/a	3,183	2,838	3,082	3,582	3,494	3,219	2,697	2,330	2,698
Civil papers	7,681	7,871	8,057	8,244	7,906	7,770	6,905	7,298	7,301	7,187
Fire and rescue:										
Number of calls answered	n/a	n/a	4,211	4,673	4,186	4,582	4,956	4,965	5,131	4,615
Building inspections:										
Permits issued (same as Planning)	623	663	634	789	627	740	667	598	462	475
Animal control:										
Number of calls answered	1,371	1,634	1,815	2,507	3,079	3,118	3,484	4,965	6,872	6,082
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	3	3	3	3	3	3
Landfill:										
Refuse collected (tons/day)	94	95	90	95	99	107	110	33	6.5	6.8
Recycling (tons/day)	n/a	n/a	n/a	n/a	29	33	21	17	8.1	9.7
Health and welfare										
Department of Social Services:										
Caseload	n/a	n/a	n/a	1,786	2,300	2,585	2,389	2,448	2,702	3,493
Culture and recreation										
Parks and recreation:										
Recreation permits issued	n/a	n/a	n/a	n/a	70	71	78	69	85	86
After-school program participants	-	-	-	-	-	-	-	-	-	-
Youth sports participants	2,765	2,976	2,898	2,924	2,717	2,953	3,311	3,511	3,594	3,863
Community development										
Planning:										
Zoning permits issued	623	663	634	789	627	740	667	598	462	475
Component Unit - School Board										
Education:										
School age population (per census)		6,028			6,224	n/a	n/a	n/a	n/a	n/a
Number of teachers	367	371	371	376	375	387	400	401	409	405
Local expenditures per pupil	5,438	3,766	3,535	3,573	3,601	3,788	3,885	4,075	4,369	4,222

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

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

Table 20

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

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government										
Administration buildings	3	3	3	3	3	3	3	4	4	4
Vehicles	3	4	4	3	3	4	4	4	5	7
Public safety										
Sheriffs department:										
Patrol units	n/a	49	48	48	48	48	49	51	51	50
Other vehicles	n/a	8	11	12	10	12	12	13	14	15
Building inspections:										
Vehicles	4	4	4	4	4	4	4	3	4	4
Animal control:										
Vehicles	2	2	2	3	3	3	3	3	4	4
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	3	3	3	4	4	4
Landfill:										
Vehicles	12	12	12	12	12	12	11	11	11	8
Equipment	7	7	9	9	9	9	9	9	9	9
Sites	2	2	2	2	2	2	2	2	2	2
Health and welfare										
Department of Social Services:										
Vehicles	-	-	-	-	-	-	-	-	-	-
Culture and recreation										
Parks and recreation:										
Community centers	3	3	3	2	2	2	2	2	2	2
Vehicles	10	11	11	11	12	12	11	12	13	13
Parks acreage	20	20	20	20	20	158	158	158	158	158
Swimming pools	-	-	-	-	-	-	-	-	-	-
Tennis courts	2	2	2	2	2	2	2	4	4	4
Community development										
Planning:										
Vehicles	2	2	2	2	2	2	2	2	2	1
Component Unit - School Board										
Education:										
Schools	12	12	12	12	12	12	12	12	12	12
School buses	74	75	75	74	79	77	82	85	89	93

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 of Supervisors
County of Botetourt, Virginia
Fincastle, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units and each major fund of the County of Botetourt, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Botetourt, Virginia's basic financial statements and have issued our report thereon dated October 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Botetourt, Virginia's internal control 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Botetourt, Virginia in a separate letter dated October 29, 2010.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, 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, Faucher, Cox Associates

Christiansburg, Virginia
October 29, 2010

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the County of Botetourt, Virginia's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the County of Botetourt, Virginia's major federal programs for the year ended June 30, 2010. 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 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 the County of Botetourt, Virginia's management. Our responsibility is to express an opinion on the 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 the County of Botetourt, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Botetourt, Virginia's compliance with those requirements.

In our opinion, the County of Botetourt, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Botetourt, Virginia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 management, the Board of Supervisors, others within the entity, 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, Turner, Co. Associates

Christiansburg, Virginia
October 29, 2010

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Awards
DEPARTMENT OF AGRICULTURE:			
Pass through payments from:			
<i>State Department of Agriculture:</i>			
Food Distribution-Schools (Note C) (Child Nutrition Cluster)	10.555	40591	\$ 153,846
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10561	140,237
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - ARRA	10.561	10561	4,062
<i>Department of Education:</i>			
School Breakfast Program (Child Nutrition Cluster)	10.553	40591	86,505
National School Lunch Program (Child Nutrition Cluster)	10.555	40591	444,640
Secure Payments for States and Counties Containing Federal Lands	10.665	43841	70,335
Total Department of Agriculture			<u>\$ 899,625</u>
DEPARTMENT OF THE INTERIOR:			
Direct payments from:			
<i>Bureau of Land Management:</i>			
Payments in Lieu of Taxes	15.226	NA	110,481
Total Department of the Interior			<u>\$ 110,481</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass through payments from:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	93556	\$ 15,066
Temporary Assistance for Needy Families	93.558	93558	122,702
Refugee and Entrant Assistance - State Administered Programs	93.566	93566	321
Low Income Home Energy Assistance	93.568	93568	7,764
Child Care and Development Block Grant (CCDF Cluster)	93.575	93575	96,360
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	93596	63,335
Child Welfare Services - State grants	93.645	93645	469
Foster Care - Title IV E	93.658	93658	54,265
Foster Care - ARRA	93.658	93658	1,629
Adoption Assistance	93.659	93659	36,869
Adoption Incentive Payments	93.603	93603	2,083
Adoption Assistance - ARRA	93.659	93659	3,997
Social Services Block Grant	93.667	93667	81,542
Chafee Foster Care Independence	93.674	93674	2,291
Child Care and Development Block Grant - ARRA (CCDF Cluster)	93.713	93713	44,629
Children's Health Insurance Program	93.767	93737	6,196
Medical Assistance Program	93.778	93778	81,212
Chafee Education & Training Vouchers Program	93.599	93599	1,327
Total Department of Health and Human Services			<u>\$ 622,057</u>
U. S. DEPARTMENT OF HOMELAND SECURITY:			
Pass through payments from:			
<i>Department of Emergency Management:</i>			
Law Enforcement Terrorism Prevention	97.074	52717	\$ 133,112
State Homeland Security Grant Program	97.073	52708	4,900
Total U. S. Department of Homeland Security			<u>\$ 138,012</u>

Pass-through

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal CFDA Number	Entity Identifying Number	Federal Awards
DEPARTMENT OF JUSTICE:			
Pass through payments from:			
<i>State Compensation Board</i>			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	NA	\$ 191,085
Total Department of Justice			<u>\$ 191,085</u>
DEPARTMENT OF TRANSPORTATION:			
Pass through payments from:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	50326	\$ 11,752
Total Department of Transportation			<u>\$ 11,752</u>
DEPARTMENT OF EDUCATION:			
Pass through payments from:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies (Title 1 - Part A Cluster)	84.010	42901	\$ 319,375
Title I Grants to Local Educational Agencies, Recovery Act (Title 1 - Part A Cluster)	84.389	42913	1,832
Special Education - Grants to States (Special Education Cluster (IDEA))	84.027	73071	1,126,160
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	62532	2,531,696
Special Education Grants to States, Recovery Act (Special Education Cluster (IDEA))	84.391	61245	301,801
Special Education - Preschool Grants (Special Education Cluster (IDEA))	84.173	62521	30,611
Special Education - Preschool Grants, Recovery Act (Special Education Cluster (IDEA))	84.392	61247	21,737
Career and Technical Education -- Basic Grants to States	84.048	61095	47,451
Educational Technology State Grants	84.318	61600	3,301
Adult Education - Basic Grants to States	84.002	42801	11,945
Improving Teacher Quality State Grants	84.367	61480	106,679
English Language Acquisition Grants	84.365	60509	3,071
Special Education - State Personnel Development	84.323	42999	10,474
Total Department of Education			<u>\$ 4,516,133</u>
Total Federal Financial Assistance			<u>\$ 6,489,145</u>

Note A--Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Botetourt, Virginia under programs of the federal government for the year ended June 30, 2010. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Botetourt, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Botetourt, Virginia.

Note B--Summary of Significant Accounting Policies

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

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

Note C--Food Distribution

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

COUNTY OF BOTETOURT, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Note D--Relationship to the Financial Statements:

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

Primary government:	
General Fund	\$ 1,217,686
Component Unit Schools:	
School Operating Fund	<u>\$ 5,271,459</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 6,489,145</u>

County of Botetourt, Virginia

Schedule of Findings, Responses and Questioned Costs
 Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	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 (IDEA)
84.391/84.392	
84.010/84.389	Title 1 , Part A Cluster
93.713/93.596/93.575	Child Care and Development Funds Cluster (CCDF)
84.394	State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

County of Botetourt, Virginia

Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2010

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no prior audit findings related to federal awards.